

Respectfully submitted this 4th day of April, 2018.



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Date: April 4, 2018

To: The Honorable Bonnie Brigance Leadbetter

From: Marita J. Kelley, MPA, City of Harrisburg, Recovery Coordinator

Marita J. Kelley / awm

Re: Update on Receiver's Plan Implementation

I am pleased to provide the Court with the quarterly update on the status of the implementation of the Receiver's Recovery Plan, as confirmed by the Court on March 9, 2012; on the Modified Plan, the Harrisburg Strong Plan ("Strong Plan"), confirmed by the Court on September 23, 2013 and the Strong Plan Modifications, as confirmed by the Court on July 20, 2016. This will be the seventeenth report to the Court since the appointment of the Coordinator, by then Department of Community and Economic Development (DCED) Secretary Walker, effective March 1, 2014.

As the Recovery Coordinator, in accordance with Act 47, the Municipalities Financial Recovery Program, as amended by Act 199 of 2014, the Recovery Coordinator Team must provide an Exit plan for the City of Harrisburg by March 22, 2018. Since it is six months prior to the five-year deadline defined by Act 199, the Recovery Coordinator has three options to recommend: a rescission or exit recommendation from Act 47; a recommendation of a fiscal emergency; or a recommendation for a three-year extension. As such, on March 22, 2018, the City of Harrisburg's Chief Clerk and the Mayor's Office received the Financial Condition Report which preliminarily recommends a three-year extension as part of the City's Exit strategy from Act 47, the Municipalities Financial Recovery Program. The Coordinator has had preliminary discussions with the Mayor and City Council regarding the recommendation set forth in the Financial Condition Report. A copy of the report is provided herein for the Court. The public has fifteen days from March 22, 2018, to provide public comment on the Financial Condition Report and a public meeting is set for April 10, 2018 at 5:00pm the City Council Chambers for public discussion. The final Exit Report with the Financial Condition Report embodied in it will be submitted to the City Council for review by June 2018. This will allow time over the summer for a fifteen-day comment period and a public meeting prior to adoption by City Council in September 2018.

This memorandum, supported by the accompanying attachment, provides the Court with a summary of actions that have occurred and issues that are involved with the continued implementation of the Strong Plan, including the modifications thereto, through the first quarter of 2018.

During the past three months, (January, February, March) the Coordinator and the rest of the Coordinator's team have been working with the City of Harrisburg's Mayor, Finance Department, and City Council to review 2017 year-end financial management reports to ascertain the financial health of the City.

The Coordinator's team was pleased to see the Mayor's commitment to a strong fund balance, as he earmarked 17.5% of the General Fund Reserves to the Unassigned General Fund, Fund Balance. He also committed a significant amount of fund balance resources to critical and necessary Capital Improvement Programming. This is identified in the Capital Improvement Plan discussion below.

The Coordinator team was engaged and involved, as the 2018 final budget was approved by City Council. The approved budget was also reviewed to assure that it is in full compliance with the Harrisburg Strong Plan.

Office of the Receiver/Coordinator

It has now been just over four years since your honor issued an order on February 25, 2014 to vacate the Office of the Receiver, return the City to the underlying provisions of Act 47, and for DCED's Secretary to appoint a Coordinator who would oversee the further implementation of the Court confirmed Strong Plan. As part of the order vacating the Receivership, the Court retained jurisdiction over the further implementation of the Strong Plan. Consistent with the Court's order and to keep the Court apprised of the Recovery plan's status and Harrisburg's recovery, I am providing the first quarter 2018 report on the City's progress with further implementation activities.

The first quarter of 2018 saw continued activity with implementation of the Strong Plan modifications approved last year. The modifications provide financial projections through 2018 (the five-year initial term of Act 47), along with attendant recommendations that will advance the City's recovery towards the ultimate rescission of its Act 47 designation. The modifications recognize the current fiscal position of the City and provide a fiscal roadmap for City officials to advance their recovery to the point at which a rescission of its distress determination can occur. It provides the City with a comprehensive strategy to balance future budgets using the limited tools that are at the City's discretion. It offers preferred alternatives that attempt to assuage the fiscal burden of City taxpayers and current employees and gives the City's Elected Officials flexibility to achieve balanced operating budgets. It also provides opportunities for funding Capital Improvement Programming for services that are essential to improve the City's quality of life and economic vitality, some of which are incorporated in the 2018 approved budget. In fact, the Mayor and City Council have committed an unprecedented \$6.5 Million dollars to the capital improvement and investment in the City for Fiscal Year 2018. Most of the capital improvements are for IT, Public Works, and Public Safety facilities. There is also a considerable investment in the City's Park System for the first time in more than a decade.

As Coordinator, I hold bi-weekly status conference calls with members of our consulting team to coordinate all aspects of plan implementation. The team of professional advisors comprised of the Novak Consulting Group, Pennsylvania Economy League, Dilworth Paxson, Public Resources Advisory Group, and Harris, Wiltshire & Grannis, along with DCED and the Office of General Counsel, has and will continue to support the Coordinator with further implementation of the Strong Plan Modifications.

The following sections of the report provide an updated summary of progress made with respect to:

- Impact Harrisburg – Non-Profit for Infrastructure and Economic Development
- Fiscal Issues
- Operational Matters
- Collective Bargaining/Personnel matters
- Asset Related issues

Impact Harrisburg

The first quarter of 2018 Impact Harrisburg Board continued to move forward with Infrastructure and Economic Development project grants that the Board has awarded. The Board is responsible for the administration of the \$12.3 million set aside as part of the parking transaction to fund both economic development and infrastructure initiatives to aid the City in strengthening its tax base and addressing critical infrastructure needs, thus enhancing the quality of life for City residents.

As Coordinator, my office continues to provide administrative support to the nine-member Board and Sheila Dow-Ford, its Executive Director. I attend Board meetings along with my staff and I offer input as appropriate. I continue to meet with Ms. Dow-Ford to provide guidance and historic perspective on the role of the Board. I have provided input on contracting, contract compliance issues, disbursements, and related matters. My Administrative Assistant continues to provide administrative support to the Board including the recording and preparation of the Board's meeting minutes. The Board's minutes are posted on the Department's website.

The Board met monthly during the first quarter (January 23, February 20, and March 20.) Officers include Neil Grover as Chair, Doug Hill as Vice Chair, Brian Hudson as Secretary and Brittany Brock as Treasurer. Sheila Dow-Ford serves as Executive Director. The Board continues to hold its meetings at the PHFA office on North Front Street and maintains its office at the mid-town campus of HACC. The Board will meet the third Tuesday of each month during 2018.

The Board maintains an Operating account at Fulton Bank with a balance of \$541,720, as of the end of March 28, 2018. The remaining funds totaling \$9,900,877 are invested with Wilmington Trust. As of March 28, 2018, the allocation was 70.2% in money market funds and 29.8% in fixed income securities. The Board has authorized Wilmington Trust to gradually reduce its fixed income securities and increase its money market funds in anticipation of upcoming payments to grantees. As of March 28, 2018, Impact Harrisburg had disbursed \$1,136,487 to grantees.

Maher Duessel, the Board's auditor, completed the audit of the FY 15-16 year and provided it to the Board. The Board reviewed the audit and the Executive Director published a summary of the audit in a newspaper of general circulation on July 1, 2017. As the Board's operating year ended on June 30, the Treasurer and Executive Director will coordinate with the Board's auditor to engage with the preparation of the FY 16-17 audit.

Following a competitive application process, the Board awarded two infrastructure projects, one economic development contingency project, and 13 community and economic development projects during the second half of 2016. The City of Harrisburg and Capital Region Water were each awarded \$2,743,645 under the infrastructure program for a cooperative venture that supports the City's multi-modal transportation improvements funded by PennDOT. This multi-modal project has been awarded by the City to Lamb Construction Inc. and preliminary engineering began in September. The major construction of this project will occur in the Spring and Summer of 2018, construction will commence again in April 2018. The project includes major improvements to numerous City streets and alleyways.

The Board also approved an economic development contingency grant for \$250,000 for Microsoft 365 software for the City. The installation of the 365 software was completed in August 2017. The acquisition and deployment of this software addressed a critical IT and communications issue for the City and is further discussed in the Information Technology section of this report. Finally, in October, the Board approved eight large economic development projects and five community

building projects. Please see the projected schedule of all Impact Harrisburg awards provided as an attachment.

Since that time, the Board has focused on completing the contracting process for all the grantees, developing compliance and reimbursement procedures, and initiating project implementation. The Board had finalized a grant contract format and the Executive Director had met initially with all grantees to review the contract format and a project implementation process. The Camp Curtain YMCA contracts are approved by grantee and are waiting for full execution of the contract. The Gamut Theatre contract amendment has not yet been fully executed.

Pursuant to the approach laid out in their proposal, Milligan & Company/Impact Pennsylvania Strategies undertook an initial assessment of each project in September and they reported their results to the Board. Based on this assessment, the Board authorized Milligan to move forward with Phase II, which involves working with all grantees to advance their projects, review reimbursement procedures, and ensure grant compliance.

During the first quarter, the Board continued to develop a reimbursement policy for grantees, as well as a package of forms that grantees would submit as part of the reimbursement process. Impact Harrisburg's Compliance Manager is now meeting with grantees to review the policy and information that will be needed to obtain grant reimbursements.

Four of the projects have moved to the point where disbursements of funds have been fully executed and projects completed. These projects are WebPage FX for \$500,000, Paxton Ministries for \$42,183, Harrisburg River Rescue for \$81,369, and the Harrisburg City (Office 365 project) for \$250,000.

Seven of the projects are either in construction or will be in construction during 2018. TLC Construction and Renovation project is 90% complete and 90% paid. The final invoice will be received by April 30, 2018. Tri-County HDC is ready to begin the project construction. The HDC is still trying to make up the difference from the grant award and the bid received. Reynolds Construction is on campus at Camp Curtain YMCA and ready to begin the project. East Shore YMCA will begin work within the coming weeks. City of Harrisburg's multi-modal project is under way as referenced above. The Compliance Team is working with the Tri-County Community Action on the status of their project. The Gamut Theatre construction is scheduled to begin April 2018.

Community First Fund (CFF) President and CEO, Dan Betancourt, met with the Board on February 20, 2018 to further discuss the revolving loan project funded by Impact Harrisburg in the amount of \$350,000. The Pennsylvania Housing and Finance Administration has also provided \$650,000 towards the revolving loan program for a total of \$1,000,000. The revolving low interest loan project is designed to assist disadvantaged business owners; with a focus on minority and women owned businesses whose main revenue is produced from activities that improve the quality of life and provide economic opportunities that have a positive impact within the City. Specific guideline criteria were created to help small businesses start and or grow their businesses within the City. The loans will range from \$5,000 to \$200,000.

The set aside of funds from the parking monetization for infrastructure investment and incentivizing economic and community development projects is a critical element necessary to strengthen the City's tax base and move the City's recovery to a point of sustainability for the long term. The approved projects have advanced during fiscal year 2018, thus having their intended impact.

In September 2017, Executive Director Dow-Ford suggested that those serving on the Finance Committee should continue serving in that capacity; Committee Chair - Ms. Brittany Brock, Members – Mr. Neil Grover, Mr. Doug Hill and Mr. Brian Hudson. The Board approved keeping the same membership on the Finance Committee for Impact Harrisburg.

The Board's web site at www.impactharrisburg.org was launched last spring and continues to be used to further publicize the mission and work of the Board. The Executive Director has engaged a local IT firm to further enhance the website to make it more user friendly and useful.

As you are aware, the litigation involving PA Media Group related to the application of the Sunshine Act to the Board's meetings has concluded. The Court's Order of August 4, 2017, provides that, "Having concluded that Impact Harrisburg is not an agency for the purposes of Sunshine Act, 65, Pa, CS, Subsection 701-716, the application for Declaratory Relief filed by Impact Harrisburg is granted and the cross application for Declaratory Relief filed by PA Media Group, WITF, and Hearst Properties, dba, WGAL-TV is denied."

Judge Ledbetter did urge Impact Harrisburg's Board to remain as transparent as necessary and to remain focused on its public mission and to remain as open as possible as the law permits.

The Board has committed to advertising an annual list of its meetings, as well as giving public notice of any special meetings. The legal advertisement for 2018 meetings appeared in the January 15, 2018 edition of the Patriot News. The Board has taken the position that its meetings are open to the media and has invited the media to attend, which they have done previously. Meetings will be held once on the third Tuesday of each month at 10:30 a.m. at the Pennsylvania Housing Finance Agency (PHFA) offices on North Front Street.

The Coordinator supports the Board's need for transparency in its actions given that its funds were derived from public sources.

Harrisburg Supplemental Growth Fund

The City has executed a construction contract in collaboration with PennDOT which was awarded to Lamb Construction, Inc. This award partially addresses the Harrisburg Supplemental Growth Fund that Dauphin County and Assured Guaranty Municipal Corporation (AGM) desired to address the \$10 million commitment from PennDOT that occurred as part of the Transportation Reform legislation passed in late 2013. An Escrow Agreement and the Escrow Disbursement agreement were both executed by all parties in February 2015. The escrow agreement accounts for the use of funds set aside in the Supplemental Harrisburg Growth Fund and their distribution to the Infrastructure, Economic Development and OPEB funds should the City not receive PennDOT funding. AGM and the County selected M&T Bank as the depository for these funds and the Coordinator transferred the \$6.666 million set aside in the Supplemental Harrisburg Growth Fund to M&T Bank in February 2015 pursuant to the agreement.

Dauphin County and AGM have expressed concerns over the time it has taken to obtain disbursements under the Escrow Agreement. Following discussions between all parties on how to expedite the allocation and disbursement of the remaining \$6.9 million, PennDOT advised the City to file an application under PennDOT's FY 16/17 Multi-Modal application program for the remaining funds. On October 14, 2016 PennDOT announced the award of a \$2,236,667 grant to improve the vehicular, transit, pedestrian and bicycle movements in the City and to address several transportation safety issues. At the same time, PennDOT also committed a total of \$6,710,000 over the next three years for City projects. This approach will fully satisfy PennDOT's commitment

and is intended to expedite the process moving forward. Design work on these projects is currently underway and the Coordinator will work with the affected parties in connection with the funding to the City and disbursement of escrow proceeds.

PennDOT's commitment is to provide \$2.0 million annually over a five-year period toward infrastructure repair in addition to existing funding commitments. In May 2015, the City received formal approval from PennDOT for an initial \$3.19 million grant to undertake street related improvements. A contract was executed, the City completed various resurfacing projects and an initial \$633,000 was disbursed to the City in April 2016 pursuant to the contract.

The City approved the Multimodal Grant reimbursement agreement with PennDOT for the remaining \$2.542 million at its March 21, 2017 meeting. This will complete the initial \$3.19 million PennDOT grant. These funds are designated for several City streets to be improved. By the end of the first quarter all environmental clearances had been obtained for the project. Utility companies have finalized their work which was completed in advance of construction. NRG completed their work at the intersection of Third and Walnut, in advance of street construction. Final design work is complete, and the contract was awarded to Lamb Construction, Inc in late August and construction has started and will continue through Spring and Summer of 2018. The project includes significant modernization of the Third Street corridor in the City.

Fiscal Matters

As required by the revision to the Municipalities Financial Assistance Act, the Coordinator filed a Fiscal Condition Report with the City on March 22, 2018. The report recommended that the City remain in Act 47 for an additional three years and the preparation of an Exit Plan. A public meeting for comment will be held on April 10, 2018 at 5:00 pm in City Council Chambers.

As reported in the fourth quarter report the City moved through its budget development and approval process culminating in City Council's adoption of the 2018 budget at its December 19, 2017 meeting.

The adopted budget is balanced and totals \$106,165,855. The two major funds are the General Fund at \$72,810,194 and the Neighborhood Services Fund at \$19,269,176 and maintain tax rates at current levels. It also includes a Debt Service Fund of \$9,866,020 that accounts for the City's annual payments on its debt. In addition, the City has a number of smaller Special Revenue funds including Liquid Fuels, Host Municipality, WHBG, Police Protection, Fire Protection, Blight Remediation, Parks and Recreation, and Special Events and Projects Reimbursement funds.

The City then submitted its adopted budget to the Coordinator for review pursuant to the Act 199 amendments. The Coordinator completed his review and provided the Secretary with a budget compliance response letter on January 20, 2018 indicating that the adopted budget was consistent with the goals of the City's Strong Plan modifications adopted in April 2016 and confirmed by the Court in July.

The Strong Plan modifications include a number of recommendations related to Capital Improvement Program. As the City's recovery progresses, it will need to balance the need to fund capital projects through a combination of grant funds, borrowing, and pay as you go (PAYGO). The 2018 budget takes advantage of certain grants and likewise uses a portion of its fund balance on a PAYGO basis to address targeted capital needs primarily in the IT, Public Safety, and Public Works areas.

The Recovery Coordinator continues to closely monitor the City's financial position and works with the City's Finance Office on cash flow related matters. The City's strong year end cash position was such that it did not need to pursue a Tax and Revenue Anticipation Note (TRAN) for Fiscal Year 2018.

The City's bi-weekly General Fund payroll averaged \$925,000 for the quarter and the Neighborhood Services Fund bi-weekly payroll averaged \$140,000 for the quarter. The Coordinator reviews City payables for both the General Fund and Neighborhood Services Fund on a bi-weekly basis to insure expenditures are consistent with the confirmed Strong Plan. During the first quarter, seven (7) bi-weekly check runs were reviewed, comments provided and approved. Through the continued diligence of the City's Finance Office, the City has been able to meet payroll and critical creditor obligations through the first quarter and has continued to maintain a current status (within 30 days or less) for virtually all payables. The cost containment provisions of the Emergency Action Plan continue to be followed as they relate to the City providing "necessary and vital services".

A review of actual revenues and expenditures through the end of February finds that the City's total General Fund revenues were \$9,418,176 (14.8% of budget) while expenditures were \$ 7,523,513 (10.3% of budget). The City received significant Local Services Tax and Earned Income Tax revenues during January and February which has further strengthened its cash position. Other revenues of note through February include parking tax revenues of (17.6% of budget) and priority parking and ground lease revenues of (12.3%). The 2018 cash flow summary attached with this report reflects actual revenues and expenditures through February with projections through year-end.

As of the end of March the City had timely met all its initial debt service payments for the quarter. This included the first of its semi-annual debt service on its General Obligation bonds with a payment of \$4,841,069 on the 1997 Series D and F General Obligation bonds; payment of \$297,742.41 on the PA Infrastructure Bank loan; and payment of \$96,534.90 to M&T Bank on the streetlight LED conversion loan. The City is to be commended for fulfilling its debt service payments on a timely basis.

Given the City's improved fiscal condition, the Recovery Coordinator suggested that the City consider availing itself to the prepayment provisions of the Settlement Agreement with AMBAC. To address both the debt service payments not made in FY 12-13 and to provide the City with cash liquidity in the early years of its recovery, AMBAC agreed to a 10-year extension of the loan and a reduction in the early years of its repayment obligations, it provided a loan to the City at an interest rate of 6.07%. For every \$1 million the City repays early, it would save \$60,000 in annual interest through 2022. Further, because the amount was not borrowed and interest did not accrue, the City would realize a further savings of approximately \$400,000/year from FY 23-32. I have encouraged the City's Elected Officials to give this option serious consideration as it would help them in their path towards sustainability. The City has hired a Financial Advisory to assist them with examining the alternatives with AMBAC. The Recovery Coordinator stands ready to work with the City to reach an agreement with AMBAC.

Following the March 22, 2018 check run and payroll, the City's General Fund cash balance was \$24,466,879. This is \$6.3 million higher than at this point in 2017 when the City's cash position was \$18.1 million. Continued strength in the City's cash position represents a very positive trend for the City's financial stability.

The Coordinator continues to support the work of the City Treasurer, City Controller, and Finance Office to provide budget vs. actual reports to the Administration and Council. This information is an important element in having transparent fiscal information available for Elected Officials to make timely decisions as well as keeping the public aware of the City's financial condition. The Controller's December year-end report reflected a Budgetary Fund Balance at December 31, 2017 of \$17,890,691 in the General Fund, and \$6,219,483 in the Neighborhood Services Fund. The Budgetary Fund Balance is the cumulative residual balance after subtracting expenses from revenues, on a cash basis.

The Controller's office continues to monitor compliance with purchase order procedures and recently updated its review of City purchasing procedures through March. The review found continued improvement in the various City Departments complying with purchasing procedures. When the Controller began its review in 2015 each individual Department, Bureau and Office was acting as an autonomous purchasing entity operating under its own policies. Significant improvements have occurred over the last two years with the filling of the Purchasing Manager position and a commitment made to follow City procedures for purchasing. It's important that all City personnel follow the City's purchasing procedures and obtain purchase orders prior to a purchase to ensure available funding.

The Finance Office spent considerable time during the first quarter in initially closing the accounting records on 2017 activity and then opening the 2018 books. Work also began on pre-audit preparation. Maher Duessel (MD), the City's independent auditor, came in during mid-February to perform their interim procedures, which included testing cash disbursements, reviewing previously provided updated internal control narratives/memos, and confirming their work chart for the various sections of the audit. At that time all audit confirmations (mostly for restricted cash or trust accounts and debt) were completed/signed and provided to MD for handling. Maher Duessel also has obtained the following items as part of their preliminary work: internal control updates, bank statements for testing, 2017 budget information, 2017 journal entries, OPEB valuation, new debt documentation, and some IT reports.

Significant areas of the audit completed or near completion to date include: the HBG Senators Fund and City debt, plus capital leases; other areas underway include fixed assets, workers' comp/medical benefit cost expenditures, payroll, DBHD loan activity, and input of period 13 adjusting entries. Currently the Finance Office is working on items needed for Trout, Ebersole to complete their audit preparation work in the areas of OPEB, compensated absences, and utility receivables (refuse and disposal). Maher Duessel is planning to come in the first week of May to commence their work with a goal of completing the audit by mid-late summer.

The City's Audit Committee was established to provide an independent review and oversight of the City's financial reporting processes, internal controls, and its annual audit. The Committee is comprised of five voting members, and the Chair of the Budget and Finance Committee. The City's independent auditor now reports directly to the Audit Committee. The Committee continues to meet on a regular basis and to be quite active with fiscal management matters. The Committee met in early 2018 to reorganize and receive a status report on the 2017 audit planning process.

During the first quarter the City continued to provide the appropriate Material Event Notices on EMMA related to debt obligations and has maintained compliance with Securities and Exchange Commission (SEC) reporting requirements. Further 15 City personnel completed annual training on the requirements of the City's Continuing Disclosure Policy and the City's obligations under SEC laws.

Operational Issues

During the first quarter of 2018 Harrisburg, with the support of the Coordinator, the City made further progress on a number of key Strong Plan operational initiatives. A progress report regarding these areas, as well as other key Strong Plan operational priorities and initiatives, is detailed below.

In August of 2016 the City received a \$465,380 Act 47 grant to support implementation of four key Strong Plan initiatives relating to augmentation of managerial capacity. The primary areas of focus relate to the utilization of Act 47 grant resources to augment managerial capacity; enhance IT infrastructure development, strategic planning, project management capacity; and creating lasting improvements in the City's refuse and recycling collection operation. A progress report regarding these areas, as well as other key Strong Plan operational priorities and initiatives, is detailed below.

Finance and Administration

One of the most significant initiatives in the Recovery Plan was to fill the position of Business Administrator. The Act 47 grant award provides a three-year salary supplement that allowed the City to increase the compensation package for the Business Administrator position. The adopted 2018 budget includes funding for the Business Administrator position.

After a lengthy recruitment process, the Mayor hired a Business Administrator, Marc Woolley, Esquire. Mr. Woolley has considerable experience in executive positions throughout the Commonwealth, including serving as Chester-Upland School District Recovery Coordinator, General Counsel at the Philadelphia Housing Authority, and as Deputy General Counsel, Chief Compliance Officer and Corporate Secretary with The Hershey Trust

Mr. Woolley will work closely with the Mayor on important business, finance, and operational issues for the City. Mr. Woolley supervises the Department of Administration and works with the Finance Department to manage and oversee the City's budget and finances. With his host of executive experience, Mr. Woolley, is a welcome addition to the executive management team for the City.

Mr. Woolley has met with the Coordinator on multiple occasions since he has taken the position. Mr. Woolley has become familiar with the Harrisburg Strong Plan and has been very willing to meet and discuss the City's progress on a regular basis.

The Act 47 grant award also provided funding for a classification and compensation study for managerial and administrative employees. Since Harrisburg entered Act 47, the City has worked diligently to build staff capacity in critical managerial and administrative positions. Though there have been many successes in the effort to attract quality personnel, recruitment continues to be a significant challenge. Moreover, even in cases where the City has been able to recruit quality personnel, retention has been difficult. This significantly slows the City's efforts to initiate and maintain long-term improvements to operations and service delivery.

Although it is clear that salary and benefit packages need to be adjusted in order for the City to attract and retain the quality personnel required to carry the City beyond Act 47, it is not clear what positions should be adjusted or to what degree those positions need to be adjusted. As a result, a classification and compensation study is needed to assess where adjustments are required. At its April 11, 2017 City Council meeting, City Council approved a contract for \$44,500 with Springsted Incorporated to conduct a classification and compensation study of the City's

exempt and non-exempt, non-represented employee job classifications. Springsted has started work on the compensation study and has requested City management employees to complete surveys about their positions and commenced its analysis of the compensation of City management employees, benchmarking compensation to the relevant job titles in the job market. The study results are expected to be released shortly.

The Bureau of Financial Management has successfully implemented quarterly financial reporting, implemented a standard budget development calendar, and established a standard position control system. Most significantly, the Department of Administration has developed critical staffing capacity in the areas of financial management, purchasing, grant administration and IT management. These improvements in internal expertise have resulted in real progress. Most recently, the City hired a staff accountant/financial analyst that further builds internal capacity. This individual has become a vital member of the Finance team with responsibility for the review and posting of journal entries as well as posting of accounts payable for each bi-weekly check run.

The City must also continue to develop and adopt comprehensive financial policies. The 2013 Strong Plan called for the development and adoption of comprehensive financial policies. These recommendations were continued in the Strong Plan modifications. The Financial Management Policies follow the Best Management Practices in Financial Policies from the Government Finance Officers Association (GFOA.) Such policies are looked upon favorably by rating agencies and are another important step for the City to regain credibility in the financial marketplace. The Act 47 Coordinator developed draft Debt and Fund Balance policies from GFOA Best Management Practices for review and adoption by the City. The Chair of Council's Finance Committee has expressed strong interest in advancing this policy and in the fourth quarter of 2016 City Council established an ad hoc committee comprised of the Finance Committee Chair, Controller, Treasurer and Finance Director to review the proposed finance policies. The Committee reached general agreement on the policies and they have been advanced for City Council's action. The Coordinator continues to advocate for the adoption of these policies at the earliest possible time.

In the Bureau of Financial Management, the first quarter of 2018 has largely been dedicated toward two key tasks: the annual financial audits and the fiscal year close-out. Bureau staff have been working with the City's auditors, Maher Duessel, to complete the audit. The audit was finalized and delivered to the City in October. In addition, the 2018 operating and capital budgets were adopted by City Council in December.

The Bureau of Financial Management worked with the Coordinator during the development and approval of the 2018 Budget Process, as discussed above.

Though the City has completed a number of important initiatives, there are still significant opportunities in the areas of executive management, financial management, and information technology that deserve attention and they are included in the Strong Plan modifications.

Treasurer's Office

Dan Miller, CPA is now serving as Treasurer having been appointed by Council in June 2016 to fill the vacancy due to the resignation of Tyrell Spradley. Mr. Miller was sworn in on July 5, 2016 and is working to make the Treasury Department efficient and well run.

To improve the operation of the Treasurer's Office and address concerns that had arisen, the City engaged Alvarez & Marsal (A&M) to undertake a review of the City's financial operation with a particular emphasis on the Treasurer's Office and its policies, procedures and processes. The

review and report were issued in February 2016. Although the review did not find any instances of suspicious activity, it did identify a number of key findings including:

- A lack of segregation of duties with the Deputy Treasurer performing multiple tasks without necessary checks and balances.
- Lack of timely reconciliation of the City's bank accounts leading to unresolved variances between book balance and bank balance.
- No inventory of all City bank accounts.
- Adjusting entries are not always recorded in the general ledger by the Finance Bureau.
- A culture of the acceptance of errors in accounting and financial matters.
- Lack of written policies and procedures in the Treasurer's Office.

The report further recommended the following:

- Segregate responsibility for the approval and release of wire transfers from their initiation.
- Eliminate generic "Wires" bank token.
- Move responsibility for account reconciliations from Treasury to another office, possibly the Controller's Office.
- Bring all account reconciliations up-to-date and record all prior adjusting entries.
- Address all known discrepancies in City books in a timely manner.
- Create a master inventory of all City bank accounts/close unnecessary accounts.
- Hire a strong Assistant Deputy Treasurer and ensure that person is empowered to act independently.
- Create a set of written policies and procedures for all processes in Treasurer's Office.
- Improve physical security of Treasurer's Office.
- Address cultural issues related to acceptance and expectation of errors.

Treasurer, Dan Miller completed a review of the recommendations and agreed there was a need for better segregation of fiscal duties to strengthen internal controls.

The City Treasurer's Office has worked to address the issues that were deemed substantive and accurately defined in the audit.

The Treasurer's Office has finalized the process of closing dormant accounts and transferring those funds into the General and Neighborhood Services Funds, which represents the City's two major governmental funds. Payments are now made directly from the General and Neighborhood Services Funds thus increasing transparency for these transactions. Having completed this process for the City's major general and restricted funds, the Treasurer has begun meeting with the City's auditors to identify and clarify those accounts corresponding to minor governmental funds that can be consolidated or closed. This represents a continuation of the effort to streamline and simplify the City's accounting practices. To date, the Treasurer's Office has closed or consolidated over 40 dormant accounts.

The Office of Treasurer and the Controller's Office have also initiated a process whereby the Controller's Office provides additional segregation of duties for all wire transfers. All wire transfers require review and sign off by the Controller's Office, which creates a best practice segregation of duties for such activities.

The Treasurer's Office and the Bureau of Financial Management have completed the effort to adjust historical journal entries to ensure that the Treasurer's accounting software pairs with the City's General Ledger, which is housed on the Pentamation financial system. This has created parity between the Office of the Treasurer's system, the General Ledger, and the City's prior year audit

adjustments. In addition, the Office of the Treasurer and the Bureau of Financial Management have initiated a process to ensure that these reconciliations occur on a monthly basis so that backlogs do not occur again.

Collaboration between the Treasurer's Office and other City offices has significantly improved under the direction of the current City Treasurer. The Treasurer's Office has maintained a close working relationship with the Controller's Office and the Bureau of Financial Management. Meetings occur at least monthly to review accounts and address any issues that arise and staff in these offices work together on an almost daily basis to carry forward the financial management work of the City. The Treasurer and the Mayor have also begun meeting monthly to discuss projects of joint interest and foster cooperation and communication among the City's financial and executive management personnel. This cooperation is a fundamental goal of the Act 47 Strong Plan.

To further provide the necessary capacity to ensure better segregation of duties, the Treasurer's Office initiated recruitment for two positions – an Accounting Clerk and a Customer Service Representative. Filling these two positions, and, more importantly, filling the position of Assistant Deputy Treasurer, has allowed the Treasurer's Office to institute the necessary segregation of duties in the office and address one of the A&M Study recommendations.

In addition, filling the Customer Service Representative position has not only enhanced customer service, but decreased the frequency with which other Treasury staff are drawn away from core responsibilities to address customer inquiries. In addition, the Treasurer has established a policy that all phone calls to the office be returned the same day and has assigned personnel to field and collate phone messages to ensure that these responses occur. This is another positive customer service development.

The Treasurer's Office was engaged in a number of additional special projects. The Treasurer and the Mayor have initiated project planning to expand ACH participation, or automatic payments, for City licenses, permits, and service fees. Currently the City estimates that less than 6% of the eligible public utilize the ACH system. The Treasurer's Office and the Mayor's Office are seeking to dramatically expand participation in ACH, which will in turn generate significant process efficiencies in the City's financial management and accounting functions. Though the project plan is still under development, the initial goal is to develop an intensive marketing and public communication campaign.

Similarly, the Treasurer's Office and Mayor's Office are in active discussions to determine ways in which the sanitation billing and collections processes, and treasury/cash management processes can be better integrated to allow for timely response to customer inquiries, rapid follow-up on delinquent accounts, and timely processing of payments. This may involve the Treasurer's Office taking a more active role in supporting the billing process. Regardless of the outcome of this effort, this represents a strong effort on the part of elected officers to work together to streamline processes and improve service to the residents and business owners of Harrisburg.

The Treasurer's Office is also working to develop a more favorable banking arrangement for the City's workers' compensation account. Wells Fargo has traditionally managed the City's workers' compensation account and charged an annual management fee of \$6,500. This fee has often exceeded the interest generated in the account. The Treasurer's Office is working to establish an account with a local bank and estimates that doing so may result in new interest revenue to the City.

The Treasurer's Office, Controller's Office, Mayor's Office and Bureau of Financial Management are working collaboratively to improve the financial management operations of the City including addressing recommendations from the A&M report. The broader cooperation that is occurring will strengthen internal controls and improve overall efficiency in the City's financial operation. I have offered the Coordinator team's assistance with implementing the report's recommendations.

Lastly, staff from the Treasurer's Office has been working diligently to support the annual financial audit. The audit is to be completed this summer with the hope of no major audit findings relating to Treasurer's Office functions.

Information Technology

In June 2017, the IT Director resigned and the Mayor acted quickly in August 2017, to hire a new Director, Steven Bortner. Mr. Bortner has hired a new IT Assistant Director and has extended the contract for Steven Zimmerman, former IT Director for the City to assist him with some of the older IT infrastructure requirements. These new hires along with Mr. Zimmerman have provided significant capacity to the City's IT Executive Management. Mr. Bortner is undertaking a proposal to completely update the IT structure and system for the City.

A prevailing issue in the City has been deteriorating and antiquated IT infrastructure. The Strong Plan amendments included a recommendation for Act 47 funding support and following the approval of the City's application, an Act 47 contract that included \$75,000 for an outsourced Information Technology project manager was fully executed. The contract provides for the engagement of a third party to address mission critical IT infrastructure issues and assist the City in prioritizing and coordinating IT related needs. The City has engaged Sigma Resources to provide IT project management, assess IT needs, and develop an IT strategy moving forward.

In September 2017, I met with Jeff Briel, Sigma Resources, to discuss numerous IT concerns. He and I have set-up a meeting with Kelly Logan of Harrisburg University on October 4, 2017. We hope to further discuss ways that Harrisburg University could assist the City and its IT operations in the future.

A major initiative, in all activities, is to instill collaboration and acknowledge IT as a Service. While this "turn" won't occur immediately, as the problem took many years to manifest to this degree, the guidance provided by Sigma Resources is having an impact.

A Sigma facilitated IT retreat with all City departments resulted in the identification of three key IT objectives: Internal Communication; Document Management; and Business Processes. Sigma's implementation strategy is focusing on each objective on an enterprise wide basis as there is a critical need to share information across City departments which can result in greater efficiencies in City services. The first initiative, a Service Desk program, was deployed in early October. This requires any individual/department needing IT support to complete a service ticket which will then be tracked thru completion. This approach will eliminate the current crisis approach to service though its success to date has been limited. IT culture in the City remains a challenge with the implementation of this initiative though education to reinforce the need for this tracking is continuing.

Additional action taken by the City was the establishment of an IT Advisory Committee to provide input into the City's IT issues. The Advisory Committee is chaired by Charles Gerhard, the State's former IT manager, now with Harrisburg University's Government Technology Institute. The Committee includes individuals from Harrisburg University (HU), the State's Office of

Administration, Sigma Resources, the Recovery Coordinator and City Department representatives. It meets on a monthly basis to provide guidance and coordinate IT related issues. As part of this effort Harrisburg University continues to provide in-kind services as have a number of local IT firms.

The City continues to experience significant problems with its IT infrastructure, especially with its network and the failure of its server drives. This resulted in considerable downtime, loss of information and productivity. It also prevents City officials from being able to access email, key documents, and files stored on the shared drives. This crisis has been long in the making after decades of neglect and failure to update IT infrastructure and provide staff training. Given the critical nature of this issue and its threat to access to financial, legal, police and fire records, the City and its new IT Executive Management Staff along with the support from Sigma Resources and the Coordinator's office, has moved forward to aggressively address IT issues.

The City included a number of IT investments in its 2018 Capital Budget, with approximately \$275,000 dedicated to server replacement and network switch replacement. The Office 365 implementation and related upgrades were completed in August of 2017. This software took the City's email service away from the server and into the cloud. The acquisition was supported by a \$250,000 grant from Impact Harrisburg. Under the direction of Sigma Resources, City Departments were introduced to the product, its features and the intended usage plan. A pilot license was acquired from Microsoft which allowed the pilot group to proceed with testing the software. The City has obtained the full license agreement with Microsoft. Users were grouped into logical segments and they followed a migration schedule. Sigma engaged a full-time project manager to manage this initiative and coordinate between Candoris (the Office 365 partner vendor), the internal user base and Microsoft. The City has successfully completed the installation and implementation of Office 365 in all Departments.

A plan to implement a Bring Your Own Device (BYOD) policy as well as archive, retention and usage policies have been discussed with the Mayor and Solicitor and are under review. It's important that these polices be enacted as part of the migration process.

Concurrent with the Microsoft 365 initiative, various elements of internal network infrastructure have been upgraded. This is another critical need so as to ensure that there is bandwidth available and equipment that is reliable to meet the City's needs. These items include new wiring, network switches, routers, firewalls and other infrastructure elements. As of July 2017, all hardware, switches and wiring have been installed.

Another major problem the City has had to deal with is with its secondary SAN server which uses outdated technology. This unit failed last year and the remaining storage is quite old and at or very near capacity. Several efforts have been made to replace the failed SAN unit including a unit donated by Unisys, though after a significant effort, this unit was found to be defective or improperly cleared by Unisys and was unusable to the City without a significant, cost-prohibitive repair. A second donated SAN was found to be incompatible with the City's current IT Infrastructure. During the 2nd quarter the City acquired a SAN that will provide redundancy. It is a new state of the art, high performance SAN that will not be as susceptible to failure as the current SAN. A health check is being completed to insure redundancy prior to the shutdown that will occur when the new UPS is installed.

A variety of software upgrades and functional replacements are also being considered. Some of these offset legacy systems from the mainframe while others provide efficiency through automation that has not existed in the past. Where practical, software-as-a-service (SaaS) is being

considered as the preferred paradigm as well as looking for solutions that support the Enterprise instead of only individual departments. Enterprise software is currently a challenge as no one has looked at IT needs across departments. Sigma Resources though is moving the City in this direction and undertaking due diligence on the above approaches.

The City's current Nortel phone system is quite old and requires significant effort to maintain. The obvious recommendation is to move toward a VoIP solution once the network infrastructure and budget permits. A City-wide solution though is budget constrained and requires network upgrades to be completed first.

Morefield is also continuing to work with the Police Department to address phone communication issues for non-emergency calls. These calls are not accepted by the County's 911 center and are referred to the City. A phone tree is being established with protocols on processing these calls.

Harrisburg University's Government Technology Institute sponsored a review of the City's data analytics where Information Technology (IT) leaders participated in a ten-month (September 2016 – June 2017) Information Technology Manager (ITM) program. They undertook a review of Open Data and Data Analytics with a goal to provide recommendations to the City that would be of benefit to those living, visiting, and working in the City. The City faces many obstacles to developing an Open Data Initiative including limited funding and legacy systems.

Quarterly, the Recovery Coordinator meets with the Finance Director, City Controller, City Treasurer, and the new IT Director to discuss how the City might examine new hardware and software options. The new IT Director has an excellent perspective on the issues relating to the existing IBM driven system and the financial management General Ledger software system. The team agreed to meet more frequently to discuss how the City can improve its IT operations, specifically, as they relate to financial management reporting and integration. The goal is to have a strategic IT plan within the next six months.

Solicitor's Office

The City Solicitor's office has filled two new positions, Senior Deputy Solicitor (Litigation) and Deputy Solicitor. In addition, the City retained outside real estate counsel to assist in a variety of title and transfer issues, both current and historic. The Solicitor's Office also accepted the assignment of a management employee who assists with much needed record keeping system and filing updates.

The collections attorney has been involved in numerous trainings of the varied record keeping systems, including main frame searches, as well as reviewing files and opening negotiations with large sanitation accounts. Notices of intent to commence litigation on select sanitation accounts are being pursued if the accounts cannot be promptly resolved.

At the end of 2017, the City had received \$10,000 from the first major delinquent waste account. In addition, several other settlements are pending. Neighborhood Services, the Bureau of Financial Management, the Treasurer's Office, and the City Solicitor's Office are working together on an initiative to create automatic electronic collection of sanitation fees as well as other City licenses and fees.

This will represent a significant improvement in customer service and also serve as an opportunity to generate consistency in cash flow and limit account delinquency. Once this system is in place and fully communicated to the public, the City will cease the practice of granting waivers on

penalties for late payments. This not only represents an improved sanitation and revenue collection process but reflects functional cooperation between City Departments and the Treasurer's Office to address operating challenges. This is a fundamental goal of the Act 47 plan and a positive reflection on the City's progress.

There are several litigation issues that could pose a liability for the City. One involves a civil dispute between landowners and insurance carriers over the 2016 collapse of a wall and parking lot onto a Cameron Street business. There are at least 10 parties involved in this matter and though the City should have no exposure related to the collapse and there are other legal costs involved for the City that are significant.

There is also a federal civil rights claim challenging the City's Buffer Zone Ordinance, which was remanded by the Third Circuit Court of Appeals to the U.S. District Court for the Middle District of Pennsylvania for that Court to consider anew a request for preliminary injunctive relief. A hearing was held in October and several City officials testified. A final ruling has not been issued in this case.

The Strong Plan modifications provided for the City to again retain experienced public-sector employment labor counsel for its labor relations activities including the negotiation of FOP and AFSCME contracts that expired the end of 2016 and the IAFF contract that expires the end of 2017. The City engaged John Dean of Elliott Greenleaf to serve as outside labor counsel to assist with these contracts. During the first quarter 2017, Elliott Greenleaf attorneys successfully negotiated both the FOP and AFSCME contracts and negotiations with the IAFF have recently concluded. The IAFF voted on December 29, 2017 to not to accept the City's proposal. A second proposal is currently being negotiated. A further discussion on labor issues is found in the collective bargaining section of this report.

Fire Service

In the 2013 Harrisburg Strong Plan, the Bureau of Fire had a total of 13 initiatives that were the direct responsibility of the Bureau of Fire. The Bureau has made significant progress toward implementing many of those initiatives. Notably, through collective bargaining negotiations, the Department closed one fire station and adjusted its company staffing level to 14 firefighters/lieutenants and one command officer per shift. This has in turn allowed the Bureau to significantly reduce its overtime expenses and added significant value from both a public safety and firefighter safety and response perspective.

The Bureau has 11 new recruits who have successfully graduated from the Academy and were incorporated into active service by year end 2017. These new recruits will augment Firefighting capacity, while continuing to be mentored and trained by senior firefighters and company officers. These recruits replace senior firefighters who have retired from service and so represent a cost savings in salary and benefits. In addition, this on shift capacity will limit the need to rely upon overtime to meet minimum staffing requirements. The total career firefighter complement is 80 personnel with five vacancies. The Bureau plans to move to fill these vacancies in the new year.

Though these recruits will add capacity, the Bureau will continue to experience retirement attrition. This will in turn require regular, recurring hiring to ensure that firefighting capacity remains strong and to limit growth in overtime expenses. The Bureau's current Civil Service list is valid through October 2018. The Bureau will be able to draw upon this list for hiring in January 2018 and to address any unanticipated vacancies that may occur.

In addition, in the second quarter of 2017, the Fire Bureau completed a promotional exam process to backfill vacated company officer positions. The Bureau promoted two Captains to Battalion Chiefs and promoted two Firefighters to Lieutenants. The Bureau will initiate another promotional exam in the fall of 2018, per the process defined in the collective bargaining agreement. In summary, the Bureau has been diligent in its effort to maintain an effective firefighting force and limit overtime expenses. This is a positive practice that has been institutionalized as a management expectation and deserves recognition.

In addition to the personnel matters discussed above, the Bureau has been updating its fire suppression and emergency response apparatus. The Bureau added a new fire engine – Engine 4 – into the fleet. This engine was activated into service in early August and replaces aging apparatus and allows the former front-line apparatus to replace inadequate and antiquated reserve apparatus. Unfortunately, the new fire engine was seriously damaged in an accident and it is only now returning to service in April 2018.

The Bureau is also in the initial stages of writing specifications to replace the Tower 1 ladder truck with the intent to include the truck purchase in the 2019 budget. The Bureau is evaluating the possibility of a re-chassied ladder truck as a cost saving measure. A new ladder truck will cost approximately \$1.3 million while a re-chassied ladder truck will cost approximately \$900,000 and last 10 to 15 years. In addition, the Bureau purchased a new rescue truck to replace the 1990 Mack that failed early in 2017.

The Bureau has also been confronted with a number of facility repair challenges. It has been proactively addressing issues when funds can be obtained through grant resources or the City budget, but there are a number of facility repairs that still need to be funded; for example, roof replacements are needed at all three fire stations. The Bureau will continue to seek grant funds for repairs; however, the Mayor is planning to fund roof replacement for all three stations through the 2018 capital budget.

The Bureau has also been actively working to replace its aging fire hose inventory. It is currently working with a hose manufacturer to design new 2 1/2" and 3" hoses to replace the Bureau's current inventory, which has exceeded the National Fire Protection Association's recommended life cycle. This will not only upgrade the quality and reliability of fire hoses but will standardize threads and connections between all Harrisburg fire companies and all neighboring fire departments. These purchases, which are partially grant funded, are an important operational improvement and will serve to improve efficiency at fire scenes and streamline multi-departmental cooperation in mutual aid situations.

With changes to the deployment model and the addition of personnel to the Bureau of Fire, staffing and deployment have stabilized. The Bureau has placed increased emphasis on training and procedure updates and reviews, and regularly utilizes a safety committee to review workplace injuries and mitigate risks. The Bureau has adjusted its fire academy curriculum to provide an additional three weeks of training for new recruits on special rescue operations. In addition, the Bureau is currently completing a review and update of the standard operating guidelines (SOG) to ensure that they represent current best practice and maximize the safety of firefighters and the public. These trainings are being used to help the Bureau structure and prioritize SOG updates. To date, ten SOGs have been updated and rolled out to Bureau staff. Other SOG updates are underway and will be completed as time and workload prioritization allows.

There are, however, additional initiatives and opportunities that should be pursued by the Bureau in the coming years. The most significant initiative with the potential to both enhance service levels and revenue relates to regional fire service delivery.

Given the level of service provided by the Bureau, and the Bureau's proximity to municipalities surrounding the City, there are opportunities to develop regional partnerships or contracting models whereby the City could provide fire suppression, special rescue, and fire prevention services to neighboring municipalities. This is especially true given the loss of volunteers across the Commonwealth. Such initiatives have the potential to serve the purpose of improving fire services in neighboring communities while also serving as a potential revenue source for the City.

The Bureau of Fire has begun evaluating these opportunities and participated in a Firefighters Forum organized by the Capital Region COG. The goal of the Forum was to start a conversation on the need to address the significant decline in volunteer firefighters. Fire Chief Enterline participated in the Forum and voiced the opinion that fire companies should look at a regional staffing model that would be administered by an authority or possibly the COG. A full evaluation of options available will require detailed deployment and staffing analysis, cost estimates, and extensive conversations with neighboring communities and their elected officials. The Bureau is dedicated to exploring these options, however, there appears to be hesitancy from volunteer fire companies in the area. The costs associated with moving from volunteer to career firefighting models, even on a regional basis, can be daunting to small neighboring communities. In addition, initial conversations with neighboring communities indicate a reluctance to enter into agreements with the City while the City is in fiscally distressed status. However, the Bureau continues to serve as a regional partner and resource to neighboring communities and actively explores every opportunity to enhance its role as a partner.

Another initiative in the Strong Plan modifications calls for the City to evaluate the hiring of a Deputy Fire Chief who would be responsible for inspection and fire prevention programs as well as reporting and billing. The salary for this position has the ability to be fully offset by revenue increases and/or expenditure reductions. The position is included in the 2018 budget.

The Fire Department began proactively working with the City's IT Advisory Committee to address its IT needs. Harrisburg University and the Fire Department initiated a pilot IT training program involving six students who began working one on one with Fire Department employees. The pilot program, which focused on Office 365 training for the Bureau's Fire Inspector and Administrative Assistant position. The Bureau is highly satisfied with the training that was offered and is working with Harrisburg University as they expanded the program in the fall of 2017. The firefighters were training on the features and functionality of Office 365. Lastly, the Bureau is evaluating the potential to purchase and implement a scheduling and time keeping system to assist with shift scheduling and record keeping in 2018. The Bureau is in discussion with Telestaff to develop specifications for a Bureau system.

Police Service

The Bureau of Police has made strides in implementing many of the initiatives outlined in the 2013 Strong Plan. The Bureau has consolidated the use of specialized units in favor of assigning additional personnel to the patrol function and has reduced civilian staffing in the parking enforcement function as a result of the monetization of parking assets.

The most significant operational and financial challenge confronting the Bureau of Police relates to sworn staffing, especially in the Uniformed Patrol Division, which is the largest sworn police

function. The Patrol Division targets a daily shift staffing goal of 15 patrol officers per shift to meet its calls for service demand and adequately engage in proactive policing activities, such as foot and bicycle patrols, according to interviews the Bureau's senior executive officers. This is based on the Bureau's existing patrol beat and response structure. Though the target for the daily shift staffing is 15 patrol officers, the Department maintains a minimum required staffing level of 10 officers per shift. If staffing falls below the 10-officer minimum, officers are called in on overtime to meet minimum staffing targets. According to Bureau estimates, each platoon requires a target staffing of 25 officers in order to consistently meet the patrol officer staffing goal of 15 officers per shift; the current budgeted patrol officer staffing level per platoon is 21 patrol officers.

As with the Fire Bureau, there are opportunities in the policing area to promote regional efforts that can enhance service and potentially generate revenue or reduce expenses. In 2015, Dauphin County and the District Attorney's Office, with support from the Act 47 program, contracted with the Police Executive Research Forum (PERF) to assess opportunities for regional police initiatives in the County. Harrisburg's Bureau of Police, as the largest police department in the County, was included as an important participant in that assessment and the City's Police Chief and an FOP representative both participated as members of the Task Force.

The final report with recommendations for service and cost sharing was completed at the end of 2015. The report identified opportunities for the City's Police Bureau to engage in cooperative efforts that may enhance service and potentially reduce expenses. Though opportunities have not presented themselves yet, it is recommended that the City aggressively and proactively pursue those opportunities as this intergovernmental initiative is consistent with the Strong Plan's goals and could open the door to even greater cooperative ventures in the future.

In their efforts to reduce crime, the City's Police Department deployed two new tools in mid- 2016. A database of businesses and residences with video surveillance systems to help streamline investigations was established. The effort began in the police department's forensics unit and is designed to help direct detectives to known camera systems nearby after a crime is reported. The system can provide valuable information to identify individuals involved in criminal activity.

Police have also reactivated a crime mapping database for all reported crimes in the City. The system went down at end of 2015 and after resolving technical issues the searchable database went live in June. The new system known as RAIDS Online is a significant upgrade and now allows residents and others to conduct research on the City's real-time crime reports. It provides layers of useful data in maps, grids, and charts with analyses that show the frequency of crime by hour and day of the week. Residents can search by address or citywide and for crimes by date or type of crime and also sign up for email alerts. The crime analyst position, when filled, will further enhance proactive and intelligence led policing initiatives.

The Bureau is also actively pursuing three new technological tools that are designed to generate efficiencies in policing processes. The first tool is called CopLogic. CopLogic, a Lexipol product, is an online reporting system that allows citizens to file police reports for certain types of incidents online or at a terminal located at Police headquarters. (City Council approved the purchase of this system in December 2017.) This software has the dual benefit of improving customer service and limiting the frequency with which sworn officers are drawn away from the street to take minor police reports. The second tool is IAPro. IAPro is an investigative case management system for all internal investigations. IAPro allows for the investigative data to be tracked and shared among key personnel and also provides reporting tools. The third tool is called PowerDMS. Power DMS is an electronic General Order (GO) repository and training tool. It provides a central, electronically

accessible repository for all General Orders and allows the Bureau to disseminate updated General Orders electronically, train personnel on updates, and test/verify comprehension. Each of these tools are included in the 2017 budget. The Bureau has initiated agreements with vendors and the contracts are currently under review in the Solicitor's Office.

The Bureau is also replacing aging police vehicles. In June 2017, the Bureau received five new K-9 vehicles funded through local gaming grants. These vehicles were outfitted and deployed. The Bureau has also purchased an additional five patrol vehicles using City budgeted resources. These vehicles are currently being outfitted with light bars, decals, radios, and other necessary unit equipment, and were deployed in October. This will help sustain a pool of functional patrol vehicles; however, it will continue to be important for the City to maintain an annual replacement schedule. Police patrol vehicles are operated 24 hours per day, seven days per week, in urban traffic conditions, and so the life expectancy of a patrol vehicle in Harrisburg rarely exceeds three years.

The South Central Task Force partnered with the Bureau to complete a physical security assessment of police headquarters and the City government building. The Task Force provided an assessment report to the City that outlined security risks and recommended actions to mitigate those risks. The Department has begun making the recommended security improvements where funding is available. In addition, funding is included in the 2018 budget to address other issues outlined in the report.

The Bureau also initiated a pilot program for body worn cameras. Beginning the week of September 11, 2017 the Bureau deployed body cameras from five different vendors to test and evaluate camera options and inform the development of bid specifications. The Bureau has issued a bid request and intends to fully implement a body worn camera program in 2018.

Lastly, the Bureau is in the concept planning stage to evaluate the opportunities to create a neighborhood substation on 15th street. This is one of the highest crime areas in the City and Bureau intends to develop a substation as mechanism to increase police presence and community access in the area.

Public Works – Sanitation System

The Department of Public Works (DPW) has undergone considerable change since the passage of the Strong Plan in 2013. The Bureaus of Water and Sewerage, and the responsibilities of those bureaus, have been transferred to Capital Region Water (CRW). This transfer, though a necessary element of the Strong Plan, decreased the number of Public Works staff that could be drawn upon to meet the department's maintenance responsibilities.

Staffing availability has further been limited as a result of systematic issues in the sanitation operation. Recurring staffing shortages in the sanitation operation historically forced the department to regularly draw upon street maintenance personnel to effectively perform refuse and recycling routes. As a result, the City had been unable to dedicate sufficient resources to street maintenance operations which impacted the City's ability to maintain its roads and streets in a timely and proactive way.

With Act 47 funding and support from the Act 47 Coordinator, a comprehensive sanitation program evaluation was completed in mid-2015 by Barton & Loguidice. The study concluded that the sanitation system was *broken and unsustainable without significant change* and provided a plan to modernize the sanitation operation which built on recommendations from the 2013 Strong Plan. Their report recommended a managed competition approach through a partnership between the City and the union with the goal of creating an efficient refuse collection system.

Recommendations focused on obtaining new or refurbished collection vehicles, purchasing and deploying new trash and recycling containers, increasing recycling through educational efforts, enforcing current ordinances, and validating all commercial and residential billing information.

The City restructured the sanitation and public works operations through the creation of the Bureau of Neighborhood Services. This restructuring added staffing resources to the sanitation operation, thereby allowing street maintenance personnel to be fully dedicated to their assigned tasks. This restructuring addressed both operational and financial needs and has enhanced the City's ability to provide more efficient sanitation and street related services to its residents.

The City hired a sanitation logistics coordinator (management position) to provide technical and project management support and to systematically incorporate commercial accounts into the refuse collection system. Another recommendation, to hire an administrative assistant to help manage solid waste accounts and billing for these accounts, was also implemented with the position filled as of the end of September. The City made great strides to bring the sanitation operation up to a full staffing level and has implemented, or is currently implementing, a number of key initiatives relative to sanitation system improvements. The City continues to work to upgrade its ability to process unpaid waste invoices. The backlog of unpaid accounts is decreasing. The City Attorney assigned to assist BNS with collections on aged accounts has recently achieved some successes and has developed a template that will serve for future account settlements.

The City completed an audit of commercial accounts and revised the billing database to reflect the current status of each account. Commercial accounts using private haulers continue to be added to the City routes as contracts expire. The City Solicitor has dedicated staff to the Bureau of Neighborhood Services with a focus on collections from delinquent commercial accounts that collectively are in excess of \$1 million as well as locating current residents for accounts of deceased account holders. The audit of all commercial accounts was completed and identified some additional accounts that were not previously included in the City's system. The Director of Public Works is in the process of finalizing a summary memorandum of the audit's findings for delivery and review by the Mayor of Harrisburg. The Coordinator's team will complete a review of the audit findings and actions and will include significant details in future quarterly updates.

In addition, the audit of commercial waste accounts identified approximately 30 accounts that use roll-off/compactor boxes for storage of waste. The City does not currently have capability to transport roll-off containers but is preparing a specification to obtain a vehicle that will expand its service capability. These adjustments will further add to the waste stream and help the City meet its put or pay agreement, even as recycling rates increase.

From 2014 through 2016, the City has seen marked increases in its recycling rates. In 2014, approximately 1.9% of the City's waste stream was diverted due to recycling while in 2016, approximately 5.5% of the City's waste stream was diverted due to recycling. Concurrently, the City has continued to meet its "put or pay" requirement. The more the City recycles, the less it pays from for disposal costs, which is all-in-all, a good thing. Though there are still significant opportunities to improve recycling, this is a noteworthy improvement. The City is also actively pursuing opportunities to increase its recycling capacity. The City has completed negotiations with a glass recycling outlet near Allentown to begin glass recycling and is evaluating options for temporary glass storage location. A trial run of commercial glass collection began in October 2017 with full City participation in 2018. In addition, the City is implementing a resident recycling drop off site in 2018 for glass products. City Council has approved the purchase of an application software, "Recycle Coach," to provide up-to-date details regarding recycling, in multiple

languages. The City intend to use the software for many public notices regarding the Bureau of Neighborhood Services.

A flexible purchase contract produced a good value to the City that allowed for the purchase of two new truck chassis, allowing the transfer of existing functional packer bodies onto the two new trucks. In addition, the City has finalized a lease purchase agreement to procure seven additional refuse trucks. All of the trucks have been delivered and most are fully in service with the remainder in service in early 2018. The City continues to get requests from commercial accounts to convert from rear loading dumpsters to front loading dumpsters. As a result, the City is focused on getting a purchase order issued for another front-loading garbage truck that will add reliability for commercial service.

The City has finalized specifications for new leaf collection vehicles. Additional collection equipment and approval of a DEP Recycling Performance 902 grant provides for the purchase of several leaf collection trucks. Assembly of the units has begun, and the leaf collection trucks was delivered in October in time for deployment during the leaf collection season.

With technical support from the Coordinator's team, research has continued on development of specifications for sanitation route management and billing software and is coordinating this effort with the City's IT consultant. This software would create valuable management billing process efficiencies. The goal is to maximize route efficiency and ensure maximum revenue collection for value added services performed. Current findings are that billing software will not coordinate with the City's mainframe computer. Route management software uses either Bing or Google maps and the City is trying to standardize using ESRI based GIS software. This matter is on hold pending further research on how best to implement an enterprise solution. With the expansion of the City's commercial dumpster service and the desire to provide a roll-off service in 2018, this matter of route management and commercial billing will require further examination and determination.

There have been discussions with the Harrisburg School District and Susquehanna Township on the development of an intergovernmental cooperation agreement to utilize a school district site as the location for a yard waste facility. The Coordinator's Team worked with the City to develop a conceptual layout of the yard waste composting site and coordinated with PADEP to review the site layout to ensure that all regulatory requirements are accounted for in the design. Susquehanna Township decided not to participate in the program, choosing instead to take advantage of a privately managed composting operation in the Township.

Since the DEP application was submitted in April 2018 the City and the Coordinator's team have been working with DEP to address plan review comments and meet all necessary public hearing requirements.

An administrative review letter that included a number of follow-up items for the City. The Coordinator's team is assisting with two significant actions. First, we are working with Capital Region Water and the Harrisburg School District to obtain the necessary documentation to verify water service at the composting site. Second, the City is required to complete an erosion and sediment control plan that meets the requirements of Susquehanna Township's stormwater ordinance. The City is undertaking the development of this plan and the Coordinator's team will provide consultation and review.

Due to the large public rejection of the yard waste proposal, mostly due to the inclusion of food waste into the operations, the City has reached out to nearby residents to revise the yard waste proposal. The City believes that a yard waste only operation will be better received by nearby

residents. At the time of this report, the City has withdrawn the WMGR025 general permit application from DEP and had developed a revised draft application to address these issues. The City, with the help of the Coordinator's team, has developed a revised permit application and presented the details of the application to Susquehanna Township residents. The City is initiating a pre-application meeting with the DEP for early 2018 and will also place the application on the City's website for public comment. The City will then incorporate any necessary adjustments and submit the revised WMGR025 general permit application to DEP for consideration.

City administration submitted a revised waste collection ordinance to City Council for consideration. The revision reconciles the ordinance to reflect the current approach to waste and recycling collection, enforcement, fee payment, collection location, waivers, and methods of citation. The Coordinator's team reviewed a draft of this ordinance to ensure that it was consistent with sanitation system improvements identified in the Act 47 plan. City Council plans to adopt the ordinance in second quarter of 2018.

Key to continuing to maximize the tonnage that needs to be disposed of at the incinerator is ensuring that all of the waste, especially commercial waste, that is generated in the City is attributed to the City's waste stream. Although difficult to fully identify leakage in the system, the City has taken an aggressive approach with commercial accounts to ensure that all waste generated in the City is taken to the LCSWMA facility and credit given to the City. The City reported that it has fully converted all private accounts that are eligible for conversion to City service. A total of 146 commercial accounts have been transitioned to date. The remaining 55 private accounts have roll-off dumpster services, which the City currently cannot service with the existing fleet. However, as previously mentioned, the City intends to purchase the necessary roll-off trucks and complete the conversion of all private accounts in 2018. This will further add to the City's sanitation revenue and waste stream, helping to fund further systematic improvements and meet the City's put or pay tonnage obligations. The City currently operates two front loading garbage trucks which are fully deployed. A third truck is desired to have backup fleet capacity, and specifications are currently being reviewed by the Coordinator's team prior to being bid by the City's purchasing agent.

The progress that has occurred in the sanitation operation is to be commended. There are, however, additional steps that must be taken moving forward to ensure that the City can capitalize on this progress and advance further improvements in the sanitation operation. The 2016 Strong Plan outlines many of those initiatives, which, in most cases, will require further investment by the City.

The development of a comprehensive Capital Improvement Plan, as called for in the Strong Plan, is one of those actions. The City began this effort with the development of a stand-alone capital budget for 2017 that is segregated from the operating budget. The City has further expanded that effort within the 2018 budget process. The Bureau of Financial Management has developed three-year capital planning budget templates and guidelines and distributed them to departments for completion as part of the upcoming budget process. Department capital requests were submitted to the Bureau of Financial Management in mid-June and a representative from Barton and Loguidice, as a member of the Coordinator's team, provided guidance on sanitation-related capital budget request development. The Coordinator's team completed a comprehensive review of these capital requests prior to the adoption of the 2018 operating and capital budgets.

The City has proceeded cautiously in staffing decisions and has followed recommendations in the B&L report – to undertake a trial period, evaluate the results, and determine whether there are specific and measurable changes and improvements. If the changes do not result in measurable

and observable system improvements, “then acknowledge this and move on to a private bid process to procure waste and recycling collection system services...” In evaluating whether the current effort is cost effective (that is, whether the increases in expenditure will be offset by revenue increases), the City should make sure it includes the salaries resulting from new hires, as well as associated health care and pension costs. The sanitation reform process will be further evaluated to determine success and viability in the future.

Going forward during 2018, the Coordinator’s team can provide the following assistance to the City and DPW to improve the efficiency of the services provided to its citizens and to further the progress of the City made under Act 47:

The Coordinator will assist the City in getting a DEP permit for the yard waste composting site. The Coordinator’s team will help the City prepare and submit a revised permit application for this operation, working to meet local and state requirements for a modified operation at the currently proposed site (or, if required, to identify and pursue permitting at an alternate site). The Coordinator’s team will also support City actions to implement site improvements and provide guidance on equipping and staffing the operation.

City staff is continuing to upgrade their body of knowledge about the various DPW services provided and newer techniques that are available for providing such services. The Coordinator’s team has been available to DPW staff to respond to questions and to provide opportunities to learn about new equipment and techniques. One example is a recent demonstration for a road milling machine that operates on a rubber tired front loader. The City is looking to perform repaving of alleys and smaller street paving projects where alligator pavement is present.

The City has done well in assimilating the commercial waste accounts into its service. Going forward, the City desires to implement roll-off service in 2018. Roll-off service combined with front loading dumpsters is a big step forward for the City that is logical, especially the use of roll-off dumpsters for use in the City-performed, vacant building demolition. DPW staff has demonstrated commitment in providing quality customer service. In addition to purchasing the roll-off equipment in 2018, management tools in the form of route software will greatly aid the City’s ability to efficiently provide economical commercial service. DPW staff is getting the message that besides providing good and reliable customer service, the City needs to get paid for the service.

While the City continues to study and debate its options regarding the City’s mainframe computer, specialty public works software is available to BNS to help maintain waste and public works services. Of concern to the Coordinator’s team is that value added services are being provided without appropriate invoicing of those services. City staff has been making a significant effort to work with other City department staff to get invoices sent to customers. This billing issue is very important with roll-off dumpster service since the service is not routine and the industry charges both rent and waste tonnage for the roll-off dumpster.

Transportation Infrastructure

The City, with Commonwealth funding, is making significant investments in the City’s infrastructure. In 2014, the Pennsylvania Department of Transportation (PennDOT) committed to providing \$10 million over a five-year period for street related infrastructure improvements in the City. This commitment stood in addition to PennDOT’s planned repairs and projects on Commonwealth managed roads in Harrisburg. The City was awarded \$3.19 million in May 2015 by PennDOT as the first phase of this commitment and used a portion of these funds to pave

heavily traveled City streets that are used to enter and leave the City. They were reimbursed for \$633,000 for this work in April 2016.

The City plans to use the remaining \$2.542 million from the initial \$3.19 million grant for the Third Street Improvement Project which involves the significant modernization of the Third Street corridor in the City. Through the second half of 2016 and into 2017 the City undertook design work, addressed numerous environmental approvals required by PennDOT, and in conjunction with utility companies, undertook utility adjustment work for the Third Street project. Final environmental clearances were obtained on January 31, 2017. A contract for funding was issued by PennDOT on February 22, 2017 approved by Council at its March 21, 2017 and is now going through PennDOT's approval process. City Council also approved a contract with Urban Engineers, Inc. to provide construction management and inspection services for the Third Street Multimodal Project. Final design work for project is complete and utility companies are finishing advance work. The construction contract was let to Lamb Construction and construction began in late fall of 2017 with expected completion in Spring-Summer 2018.

Following meetings with PennDOT and based on their recommendation, the City submitted an application to PennDOT under its multi-modal program for the balance of the \$10 million. On October 14, 2016 PennDOT announced the award of a \$2,236,667 grant to improve the vehicular, transit, pedestrian and bicycle movements in the City and to address several transportation safety issues. As part of this award, PennDOT also committed a total of \$6,710,000 over the next three years for this project. This approach will satisfy PennDOT's commitment and will expedite the process moving forward though releases will occur on a project by project basis. Initial design work on these projects have begun. The project has five discrete tasks which must be preceded by a detailed, longitudinal traffic study to define project impacts for the Second Street Two-Way conversion. This traffic study is underway and is expected to be completed in 2018.

The Bureau of Engineering is also in the final stages of completion of a comprehensive street light upgrade program to replace the City's incandescent street lights with Light Emitting Diode (LED) lights. This project was funded through an Energy Savings Performance Contract (ESCO), with initial funding from a \$3.2 million loan from M&T Bank and a \$500,000 PEDDA grant. Substantial completion of the street light conversion project occurred in 2016 with all the City owned HPS and Mercury Vapor streetlights converted to LEDs (over 6,000 lights) resulting in a significant energy cost savings. The City has also been working with PPL to purchase 211 PPL owned lights that are located in the downtown from PPL. PPL regulations require that the feed origination be separated with hand holes and fuses which involves excavation and rewiring. PPL is requiring \$2.2 million from the City to complete this infrastructure work. Given this high cost, the City is exploring other options; and has opted to pay PPL \$44,000 to make the necessary upgrades. Under the arrangement, PPL will maintain ownership and maintenance responsibility of the street lights.

Savings from the LED project allow the City to dedicate its entire \$1.3 million liquid fuel revenue allocation to capital street repairs. The Department of Public Works is proposing to use this revenue to repave sections of five city streets in 2018, including; Brookwood Street; Berryhill Street; 13th street; Sycamore Street; and Burchfield Street. Specifically, the City has applied for a 10-year loan through the Pennsylvania Infrastructure Bank to fund these projects and intends to utilize a portion of liquid fuels revenue to support debt service for these projects. This grant is under financial review with the Department of Community and Economic Development.

The City has also made significant progress updating its traffic signal system. The City's traffic lights have long been operated with outdated, Windows 95 based traffic computer and signalization systems. To date, the City has replaced approximately 80 controller cabinets and only has 13

Windows 95 systems to replace. The City has also partnered with PENNDOT through a Green Light Go Grant to resign 11 downtown intersections and integrate them on a unified timing and traffic computer.

PENNDOT provided a grant of \$680,000 to support this project and is serving as project manager. Design work for the project is currently underway.

At its April 24, 2017 City Council meeting, IMS Infrastructure Management Services was awarded a contract to provide professional consulting services to complete an Asset Management Program that will provide a comprehensive database of all City streets, their structure, condition, and maintenance. It will assist the City with prioritizing areas for maintenance and capital improvements and be integrated into the City's Capital Improvement Program. The consultant has begun work and is currently collecting existing data on asset condition. The review and consultant report are expected to be completed by the second quarter of 2018.

The Department has also made significant improvements in its fleet maintenance operation. It appointed a full-time fleet manager and in September filled vacant auto mechanic and secretary positions; however, the Department lost two Auto Mechanics this summer due to retirements. There continue to be opportunities for the Bureau of Vehicle Management to more proactively take advantage of existing software to improve fleet management and to implement practical best practices.

Capital Improvement Program (CIP)

The City has made strides in refining and improving its operating budget process, and, now with the 2018 budget, has fully segregated capital expenses from operating expenses. Consistent with the Strong Plan modifications, the City prepared an initial Capital Improvement Plan (CIP) budget with significant capital expenditures for 2018 that address capital needs ranging across many departments. By segregating the capital and operating budgets, policy makers and managers are better able to interpret and evaluate competing needs.

As part of the 2018 budget process, the Bureau of Financial Management has developed the necessary process and budget development templates to create a 3-year Capital Improvement Plan (CIP). The Bureau of Financial Management distributed 3-year CIP budget development guidelines and budget request templates to all City Departments for development. Departments have developed and submitted their capital budget requests to the Bureau of Financial Management and they are currently being assembled and analyzed by the Bureau. Once the capital budget requests are made available to the Coordinator's team, capital budget items will be evaluated within the context of the City's overall condition and infrastructure repair needs. The proposed 3-year CIP will be presented to City Council for consideration in the coming year.

This process will serve to develop a longer-term, strategic framework, and prioritization process as part of the budget development process. It will equip the City with improved access to the project planning tools necessary to take advantage of grant opportunities and provide a basis for determining capital funding needs as capital markets become more accessible to the City. It will also better enable the City to evaluate its annual operating budget decisions not just within the context of the current budget year, but within the framework of longer term obligations and liabilities.

This development represents a positive step in addressing the City's long neglected capital facility and infrastructure needs. However, there are still clear opportunities for further process improvement.

The City should continue to work to expand the CIP into a five-year Capital Improvement Planning process. This process should also be expanded to incorporate strategic project prioritization criteria that reflects input from City Council and the citizenry at large. The Coordinator's team is pleased with the development of a three-year CIP, as the ability to sustainably maintain the City's infrastructure is a key requirement to exit fiscally distressed status. We will also continue to advocate for further improvements in the CIP process.

The City has previously not had access to the financial resources necessary to fund a capital improvement program, however the Strong Plan has provided certain resources as well as a pathway back into the credit markets. Access to the marketplace has improved with the City's ability to obtain TRAns for three successive years and its successful financing of the LED streetlight project.

Resources provided through the parking monetization to Impact Harrisburg, the non-profit corporation that administers \$12.3 million for infrastructure and economic development, along with the completion of the City's comprehensive plan, will serve as a foundation for a capital improvement program. In addition, the Act 47 enabled revenue has provided the City with the ability to build cash reserves that can be applied to capital projects. Finally, grant funding opportunities from state and federal agencies also provide resources to support capital investment.

Community and Economic Development

In 2014, Harrisburg amended its organization structure to create a consolidated Department of Community and Economic Development led by a new position, the Director of Community and Economic Development. This reorganization consolidated the Bureaus of Planning, Business Development, Building and Housing Development, and Parks and Recreation under the direction of one Department Director. In addition, the reorganization created a new Bureau of Arts, Culture, and Tourism under the direction of the Director.

The Bureau's that now comprise the Department of Community and Economic Development have made noteworthy progress toward the implementation of key 2013 Strong Plan initiatives and are now focusing on the 2016 Plan modification initiatives. In late 2014, the City began the process to update its 30-year-old Comprehensive Plan. With the Court's approval to allocate up to \$75,000 from the funds set aside for economic development in the Harrisburg Growth Fund, the City reinitiated the Plan update process. Council and the Planning Commission took action to move forward with the update in early 2015. In April 2015, the City awarded the contract to Office of Planning and Architecture (OPA) of Harrisburg to lead the process supported by 5 other firms (K&W Engineers & Consultants, Good Land Collaborative, ARUP Americas, CSPM Group and AB3 Development). Following a public contest, "BeHBG" was selected as the "brand" name for the update. A "BeHBG" web site was established to provide the community with ongoing updates and allow further community input. To date over 500 users have provided over 1,200 ideas in topical areas of transportation, housing, economic development, historic resources and parks and recreation.

The process included extensive public engagement with numerous stakeholder meetings and community workshops. Staff also participated in 24 community events in getting the word out about the update, to gather further input on how the City should evolve and develop over the next

twenty years and to obtain a sense of the priority of City issues. The consultants met with PennDOT to coordinate transportation issues and with Harrisburg Housing Authority representatives to discuss housing issues. A day long community workshop was held in December 2015 at the Capitol View Commerce Center to summarize the results. The entire consulting team presented information the status of the plan including specific presentations on housing and transportation to about 150 people who attended throughout the day.

The Comprehensive Planning process included extensive public engagement with numerous stakeholder meetings and community workshops. Staff also participated in 24 community events in getting the word out about the update, to gather further input on how the City should evolve and develop over the next twenty years and to obtain a sense of the priority of City issues. In February of 2018 the Planning Commission along with the City's Planning Director began to finalize the Comprehensive Planning document to assure that the document represents the community input and citizens consensus for the entire City and Region. The Planning Commission has made progress and plans to submit the plan to City Council in the fall of 2018.

The successful completion and adoption of the comprehensive plan is a critical element for future revitalization and development as it will provide land use guidance and strategies for housing and economic development and will serve to guide the City's strategic investments going forward.

The City and its Redevelopment Authority (HRA) continue to work closely with PennDOT on a plan to make major improvements to the Harrisburg Transportation Center (HTC). The Mayor and PennDOT had the first Open House to discuss the construction concept in early March 2018. The Center serves as a key anchor for the downtown and a hub for both rail and bus service for the City and region. Following last year's award of \$15 million by PennDOT to fund a number of needed physical improvements, PennDOT has moved forward with design work that will address improvements including new roofs an energy efficient HVAC system and improved ADA access. They are currently working with the Federal Transportation Administration on environmental clearances. Design work is 60% completed and will need Amtrak review prior to going to bid. When completed, the HTC will provide an overall enhanced customer experience and serve as the foundation for the transit oriented redevelopment of surrounding, underutilized properties including the sizeable former U.S. Postal Service property on Market Street, and possibly the former Patriot News Building also located on Market Street.

To further build on the Transportation Center project, PennDOT initiated a Transit Oriented Development (TOD) concept study. In partnership with the City and HRA, PennDOT engaged the Michael Baker firm as consultant to study the reuse and redevelopment of the area adjacent to the HTC. The study focuses on a four-block area surrounding the HTC and will provide different scenarios that may be advanced for implementation to promote redevelopment, business attraction and connectivity of the Center to the adjacent neighborhoods. PennDOT, the City and Baker held a Visioning Week exercise last fall to solicit as much input as possible on the reuse and redevelopment of the Market Street corridor and surrounding area. Public engagement and response was enthusiastic. The HTC and surrounding properties possess great potential for supporting mixed use residential and commercial development designed to maximize access to public transportation and incorporate features encouraging transit ridership all with a resulting positive impact on the City's tax base. The consultant has reviewed all of the input received and at year end provided 3 different concepts for further consideration. The next step in the TOD development is to complete a Hydrological and Hydraulic study of the Paxton Creek corridor to assess its impact on the TOD development area. This study, also funded by PennDOT with Michael Baker as the consultant, was released for public review.

The City has developed and adopted a Local Economic Revitalization Tax Assistance (LERTA) program. LERTA is a tax abatement program designed to incentivize development within Harrisburg by offering tax abatement programs for those individuals and businesses interesting investing in targeted neighborhoods. Priorities of the LERTA program will be further informed by the City's updated comprehensive plan. Both the Harrisburg School District and Dauphin County also approved participation in the LERTA program in 2016. With approval by the three taxing bodies, the City undertook recruitment efforts for a LERTA program administrator and hired an individual who started in January. The primary focus of the LERTA Administrator to date has been public outreach. The LERTA Administrator has met with a number of developers, bankers, and real estate professionals through both workshops and individual meetings to articulate the details of the program and advocate for program participation. In addition, the LERTA Administrator and planning staff reviewed all redevelopment projects and met with property owners to discuss and advocate for the LERTA. Currently, four applicants have applied for LERTA and they are waiting for the final LERTA assessment to be conducted.

At the end of 2016, a \$3.5 million state Redevelopment Assistance Capital program (RACP) grant was awarded to developers to assist with an \$8 million investment in commercial and residential revitalization in Mid-Town Harrisburg. A second RACP grant of \$3 million was awarded to the City in October 2017 to launch the revitalization of an entire neighborhood in Allison Hill (Mulberry Derry Square know as MulDer Square) with new streetscaping, affordable apartments, and retail stores. This project builds on the recent completion by PennDOT of the rehabilitation of the Mulberry Street Bridge. The MulDer Square project is currently underway, with program partners HHA and Tri-County Housing beginning their housing development efforts this summer. This project provides a foundation for further development in the South Allison Hill neighborhood.

To further advance economic development the City also submitted five new applications totaling \$135 million for consideration in the upcoming RACP funding legislation. Projects include further support of the TOD study recommendations, the Paxton Creek Channelization, City Island redevelopment, City Hall rehabilitation and City-wide economic development projects. Although the time line for these projects is long and approval uncertain, it's important that they are included in the legislation and represent priorities for the City. It will be incumbent for the City to proactively engage with their legislative representatives on these projects

Economic development activities are continuing on various fronts in the City and are discussed in several sections of this report. The City's economic recovery is building on its assets, one of which is the strong educational presence in the City that includes Harrisburg University (HU), Harrisburg Area Community College, and branches for Temple University and Messiah College. HU in particular is serving as the foundation for economic development in the downtown and fueling a boom in the tech industry. More than 20 tech firms have been established in the last several years employing over 800 in the downtown. The opening of the Blackberry Technology Center in March and the current expansion of WebPage FX highlight the tech industry's development with other tech startups expected in the coming months.

The City continues moving forward with the organization of its Land Bank which will focus on blighted properties and provide the ability to acquire vacant or abandoned properties, undertake improvements and return them to the tax base. The Land Bank will use available resources to facilitate the return of vacant, blighted, abandoned and tax-delinquent properties to productive use, thus combating community deterioration, creating economic growth and stabilizing the housing and job market. This will provide the City with a major tool to tackle blight and assist in growing the City's tax base and furthering its recovery. The Board is looking at judicial sales for

potential acquisition and is awaiting finalization of the comprehensive plan to provide further strategic direction.

In lieu of the Comprehensive Plan framework currently being outlined, the Land Bank Board has been meeting regularly with support from the Community and Economic Development Director to evaluate and act on opportunities. The scope and scale of Land Bank projects to date are still being evaluated. The Land Bank has made some small property acquisitions to assist with land assembly for development. These efforts will assist with economic development in the City and should be augmented once the solicitor position is filled and the necessary labor capacity added to proactively pursue further acquisitions. To date, the Land Bank has been utilized for land acquisitions associated with the 14th Street sink whole project.

The Federal Courthouse project took another step forward during the quarter. President Trump's budget proposal for FY 18 included \$137.2 million for construction of new 243,000 square foot Federal Courthouse at Sixth and Reily Streets. This followed action in January 2017 by the U.S. General Services Administration (GSA) to award a \$9,194,935 contract to Ennead Architects of New York to provide architectural/engineering services for the Courthouse. The services include revising the former approved design concept and completing the design services for the new courthouse. Design services are estimated to be completed in fall 2018; planning and engineering staff are meeting with the design team every three weeks to review design progress and to identify, discuss, and address infrastructure impacts associated with the project.

Overall, during the first quarter of 2018 the City has made further progress with the sinkhole mitigation project on South 14th Street in their efforts to address the significant housing and infrastructure issues on this street. At its 4/24 meeting Council awarded a contract to Navarro & Wright Consulting Engineers, Inc. for project management services in connection with the sinkhole mitigation project in the 1400 block of South 14th Street With the federal government's expansion of the definition of a disaster in late 2014 to include sinkholes, Harrisburg was the recipient of federal mitigation funds to buy homes ruined by sinkholes on South 14th Street. Although initially denied funding, in September 2016, FEMA awarded the City \$1.65 million to undertake an initial phase of the project to acquire and demolish approximately 25 homes in the center of the block. DCED also identified approximately \$8.5 million in Disaster Recovery funding available statewide through the Department of Housing and Urban Development (HUD). The South 14th Street project has been prioritized by DCED for this funding which would be used for the acquisition and demolition of the remaining South 14th Street properties impacted by the sinkholes. DCED submitted its formal request to HUD and in late October HUD announced its approval of the additional funding needed to complete the sinkhole mitigation project.

Since then, DCED and PEMA have been working with the City and residents to move forward with property acquisition. A relocation consultant, Capital Access, Inc., was engaged by DCED to assist with ensuring compliance with federal regulations related to relocation. To date, DCED and Capital Access staff have met with 10 tenant households and is reviewing their eligibility for relocation assistance. PEMA staff has also been meeting with property owners to inform them of the buyout process. A contract between the City and PEMA has been executed by the City and returned to PEMA for processing. At its March 28, 2017 meeting Council authorized moving forward with the purchase of 53 of the properties based on a letter received from PEMA indicating finalization of the contract was pending. Council's action allows the City to front the initial acquisition cost and then be reimbursed by PEMA. On May 18, HUD announced that the May 31, 2017 deadline to expend funds had been extended for an additional 2 years thus providing time to complete the relocation and buyout process. The City is moving aggressively to purchase the properties in question. The combination of the FEMA and HUD funds will allow for the acquisition and demolition

of all of the properties on South 14th Street that were adversely impacted by the sinkholes. Following their demolition, the site will become a greenspace with no further development.

Parks and Recreation

The Bureau of Parks and Recreation is responsible for the management of recreation programming at the City's active recreation areas, such as the City's two pools, Reservoir Park, and the City Island beach. Park maintenance is completed by park maintenance staff housed in the Bureau of Neighborhood Services. It is important for recreation programming to be closely coordinated with park maintenance. The Bureaus of Park Maintenance and Neighborhood Services have a good working relationship and coordinate with each other well but there are opportunities to build upon this relationship. This opportunity is further emphasized by the fact that park maintenance was transferred from the Bureau of Public Works to the Bureau of Parks and Recreation.

The Bureau of Parks and Recreation is also actively engaged in planning for an estimated \$1.8 million in upgrades to five parks and playgrounds in the City. They have obtained grant commitments from DCNR, DCED, Impact Harrisburg, and Capital Region Water to complete major repairs to the Heights playground, Royal Terrace playground, Penn and Sayford playground, Norwood and Holly playground, and the Fourth and Dauphin playground. The City worked with these partners to formalize project parameters in a memorandum of understanding and has issued a request for bids to repair four of the five playgrounds. A pre-bid meeting was completed the week of September 25, 2017 and work began in the fourth quarter. This series of projects represents an example of excellent intergovernmental cooperation and demonstrates the tangible impact of the capital project funding made available through Impact Harrisburg and the Act 47 process.

City Island is a significant asset not only for the City but also the region. It offers many opportunities that can support the City's economic development plans though without a thoughtful strategy the Island's full potential will not be achieved. The City has undertaken a more comprehensive view of City Island and continues its efforts to try to determine its best use as a regional asset. The City participated in a charrette undertaken by the Urban Land Institute (ULI) that provided both short-term and long-term recommendations. Key recommendations included developing a master plan for the Island and centralizing management for island related activities.

There are also outstanding issues related to permits and prior grants the City received under the Federal Land and Water Conservation Program (LWCP) for work on City Island including the stadium area. Department of Conservation and Natural Resources (DCNR) is the administrator for these grants and close coordination with them is needed to resolve outstanding issues. There remain numerous City Island issues that are yet to be fully addressed including parking issues, DCNR related matters and the Senator's park permit. The Strong Plan modifications address moving forward with the development of a long-term plan for the Island that addresses these issues and enhances the Island's role in the City's recovery. In April, the City submitted a grant application to DCED for City Island Master Plan funding to help guide future development on the Island. That application is currently under review.

Another of the City's park and recreation assets is Reservoir Park which the Mayor has referred to as the "crown jewel" of the City's park system. Following DCNR's award of a \$50,000 matching grant to develop a master site plan to reimagine the historic park, the City retained H. Edward Black and Associates as lead consultant supported by Simone Collins landscape architects and Urban Partners to undertake the study. Work was initiated in late 2016 with an initial public forum to gather input from City residents on the park's future. The study is being guided by a Steering

Committee working in concert with the consultant. Four public meetings have been conducted to gather input. The study was completed in the fourth quarter of 2017 and will serve as a framework for strategic investment.

The City awarded a \$50,000 contract to repair and repaint the Bandshell at Reservoir Park. Work was completed in time for the annual Shakespeare in the Park performances that occurred earlier in June. Further, in March the City received an insurance settlement of \$175,000 for two pistols stolen from the Civil War museum. These funds will serve as a resource to assist with the implementation of the study's recommendations for Reservoir Park.

Intergovernmental Cooperation

While there are specific instances of cooperation between and among the City, various Commonwealth agencies, Dauphin County, the Harrisburg School District and other neighboring municipalities as discussed below and elsewhere in this report, it remains important for the City to continue to take a proactive role in pursuing intergovernmental cooperation opportunities.

Prior to, and since the City's entrance into the Act 47 program, the City has engaged in collaborative work with a variety of intergovernmental agencies. Examples include the City producing, distributing and collecting real estate taxes on behalf of the School District and performing a similar function for the shared Business Privilege/Mercantile Tax and the recent cooperation on the establishment of a yard waste facility and LERTA program.

The City and Dauphin County collaborate in the provision of various public safety services. The Harrisburg Police Bureau participates in the Dauphin County Special Weapons and Tactics Team (SWAT) and works closely with the Dauphin County District Attorney's Office in criminal investigations. Since June 2011, the Dauphin County Communication Center has provided 911 and dispatch operations for the City, resulting in a significant savings to the City.

Following a Strong Plan recommendation, the City also became a member of the Capital Region Council of Governments (CRCOG) in 2014. CRCOG is a voluntary association of 40-member municipalities from Cumberland, Dauphin, Perry and York Counties, formed to promote intergovernmental communication and cooperation. Among its programs are a joint purchasing program and an auction for surplus property and equipment. The City's participation in the COG has resulted in cost savings for various commodities and services. The COG also provides a forum to discuss common issues in the Harrisburg region. **The City also uses the COG's job opening website for recruitment of personnel.**

The City is also a member of the Dauphin County Tax Collection Committee which has engaged Keystone Municipal Service to collect the Earned Income Tax for all municipalities and school districts in the County. Beginning in 2016 the City entered into a contract with Keystone Municipal Service for the collection of the Local Services Tax in order to have a more efficient collection operation for its employment based taxes.

The City is currently engaged in active discussions with the Harrisburg School District on a joint yard waste facility project that is discussed further under public works. It is partnering with PennDOT on a Transit Oriented Development study of the Transportation Center and surrounding area and as a supplement to this project also working with PennDOT and their engineering consultant on a Paxton Creek Evaluation Study to understand the existing flood potential and identify different options to help mitigate flooding within the TOD project area.

The Act 47 Plan includes a number of initiatives relating to intergovernmental relations. In the area of public safety, there are two major opportunities going forward. The first opportunity relates to the recommendations of the regional policing study which was completed in December 2015. The study, funded partially by the Act 47 program, and completed by the Police Executive Research Forum (PERF), identifies multiple opportunities for intergovernmental service sharing and cooperation in the policing area. It is important for the City to pursue those opportunities to determine where costs savings and/or service enhancements can be achieved.

The second public safety opportunity relates to the fire service. With staffing in the Bureau of Fire, and volunteer firefighter availability in surrounding communities declining, the City is in a position to offer fire service to its neighbors. The deployment approach, service impact, and financial implications of such opportunities must be fully vetted but they potentially serve as an opportunity to enhance service levels and secure valuable revenue for the City, while potentially enhancing fire service quality in neighboring communities. These opportunities should be aggressively pursued as part of the City's recovery effort.

The City must continue to work closely and cooperatively with the County and Commonwealth agencies on infrastructure and economic development initiatives. PENNDOT has committed to contribute significant resources to the City for infrastructure repair and development that is critical in fostering the City's economic recovery. The County along with the Harrisburg Regional Chamber and CREDC are important partners in the region's economic development. These efforts, and others, should be aggressively pursued to strengthen the City's recovery and support its sustainable exit from Act 47.

Collective Bargaining

The substantial majority of Harrisburg employees are represented by one of three unions: the Fraternal Order of Police Capital City Lodge No. 12 ("FOP"), the American Federation of State County and Municipal Employees District Council 90, Local 521 ("AFSCME"), and the International Association of Firefighters, Local No. 428 ("IAFF"). Each of the City's three unions voluntarily entered into mid-term negotiations to amend their collective bargaining agreements in connection with the filing of the initial Strong Plan in August 2013. The amendments to the prior collective bargaining agreements for the bargaining units, as well as those initiatives for the non-union City employees, were implemented, and cost reductions resulting from these changes continue to be monitored. Although the formal Amendment documents setting forth the revised contract language were finalized and agreed to by AFSCME and the FOP, an amendment document for the IAFF was never completed. The City prepared a formal Amendment document setting forth the changes in the Tentative Agreement document – which was formally ratified by both the IAFF and the City and provided it to the IAFF for execution – however, the IAFF never responded to this formal Amendment document. The Coordinator has continued to insure implementation of the negotiated changes and assist as necessary with respect to any issues and grievances that arise relating to those changes or to any of the Plan initiatives.

In the Amended Strong Plan that was passed by City Council in April 2016 and approved by the Commonwealth Court on July 20, 2016, the Coordinator established new compensation allocations for the FOP, AFSCME, and IAFF units that are consistent with significant amendments which were made to Act 47, commonly referred to as the Act 133 Amendments of 2012 ("Act 133 Amendments"). As amended, Act 47 now requires the Coordinator to project revenues and expenditures for the current and next three fiscal years and develop a capped amount for each city bargaining unit to be available for total compensation and benefits for employees in that unit. For that reason, and unlike the predecessor Strong Plan, the new Plan separates the costs related

to each of the City's collective bargaining units included in the overall cost projections in the Plan so that each bargaining unit can have an active role in collectively bargaining for those compensation items that are most important to the employees in each unit.

Because the CBAs with FOP and AFSCME expired on December 31, 2016, the City started negotiations with the FOP in September 2016, with AFSCME negotiations starting thereafter. The negotiations for the FOP and AFSCME successor agreements are the first time since the City entered into Act 47 that the unions are obligated to negotiate all terms with the City and that the City has the right to renegotiate employment terms with the unions. The City retained the law firm of Elliott Greenleaf to handle its labor negotiations. Members of the Coordinator team met with the City's officials and its new outside labor counsel to discuss negotiation topics in light of the Amended Strong Plan.

Elliott Greenleaf represented the City in its negotiations with the FOP and AFSCME throughout the fourth quarter of 2016 and the first two quarters of 2017. While negotiations with the FOP did not result in a successor contract being reached by the end of 2016, the parties eventually reached an agreement without needing to resort to interest arbitration in March 2017. The agreement covers fiscal years 2017-2020 has since been executed and ratified by the FOP membership by an 89-7 vote and City Council passed a resolution at its May 23 meeting approving its terms. The City provided cost information on the proposed contract terms and upon review by the Coordinator's Team, the proposal was found to be consistent with the labor provisions of the Strong Plan modifications.

The City reached a successor agreement AFSCME. The City also provided cost information on the proposed contract terms and upon review by the Coordinator's Team found the AFSCME proposal also consistent with the labor provisions of the Strong Plan modifications.

On January 10, 2017, City Council passed a resolution approving the terms of a CBA with AFSCME to cover the years 2017 and 2018; however, at this juncture, the parties do not yet have an executed version of the final contract. Execution of the CBA was stalled in January because the parties required a study from the Pennsylvania Municipal Retirement System ("PMRS") regarding the actuarial information on the impact of certain provisions in the new CBA. The City cannot execute the new agreement or honor the new pension terms until the PMRS Board formally approves the negotiated changes to the pension terms. Nonetheless, the City has already implemented all other aspects of the CBA as amended, and the PMRS Board met in July 2017 to approve the pension changes reflected in the new CBA.

Meanwhile, the CBA with the IAFF was set to expire on December 31, 2017, so the City entered into preliminary discussions with the union. At the IAFF's invitation, the Coordinator made a presentation in April to the IAFF's entire membership, providing an overview of the Act 133 Amendments to Act 47 and the terms of the Amended Strong Plan, and held a discussion for any questions that the membership might have. The Coordinator felt that this meeting was positive and set the stage for constructive negotiations for a successor agreement. Elliott Greenleaf represents the City as its labor counsel in connection with negotiations with the IAFF. The IAFF is represented by Stephen Holroyd of Jennings Sigmond, P.C. On November 21, 2017, John Dean of Elliot Greenleaf advised the Coordinator that the City and IAFF have reached a tentative agreement for a successor CBA as a result of the negotiations. The Coordinator reviewed the contract proposal to ensure that it was in compliance with the Strong Plan. The City and the IAFF presented a final agreement to the IAFF membership on December 29, 2017 and the union members rejected the IAFF agreement. The Recovery Coordinator felt that discussions should continue and the City's Labor attorney and the IAFF reached a successor Collective Bargaining

Agreement (CBA) as a result of the continued negotiations. IAFF ratified the agreement on February 8, 2018. After the agreed upon terms are integrated into the current CBA by outside Counsel, City Council will vote to presumably approve the agreement.

In terms of pending grievances, AFSCME's grievance regarding the manner in which the bonus provision in the amended CBA is being interpreted remains pending. In accordance with the successor CBA, the City has paid bonuses to "all employees in the bargaining unit as of December 31, 2016. AFSCME, however, contends that "all employees in the bargaining unit" includes those individuals who are not yet bargaining unit members because of their probationary status and lack of dues obligation. The Coordinator and the City believe that payments have been made appropriately and will prevail if this grievance proceeds to arbitration.

Other grievances previously mentioned in prior reports remain pending, including an FOP grievance that was filed after the Police Chief would not allow officers to perform off-duty work at the Great American Outdoor Show. An FOP grievance is also pending on an individual employee suspension issue, and there is a pending request for arbitration from the FOP related to a police officer's request to return to work or receive injury-on-duty benefits. An IAFF grievance is also pending regarding the City's failure to implement promotions related to civil service testing and the parties' prior agreement related to same. From the Coordinator's understanding, there is not a significant risk of exposure on any of these pending matters, and the Coordinator will provide further information when it becomes available.

Fire overtime has been a continuing issue for the City since long before the City entered into Act 47, as the expenses were constantly exceeding budget. However, the City has been able to significantly reduce its overtime expense after the IAFF CBA was amended in April 2014, one fire station closed, and new firefighters were appointed in June 2014. Through prudent personnel management, the City's Fire Chief has successfully been able to continue to contain Fire overtime costs. For example, for the first quarter of 2014, total overtime (inclusive of premium pay) was \$727,432 or 64% of salary, while for the balance of 2014 total overtime was \$1,100,943 or 32.5% of salary, half of what it had been averaging before the CBA amendment. For the full 2014 year, overtime was 40.5% of salary and 91% of the \$2,000,000 budget for overtime. Positive trends have continued in 2015, 2016 and to date in 2017.

The City has been able to contain overtime and stay within the \$1,015,000 annual budget for overtime and premium pay – which budget is nearly half of what the budget was in 2014. In 2017 thru May, expenditures for overtime combined with premium pay total \$452,302.37, or 23.5% of regular salary. This expense is at 44.7% of budget for these items. Needless to say, this pattern of reduced overtime has had a positive impact on City finances and is anticipated to continue through 2018.

For the first two months of 2018, expenditures for fire overtime combined with premium pay total \$138,851, or 17.6% of regular salary. This expense is at 13.5% of the annual budget for these items, which is consistent with the annual budget. The overtime and premium pay budget lint items should be monitored carefully throughout the year to ensure that the cost remains at or below budget.

Asset Monetization Matters

This section of the report provides an updated summary of progress made with respect to:

- Long-term capital lease of Harrisburg's parking assets from the City and the Harrisburg Parking Authority (HPA) to the Pennsylvania Economic Development Financing Authority (PEDFA),
- The sale of the incinerator from The Harrisburg Authority, now Capital Region Water (CRW) to the Lancaster County Solid Waste Management Authority (LCSWMA),
- Activities related to the "Verizon Bonds," and
- Activities related to the transfer of the water and sewer operation from the City to CRW.

After the December 2013 consummation of the Strong Plan, the City no longer is a guarantor of debt payable on either the Resource Recovery Facility or Parking System. Debt service on these assets is now payable by the Lancaster County Solid Waste Management Authority and the Pennsylvania Economic Development Financing Authority (PEDFA), respectively.

The Strong Plan focused not merely on restructuring City liabilities, but also the elimination of the vast majority of the City's debt and other obligations. The exceptions were the City's General Obligation Bonds and to a more limited extent, the so-called "Verizon Bonds." The former were restructured as part of the Strong Plan's consummation. As to the latter, over half of the debt service will be paid for by lease payments made by the Commonwealth and expense reductions achieved by management. The remaining obligation of the City was restructured as part of the Settlement Agreement on the Verizon bonds in January 2015.

During the course of 2017, PEDFA has engaged in conversations with all affected parties, engaged its professionals and staff to craft an amendment to the indenture and has as of December 12, 2017 sent to all interested parties an amendment to the trust indenture for their review. PEDFA believes the amendments will resolve the outstanding ambiguities, repay SP+ for its inadvertent overpayment in 2014, make distributions in excess of \$180,000 to the City and HPA and provide much needed funding for the Capital Reserve. It is PEDFA's desire to resolve these issues as soon as possible.

Harrisburg Parking

The parking monetization was the cornerstone of the City's recovery plan. The choice faced by the Office of the Receiver was whether to sell the system to a private equity firm or hedge fund or put in place a monetization structure that maintained ownership of the assets for Harrisburg, and aligned the incentives of the parties, so that the better the system performed, the more the City would benefit. The latter approach was chosen and therefore it is to the City's benefit that it does everything in its power to improve revenues and support the parking system. This includes recognition that proper maintenance of the parking system is critical to the continuing flow of revenue for the City.

The proceeds of the parking monetization that were received in December 2013 were allocated to the "Acquisition Price" used by the HPA and City as follows:

1. Repay the balance of negotiated settlement with Resource Recovery Facility creditors (\$128 million).
2. Pay debt service on GO Bonds for first time since 9/15/11 (\$6 million).
3. Repay all of the Harrisburg Parking Authority's debt (\$99.8 million).
4. Pay \$36 million to the City of Harrisburg to be used to:
 - a. Reduce payables
 - b. Create an OPEB Irrevocable Trust and fund an initial deposit - (The OPEB Board remains to be created by the City; however, the Coordinator has met with the City's Business Administrator, Mark Woolley, City Solicitor, Neil Grover, and City Finance

Director, Bruce Weber to discuss its' construct. The goal is to have the OPEB Board selected within the first half of 2018.)

- c. Fund deposit to Impact Harrisburg
- d. Fund a budgetary reserve to get through first three months of each year (This has worked well as the City has not needed to draw on a TRAN)
- e. Repay Pennsylvania Investment Bank
- f. Repay agreed upon amounts to equipment lender

Subsequent to Plan consummation, the parking assets are under the auspices of the PEDFA who engaged Capital Region Economic Development Corporation (CREDC) as their agent to oversee the operation and management of the parking operation. (Please see the note above about the PEDFA proposed amendments.) PK Harris/Trimont Real Estate Advisors is responsible for managing the parking assets and Standard Parking Corporation/SP+ is managing day to day operations. PEDFA contracted with CDM Smith in the fall of 2015 to review certain financial elements of the Park Harrisburg System, given the failure to satisfy the 125% rate covenant under the bond indenture. PEDFA in consultation with the bond guarantors determined that a review of the operational issues to provide recommendations aimed at improving the system's operations and financial performance would be undertaken. CDM Smith issued its report at PEDFA's October 21, 2015 meeting. Key comments and recommendations were:

SP+

- *It is the opinion of CDM Smith that a much smoother handover from HPA to SP+ could have taken place, including temporarily hiring former HPA employees. Hence, we believe that SP+ management should have better planned for the transition from HPA to their firm. This transition also should have included more support from SP+ managers outside Harrisburg.*
- *It would have been difficult to completely mobilize because the transfer date was uncertain. Devoting resources in a standby capacity during the holiday season would have been difficult.*
- *Further complicating the transition period from HPA to SP+ was the company's recent merger between Standard Parking and Central Parking becoming SP+.*
- *PK Harris also expressed concern with the on street parking enforcement equipment's inability to allow a 5 minute grace period on parking meter violations. According to SP+, it is a technology issue, and the vendor had not provided a solution. A 5 minute grace period would engender some goodwill with downtown Harrisburg parkers. (The grace period was subsequently implemented)*

Fiscal Year 2016 Results

For calendar year 2016 all project revenue line items were basically on budget. For the same period, operating expenses were slightly over budget (3%) due to higher legal expenses and higher utility expense.

Fiscal Year 2017 Results

Through November 2017, revenue from the parking system has increased by 4.7% over the twelve months ending December 2016.

For the same period, operating expenses were .5% higher than twelve months ending December 2016.

Fiscal Year 2018 Operating and Capital Budgets Projections

Through February 2018 revenues increased by 1% over the same period of 2017.

Through February 2018 expenses were the unchanged over the same period of 2017.

The proposed 2018 operating and capital budgets have not been approved yet in accordance with the Indenture and thus interim budgets will be utilized. In general, the 2018 interim operating budget will reflect the current rates for monthly, transient, and meter parking while the DGS lease rate will increase per the terms of the lease. The 2018 interim operating expenses will be equal to 2017 budgeted operating expenses increased by Consumer Price Index (CPI.) The 2018 interim capital budget will be equal to the amount in the CDM Smith report for 2018 which is \$1,394,580.

Payments to the City and Harrisburg Parking Authority

With regard to the City/HPA payments through February 2018, the City has been paid \$216,517 of \$293,722 due and HPA has been paid \$151,923 of \$206,343 due.

As to other subordinate expenses of the Trustee Waterfall, there have been no Performance Fee deposits/payments made in 2018 and no PEDFA fee deposits/payments made in 2018.

The Trustee is holding \$1,160,881 pending resolution of issues related to ambiguities in the Trust Indenture, and certain previously described underpayments and over payments from previous periods.

There have not yet been any payments of projected cash flow to SP+ for the 2014 overpayment it inadvertently made into the Indenture.

Notwithstanding, the fact that the parking system is generating insufficient amounts to pay all subordinate expenses, Tables 1 and 2 below reflects the significant positive impact the parking transaction has had on revenues of the City derived from parking related fees and charges. In 2012 and 2013, parking tax receipts that the City collected and retained in its general fund were approximately \$1.5 million and \$1.6 million respectively. Parking tax revenues have consistently risen year over year and are expected to do so again this year.

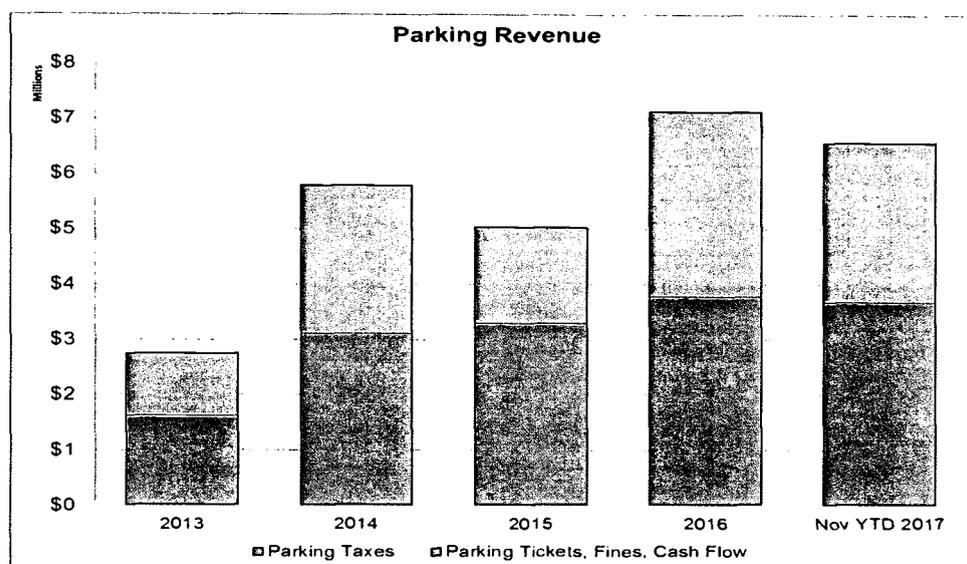
The 2016 budget for Parking Taxes was \$3.8 million and the City received \$3,769,704 (unaudited). The 2014 payments include what has been identified as an overpayment by SP+, otherwise this amount would be significantly lower. As of year-end 2016, the new parking construct has succeeded in generating in excess of \$4 million more in 2016 than the old construct generated in 2013 (prior to the parking transaction's closing that occurred on December 23, 2013).

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**Table 1
City of Harrisburg
Parking Revenues**

Table 1 City of Harrisburg, Parking Revenues

Group	Account Description	2013	2014	2015	2016	2017
Parking Taxes	MBP PARKING TAXES CURRENT	1,613,906	3,100,722	3,289,446	3,769,704	3,668,788
Parking Taxes	MBP PARKING FEE	13,271	16,721	11,573	13,724	12,580
Parking Fees	PARKING LICENSE FEE-PRIOR	476	3,266	2,131	710	4,076
Parking Fees	PARKING LICENSE FEE-PENAL	668	3,477	2,007	3,010	3,284
Parking Fees	TOWING FEES	24,954	28,360	21,665	22,595	20,706
Parking Fees	METER BAG RENTAL	149,706	62,834	21,504	24,116	49,312
Parking Fees	FINE AND COSTS	72,919	72,570	49,535	42,244	13,627
Parking Fees	BOOTING FEES	1,925	14,595	8,850	3,300	2,925
						0
Parking Tickets	PARK TICKETS-VIO FINE	880,585	475,248	463,641	447,119	376,923
						0
Ground Lease Payment	PRIORITY PARKING DISTR.	0	900,000	527,900	1,093,623	974,526
						0
Priority Parking Distribution	PRIORITY PARKING DISTRIBUTION		1,100,000	636,951	1,717,788	1,457,735
						0
Rental Income	HPA RENTAL INCOME	0	20,800	0	0	0
HPA Coordinated Pkg	HBG PRK AUTH COORD PKG	0	0	0	0	0
	Total Parking Revenue	2,758,410	5,798,593	5,035,203	7,137,933	6,584,482

Table 2

Additional Incentive Programs

A 15-minute free parking program was initiated last year for several parking areas in the Central Business District (CBD) of Harrisburg previously marked as loading zones. To date, parking revenue from meters located around the free parking spaces have not been less than budgeted. The program was expanded in early 2017 to include conversion of 22 additional loading zones in the Harrisburg Central Business District to 15-minute free parking areas.

On April 2, 2018 the Mayor and the County announced, "Free Parking," within the Central Business District. The cost is to be borne by the City, County, and the Harrisburg Downtown Improvement District.

Parkmobile

Parkmobile was selected by Park Harrisburg to replace Pango as the provider for mobile-payment solutions effective March 1, 2017. Parkmobile is the leading provider of mobile-enabled parking and mobility-related services in North America. The company's mobile payments solution will allow parkers to use their mobile phones to pay for parking at all of the on-street spaces managed by Park Harrisburg. Customers can pay with their smartphones using Parkmobile's mobile applications for iPhone, Android, and Windows phones, or by calling the toll-free number on the Parkmobile meter stickers. Park Harrisburg in partnership with the City and Parkmobile has implemented two other promotional programs that can provide a more customer friendly parking experience. LUV HBG provides 4 hours of free metered parking on Saturdays and AFTER 5 provides \$1/hour meter rates from 5:00 to 7:00 p.m. in the central business district. Park Harrisburg and Parkmobile are working with local businesses on other promotional programs utilizing this application.

In May 2017, Parkmobile had approximately 9,200 transactions. This compares quite favorably to the PANGO transactions which were approximately half this amount in May 2016. Public response to Parkmobile to date has been favorable.

Park Mobile had approximately 20,000 transactions through February 2018.

Accruals

The trustee has provided an opinion on language in the trust indenture related to the waterfall payments and stated that the language related to accruals is ambiguous. In light of this opinion, PK Harris has made the City's payments for 2016 (and thus far in 2017) consistent with the schedules in the Asset Transfer Agreement until such time as all parties agree to any changes. The Asset Manager engaged CDM Smith to update the capital study in order to factor in capital requirements for the system as part of a term sheet. Subsequent to the completion of the updated capital study in the fall of 2016, AGM and Dauphin County in their role as credit enhancers and creditors prepared a proposed term sheet for discussion. Several positive meetings were held during the fourth quarter and first quarter of 2017 between the creditors and the City to discuss the term sheet. It is the Coordinator's belief that a mutually acceptable resolution can be reached by the parties, that balances the needs of the parking system and the City.

Capital and Operational Improvements

Capital Improvement projects completed in 2017 and first quarter 2018 include:

1. Concrete repairs and generator replacement at the Locust, Market Square and Chestnut garages.
2. Repaving of the 7th Street Lot and sealcoating of the 10th Street Lot and Mulberry Street Lots. As a result of additional research on cost saving measures by the Operator, SP+, the final cost of repaving the 7th Street lot was \$300,000 below estimates in the Capital Study.
3. A new 10-year Capital Study has been completed and will be utilized for identification of capital improvements by year for the future.
4. The project entered into an energy saving contract and has saved \$8,023 through February of 2018.

Parking Advisory Committee

A Parking Advisory committee chaired by PK Harris/Trimont Real Estate Advisors, the Asset Manager, and comprised of representatives from CREDC (as PEDFA's representative); SP +, the Operator; HPA; the Mayor; City Council; Department of General Services (DGS); AGM; and the County was established under provisions of the Asset Transfer Agreement and continues to meet periodically to keep stakeholders informed on the system's operation. Although it has no decision-making authority, the Advisory Committee serves as a forum for communication and interaction among the parties with interests in the operation of the Parking System and as a vehicle for customer and public input with respect to the operation of the system. The Committee's last meeting was held on December 12. No additional meetings have been scheduled at this time.

Resource Recovery Facility

Results for 2014 - 2017

The Lancaster County Solid Waste Management Authority (LCSWMA) has operated the resource recovery facility since December 2013. Tonnage from the City, delivered to the Susquehanna Resource Management Complex (SRMC) exceeded the City's minimum required 35,000 tons in 2014, again in 2015 when the City disposed of 36,636 tons (105%), and again in 2016 when the City disposed of 35,953 tons (103%). As of the end of August, tonnage from the City disposed of at the Susquehanna Resource Management Complex (SRMC) was 25,223 tons (72.2%) of the City's 35,000 ton minimum put or pay requirement. It is running slightly above last year at this point and is on target to again meet or exceed the 35K minimum.

Tipping fees were reduced in 2014 and have remained the same since that time. The more the City diverts from the waste stream through recycling, the less it has to pay for disposal costs. The plan to avoid using general fund monies to pay for any costs resulting from the put or pay provisions being activated included the combination of increasing recycling which will result in payments for recyclable materials, savings from reducing disposal charges (freeing up additional disposal fees) and reducing "leakage" from the system.

The City also receives an annual Host Fee from SRMC. For 2016 the City received \$315,986 in Host Fees which exceeded the budget of \$280K. Through February 2018, the City had received \$102,000 in Host Fees which is above the host fee that it had received through the same period of 2017.

The "Verizon Bond Problem"

The resolution of the Verizon Bond matter has resulted in significant positive benefits to the City. The resolution has been discussed thoroughly in prior reports. The benefits though are continuing to have a positive impact on the City. The lease between Harristown Development Corporation (HDC) and the Department of General Services (DGS) of what is now known as the Commonwealth Tower has resulted in approximately 780 people moving into the Tower in 2016. This influx of employees in the central business district has increased Local Service Tax revenues by approximately \$120,000 per year and also spurred increased economic activity throughout the Strawberry Square and Market Street areas.

Current Status of Commonwealth (formerly Verizon) Tower Project

The Commonwealth renamed the Tower, the Commonwealth Tower, and by mid-2016 DGS had completed the build out and all Human Services employees had been transferred to the Tower. All told approximately 780 new Commonwealth employees now work in the Commonwealth Tower. By all accounts the project is one of the biggest improvement projects that has been undertaken in downtown Harrisburg and has spawned considerable additional activity in the Strawberry Square complex. This project has resulted in considerable savings to both the City and the Commonwealth (the former in regard to reduced total debt service obligations and the latter in regard to reduced energy costs under its lease).

Additional Improvements to Solution to the Verizon Bonds/Building Problem

A recent negotiated settlement relating to the real property assessment of the parcel is expected to yield a significant, beneficial economic impact for the City. As built into the transaction's legal structure, operating expense savings inure to the benefit the landlord (Redevelopment Authority of the City of Harrisburg - the "RDA") and to the manager of the buildings (Harristown Development Corp.). To the extent additional cash flow - or conditional rent - is directed to the RDA, there is a dollar for dollar reduction in the obligations of the City under its Guaranty of the RDA's Federally Taxable Guaranteed Revenue Bonds, Series A of 1998.

The Stipulation and Joint Motion document and Amended Order of Court executed in July and August 2017, respectively, state that the assessment of the parcel changed effective January 1, 2016. The first conditional rent that would include any tax savings would be paid in April 2018 for the calendar year ending December 31, 2017 (because calendar year 2016 is already closed). Although not yet final, and subject to the taxing bodies' further review, calculations provided to the Coordinator of the refunds/credits due from the County, City and School District for calendar years 2016 and 2017 approximate \$517,000 and may be available in April 2018, assuming no other offsetting items in the conditional rent calculation, assuming the taxing bodies issue the checks in 2017, and after recovery by HDC of \$51,000 in unreimbursed losses per the 2016 conditional rent calculation provided by HDC. HDC is awaiting confirmation from the City and School District regarding their calculations of the amounts of refunds/credits due and no actual refunds/credits have yet been issued.

In the original structure, HDC agreed to assume certain operational risks and subordinate certain payments to it to payments to the Trustee on the 1998 Bonds. They did so fully intending to bring this tax appeal, reduce energy costs and reduce as many expenses relating to the project as possible. Under the applicable documents, if there are "excess funds" (gross rent less operating expenses and fixed rent) the first \$150,000 goes to HRA as conditional rent and the balance is split 50/50 between HRA and the HDC.

HDC's estimate of the amount of conditional rent that they expect to be paid to the RDA beginning in April of 2019 is \$282,000 per year through 2025. This is comprised of the first \$150,000 plus 50% of the remaining excess funds.

Harristown Development Corporation Activities

Harristown Development Corporation (HDC) continues to actively pursue additional development opportunities in Strawberry Square and the surrounding neighborhood. Strawberry Square itself is a great redevelopment story based in large part on the 17-year Commonwealth lease for the Commonwealth Tower. Building on last year's successes that included a new Hallmark store, and expansions of apparel retailer, Amma Jo and Capital Area School for Arts several additional projects have moved forward during the second quarter.

Rite Aid opened its new store in Strawberry Square on May 25, 2017. This is the largest retail lease HDC has experienced in its 40-year history. The 14,000 square foot store is double the size of its previous location on Market Street and is considered one of Rite Aid's Flagship stores. It offers an extensive amount of new products and services and has a special partnership with The Hershey Company with a "Chocolate World" style display and gift area. In the month since its opening, sales have been brisk and exceeded Rite Aid's expectations.

Fresa Bistro, a new 50 seat sit-down restaurant opened in at the end of the first quarter and is doing extremely well. It offers a menu of freshly made items, including sandwiches, panini, salads, wraps and soups. HDC has also just signed a lease for a new fast casual Asian/Fusion restaurant to be known as "Freshido." The 2,500 square foot restaurant will be located at the corner of 3rd and Market Streets and have seating for approximately 60. It is expected to open by October 1, 2017 and provide yet another dining option in the downtown.

Best Friends Day Care which opened in 2015 has seen its business grow with the influx of new office employees and has just signed a lease for an additional 1,000 square feet.

HDC is also hosting a monthly Pop-Up Happy Hour in Strawberry Square that creates additional foot traffic in the Strawberry Square complex and is a plus for retail establishments.

Public Financial Management, a major downtown employer announced in mid-June that it will expand and relocate to the M&T Bank building taking about 63,000 sq. ft. which is all the available office space remaining in this building. It's 150 employees will make the move by year-end. The move represents PFM's long-term commitment to the City as one of the leading businesses in the region.

Residential development also is continuing in both Strawberry Square and the surrounding Third Street neighborhood. Demand for residential housing in downtown Harrisburg is strong as evidenced by a study commissioned by Harristown Enterprises, Inc. The "residential opportunity assessment" report was completed by the national consulting firm, Real Property Research Group (RPRG) and concluded that downtown Harrisburg has great potential to absorb as many as 300 new market rate apartments over the next three years — a very encouraging sign for the City's future. HDC's focus is to create an environment where you can walk to almost everything you need."

In 2016 HDC completed renovations and placed into the market 51 high-end apartments in three complexes: The Flats at Strawberry Square (22 units); F@TT (Fifteen at 22 S. Third) (15 units) and South of Market (SoMa) (14 units). By March all of these units were occupied and there is a waiting list for openings. HDC is currently constructing two additional units at the Flats and has purchased three additional row buildings on South Third Street that it is renovating into six apartment units. HDC is also looking for opportunities to convert older class B and C office buildings into apartments given the demand for housing.

The Downtown Improvement District and Harrisburg Property Services recently partnered to open a new safety and security sub-station in the SoMa district. They will work closely with the City's police department and provide safety and security service to residents and patrons of businesses in this neighborhood.

Two other developers, WCI Partners, LP and the Vartan Group have been partners in the development of residential properties in the City. WCI recently developed the Union Street Lofts (33 units), the Locust Street Apartments (14 units) and Walnut Court Apartments (21 units). Both Locust Street and Walnut Court projects were leased in 6-8 weeks and the Union Street Lofts are already about half leased. WCI will bring on an additional 8 units at 916, 918, and 920 North Third St., adjacent to the Union Street Lofts, during 2017.

On the educational and technology front, the Blackberry Technology Center opened in the SoMa neighborhood. The project involved the redevelopment of a blighted former hardware store that had been vacant for over 30 years into a three story, 4,500 sq./ft. building that now houses three

technology-based companies that employ approximately 30 individuals. All three companies are a product of Harrisburg University's (HU) technology accelerator. HU has been a key player in the development of a burgeoning technology industry in the City as evidenced by a number of technology initiatives. Adjacent to SS, HU has recently completed the build out of its current building and is pursuing additional space in the downtown area. The technology sector has grown nicely with over 20 firms located in and around downtown employing over 800 individuals. Many of these individuals desire housing in the downtown and contribute to the economic growth evidenced in downtown.

Temple University is also part of the educational corridor with its location in Strawberry Square and has also experienced strong growth in both undergraduate and graduate programs. The Capital Area School for the Arts in Strawberry Square is entering its fifth year as a charter school. It now boasts over 200 students and is expected to renew its charter in 2018.

Strawberry Square Energy Efficiency Upgrade

The Energy Upgrade in Strawberry Square was a separate Project thru DGS and HDC that was coordinated with the build out in PHASE 1 and 2 and is now complete. HDC entered into the performance agreement phase of the contract where the guarantee of savings by Siemens should be sufficient to pay the debt service on the loans. Siemens as part of their performance agreement maintains very tight oversight of the building's operation during the ten-year period. Comparative data for 2016 reflects an overall energy cost savings of 31% over 2015 with continued savings being experienced in 2018.

Senator's Stadium Bonds

The park permit/lease with the Harrisburg Senators for the City Island stadium remains an issue as the City has had to make up the difference in debt service from what the permit revenue provides. This amounted to between \$180,000 and \$200,000 annually between 2012 and 2013 and has continued to be a growing obligation. The goal of the Receiver and now Coordinator was for the City to enter into a new permit/lease that insured adequate revenues paid from operations of the Stadium to fulfill the debt service obligations on the stadium bonds without further burdening City taxpayers. The City and Coordinator met on several occasions to discuss options and staffing for reaching out to the parties involved. The City has now assumed responsibility for the "Senators' Stadium" financing matter though the Coordinator's team continues to be available to assist should the City desire.

The owners of the team held back certain payments to the City in order to fund capital improvements to the stadium, thereby increasing the amount of debt service the City was required to pay under the Guaranty of the bonds. In October 2015, the City had to transfer an additional \$85,000 (beyond a May payment of \$163,061) to meet the debt service requirement for a total of \$248,061 on the bonds for the year. In May 2016, the City made a payment of \$241,362 and in October paid an additional \$91,272 for a total of \$332,634. Annual debt service obligations on the stadium bonds will exceed \$650,000 in 2017. It is unknown the exact amount the City will need to contribute though it is likely to be similar to the 2016 payment which represented about half of the total debt service unless a resolution is found. The increase in debt service being paid by the City versus the Strong Plan projections heightens the reasons for making best efforts to use all resources and capacity available to reduce or eliminate this obligation. A resolution of the Stadium Bonds in a manner where they become self-supporting would save the City hundreds of thousands of dollars in debt service each year.

The Mayor has met with the Senators new owner, a local businessman, multiple times and continues to pursue additional uses for the stadium that would generate additional revenue for the City. Initiatives that increase cash flow to support the Stadium's expenses would inure to the benefit of the City and are recognized by the Coordinator as positive steps by the City.

The Coordinator has recommended in the adopted Plan modifications that so long as the City is making payments under its guaranty of these bonds; all advances made are memorialized in a manner that enables the City to maximize its ability to be reimbursed by the team ownership out of excess revenues, if and when they become available.

Finally, both installments of settlement proceeds from the *In Re Derivatives* class action law suit have been paid to the Harrisburg Redevelopment Authority and should be used to defray some of the debt service expenses of this bond issue and the Verizon Bond issue. The Coordinator has stressed the importance of applying the proceeds of the settlement assets award to the respective obligations.

Water Sewer and Storm Water Operation - Transfer of Assets

When the Receiver's Team looked at the City's assets and assessed options, three different strategies for three different assets were pursued. The incinerator was sold, the parking system was "monetized," and water and sewer (wastewater and stormwater) operations were transferred to The Harrisburg Authority, now Capital Region Water ("CRW"), which was converted into an operating authority (from a financing authority). Under this structure, water and sewer revenues would be insulated and separated from the City's General Fund; and the infrastructure would be improved through expert and focused management and by eventually reinstating an investment grade credit rating.

The transfer, effectuated in late 2013, consolidated the ownership, administrative, operational and financial responsibilities for the drinking water, wastewater and stormwater operations to CRW. All City employees from the Bureaus of Water, Sewerage, and Operations & Revenue became employees of CRW. This transfer and consolidation was supported by the suburban communities served by the water systems, as well as regulators, and has been well-received by the citizens of Harrisburg. The organization is managed by a five-member City-appointed Board of Directors with an administration comprised of a Chief Executive Officer, Chief Financial Officer, and Directors of Engineering, Operations and Administration. It has grown from approximately 80 staff to over 115 since late 2013, vastly improving the quality of service being provided to the City's water and sewer customers.

Strategic Planning

Capital Region Water's Strategic Plan was approved and adopted by its Board of Directors at its October 26, 2016 Board meeting.

The Strategic Plan identifies the following guiding principles that will lead the organization's decision making process in the coming years:

Vision: To be a leading, innovative and efficient water utility focused on serving our community.

Values: Capital Region Water has a shared commitment to sustainability and to doing the right thing for public health and the environment, customers and coworkers.

Mission: Capital Region Water is a dedicated team of professionals devoted to customer satisfaction and stewardship of our community's water systems from raindrop to river.

Goals: (1) Efficient Use of Resources, (2) Public Health & the Environment, (3) Customers & Stakeholders, (4) Workforce, and (5) Infrastructure Stability.

All departments of CRW have begun using the Strategic Plan as a guide toward project prioritization. A system of program tracking and reporting is being developed. More specific updates will be provided in future reports.

Wastewater and Stormwater Compliance – Partial Consent Decree

The US Department of Justice and the US Environmental Protection Agency ("EPA"), along with the Pennsylvania Department of Environmental Protection ("DEP"), viewed the transfer favorably due to the capacity and expertise at CRW that would ensure the system's compliance with the Clean Water Act and Chesapeake Bay requirements.

Due to the authority's ability to access capital and work closely with the regulatory agencies, the conversion of CRW into an operating authority resulted in millions of dollars in savings to the City and rate payers through fine and penalty avoidance and lower cost of debt associated with environmental compliance orders including improvements to the Advanced Wastewater Treatment Facility ("AWTF") and significant wet weather pollution initiatives.

The City faced millions of dollars in fines and penalties from the Department of Justice (representing the EPA) and from DEP, due to failure to treat sewage properly and comply with applicable effluent treatment and combined sewer overflow standards. With the support of the Commonwealth, Capital Region Water secured a \$24 million low interest loan from PENNVEST for construction of the AWTF upgrades. With this low interest loan commitment, CRW was able to arrange for a private placement for the balance of the \$50 million AWTF project. Construction on the project was completed as of December 2016 (pending final documentation) and when final costs are tabulated is projected to come in under budget.

CRW has complied with all milestones of the Partial Consent Decree entered into by CRW, the City, the State Department of Environmental Protection, the US Environmental Protection Agency, and the US Department of Justice. The potential fines and penalties that would have been imposed on the City appear to have been avoided.

City Beautiful H₂O

"City Beautiful H₂O" is a community based campaign to improve the health of local waterways and green the City while meeting stormwater and combined sewer system compliance issues. This campaign includes a Green Stormwater Infrastructure plan for CRW's stormwater service area, a partnership with Lower Paxton and Susquehanna Townships to complete a watershed-wide compliance strategy to meet Paxton Creek water quality standards, and a robust community education and engagement process. These plans will be incorporated into CRW's Wet Weather

Planning for regulatory compliance and the City has indicated that it will be included in their Comprehensive Plan update currently underway. These plans will result in significant investment into the community while attempting to minimize the financial impact to rate payers.

CRW held a series of "Community Greening Parties" throughout the City over the last year to provide education and receive resident feedback on the development of the Green Stormwater Infrastructure Plan. The Green Stormwater Infrastructure Plan was presented to the CRW Board of Directors at its December 21, 2016 meeting and adopted by the Board at its January 25, 2017 meeting. The project team has taken the feedback received and is preparing several conceptual designs including creating a "green block" between the Camp Curtain YMCA and Camp Curtain Memorial-Mitchell United Methodist Church on North 6th Street. The Green Stormwater Infrastructure Plan was presented to the CRW Board of Directors on December 21 and adopted by the Board at its January 25, 2017 meeting. CRW and its consultants are also working with the City's Parks and Recreation Department on the development of a master plan for the City's Reservoir Park and the incorporation of green elements into five city parks, three of which will receive pervious basketball courts.

Harrisburg's municipal separate storm sewer system (MS4) is permitted by the Pennsylvania Department of Environmental Protection. The system is operated under a permit issued to the City of Harrisburg. This permit could not be transferred to CRW as part of the transition in 2013 because the permit had expired. CRW submitted an application for a permit in October 2014 and has provided all information requested by DEP, but a permit has yet to be issued. CRW continues to operate the system under the City's permit through a cooperative agreement.

Close coordination and cooperation with the City is imperative to being able to meet the requirements of the MS4 permit and our NPDES permit for Combined Sewer Overflows. CRW and its consultants continue to coordinate and facilitate multiple meetings with representatives from the City's Codes, Engineering, Planning, Parks and Recreation, and Fire Departments to discuss the best way to jointly meet the requirements of the permits and City Ordinances. CRW is currently drafting Consolidated Rules and Regulations for its Drinking Water, Wastewater, and Stormwater systems, and will be providing requests/recommendations to the City for modification to City ordinances to ensure consistency between the two.

Project Funding

Capital Region Water has been successful in preventing large costs of borrowing by developing successful financial strategies. CRW has completed five successful borrowings since 2013 and was scheduled to complete one additional borrowing in the third quarter of 2017.

Due to many factors, including purchase of the water system from the City, water system debt service grew to 60% of operating expenses. In 2014, certain short-term finance deals were scheduled to begin collecting accelerated principal and interest payments. Because of the transition, CRW was able to refund these amounts resulting in a present worth savings of over \$2-million.

Prior to 2016, CRW had not been able to access the financial bond markets due to the withdrawal of its bond ratings by the rating agencies. In early 2016, with two years of financial records and operating history, CRW was able to restore its Water bond rating (A+ from Standard and Poor's) and refinance over \$52 million in water bonds, resulting in a present worth savings of approximately \$9 million.

The rating agency report had several notable remarks including:

"Based on our Operational Management Assessment (OMA), we view Capital Region Water to be a '3' on a scale of 1-6, with '1' being the strongest. This indicates, in our view, that operational and organizational goals are generally well-aligned, even if some challenges exist. The OMA of "good" includes a secure long-term water supply by way of a CRW-owned-and-operated dam and reservoir on the Susquehanna River that, combined with existing treatment facilities, provides the system with more than twice its peak day demand requirements."

"The water system's financial risk profile is an area of strength, with only minimal qualifications. The current management team has been very aggressive in ensuring that asset management and preventive maintenance are the focus of the capital improvement program. Therefore, the current five-year capital improvement plan (CIP) through 2020 has identified about \$23.7 million in capital commitments, a number that has been verified by an external consulting engineer that provides annual updates to the general system condition and the financial forecast."

In April of 2017, CRW was successful in re-establishing its Sewer Bond Rating to an investment grade level (A+ S&P). Additionally, CRW successfully marketed \$43,915,000 of Sewer Bonds which were utilized to refund M&T Bank's portion of the AWTF project financing and to provide necessary funding for 2017 and 2018 capital projects.

On June 8, 2016, CRW submitted two applications to Impact Harrisburg to offset capital expenses. A "Contingency Application" was submitted requesting \$500,000 to offset an estimated \$1.5 million cost of emergency repair and rehabilitation of the sewer system in the vicinity of Arsenal Boulevard. This project was not included in either the 2016 budget or the Capital Improvement Plan due to the lack of condition information gathered by the City during their ownership. The condition became apparent when raw sewage was observed in an unnamed tributary to Asylum Run. Impact Harrisburg did not award funding for this work. Given the nature of this project CRW has proceeded with design for this project.

The second application stems from the Impact Harrisburg Board's desire for collaborative projects between the City and CRW. After learning of the City's plans for street restoration in areas with underground infrastructure ("Multimodal Transportation Projects") and the importance for their receiving funding for that work, CRW laid aside plans to apply for funding to offset project costs included in the five-year Capital Improvement Plan, and submitted an application requesting funding for water and sewer infrastructure to align with the City's Multimodal Transportation Projects.

CRW was notified on July 22, 2016 that Impact Harrisburg had approved a grant in the amount of \$2,743,645.25 to CRW for work associated with the City's Multimodal Project. This funding will offset up to \$8 million in CRW costs for condition assessments, design, bidding, and construction of rehabilitation of drinking water, wastewater and stormwater infrastructure. The project also includes the incorporation of Green Stormwater Infrastructure as practical in accordance with CRW's City Beautiful H2O wet weather and community greening plan. CRW is working to complete work in coordination with the City. Representatives of both bodies met with the IH Board on August 16, to discuss their plans and address concerns of the Board. The City's projects include: 3rd Street Resurfacing Project; 2nd, 7th and Division St Project; Berryhill Pedestrian Improvements Project; and North 17th Street Reconstruction.

CRW's general counsel provided a draft grant agreement to the Impact Harrisburg Board to establish terms of receipt, however, we have not received a response from the Impact Harrisburg Board regarding the acceptance of the grant agreement.

CRW is actively coordinating sewer infrastructure repair work and stormwater collection and management, both green infrastructure and conventional (catch basin) as part of the City's 3rd St improvement project. The timeline is controlled by the City, as CRW's work is supplementary to the primary City work. The City is issuing the bid advertisement in late June with bids due in July and construction beginning by September.

Relationship with City

In 2013, the City and CRW entered into a Shared Services Agreement to facilitate the transition of service from the City to CRW and to provide for the effective coordination of services between the parties. The Coordinator continues to encourage the City and CRW to work cooperatively on a number of fronts pursuant to the Shared Services Agreement; however, areas for mutual service cooperation may disappear entirely unless current disputes are resolved and additional service agreements are negotiated.

CRW met with representatives from the City the first week of March 2017 to discuss the remaining outstanding issues related to the transfer of operations and the Shared Services reconciliation. It is believed that there is agreement on the majority of the items in question. One of the remaining areas to be reconciled is the Street Sweeping portion of the Shared Services agreement. The City provided the Street Sweeping expense summary and CRW is working with City personnel to resolve any remaining issues with the Street Sweeping charges and to effectuate a resolution prior to December 31, 2017. CRW will conduct Street Sweeping throughout fiscal year 2018.

At the request of the City, CRW prepared a new Shared Services Schedule wherein CRW would complete water and sewer service disconnects on City-demolished properties at the City's expense. CRW has completed work on a dozen of these properties and is waiting for the City to approve the proposed schedule or offer any amendments to the agreement.

One project that CRW is providing service to the City for is related to sanitary sewer overflows at the Harrisburg Transportation Center (HTC). The HTC has experienced sanitary sewer overflows into its lower areas for quite some time, though until recently nothing had been done to remedy the situation. Following several months of investigative work by CRW, their staff met with Harrisburg Redevelopment Authority on March 15, 2017 to review findings from site analysis and hydraulic modeling of the area.

The local plumbing back-up issues in the station floor drains have been abated with HRA's installation of flap-gates on the building discharge lines. Though several significant infrastructure issues on and around the site have been identified, the cause of the back-up appears to be the connection of train shed downspouts to the building discharge sewer (about 15-years ago). Some additional site work to verify connectivity through dye-testing in the railroad track right-of-way will be coordinated with Amtrak to determine whether there are additional short-term improvements that could further reduce the back-up conditions.

CRW is proceeding on the modeling and planning schedule of our Consent Decree with USEPA, PADEP and USDOJ. The analysis will be largely completed before the end of 2017 with the final plan submission due on April 1, 2018. HTC is in the middle of three sewer sheds, and our long-term plans will likely consolidate two or all of those sewer sheds into a single shed. We will also

likely separate stormwater from the sanitary sewer system in part or all of the area, and we will evaluate the potential for attenuation of stormwater with green infrastructure. These changes will require substantial investment and infrastructure relocation complicated by the obstacle created by the railroad tracks. The schedule for implementation of such improvements may well be more than ten years out, and the improvements themselves would not address the building back-up issues as they are created by a site impact (roof drainage) and not combined sewer interceptor or creek backwater. CRW will continue to partner with HRA and PENNDOT on the best collaborative solutions for HTC.

Cooperation between the City and CRW has improved through the regular meetings discussed above and through improved communication of issues between parties. A large part of this improvement is the result of revised channels of communication that allow better management of tasks. There are numerous areas where CRW and the City can collaborate for the benefit of all including comprehensive and green infrastructure planning (including parks and playgrounds), coordination of roadway and utility capital improvement plans, increasing code enforcement, and issues related to the sinkhole and utility line collapse problems. As Coordinator, I continue to encourage such collaboration as it benefits the City's recovery process.

Forensic Claims

To date many parties have been impacted by the Strong Plan and participated in the resolution of the City's debt related issues. This includes City residents who are faced with higher taxes, City employees who suffered wage freezes and made other concessions; creditors of the City and Authority, including AGM, Dauphin County, and AMBAC; and other creditors who were involved in the renovations to the Resource Recovery Facility and the monetization of City assets. Parties that have not participated to date in the City's recovery are the various professionals who were involved in the financing transactions related to the Resource Recovery Facility. Pursuant to the provisions of the Strong Plan, the Receiver and now the Coordinator have continued to actively pursue the forensic claims.

The Receiver initially engaged the firm of McKenna Long & Aldridge, (now Dentons) as Counsel in the pursuit of these claims. With the forensic audit completed by The Harrisburg Authority as background, the Coordinator was engaged with the parties involved in the various financings related to the Resource Recovery Facility in an effort to achieve a consensual resolution as to their role in the financings.

In the absence of an amicable resolution of the claims, the Coordinator through the Office of General Counsel solicited proposals and engaged the Washington D.C. firm of Harris Wiltshire & Grannis, LLP to represent the Coordinator in the further pursuit of all outstanding claims up to and including litigation, if necessary. The pursuit of a resolution of these claims remains a high priority for the Coordinator.

Concurrently a separate claim related to the Harrisburg Parking Authority (HPA) and Harrisburg University has also been pursued. This claim relates to the payment of \$3.6 million that was to be made at plan consummation in order to obtain free and clear title to the Harrisburg Parking Authority facilities at Harrisburg University. Under an agreement with HPA this claim was assigned to the City through the Office of the Coordinator. Counsel selected by AGM and Dauphin County determined to opt out of representation of the Coordinator in the complaint originally filed by that counsel in the Dauphin County Court of Common Pleas. As a result, the Coordinator selected Harris, Wiltshire & Grannis to represent him in this matter. After considerable due diligence, it was determined that the basis of any claims involving Buchanan Ingersoll and Rooney (BIR) could

not be supported. The Coordinator thus filed a Motion for Partial Discontinuance with the Court to dismiss further pursuit of this claim. In June 2017, the Coordinator and BIR executed a Settlement Agreement which was filed with the Court dismissing BIR from the case. Defendant Foreman filed preliminary objections in September 2017, which remain pending before the Court.

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Summary

As I author the first quarterly update of 2018, I want to express my appreciation for the leadership exhibited by the City's Elected Officials and Appointed Officials who have been professional and cooperative in working with the Coordinator Team in the City's operations as they relate to the Strong Plan. As a former City of Harrisburg Budget Director, I am very familiar with the budgeting, accounting, auditing, and financial management of the City and have been able to re-establish relationships with the City Elected and Appointed officials.

An updated Financial Condition Report, with a forthcoming Exit Strategy, has been presented to the Mayor and City Council on March 22, 2018 due to statutory changes to Act 47 through Act 199. The Financial Condition Report which will be embodied in the Exit Strategy will provide direction on a number of issues which include fiscal projections for 2018-2021. The enactment of the Strong Plan modifications when it was adopted in September of 2013, was a critical next step in the City's recovery and its move towards a path of sustainability and an Exit from Act 47. The Financial Condition Report will recommend a three-year Exit Strategy to allow the City to stabilize its revenues and reduce its expenditures. The Exit Strategy is scheduled to be adopted by City Council in September of 2018.

Although challenges remain, the City has made significant progress on many fronts. Through the first quarter of 2018, the City's operating position is healthy and its cash position strong. The first quarter of 2018 saw additional revenue from the Local Services tax along with significant EIT revenues. The first quarter of 2018 has a General Fund cash balance of \$21.1 million. The City's fiscal health continues to gain strength and stability. The City's cash position is a very positive sign and negated the need for a Tax and Revenue Anticipation Note (TRAN) for 2018.

The City has taken a number of steps to restore its fiscal credibility in the financial marketplace including keeping their audits up-to-date, securing TRAns for three consecutive years, compliance with SEC disclosure requirements, making timely debt service payments, bringing all payables into a current status and undertaking its first capital borrowing since entering Act 47. The City made the bond payment in October and will make both bond payments in 2018, so it will not need to rely on AMBAC to make its bond payments for the City. The current discussions related to possible repayment of the advances made by AMBAC also bodes well for the City's fiscal credibility. The City recently hired Marathon, as their Financial Advisors to assist with the negotiations with AMBAC. It is imperative that the Mayor, its Financial Advisors, and AMBAC continue to keep the Coordinator apprised of their progress regarding these negotiations. As it was the Harrisburg Receiver who negotiated the first two agreements with AMBAC on behalf of the City. The City is eagerly approaching the time when it can re-enter the bond marketplace to assist in financing much needed capital infrastructure for the future.

Restructuring City operations has played a key role in the City's positive current fiscal position. Ensuring long-term sustainability remains a challenge and requires the revitalization of the City's tax base to generate sufficient revenues to meet service needs of City residents. Progress on this front is typically slower, though we are seeing many positive signs. With full occupancy of the Commonwealth Tower by almost 800 Pennsylvania Department of Human Services employees, the City is seeing a number of positive economic benefits in Strawberry Square and surrounding area including new businesses and residences resulting in increased tax and parking revenues.

The Commonwealth Tower project, along with the Transit Oriented Development (TOD) study of the Transportation Center area, can serve as a further stimulus for additional economic activity in the downtown. The City is also experiencing growth in the technology sector industry that is

supported by Harrisburg University and other educational institutions in and around the City. Likewise, the continued advance of plans and funding for the new Federal Courthouse in mid-town will spur further economic activity in that area. Recent state Redevelopment Assistance grants for revitalization efforts in both mid-town and Allison Hill will further incentivize economic activity, all of which serves to strengthen the City's tax base. It is important that the City continue to build on these successes and partner with governmental and community stakeholders to further advance revitalization efforts.

I, as the new Coordinator, and my team will continue to work with Mayor Papenfuse and his Administration, as well as City Council, and other City Elected and Appointed Officials to assist the City as it moves forward with Strong Plan initiatives and other operational enhancements. Regular interaction with the City administration on issues involving finance, budget, tax collection, IT issues, planning, sanitation, public safety, parking and human resources is an important element to the City's recovery. The Coordinator team will continue to work with City officials to effectively manage the adopted 2018 budget, including its capital improvement programming component, increase the City's management capacity, and continue to enact sound financial management policies. City Council Finance Chair, Ben Allatt plans to adopt several financial management policies the first half of 2018. My team and I worked closely with the Mayor and City Council during the proposed and adopted budget processes. I will present the Financial Condition Report as a preliminary report to the City's Exit Plan on April 10, 2018. The Final Exit Plan will be presented in September of 2018 which will include a three-year extension to the Recovery Plan for the City.

I will also work to further strengthen public safety, implement additional sanitation system improvements, address City Island matters, pursue intergovernmental initiatives, finalize work on the City's comprehensive plan update and work with the Impact Harrisburg Board to implement the approved infrastructure and economic development projects to spur development and improve the quality of life for City residents.

I am pleased to inform the court that I have met with Mayor Papenfuse, Solicitor Neil Grover, Finance Director, Bruce Weber, and the Controller Charles DeBrunner to discuss the transfer of the Other Post-Employment Benefits (OPEB) funds of \$3.2 million dollars from the Harrisburg Recovery Coordinator to the City of Harrisburg in the form of an OPEB Trust. I will continue to work with the Mayor and Solicitor to move this effort forward and to begin to construct the OPEB Trust Board. The formulation of this trust will have multiple benefits to the City of Harrisburg including a possible improvement in the City's bond rating. I am committing to the Court that this process will proceed and will be effectuated in 2018.

As the Recovery Coordinator, I want to recognize the significant progress that has occurred since Harrisburg entered the Act 47 program in 2010. Looking forward, I have an optimistic outlook for the future of Pennsylvania's Capital City and I am proud of its renaissance. It is now a place that individuals want to come to work and live in, to serve their community through service on the City's non-profit boards, and to socialize in and to take in a baseball game on a summer's eve. Indeed, Harrisburg is a shining example of how, by working collaboratively, engaging in partnerships, and sharing in both the pain and success, a City can transition from near bankruptcy to a City that is restoring fiscal health and has a vibrant economy that will carry it forward into the next decade.

**CITY OF HARRISBURG
CASH FLOW**

Revenues, Expenditures, Surplus/(Deficit)	Estimated Jan	Estimated Feb	Estimated Mar	Estimated Apr	Estimated May	Estimated June	Estimated Jul	Estimated Aug	Estimated Sep	Estimated Oct	Estimated Nov	Estimated Dec	Total
Revenues without Transfers	2,348,575	7,069,601	11,800,102	5,084,060	5,763,489	2,882,534	2,737,949	4,786,227	4,725,117	3,534,904	4,726,041	3,752,671	59,211,271
Transfer in from Neighborhood Services Fund	0	0	0	0	0	0	0	0	405,532	0	405,532	0	811,063
Transfer in from Neighborhood Mitigation Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer in from Landfill/Incin Utility Fd	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfer in from Host Fee for Environmental Costs	0	0	0	0	0	0	0	0	5,000,000	0	0	0	5,000,000
Transfer from Other Funds	0	0	0	0	0	0	0	0	670,000	0	0	0	670,000
Total Revenues	2,348,575	7,069,601	11,800,102	5,084,060	5,763,489	2,882,534	2,737,949	4,786,227	10,800,649	3,534,904	5,131,572	3,752,671	65,692,334
Expenditures													
Personnel	3,245,512	2,413,192	3,214,027	3,409,999	3,124,852	3,495,776	3,890,957	3,457,902	3,112,837	6,148,890	2,905,086	5,291,100	43,710,130
Services	481,016	445,896	769,457	666,613	633,201	719,314	500,965	677,003	509,198	722,730	658,402	1,118,349	7,902,143
Supplies	124,396	250,284	183,907	392,514	232,937	235,520	235,260	187,069	177,537	208,006	207,772	473,981	2,909,185
Other	322,222	240,994	5,682,274	847,568	839,586	935,696	702,043	1,548,636	3,288,012	913,172	509,468	1,570,398	17,400,070
Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	4,173,147	3,350,366	9,849,666	5,316,694	4,830,577	5,386,306	5,329,225	5,870,609	7,087,584	7,992,798	4,280,727	8,453,829	71,921,528
Operating Surplus/(Deficit)	-1,824,572	3,719,235	1,950,436	-232,635	932,912	-2,503,772	-2,591,275	-1,084,382	3,713,065	-4,457,893	850,845	-4,701,158	-6,229,194

Note: Harrisburg's Budget included \$9.2 million of Cash Carryover to balance the budget
That money is not reflected in the Revenues.

City of Harrisburg
General Fund

2018 Estimated Cash Flow

Cash Summary

	Actual Jan	Actual Feb	Estimated Mar	Estimated Apr	Estimated May	Estimated June	Estimated Jul	Estimated Aug	Estimated Sep	Estimated Oct	Estimated Nov	Estimated Dec
Unrestricted Cash Balance Beginning of Month	20,980,423	19,166,422	22,915,521	24,360,228	24,127,593	25,060,505	22,556,734	19,965,458	18,881,076	22,594,141	18,136,248	18,987,093
Surplus/(Deficit)	-1,824,572	3,719,235	1,950,436	-232,635	932,912	-2,503,772	-2,591,275	-1,084,382	3,713,065	-4,457,893	850,845	-4,701,158
Change in Accounts Payable	0	0	-505,728	0	0	0	0	0	0	0	0	0
Other items affecting Cash	10,570	29,864	0	0	0	0	0	0	0	0	0	0
Unrestricted Cash Balance End of Month	19,166,422	22,915,521	24,360,228	24,127,593	25,060,505	22,556,734	19,965,458	18,881,076	22,594,141	18,136,248	18,987,093	14,285,935

Revenues, Expenditures, Surplus/(Deficit)

Revenues without Transfers	2,348,575	7,069,601	11,800,102	5,084,060	5,763,489	2,882,534	2,737,949	4,786,227	5,395,117	3,534,904	4,726,041	3,752,671
Transfer in from Neighborhood Services Fund	0	0	0	0	0	0	0	0	405,532	0	405,532	0
Transfer in from Neighborhood Mitigation Fund	0	0	0	0	0	0	0	0	0	0	0	0
Transfer in from Landfill/Incinerator Utility Fund	0	0	0	0	0	0	0	0	0	0	0	0
Transfer in from Host Fee for Environmental Costs	0	0	0	0	0	0	0	0	0	0	0	0
Transfer from Other Funds	0	0	0	0	0	0	0	0	5,000,000	0	0	0
Total Revenues	2,348,575	7,069,601	11,800,102	5,084,060	5,763,489	2,882,534	2,737,949	4,786,227	10,800,649	3,534,904	5,131,572	3,752,671
Expenditures												
Personnel	3,245,512	2,413,192	3,214,027	3,409,999	3,124,852	3,495,776	3,890,957	3,457,902	3,112,837	6,148,890	2,905,086	5,291,100
Services	481,016	445,896	769,457	666,613	633,201	719,314	500,965	677,003	509,198	722,730	658,402	1,118,349
Supplies	124,396	250,284	183,907	392,514	232,937	235,520	235,260	187,069	177,537	208,006	207,772	473,981
Other	322,222	240,994	5,682,274	847,568	839,586	935,696	702,043	1,548,636	3,288,012	913,172	509,468	1,570,398
Debt Service	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	4,173,147	3,350,366	9,849,666	5,316,694	4,830,577	5,386,306	5,329,225	5,870,609	7,087,584	7,992,798	4,280,727	8,453,829
Operating Surplus/(Deficit)	-1,824,572	3,719,235	1,950,436	-232,635	932,912	-2,503,772	-2,591,275	-1,084,382	3,713,065	-4,457,893	850,845	-4,701,158

Accounts Payable

Accounts Payable Beginning of Month	-1,505,728	-1,505,728	-1,505,728	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000	-1,000,000
Accounts Payable End of Month	-1,505,728	-1,505,728	-1,000,000									
Change in Accounts Payable	0	0	-505,728	0	0	0	0	0	0	0	0	0

Note: Harrisburg's Budget included \$9.2 million of Cash Carryover to balance the budget
That money is not reflected in the Revenues.

City of Harrisburg
General Fund
2018 Estimated Cash Flow

Cash Summary

Revenues, Expenditures, Surplus/(Deficit)	Actual 1st Quarter	Actual 2nd Quarter	Actual 3rd Quarter	Actual 4th Quarter	Total
Revenues	21,218,278	13,730,083	18,324,826	12,419,148	65,692,334
Expenditures	17,373,179	15,533,577	18,287,418	20,727,354	71,921,528
Operating Surplus/(Deficit)	3,845,099	-1,803,495	37,408	-8,308,206	-6,229,194
Unrestricted Cash Balance Beginning of Quarter	20,980,423	24,360,228	22,556,734	22,594,141	
Surplus/(Deficit)	3,845,099	-1,803,495	37,408	-8,308,206	
Change in Accounts Payable	-505,728	0	0	0	
Other items affecting Cash	40,434	0	0	0	
Unrestricted Cash Balance End of Quarter	24,360,228	22,556,734	22,594,141	14,285,935	

Note: Harrisburg's Budget included \$9.2 million of Cash Carryover to balance the budget
That money is not reflected in the Revenues.

Accounts Payable					
Accounts Payable Beginning of Quarter	-1,505,728	-1,000,000	-1,000,000	-1,000,000	
Accounts Payable End of Quarter	-1,000,000	-1,000,000	-1,000,000	-1,000,000	
Change in Accounts Payable	-505,728	0	0	0	

City of Harrisburg
2018 Estimated General Fund Revenues

Revenue Group	Actual Jan	Actual Feb	Actual Mar	Estimated April	Estimated May	Estimated June	Estimated July	Estimated August	Estimated September	Estimated October	Estimated November	Estimated December	Estimated Total 2018	Budget 2018	Variance
Real Estate Taxes Current	335,665	2,418,105	9,449,568	1,095,876	1,036,385	297,819	154,520	128,167	78,742	161,770	103,517	513,919	15,774,063	15,121,493	652,569
Real Estate Taxes Delinquent	85,471	0	115,520	197,291	258,488	118,246	355,396	155,004	251,483	532,763	90,859	91,680	2,252,201	2,283,377	-31,176
Tax Liens Principal	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EIT	540,819	1,606,336	716,993	1,066,301	1,383,618	1,092,809	420,079	1,427,830	1,041,331	647,950	1,433,799	752,922	12,130,786	3,809,999	8,320,787
Act 47 EIT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EMS/LST	96,048	1,449,198	107,272	26,303	830,488	250,472	189,539	1,074,228	283,243	237,599	1,538,670	324,034	6,407,096	6,049,251	357,845
Mercantile Business Privilege	198,894	230,573	398,042	1,171,119	446,906	171,272	122,926	157,901	69,690	186,248	164,641	78,750	3,396,961	3,368,550	28,411
Other Act 511 Taxes	58,313	36,324	49,547	266,414	153,626	14,319	34,645	340,518	55,220	44,349	380,061	52,118	1,485,355	1,471,000	14,355
Capital Fire Protection	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Cdbg Reimb. - Demolition	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Justice Fees	31,961	26,343	20,976	48,808	37,716	25,143	32,280	19,322	42,113	61,830	21,687	26,746	394,923	383,000	11,923
Fed/State(Fed)Pass Thr Gr	0	0	9,706	3,640	3,640	3,640	3,640	971	9,220	3,640	7,279	162,569	207,943	211,583	-3,640
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	51,546	51,546	51,546	0
Feas/Permits	219,079	90,719	106,287	101,235	113,977	50,273	122,075	142,743	75,317	119,862	137,012	172,817	1,451,396	1,350,715	100,681
Government Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest	16,459	15,413	2,300	1,888	2,026	1,663	4,473	2,406	1,317	1,459	1,459	4,703	55,886	26,566	29,319
License	0	146,336	2,765	0	154,234	0	157,481	523	824	150,127	11,795	11,795	624,085	623,493	593
Miscellaneous	70,537	151,030	215,667	144,887	78,815	255,276	172,521	142,713	165,753	124,766	110,618	197,300	1,829,882	1,821,133	8,749
Pension System State Aid	0	0	0	0	0	0	0	13,687	1,929,199	686,183	0	2,629,069	2,629,069	2,629,069	0
Public Safety Fees/Permits	13,701	5,276	19,379	26,772	16,519	17,347	20,379	14,311	18,457	18,232	12,441	17,130	199,945	216,451	-16,506
Public Safety Grants	47,218	9,539	6,947	19,851	155,591	32,643	-893	9,041	5,059,164	11,016	6,066	26,884	5,383,268	5,361,556	21,712
Public Safety Reimbursements	44,858	102,794	46,992	176,465	89,329	72,455	92,596	102,490	51,954	82,572	84,994	119,128	1,066,628	1,019,502	47,126
Public Works Fees/Permits	0	0	0	0	0	0	0	0	0	0	58,605	191,057	250,000	250,000	0
Reimbursements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rental Income	163	163	82	46	46	57	52	46	46	58	40	59	857	2,100	-1,243
Recreation Fees	15	20	0	5	394	2,644	5,430	1,866	563	139	117	34	11,258	11,231	27
Sale Of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vehicle Maintenance Charges	73,792	29,728	41,723	40,864	21,831	16,529	24,869	35,644	25,680	18,156	3,416	10,204	342,435	279,300	63,135
PILOTS	0	121,292	3,503	100,569	69,493	20,715	250,093	42,497	27,113	13,563	43,077	7,000	698,916	676,797	22,118
Pub Utility Realty Tax	0	0	0	0	0	0	33,680	0	0	11,320	0	0	45,000	45,000	0
Sewer Maint Charge	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewer Maint Liens-Penalty	0	0	0	2	1	176	12	8	8	2	207	214	207	214	-7
Sewer Maint Liens-Princip	0	0	67	12	31	85	111	14	35	51	42	16	465	542	-77
Sewer Utility Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sanitation Utility Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Neighborhood Services Fund	0	0	0	0	0	0	0	0	405,532	0	405,532	0	811,063	811,063	0
Neighborhood Mitigation Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfill/Inciner Utility Fd	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewerage Utility Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hbg Water Utility Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Hbg Prk Auth Coord Pkg	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Other Funds	0	0	0	0	0	0	0	0	0	0	0	0	670,000	670,000	0
Parking Taxes	313,797	373,606	213,146	227,077	567,119	136,074	380,812	423,513	238,143	303,055	77,224	666,585	3,920,149	3,912,500	7,649
Parking Fees	29,944	3,146	7,358	4,562	3,888	20,972	4,154	3,667	8,952	3,165	2,879	14,755	107,463	95,020	12,443
Parking Tickets	30,277	27,049	26,267	38,511	28,215	28,787	39,923	70,926	30,827	37,332	36,173	32,742	429,029	425,102	3,927
Ground Lease Payments	58,415	93,508	96,296	127,624	107,155	91,205	115,698	179,913	98,390	99,409	110,268	81,531	1,259,412	1,238,060	21,352
Priority Parking Distribution	83,152	133,105	143,354	197,637	204,552	161,551	137,259	161,551	127,730	148,967	144,646	1,805,054	1,762,331	42,723	
THA Shared Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Harrisburg Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	2,348,575	7,069,601	11,800,102	5,084,060	5,763,489	2,882,534	2,737,949	4,786,227	10,800,649	3,534,904	5,131,572	3,752,671	65,692,334	63,597,644	2,094,790

City of Harrisburg
General Fund

2018 Estimated Expenditures by Month

	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Budget	Variance										
	Jan	Feb	Mar	Apr	May	June	July	August	September	October	November	December	Total 2017	Act - Bud					
Office of City Council Personnel	21,113	20,780	20,753	20,755	20,485	26,958	27,187	24,371	22,291	22,472	24,657	29,738	281,561	281,561	286,888	286,888	286,888	-5,327	
Office of City Council Services	21,137	3,851	3,137	1,163	2,286	2,709	5,066	433	2,837	27,964	2,454	26,978	100,017	100,017	102,080	102,080	102,080	-2,063	
Office of City Council Supplies	0	545	5,301	666	837	682	2,096	2,741	262	437	387	5,730	19,683	19,683	22,000	22,000	22,000	-2,317	
Office of City Council Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Office of City Council	42,250	25,176	29,191	22,584	23,608	30,350	34,349	27,545	25,390	50,873	27,498	62,446	401,260	401,260	410,968	410,968	410,968	-9,708	
Office of Mayor Personnel	11,092	10,896	17,820	17,654	17,654	21,107	21,873	19,136	17,694	16,866	17,921	22,646	212,360	212,360	229,295	229,295	229,295	-16,935	
Office of Mayor Services	0	2,089	642	425	259	247	909	199	3,378	199	471	2,158	10,975	10,975	11,463	11,463	11,463	-488	
Office of Mayor Supplies	801	0	898	1,594	580	574	631	733	1,615	580	639	1,765	10,409	10,409	12,457	12,457	12,457	-2,048	
Office of Mayor Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Office of Mayor	11,892	12,985	19,360	19,674	18,493	21,928	23,413	20,068	22,687	17,644	19,031	26,568	233,744	233,744	253,215	253,215	253,215	-19,471	
Office of City Controller Personnel	11,284	11,910	11,576	11,528	11,526	14,064	13,554	12,887	11,623	11,667	12,885	15,099	149,602	149,602	151,595	151,595	151,595	-1,993	
Office of City Controller Services	0	0	125	125	8,052	125	125	125	263	372	125	619	10,056	10,056	10,500	10,500	10,500	-444	
Office of City Controller Supplies	24	44	106	123	221	432	1,072	2,016	453	149	230	2,185	7,055	7,055	9,207	9,207	9,207	-2,152	
Office of City Controller Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Office of City Controller	11,308	11,954	11,807	11,775	19,799	14,621	14,751	15,029	12,339	12,187	13,239	17,903	166,712	166,712	171,302	171,302	171,302	-4,590	
Office of City Treasurer Personnel	25,942	26,069	26,305	26,215	26,441	32,179	31,571	30,854	25,988	24,771	25,946	31,157	333,438	333,438	340,724	340,724	340,724	-7,286	
Office of City Treasurer Services	490	0	10,298	16,382	5,723	-1,206	3,931	3,641	1,520	3,054	1,413	5,335	50,581	50,581	61,200	61,200	61,200	-10,619	
Office of City Treasurer Supplies	1,630	125	484	1,702	83	1,284	570	1,253	105	4,706	160	1,375	13,478	13,478	12,000	12,000	12,000	1,478	
Office of City Treasurer Other	0	0	833	833	833	833	833	833	833	833	833	833	8,333	8,333	10,000	10,000	10,000	-1,667	
Office of City Treasurer	28,062	26,193	37,920	45,133	33,081	33,091	36,906	36,581	28,447	33,364	28,352	38,699	405,830	405,830	423,924	423,924	423,924	-18,094	
Office of City Solicitor Personnel	21,864	25,163	35,092	35,025	33,699	40,858	38,564	37,397	35,791	35,253	37,894	47,298	423,900	423,900	455,215	455,215	455,215	-31,315	
Office of City Solicitor Services	199	9,312	9,885	29,714	18,064	18,361	24,481	14,378	14,049	15,267	13,727	53,038	220,475	220,475	232,742	232,742	232,742	-12,267	
Office of City Solicitor Supplies	1,297	3,003	3,204	4,588	1,815	3,926	3,661	3,064	2,980	5,119	3,249	7,395	43,303	43,303	42,150	42,150	42,150	1,153	
Office of City Solicitor Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Office of City Solicitor	23,360	37,479	48,182	69,328	53,578	63,145	66,706	54,839	52,820	55,639	54,869	107,731	687,679	687,679	730,107	730,107	730,107	-42,428	
Office of Business Administrator Personnel	17,952	18,437	14,554	15,287	15,287	14,020	19,086	22,785	19,228	22,111	29,803	29,107	237,657	237,657	240,060	240,060	240,060	-2,403	
Office of Business Administrator Services	0	0	5,142	5,786	5,142	5,426	5,142	5,768	5,583	5,838	6,037	5,279	55,141	55,141	65,550	65,550	65,550	-10,409	
Office of Business Administrator Supplies	0	0	104	154	102	890	136	99	115	75	132	2,817	4,624	4,624	4,796	4,796	4,796	-172	
Office of Business Administrator Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Office of Business Administrator	17,952	18,437	19,800	21,227	20,531	20,336	24,364	28,652	24,925	28,025	35,971	37,202	297,422	297,422	310,406	310,406	310,406	-12,984	
Bureau of Financial Management Personnel	34,134	32,781	40,040	39,915	39,915	47,225	44,004	42,252	36,877	37,636	41,773	47,548	484,098	484,098	501,659	501,659	501,659	-17,561	
Bureau of Financial Management Services	247	23,418	20,910	2,114	5,583	6,841	56,259	80,529	7,241	23,934	16,476	16,753	260,305	260,305	266,181	266,181	266,181	-5,876	
Bureau of Financial Management Supplies	143	1,812	1,829	2,201	13	142	340	65	156	162	434	4,244	11,542	11,542	12,100	12,100	12,100	-558	
Bureau of Financial Management Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Bureau of Financial Management	34,525	58,011	62,779	44,230	45,510	54,208	100,603	122,846	44,275	61,731	58,683	68,544	755,945	755,945	779,940	779,940	779,940	-23,995	
Bureau of Communications Personnel	20,624	22,741	22,344	22,344	22,344	31,800	24,703	23,408	22,436	23,085	26,364	30,489	292,682	292,682	293,303	293,303	293,303	-621	

City of Harrisburg
General Fund

2018 Estimated Expenditures by Month

	Actual Jan	Actual Feb	Estimated Mar	Estimated April	Estimated May	Estimated June	Estimated July	Estimated August	Estimated September	Estimated October	Estimated November	Estimated December	Estimated Total 2017	Budget Total 2017	Variance Act - Bud
General Expenses Personnel	1,373,000	527,060	1,019,071	1,246,966	1,004,591	919,785	1,325,723	1,047,168	936,669	1,213,918	709,912	1,499,324	12,823,186	12,241,798	581,388
General Expenses Services	147,743	80,417	265,253	219,693	241,472	252,840	193,897	206,181	194,462	281,521	212,163	265,468	2,561,112	2,817,208	-256,097
General Expenses Supplies	0	0	0	0	0	25,000	172	31	0	0	0	102	25,306	25,306	0
General Expenses Other	0	77,234	43,626	89	31,717	27,360	19,059	50,305	27,854	39	16,608	64,140	358,031	312,705	45,326
General Expenses	1,520,743	684,711	1,327,950	1,466,748	1,277,780	1,224,984	1,538,852	1,303,685	1,158,986	1,495,478	938,683	1,829,034	15,767,634	15,397,017	370,617
Transfers to Other Funds Debt Service	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to Other Funds Other	0	0	5,250,328	289,740	342,419	158,221	33,034	1,010,828	2,581,536	89,265	49,888	478,806	10,284,066	10,335,701	-51,635
Transfers to Other Funds	0	0	5,250,328	289,740	342,419	158,221	33,034	1,010,828	2,581,536	89,265	49,888	478,806	10,284,066	10,335,701	-51,635
Office of the Director for the DCED Personnel	9,999	10,103	12,155	13,011	13,867	18,980	1,210	13,490	12,119	12,135	14,262	14,795	146,126	150,710	-4,584
Office of the Director for the DCED Services	0	0	0	0	0	1,000	0	0	0	0	0	0	1,000	1,000	0
Office of the Director for the DCED Supplies	0	0	0	0	0	0	0	0	0	0	500	0	500	1,500	-1,000
Office of the Director for the DCED Other	0	0	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	40,000	48,000	-8,000
Office of the Director for the DCED	9,999	10,103	16,155	17,011	17,867	23,980	5,210	17,490	16,119	16,135	18,762	18,795	187,626	201,210	-13,584
Bureau of Planning Personnel	4,238	4,300	15,268	14,989	15,107	18,411	16,227	14,739	16,452	16,887	17,217	22,987	176,822	200,229	-23,407
Bureau of Planning Services	3,258	462	6,488	8,482	3,675	5,344	18,356	18,436	9,811	8,917	4,569	17,319	105,115	107,250	-2,135
Bureau of Planning Supplies	0	0	83	119	2,343	1,260	83	255	458	365	937	366	6,270	6,500	-230
Bureau of Planning Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of Planning	7,496	4,762	21,839	23,589	21,125	25,014	34,666	33,431	26,721	26,169	22,723	40,672	288,208	313,979	-25,771
Bureau of Codes Personnel	56,843	56,173	68,620	70,773	70,818	89,241	82,896	73,465	68,476	69,131	78,780	95,720	880,934	915,449	-34,515
Bureau of Codes Services	202	365	3,241	3,449	1,202	2,633	1,203	2,307	5,448	1,477	3,103	2,184	26,813	29,250	-2,437
Bureau of Codes Supplies	0	1,199	2,047	948	3,082	2,901	842	2,198	776	610	1,884	1,229	17,716	19,200	-1,484
Bureau of Codes Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of Codes	57,045	57,737	73,907	75,169	75,101	94,775	84,941	77,969	74,700	71,218	83,767	99,133	925,463	963,899	-38,436
Economic Development Personnel	8,905	9,004	5,985	7,740	7,740	9,497	20,941	9,916	9,289	9,289	10,699	11,694	120,699	117,878	2,821
Economic Development Services	0	0	83	83	83	83	83	83	83	83	83	4,083	4,833	5,000	-167
Economic Development Supplies	0	0	0	0	80	122	0	6	1,085	669	0	939	2,900	2,900	0
Economic Development Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Economic Development	8,905	9,004	6,069	7,823	7,903	9,702	21,024	10,006	10,457	10,041	10,783	16,716	128,433	125,778	2,655
Office of the Police Chief Personnel	931,238	922,695	1,001,048	1,065,928	1,041,628	1,204,116	1,210,190	1,148,564	1,084,224	3,521,396	1,039,272	2,176,551	16,346,850	16,737,986	-391,135
Office of the Police Chief Services	130,071	42,406	116,209	62,588	36,966	97,799	31,420	53,453	46,281	97,265	40,564	112,005	867,026	900,926	-33,900
Office of the Police Chief Supplies	1,525	8,312	33,604	126,234	18,193	7,215	40,778	11,887	31,384	10,020	16,151	31,369	336,672	367,811	-31,139
Office of the Police Chief Other	167,636	9,750	125,417	125,417	125,429	133,199	125,417	145,509	170,042	209,618	171,194	255,971	1,764,597	1,871,800	-107,203
Office of the Police Chief	1,230,469	983,163	1,276,278	1,380,168	1,222,216	1,442,329	1,407,804	1,359,413	1,331,931	3,838,298	1,267,181	2,575,896	19,315,144	19,878,522	-563,378
Bureau of Fire Personnel	507,649	523,238	673,329	578,648	557,640	689,250	644,390	616,377	548,728	880,540	561,877	900,701	7,682,366	7,815,007	-132,641

City of Harrisburg
General Fund

2018 Estimated Expenditures by Month

	Actual Jan	Actual Feb	Estimated Mar	Estimated April	Estimated May	Estimated June	Estimated July	Estimated August	Estimated September	Estimated October	Estimated November	Estimated December	Estimated Total 2017	Budget Total 2017	Variance Act - Bud
Bureau of Fire Services	22,254	17,025	14,837	27,742	43,358	30,367	29,627	14,270	17,143	28,937	36,790	94,502	376,852	379,650	-2,798
Bureau of Fire Supplies	8,692	37,422	7,515	10,490	7,132	12,359	48,568	18,725	13,186	15,887	27,023	122,232	329,231	295,750	33,481
Bureau of Fire Other	13,000	0	98,333	98,333	98,333	214,826	98,333	98,333	98,333	98,333	98,333	431,840	1,446,333	1,630,000	-183,667
	551,595	577,685	794,015	715,213	706,463	946,803	820,919	747,705	677,390	1,023,698	724,023	1,549,274	9,834,783	10,120,407	-285,624

City of Harrisburg
General Fund

2018 Estimated Expenditures by Month

	Actual												Estimated December	Estimated November	Estimated October	Estimated September	Estimated August	Estimated July	Estimated June	Estimated May	Estimated April	Estimated March	Estimated February	Estimated January	Total 2017 Act - Bud	Variance
	Jan	Feb	Mar	Apr	May	June	July	August	September	October	November	December														
Office of Traffic and Engineering Personnel	60,544	57,952	66,441	61,402	63,881	84,271	77,284	70,901	67,102	65,895	75,933	95,357	846,963	859,940	-12,977											
Office of Traffic and Engineering Services	65,786	130,900	202,555	131,480	128,520	224,545	34,180	131,105	96,438	113,057	146,563	309,296	1,714,425	1,705,477	8,948											
Office of Traffic and Engineering Supplies	24,064	111,643	24,648	131,127	20,464	37,809	16,712	19,885	23,545	39,742	23,050	46,883	519,573	417,550	102,023											
Office of Traffic and Engineering Other	140,989	150,750	20,709	385	42,137	272,340	136,450	112,798	271,845	385,247	30,748	104,861	1,669,260	1,730,000	-60,740											
Office of Traffic and Engineering	291,383	451,245	314,353	324,395	255,002	618,965	264,626	334,689	458,930	603,942	276,294	556,397	4,750,221	4,712,967	37,254											
Bureau of City Services Personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of City Services Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of City Services Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of City Services Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of City Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of Vehicle Management Personnel	34,516	38,876	50,095	46,744	45,910	56,165	54,634	49,082	44,815	46,811	52,840	74,351	594,838	631,060	-36,222											
Bureau of Vehicle Management Services	22,070	20,120	28,668	29,159	37,747	31,156	45,238	30,663	31,199	29,782	44,694	57,453	407,949	396,702	11,247											
Bureau of Vehicle Management Supplies	54,712	66,401	84,472	83,987	114,867	87,856	94,766	90,682	63,763	102,377	95,606	205,262	1,144,751	1,078,150	66,601											
Bureau of Vehicle Management Other	0	0	0	0	0	0	160,000	0	0	0	0	0	160,000	160,000	0											
Bureau of Vehicle Management	111,297	125,397	163,235	159,891	198,524	175,177	354,638	170,427	139,778	178,969	193,141	337,066	2,307,538	2,265,912	41,626											
Office of the Director of Parks, Recreation and Enrichment Personnel	23,786	21,394	25,546	25,700	26,337	67,728	132,476	97,576	39,087	24,688	27,796	31,730	543,846	554,164	-10,318											
Office of the Director of Parks, Recreation and Enrichment Services	3,561	1,614	8,375	2,211	3,196	9,117	8,599	33,604	29,561	23,974	30,234	28,276	182,323	186,100	-3,777											
Office of the Director of Parks, Recreation and Enrichment Supplies	146	4,221	5,345	13,273	28,852	26,191	8,744	16,173	7,226	5,546	14,120	18,810	148,646	162,500	-13,854											
Office of the Director of Parks, Recreation and Enrichment Other	0	0	124,917	124,917	124,917	124,917	124,917	124,917	124,917	124,917	124,917	124,917	1,249,167	1,499,000	-249,833											
Office of the Director of Parks, Recreation and Enrichment	27,493	27,229	164,183	166,100	183,302	227,953	274,735	272,270	200,791	179,125	197,066	203,733	2,123,981	2,401,764	-277,783											
Bureau of Act, Culture & Tourism Personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of Act, Culture & Tourism Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of Act, Culture & Tourism Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of Act, Culture & Tourism Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
Bureau of Act, Culture & Tourism	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0											
	4,173,147	3,350,366	9,849,666	5,316,694	4,830,577	5,386,306	5,329,225	5,870,609	7,087,584	7,992,798	4,280,727	8,453,829	71,921,528	72,810,195	-888,667											

**Municipalities Financial
Recovery Act**

Financial Condition Report

Municipalities Financial Recovery Act
Financial Condition Report

City of Harrisburg
Dauphin County, Pennsylvania



Prepared by the
Commonwealth of Pennsylvania
Department of Community and Economic Development
Governor's Center for Local Government Services

As filed with the City Clerk on March 22, 2018



March 22, 2018

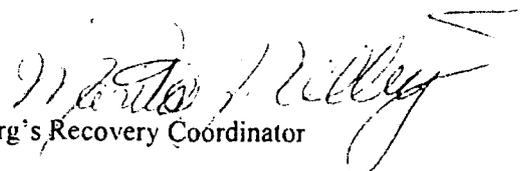
Eric Papenfuse
Mayor
City of Harrisburg
MLK Jr. City Government Center
10 N. 2nd St.
Harrisburg, PA 17101

Wanda Williams
Council President
City of Harrisburg
MLK Jr. City Government Center
10 N. 2nd St Suite 305
Harrisburg, PA 17101

Dear Mayor Papenfuse and Council President Williams:

Enclosed please find a copy of the City of Harrisburg's Act 47 Recovery Coordinator's Financial and Economic Condition Report for the City of Harrisburg. The Report was officially filed on Thursday, March 22, 2018, with the Mayor's Office and the Harrisburg City Clerk for the City of Harrisburg City Council. The City of Harrisburg's Recovery Coordinator will place a notice of the Report and related Public Meeting with the Dauphin County Reporter, the designated Legal Periodical of Dauphin County, on March 23, 2018. Further, the notice will be placed in a newspaper of general circulation, with the Central Penn Business Journal. The true and correct Report will be on file for public inspection at the City's offices, and I request that you also post the Report on the City's website. The Recovery Coordinator will permit fifteen 15 days for comment and at the close of those fifteen days the Coordinator will conduct a public meeting for discussion on April 10, 2018 at 5:00pm at the City of Harrisburg's City Council Chambers, 10 North 2nd Street, Harrisburg, PA 17101. The Recovery Coordinator respectfully requests that the Mayor and each member of City Council, Treasurer, Controller, the Business Administrator, and the City Finance Director be present at this meeting.

Respectfully,

Marita J. Kelley, 
City of Harrisburg's Recovery Coordinator

Enclosure (1)

CITY OF HARRISBURG FINANCIAL CONDITION REPORT

Introduction

Pursuant to the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act, Act 47 of 1987, as amended, (Act 47) the City of Harrisburg (City) was declared a financially distressed municipality by order of the Secretary of the Department of Community and Economic Development (DCED) in December 2010. The City was placed under receivership following the Governor's declaration of a fiscal emergency in October 2011. In September 2013 the Harrisburg Strong Plan was confirmed by Commonwealth Court of Pennsylvania and continued under the direction of the Receiver and the Commonwealth Court. On January 16, 2014 in recognition of the end of the fiscal emergency in the City of Harrisburg, and pursuant to Section 608(a) of Act 47, the Secretary of the Department of Community and Economic Development certified that the economic conditions that led to the Declaration of Fiscal Emergency had been alleviated and the statutory criteria prerequisite to the existence of a fiscal emergency were abated. He further requested that the Court terminate the Receivership effective March 1, 2014, acknowledged that the City shall continue to be subject to the provisions of Act 47 and requested approval of his appointment of a Department of Community and Economic Development official as Coordinator to oversee the continued implementation of the Harrisburg Strong Plan. The Strong Plan was last modified on November 25, 2015. Act 199 of 2014 (Act 199) amended Act 47 requiring, among other provisions, a limit to the amount of time a municipality may be declared a financially distressed municipality. Because the City was operating under the 2013 confirmed Strong Plan on the effective date of Act 199, it is subject to a termination date five years from the effective date of its then most recent recovery plan, i.e., five years from September 23, 2013. As part of the Act 199 process, the Coordinator is required to complete a report stating the financial condition of the municipality no later than 180 days after the beginning of the final year of distressed status. The report is required to include one of the following findings based on the conditions within the municipality: (1) termination of distressed status; (2) municipal disincorporation; (3) fiscal emergency; or (4) a three-year exit plan. The Coordinator has prepared this Report Stating the Financial Condition of the City of Harrisburg (Report), and accordingly files this Report with the DCED and City representatives.

Financial Condition

Background

As stated in the 2013 Strong Plan:

The challenges Harrisburg faced when it entered Act 47 in December 2010 were overwhelming and the threat of municipal bankruptcy loomed as a dark cloud over Pennsylvania's capitol city. The path Harrisburg followed in the ensuing years was difficult, yet through the perseverance of elected officials, the active engagement and participation of numerous key stakeholders, extremely hard work and willingness to make difficult decisions, Harrisburg was able to emerge from the fiscal emergency declaration issued by the Governor in October 2011 and move along a path towards sustainability. Indeed, Harrisburg has made great strides since the confirmation of the Harrisburg Strong Plan in September 2013 and has been viewed on a national platform as a model of how to effectively address what seem like overwhelming fiscal challenges. However, more needs to be done and it is now up to the elected officials of the City to ensure a stable and healthy future.

The City has resolved the oppressive debt it faced in 2010. It has broken the string of consecutive years with annual operating deficits and growing structural deficits and with the help of the Strong Plan built a very modest cash reserve while also improving day-to-day financial management. The City finished 2014 with its annual revenues balanced against its annual expenditures, and with a resolution of the Commonwealth's budget and receipt of the \$5 million public safety appropriation should be very close to being balanced for 2015. Harrisburg, as with all cities in Pennsylvania, faces fiscal pressures in addressing its ongoing operational budget and providing quality services to its residents. The limited growth of its tax base, deferred capital needs and the pressure to strengthen municipal services especially in the public safety area all remain to be more fully addressed for the City to have a sustainable future. Crumbling infrastructure, outdated or inadequate technology, and aging equipment and vehicles, all make the job of recovery more difficult. Moreover, the City's financial condition forced the City to trim services and to meet service demands with limited front-line staff and management capacity. Since 2009, the City has eliminated 100 positions from the City budget, representing a 17% decrease over the 2009 budgeted staffing levels.

With the above history in mind, this report will review the City's current financial condition and provide a finding to DCED as required under Act 199.

Operating Budget Review

The City has experienced operating budget surpluses since it adopted the 2013 Strong Plan. The City's audits indicate that the City incurred operating budget surpluses in 2014 through 2016. The City's 2017 unaudited financial statements indicate that the City completed 2017 with a \$2,939,571 operating budget surplus.

**Revenues, Expenditures, and Balances
2012 - 2017**

	Audited 2012	Audited 2013	Audited 2014	Audited 2015	Audited 2016	Reported 2017
Revenue	49,541,137	60,352,410	61,624,809	57,634,038	64,980,744	66,299,496
Expenditures	<u>73,110,274</u>	<u>81,022,979</u>	<u>57,523,007</u>	<u>57,282,581</u>	<u>55,482,540</u>	<u>63,359,925</u>
Surplus/(Deficit)	-23,569,137	-20,670,569	4,101,802	351,457	9,498,204	2,939,571
Fund Balance Jan 1	-54,226,749	-77,795,886	23,434,870	26,761,992	27,113,449	36,611,653
Special Items ^{1/}	0	121,901,325	-774,680	0	0	0
Fund Balance Dec 31	-77,795,886	23,434,870	26,761,992	27,113,449	36,611,653	39,551,224
Unassigned Fund Balance	-80,393,973	10,528,539	14,648,078	14,761,238	21,172,840	
Ending Cash Balance	1,717,878	6,866,399	12,601,819	6,286,854	19,255,289	20,980,423
Ending Accounts Payable	5,516,496	3,060,715	4,167,090	2,438,071	2,097,064	1,505,728

^{1/}2013 Includes results of Strong Plan monetization of Incinerator and Parking assets.

2017 Financial Review

The City reported ending the 2017 fiscal year with an operating surplus of \$2,939,571.¹ For the 2017 fiscal year, the City's unaudited operating revenues were \$66.3 million exceeding the budget by \$4.9 million or 7.9%. Unaudited operating expenditures were at \$63.4 million or 3.6 percent under the approved budget by \$2.4 million. Accordingly, the City is expected to have a 2017 operating surplus of revenue over expenditures of approximately \$2.9 million.

2017 Actual vs. Budget

	2017 Actual	2017 Budget	Variance	
			\$	%
Revenues				
Real Estate Tax	17,594,052	16,631,432	962,620	5.8
EIT	11,446,980	10,816,927	630,053	5.8
LST	7,413,159	5,561,176	1,851,983	33.3
Other Taxes	4,289,519	4,905,208	-615,689	-12.6
Parking Revenues	7,128,580	7,318,225	-189,645	-2.6
Other Revenues	<u>18,427,206</u>	<u>16,194,013</u>	<u>2,233,193</u>	<u>13.8</u>
Total Revenues	66,299,496	61,426,981	4,872,514	7.9
Expenditures				
Personnel	35,432,355	38,993,797	-3,561,441	-9.1
Non Personnel				
Services	4,956,282	6,278,134	-1,321,852	-21.1
Supplies	2,918,343	4,025,069	-1,106,726	-27.5
Other	<u>20,052,945</u>	<u>16,414,843</u>	<u>3,638,102</u>	<u>22.2</u>
Total Non Personnel	27,927,570	26,718,046	1,209,524	4.5
Total Expenditures	63,359,925	65,711,842	-2,351,918	-3.6
Surplus/(Deficit)	2,939,571	-4,284,861		

¹ Based on the City of Harrisburg's reported financial numbers that have not been independently audited as of this Report.

2018 Financial Condition

The City adopted its 2018 operating budget on December 19, 2017. Revenues of \$63.6 million and a fund balance appropriation of \$9.2 million are slated to cover expenditures equal to \$72.8 million. The City anticipates using the fund balance to pay for capital improvements totaling more than \$7.4 million as well as other one-time expenditures including the \$1.0 million settlement to the Suburban Communities in the 2018 fiscal year. The Coordinator will continue to monitor the City's fiscal position and prepare monthly cash flow estimates for the City's use.

Budgeted Revenues and Expenditures 2018

	2018		2018
<u>Revenues</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Budget</u>
Property Taxes	\$17,404,870	Personnel	43,905,841
Earned Income Act 511	4,083,332	Services	8,126,324
Local Services Tax Act 511	2,300,000	Supplies	2,739,344
Earned Income Tax Act 47	7,346,665	Other	8,172,667
Local Services Tax Act 47	3,749,251	Debt Service	<u>9,866,020</u>
Parking Taxes	3,399,550		
Other Taxes	5,352,500		
Non-Tax Revenue	15,479,922		
Parking Revenue	3,000,391		
Transfers	<u>1,481,063</u>		
Total Revenues	\$63,597,544	Total Expenditures	\$72,810,195

As of the date of this Report the City has a typical amount of accounts payable with none known to be over thirty days due and a sufficient cash balance to meet anticipated costs. The City ended 2017 with \$20.98 million in cash and \$1.5 million in accounts payable. The City is estimated to end 2018 with \$11.7 million in cash and \$1.5 million in payables.

2018 Estimated Cash Flow

	Estimated 1st Quarter	Estimated 2nd Quarter	Estimated 3rd Quarter	Estimated 4th Quarter	Total
Revenues, Expenditures, Surplus/(Deficit)					
Revenues	19,129,139	13,775,540	15,675,497	15,017,367	63,597,544
Expenditures	18,261,846	15,533,577	18,287,418	20,727,354	72,810,195
Operating Surplus/(Deficit)	867,293	-1,758,037	-2,611,920	-5,709,987	-9,212,651
Unrestricted Cash Balance Beginning of Quarter	20,980,423	21,341,988	19,583,951	16,972,031	
Surplus/(Deficit)	867,293	-1,758,037	-2,611,920	-5,709,987	
Change in Accounts Payable	-505,728	0	0	0	
Other items affecting Cash	0	0	0	0	
Unrestricted Cash Balance End of Quarter	21,341,988	19,583,951	16,972,031	11,262,044	

Cost Centers

Labor

The City currently has 454 budgeted employee positions. The City’s managerial and confidential employees are “at will” employees. Most of the City’s employees are represented by one of three unions and are subject to labor contracts with the City.

Union	Contract Expiration
FOP, Lodge No. 12	12/31/2020
IAFF, Local Union No. 428	12/31/2022 ^{1/}
AFSCME, Local 521	12/31/2018
<small>1/Pending City Council approval.</small>	

Legacy Costs

The City’s legacy costs include retiree healthcare, pension, and debt service. Although these ongoing legacy costs were incurred by the City in prior years, the City remains legally required to satisfy these commitments. The City presently commits current operating budget revenue and dedicated millage revenue to fulfill these legacy costs and the corresponding expenditures are included in the City’s operating budget and debt service expenditures. During the 2014-2016 operating budget review period the City’s legacy costs varied. In 2014, the City’s legacy costs were \$19.1 million or 32.0 percent of the City’s total 2014 operating expenditures. In 2015, the City’s legacy costs increased to \$19.9 million or 34.0% percent of the City’s total 2015 operating expenditures. For 2016 the costs increased to \$20.1 million, accounting for 32.4 percent of the budget. These legacy costs significantly impact the City’s ability to provide current services to its residents from the revenue it receives from its annual operating tax revenues.

Legacy Costs by Type and Proportion of Total Expenditures 2014 - 2016

	2014 Reported	2015 Reported	2016 Reported
Retiree Healthcare	\$5,375,266	\$5,653,446	\$6,110,202
Pension MMO	2,428,193	2,972,450	2,906,315
Annual Debt Service	<u>11,338,871</u>	<u>11,275,518</u>	<u>11,045,746</u>
Total Legacy Costs	\$19,142,331	\$19,901,414	\$20,062,262
Total General Fund Expenditures	\$59,894,963	\$58,602,672	\$61,977,753
% of Total Expenditures	32.0%	34.0%	32.4%

Debt

The City’s outstanding principal long-term debt as of December 31, 2017, was \$77,289,455. The City is currently expected to make \$8,095,370 in long-term debt service payments of principal and interest in 2018.

**Summary Schedule of Future Debt Service Amounts
2018 through 2027**

<u>Debt Description</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Total 2021 thru 2027</u>	<u>Total 2018 thru 2027</u>
PA Infrastructure Bank loan	297,742	0	0	0	297,742
HRA Revenue Bonds-Series A of 1998 <i>(specified minimum City contribution)</i>	500,000	700,000	940,000	8,525,000	10,665,000
HRA Revenue Bonds-Series A-2 of 2005 <i>(stadium improvement bonds-FNB Park)</i>	229,350	231,778	228,181	1,597,481	2,286,790
1997 GO Debt - Series D & F Refunding Bonds <i>(assuming full advance taken each year)</i>	6,682,138	6,747,498	6,747,498	40,417,489	60,594,625
M&T Bank - streetlight LED project	386,140	386,140	386,140	1,061,884	2,220,303
Totals	8,095,370	8,065,416	8,301,819	51,601,854	76,064,460

Pensions

The City participates in three single employer pension plans. As of December 31, 2016, the Non Uniform Pension Plan funding ratio was 115.51 percent with a Net Pension Asset of \$9,368,867; the Fireman’s Pension Plan funding ratio was 102.85 percent with a Net Pension Asset of \$1,918,068 and the Police Pension Plan funding ratio was 80.78 percent (Distress Level I) with a Net Pension Liability of \$17,860,075. The City’s annual minimum pension obligation in 2018 is estimated to be \$3,935,858. State aid for pensions is anticipated to cover \$2,629,069 of the obligation.

Employees Covered	Primary Retirement Plan	Plan Name	Funding Status as of 12/31/2016
Non-Uniformed	Defined Benefit Plan	Non-Uniformed Employee	115.51%
Police Employee	Defined Benefit Plan	City of Harrisburg Police	80.78%
Fire Employees	Defined Benefit Plan	City of Harrisburg	102.85%

Retiree Healthcare

The City's retiree healthcare contribution in 2016 was \$6,110,202. The Strong Plan included an initial deposit of \$3.6 million to pre fund an OPEB Trust and the Receiver and Coordinator have encouraged the City to complete the trust agreement and fund the trust, but the City has not done so during the preceding four years. The City does budget an amount to prefund some portion of this legacy cost similar to its pension liabilities but instead finances these costs on a pay-as-you-go basis. As of January 1, 2016, the City's unfunded actuarial liability for retiree healthcare was \$155,120,287.

Extraordinary Revenue Authorizations

As a Third Class city governed by the Optional Third Class City Charter Law, the City of Harrisburg has the power, within prescribed constitutional and statutory limitations, to levy taxes on: the taxable value of land and real estate improvements; the earned income and net profits of individual residents, workers (both resident and nonresident), operations and gross receipts of businesses doing business in the City; occupations of residents; parking receipts; and transfers of real estate. By action of Dauphin County, the City receives a portion of revenues from the County Hotel Excise Tax for designated tourism-related purposes. By action of the Commonwealth, the City receives a portion of the Public Utility Realty Tax based on the assessed value of taxable utility realty. With few exceptions, the City maximizes the taxing powers authorized by the Commonwealth.

As a designated distressed municipality, the City also has the ability to increase certain tax rates as authorized under Act 47 above the limits set under the Third Class City Code. The City has sought and received from Commonwealth Court authority to levy an additional one percent (1%) on earned income from residents and non-residents (for a total of two percent) and to levy a \$104 increase to the Local Services tax rate on employees in the City. This extraordinary taxing ability has provided significant additional revenue for the City of more than \$11.0 million per year.

Act 47 Extraordinary Taxes

	Projected 2018	Projected 2019	Projected 2020	Projected 2021
Earned Income Tax				
Total Current EIT Revenue	11,600,000	11,716,000	11,833,160	11,951,492
Non-Resident estimate	410,000	414,100	418,241	422,423
Resident	11,190,000	11,301,900	11,414,919	11,529,068
Act 47 Tax Revenue	7,460,000	7,534,600	7,609,946	7,686,045
Local Services Tax				
Total Current LST	6,049,251	6,049,251	6,079,497	6,109,895
LST Estimated	2,300,000	2,300,000	2,300,000	2,300,000
Act 47 Tax Revenue	3,749,251	3,749,251	3,779,497	3,809,895
Total Act 47 Tax Revenue	11,209,251	11,283,851	11,389,443	11,495,940

The increased revenue under Act 47 authorization would no longer be available to the City upon rescission of the distressed status and an exit from Act 47. The impact of a sudden removal of this revenue source would require the City to increase tax rates only as authorized under the Third Class City Code and the Local Tax Enabling Act. The City is at the statutory limit for tax rates for its primary revenue sources and would only have the ability to increase the real estate millage rate to replace the lost Act 47 revenue. A real estate millage increase of more than 74% over the 2018 levy would be required.

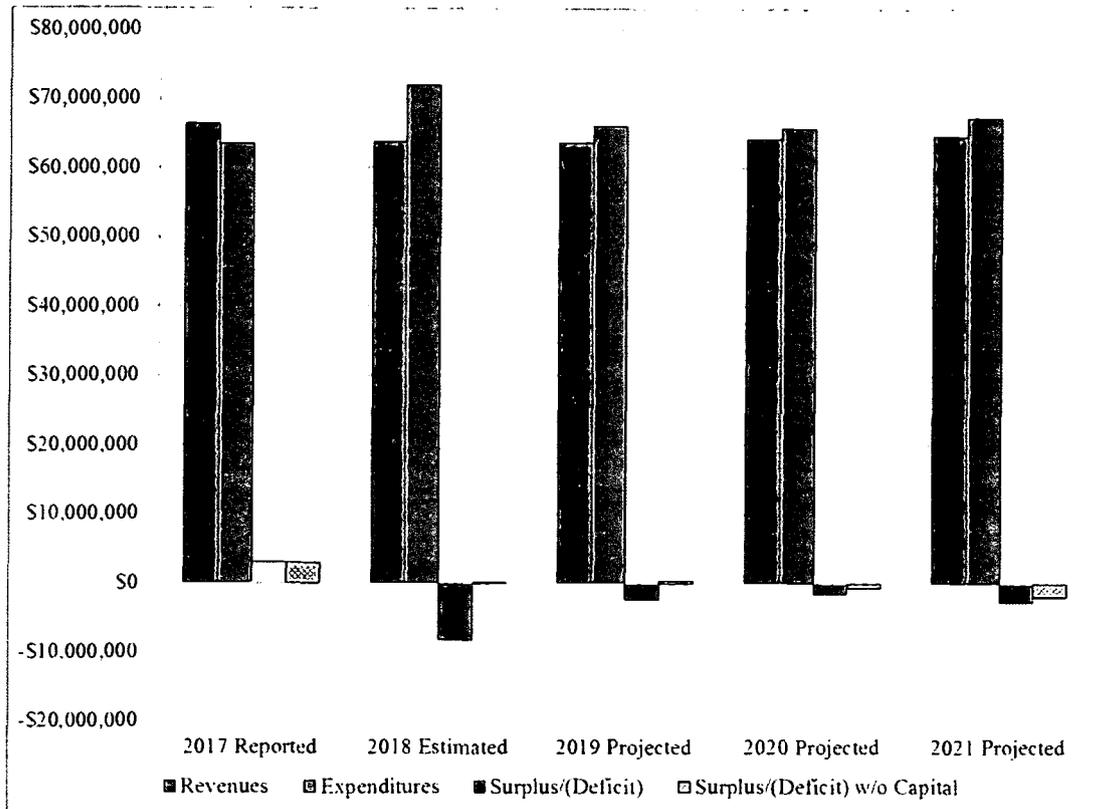
Financial Baseline

The Coordinator has reviewed the City's financial history and developed financial projections for 2019 through 2021, using the City's 2018 budget as the projection baseline. Investment in much needed capital improvements produces deficits in 2018-2021. Normal expenditure growth assumptions indicate that the City will incur a general fund operating deficit in 2019 of \$696,755 in 2020 growing to \$1.9 million in 2020 absent increases in revenue or decreases in expenditures. It is important to note that these projections include the extraordinary taxes noted above.

**Projected Baseline Revenues, Expenditures, Surplus (Deficit)
2018 – 2021**

	Estimated 2018	Projected 2019	Projected 2020	Projected 2021
Revenue	63,712,329	63,652,182	64,211,174	64,595,510
Expenditures	<u>71,880,049</u>	<u>66,041,652</u>	<u>65,737,507</u>	<u>67,304,043</u>
Surplus/(Deficit)	-8,167,720	-2,389,470	-1,526,333	-2,708,533
Capital Improvement Program	7,065,800	2,518,236	829,579	837,170
Other One - Time Expenditures	<u>1,223,000</u>	<u>225,000</u>	<u>0</u>	<u>0</u>
Surplus/(Deficit) without Capital Improvements	121,080	353,766	-696,755	-1,871,363
Fund Balance Jan 1	39,551,224	31,383,504	28,994,035	27,467,701
Special Items	0	0	0	0
Fund Balance Dec 31	31,383,504	28,994,035	27,467,701	24,759,168
Cash Balance	12,812,703	10,423,234	8,896,900	6,188,367

**Projected Baseline Revenues, Expenditures, Surplus (Deficit)
2017 – 2021**



Neighborhood Services Fund

In 2014, the City established the Neighborhood Services fund for Public Works related functions. Revenues from collection and disposal fees are tracked in this fund, as well as expenditures related to sanitation. Contracted payment to the Lancaster County Solid Waste Authority is recorded here. As of December 31, 2017 this fund had an estimated cash balance of approximately \$6.3 million. The 2018 Budget includes \$2.7 million for the acquisition of the Public Works site, necessitated with the disposition of the incinerator and another \$1.0 million in other Capital. For 2019 – 2021, Operations revenues are anticipated to grow at 1.5% annually. Expenditures increase based on contracted amounts and are anticipated to increase 5% in the period (excluding site acquisition.) Ongoing deficits will eliminate the fund’s cash balance by 2021.

Neighbor Services Fund Revenues, Expenditures, and Balance 2018 – 2021

	2018	2019	2020	2021
Revenue	Estimated	Projected	Projected	Projected
Operations	14,390,500	14,669,500	14,954,080	15,244,352
Miscellaneous	308,300	120,199	122,293	124,429
Transfers	<u>1,710</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenue	14,700,510	14,789,699	15,076,373	15,368,781
Expenditures				
Personnel	5,304,278	5,377,718	5,517,629	5,662,900
Services	8,682,990	8,846,148	8,973,411	9,103,219
Supplies	729,360	729,360	729,360	729,360
Lease Purchase	644,993	644,993	644,993	644,993
Capital	<u>3,682,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	19,043,620	15,598,218	15,865,393	16,140,472
Surplus/(Deficit)	-4,343,111	-807,482	-787,962	-770,612
Cash Balance BOY	6,309,909	1,966,799	1,159,316	371,354
Cash Balance EOY	1,966,799	1,159,316	371,354	-399,258

Finding

It is the Coordinator's finding that although the City has made noteworthy progress on a number of fronts, the burden of its very limited tax base, increasing costs for collective bargaining contracts, increasing costs for supplies, and legacy cost obligations continues to stress the City's annual finances and hinders its ability to achieve long-term financial sustainability under the five year period required under Act 47 as amended. Therefore, the Coordinator recommends that a three-year exit plan shall be prepared for the City that will include the initial stages of a strategy designed to moderate the impact of the City's burden on its annual operating budgets and improve the City's ability to achieve long-term financial sustainability.

The Coordinator's baseline operating budget projections for the next four years projects the City's baseline operating expenditures increase slightly by 5.0 percent while the City's baseline operating revenue over the next five years is projected to increase only slightly (1.3 percent). Consequently, the City is projected to incur baseline operating budget deficits by 2020 in the absence of a financial plan. It is also important to note that the operating revenues used in the baseline include the extraordinary revenues provided through Act 47 of \$11 million. The City would immediately return to "Fiscal Emergency" status if these revenues streams are eliminated as the \$353,766 surplus in 2019 would become a \$10 million deficit. Therefore the City needs the additional time available under an Exit Plan to address this through the exploration of Home Rule or to bring about legislative change.

The Coordinator will be providing recommendations to the City to eliminate these projected operating deficits in the recommended exit plan.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

DENNIS M. DAVIN, IN HIS
CAPACITY AS SECRETARY
FOR THE DEPARTMENT OF
COMMUNITY AND ECONOMIC
DEVELOPMENT

Petitioner,

v.

NO. 569 MD 2011

CITY OF HARRISBURG

Respondent.

Certificate of Service

I, John M. Quain Jr., hereby certify that on this day I served the foregoing document upon the persons and in the manner indicated below, which service satisfies the requirements of Pa. R.A.P. 121:

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Dated: 4/4/12



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