

ACT 47
COORDINATOR STATUS REPORT
OCTOBER 3, 2016

Section No. 11
Exhibit No. 68

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

V.

CITY OF HARRISBURG

STATUS REPORT OF THE COORDINATOR FOR THE CITY OF HARRISBURG

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Respectfully submitted this 3rd day of October, 2016.



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Date: September 30, 2016

To: The Honorable Bonnie Brigance Leadbetter

From: Fred A. Reddig, *FAR* Coordinator

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, 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 my eleventh report to the Court since my appointment by then Department of Community and Economic Development (DCED) Secretary Walker as Coordinator effective March 1, 2014.

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 confirmed Harrisburg Strong Plan including the modifications thereto through the third quarter of 2016.

Office of the Receiver/Coordinator

It has now been over two and one half 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 Harrisburg 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 plan's status and Harrisburg's recovery, I will continue to provide quarterly reports on the City's progress with further implementation activities.

Foremost, during the third quarter was the approval by the Court of the modifications to the Harrisburg Strong Plan. The modifications had been adopted by City Council by ordinance on April 27 and filed with the Court on April 29. Following a status conference on July 18, the Court issued an order on July 20 approving the Strong Plan modifications, authorizing the Coordinator to further implement the Plan modifications and retaining further jurisdiction over the Plan's implementation including subsequent amendments.

As a result of significant amendments to Act 47 that went into law in December 2014, certain modifications to the Strong Plan were required. Act 199 of 2014 now provides certain options that were not available when the Strong Plan was enacted and thus it was appropriate to consider these options as part of plan modifications. As it was almost three years since the Strong Plan was prepared, confirmed and implementation begun, actual performance had varied from the 2013

projections thus an update was needed to make appropriate adjustments to further the City's recovery. Further, certain changes to the Strong Plan are now required by Act 199 in order to provide financial projections through 2018 which represents the initial five-year term for a municipality to be under the provisions of the Act. During the fifth year a review is to be undertaken by the Coordinator and recommendations made as to whether the distressed designation should be rescinded; the Receivership provisions of the Act invoked; a dissolution process undertaken (in limited instances); or a three year exit plan be prepared. Given these matters, the Coordinator and his Team worked with City officials to prepare modifications to the Strong Plan that now provide financial projections for 2016 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 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 coherent and 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 improvements for services that are essential to improve the City's quality of life and economic vitality as it prepares to exit Act 47.

Among its many recommendations it provides parameters for the upcoming negotiations with the City's three bargaining units, FOP, IAFF and AFSCME. The current FOP and AFSCME contracts end in December and negotiations are currently underway. More on the collective bargaining status can be found later in this report. The modifications also include provisions to implement a higher Local Services Tax (LST) at a rate of \$3 per week. The Court had approved the City's "pre-authorization and approval" application on January 27 and with the adoption of the Plan modifications the City is proceeding with the implementation of the increased LST. They have worked with Keystone Collections Group, their collector, to implement withholding of the tax as of July 1 with the tax effective for calendar year 2016.

As Coordinator, I continue to hold 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, have continued to support the Receiver during this time.

This section of the report provides 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 third quarter of 2016 saw significant activity by the Impact Harrisburg Board. 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 has continued to provide administrative support to the nine-member Board and Shelia Dow-Ford, its Executive Director. I attend Board meetings and offer input as appropriate. I also have met with Ms. Dow-Ford numerous times during the quarter in assisting her with transitional issues, discussing the background of Impact Harrisburg and reviewing program guidelines, contracting and related matters. My assistant continues to provide administrative support to the Board including the recording and preparation of the Board's meeting minutes.

The Board continues to meet approximately twice monthly and during the third quarter had met on July 5 and 19, August 16 and September 7 and 21. The August 2 meeting was cancelled due to scheduling issues. Officers include Neil Grover as Chair, Doug Hill as Vice Chair, Brian Hudson as Secretary and Brittany Brock as Treasurer. Although an arrangement had been effectuated with Pinnacle Health for use of space at their facility on North Third Street, given logistical issues the Board decided to return to meeting at the PHFA office on North Front Street. Ms. Dow-Ford has worked out of the Heinz-Menaker Senior Center though space was found during the quarter at the HACC mid-town campus. At their August 16 meeting the Board approved entering into an MOU with HACC for office space. Following discussions with HACC on MOU conditions a final version was approved and executed at the Board's September 7 meeting. Ms. Dow-Ford will be relocating to this location by the end of September.

The Board is carrying an Operating account at Fulton Bank with a current balance of \$59,000. The balance of its funds is invested with Wilmington Trust. Currently \$6.101 million is invested in money market funds with \$5.987 invested in short-term securities. As the Board's operating year ended on June 30, the Treasurer and Executive Director have coordinated with Maher Duessel, the Board's auditor, to initiate the audit of the FY 15-16 year.

Following numerous outreach efforts that occurred during the second quarter to inform organizations of the availability of Impact Harrisburg funds and the application process, the Board received applications from both the City and Capital Region Water (CRW) for infrastructure funding. Twelve applications under the Community Building initiative and 12 applications under the Large Economic Development category were also received by its July 15 deadline. The Board also received an application from the City under the Economic Development contingency category.

At its July 19 meeting the Board awarded \$2,743,645 each to CRW and the City for a cooperative application that supports funding the City is receiving from PennDOT for multimodal transportation improvements in the City. At its August 16 meeting, the Board heard presentations from City officials and Capital Region Water (CRW) officials on the impact of their proposed infrastructure projects. Discussion occurred on the impact the project would have on City residents and the

coordination needed between the City and CRW as the projects are implemented. The Board is currently finalizing contracts with both the City and CRW for their funding.

At its September 7 meeting the Board approved the City's application under the economic development contingency category for \$250,000 for the Microsoft 365 software. The acquisition and deployment of this software will address a critical IT and communications issue for the City and is further discussed in the Information Technology section of this report. The Board has met a number of times during August and September to review the 12 Community Building and 12 Economic Development applications. They are nearing the completion of their review and anticipate announcing these awards in October. 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.

Ms. Dow-Ford has continued to work with Harrisburg University (HU) to further enhance the Board's web site. The site at www.impactharrisburg.org was launched in late April and has been effectively used to further publicize the mission and work of the Board. HU is providing this assistance at no cost to the Board.

The Board is also involved with litigation involving PA Media Group related to the application of the Sunshine Act to the Board's meetings. An agreement was reached in June between the parties on the facts of the case with the matter being an interpretation of the law. The Board has taken the position that its meetings are open to the media and has invited the media to attend. During the third quarter Impact Harrisburg and PA Media Group both filed briefs with Commonwealth Court in response to the application for a declaratory judgment to determine the Board's status under the Sunshine Act. At the July status conference, the Court asked Board Chair Neil Grover to pursue a course of mediation to attempt to resolve the dispute without the matter being decided by the Court. The Coordinator supports the Board's need for transparency in its actions given that its funds were derived from public sources. The Coordinator also supports and has further advanced to the Board the Court's recommendation to pursue mediation to resolve the case.

Harrisburg Supplemental Growth Fund

The City continues to work with PennDOT, Dauphin County and Assured Guaranty Municipal Corporation (AGM) 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 saw that the \$6.666 million set aside in the Supplemental Harrisburg Growth Fund was transferred to M&T Bank in February 2015 pursuant to the agreement. PennDOT's commitment is to provide \$2 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. This contract

was executed and an initial \$630,000 was disbursed to the City in April 2016 pursuant to the contract.

Dauphin County and AGM have both expressed concerns over the time it has taken to obtain the PennDOT funding. Several meetings have been held over the last year with representatives of AGM, Dauphin County, PennDOT, the City and the Coordinator to discuss the best way to proceed with respect to the remaining \$6.9 million and how to expedite payments under the reimbursement agreement. PennDOT recommended and the City filed an application under their FY 16-17 Multi-Modal application program for the remaining funds in order to expedite the process moving forward though releases would occur on a project by project basis. PennDOT anticipates making an award announcement early this fall. Pursuant to the Escrow Disbursement Agreement, the City Solicitor provided a Certification to AGM and Dauphin County on December 1, certifying that the City had not obtained an enforceable commitment of at least \$2,000,000.

At a meeting on June 28 with representatives of AGM, Dauphin County, PennDOT, the City and the Coordinator, the City stated they had recently finalized the scope of work for a contract with PennDOT that would address the \$2.5 million balance from the \$3.19 million award. It was submitted to PennDOT and PennDOT requested certain changes to include the completion of historic and environmental reviews as part of the project. The City will do this concurrent with design work and does not expect it to impact the receipt of grant funds. It is anticipated that this contract should be finalized by early fall. PennDOT has suggested that other PennDOT work in the City could count against the \$10 million in the Escrow Agreement if all parties agreed. This would not diminish PennDOT's commitment, though it would accelerate the release of the escrow funds and resolve the concerns of AGM and the County. Given AGM and Dauphin County's continued concern over timing of the release of escrow funds, a meeting with all parties has been scheduled for October 4 to provide an update on the status of the Escrow Agreement.

Fiscal Matters

The City's 2016 General Fund budget of \$60.5 million was enacted by Council on December 15, 2015. Following Council's reorganization in January and the opportunity for the three new Council members to have input on the budget, the final budget was enacted by Council on February 11, 2016. The budget is balanced and generally consistent with the Harrisburg Strong Plan. The budget maintains current taxes at existing levels though it included an increase in the Local Services Tax (LST) from \$52/year to \$156/year as authorized by the 2014 amendments to Act 47. The increased LST though effective for calendar year 2016, was not implemented until July 1 and is being withheld at a rate of \$5/week thru the end of 2016.

New this year was the establishment of the Neighborhood Services Fund (NSF). This fund is used to account for revenues and expenditures associated with refuse collection and disposal services as well as Parks and Recreation maintenance and road repair services, as those are related to the facilitation of refuse collection and disposal services. The NSF budget for FY 16 is \$16.5 million. In addition, the City has a number of Special Revenue funds including Debt Service, Liquid Fuels, Host Municipality, WHBG, Police Protection, Fire Protection, Blight Remediation, Parks and Recreation, and Special Events and Projects Reimbursement funds. The City's total budget from

all sources is \$92.5 million though the vast majority of City operations are accounted for in the General Fund and the new NSF.

The 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 bi-weekly payroll averaged \$850,000 for the quarter. The Coordinator reviews City payables on a bi-weekly basis to insure expenditures are consistent with the confirmed Strong Plan. During the quarter, 6 bi-weekly check runs were reviewed, comments provided and approved. Through very close monitoring of the City's cash flow and diligence by the City's Finance Office, the City has been able to meet payroll and critical creditor obligations through the third quarter as well as maintain a current status (within 60 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".

The Coordinator along with the City's Finance Office and Controller all provided mid-year financial reports to Council at its August 29 meeting and though the numbers were not exactly the same, all project that the City will end 2016 with a positive year end operating position.

A review of actual revenues and expenditures through the end of August finds that the City's total General Fund revenues were \$47,540,411 (79% of budget) while expenditures were \$32,716,123 (54% of budget). The City has received 93% of its real estate taxes for the year along with 67.5% of its earned income taxes thru August. The City has also received \$2.5 million (67%) of its parking tax revenues and \$1.9 million (90% of budget) in ground lease and priority parking distributions thus far. At this point no significant budget variances are apparent with the exception of the LST. Revenues were projected based on the tax being implemented in early 2016. With its implementation in July the City will only receive 1 quarter of revenue rather than the 3 quarters that were budgeted. Further, the City increased the low income exemption to \$24,500 from \$15,600 which will reduce revenues by around \$1 million/year.

The 2016 cash flow summary attached with this report reflects actual revenues and expenditures through August with projections through year-end. A positive operating position of \$5.3 million and a year end fund balance of \$6.4 million are anticipated at this time.

By the end of the third quarter the City had met virtually all of its debt service payments for the year. In September the City made the 2nd of its semi-annual General Obligation debt service payments \$4,681,069 on the 1997 Series D and F GO bonds and notes; payment of \$297,742 on the PA Infrastructure Bank loan; and payment of \$96,534 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.

The City's cash flow continues to be strong as we reach the end of the third quarter. The receipt of the bulk of tax revenues for the year, parking system revenues that have been consistent with budget projections, the receipt of the Commonwealth's \$5 million payment for public safety services have all contributed to the City's solid cash flow position. Withholding of the higher LST began July 1 at a rate of \$5/week to address the retroactivity of the tax from January 1. This should result in the receipt of a significant amount of LST revenue during the 4th quarter as the 3rd quarter returns are

due by 10/31 and will strengthen the City's cash position towards the end of the year. The state aid allocation for municipal pension funds will be received the beginning of October and is 11% higher than last year which will further assist the City in meeting its MMO pension obligation.

Following the last check run and payroll for the quarter on 9/22, the City's General Fund cash balance was \$11,944,701. This is \$5.8 million higher than at this point in 2015 when the City's cash position was \$6.098 million and \$7.6 million higher than at the end of the third quarter in 2014 when it was \$4.297 million. Continued strength and stability in the City's cash position as we move into the 4th quarter is a very positive sign and as with the mid-year comparison, represents a very positive trend for the City's fiscal stability.

The Coordinator continues to support the work of the 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 Finance Office was also quite busy during the quarter in assisting with the 2015 audit. The City is committed to keeping their audits up-to-date and in advancing the audit calendar. The City's accounting manager has again led the audit preparation work though Trout, Ebersole & Groff again assisted on a limited basis. As the City continues to build internal capacity it is hoped that the reliance on outside assistance can ultimately be totally eliminated. Pre-audit work was completed by the end of June and Maher Duessel began work on the 2015 audit the week of June 20. They worked through the quarter to complete the audit and on September 26 the Mayor signed the representation letter and the audit was released. The timely completion of audits represents another critical step in the City's recovery.

The Finance Office has also been extensively engaged in the preparation and development of the 2017 budget. During September meetings were held with the various departments to review their budget requests. Follow up meetings are now taking place and the Administration is on target to submit their proposed Operating budget to the Coordinator by October 15. They are also working on a Capital budget that will be included as part of their final budget submission.

The Controller's office continues to monitor compliance with purchase order procedures and recently updated its review of City purchasing procedures through September. The review found continued improvement in the various departments complying with purchasing procedures. When the Controller began its review early last year each individual department, bureau and office was acting as an autonomous purchasing entity operating under its own policies. With the Mayor's support, the long vacant Purchasing Manager position was filled and a commitment made to follow City procedures for purchasing. Filling this position has done much to reduce non-compliance and there has been a significant improvement in adherence to related fundamental internal controls. The non-compliance rate dropped from 81% in the first quarter of 2015 to 26% in the second quarter and further dropped to 8% for the last two quarters of 2015. In the third quarter of 2016 the non-compliance rate dropped further to 2% and for the first 9 months was down to 3%.

This represents significant improvement with internal controls and City Department's are to be commended for their adherence to the City's purchasing procedures.

Earlier this year, DCED entered into a contract with OpenGov to provide software to all Act 47 municipalities that will provide clear, up-to-date, and transparent governmental financial information to citizens, governments, and other entities. The software serves as a one-stop shop for comprehensive municipal financial information. This software drives civic engagement, and allows users to access financial data from all municipal departments, allowing for full transparency. The municipality though maintains full control of what data is displayed. Comprehensive data is displayed in multiple views/filters, allowing users to isolate revenues/expenditures for specific departments. This information can be as specific as transactional-level data or as broad as total operating budget. Users can drill down to information as detailed as revenue generated by a specific parking spot or as broad as annual departmental revenues.

The software was reviewed with City personnel in June and OpenGov staff have worked with the Finance and Controller's Offices over the summer on aligning codes in preparation for importing the data. The Finance Office has completed its review of the expenditure codes and made recommendations for some revisions. They are currently reviewing revenue codes in the same manner. An Open Gov representative met with the Finance Office the week of September 19 to further assist with this effort. The OpenGov technology allows governments to collaborate more effectively through their budgeting process, make data-driven decisions, and build civic engagement through transparency.

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. A meeting is anticipated in the near future to review the results of the just completed 2015 audit.

During the 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.

Operational Issues

During third quarter of 2016 the City of Harrisburg, with the support of the Act 47 Coordinator, made progress on a number of key Strong Plan operational initiatives. The primary areas of focus relate to the acquisition of Act 47 grant resources to augment managerial capacity; enhance IT infrastructure development, strategic planning, project management capacity, and; create lasting improvements in the City's refuse and recycling collection operation. A progress report regarding these areas, as well as other key Strong Plan priorities and initiatives, is detailed below.

Finance and Administration

Subsequent to the adoption of the Strong Plan modifications, in June the City submitted an application for Act 47 grant funding to augment managerial capacity and address critical information technology needs. Following a July 5 hearing on the application, DCED approved the City's grant application in August and awarded the City \$465,380 to support implementation of four key Strong Plan initiatives.

One of the most significant longstanding initiatives in the Recovery Plan is to fill the position of Business Administrator. The City has been without a Business Administrator for approximately two years and, as a result, the Mayor has served as both the chief executive officer and chief administrative officer of the City. The complexity of the City's operational and financial challenges and prospective special projects warrant a full-time professional manager; however, the City has been unable to attract suitable candidates due to salary limitations. The Act 47 grant award provides a three year salary supplement that will allow the City to increase the compensation package for the Business Administrator position. This is intended to increase the number and quality of candidates attracted to the position and allow the City to fill this critical position as quickly as possible. The Coordinator has advised City officials to initiate recruitment for the position concurrent with the contract execution process.

The grant award also includes funding for a classification and compensation study for managerial and administrative employees. Since the City of Harrisburg entered Act 47, the City has worked diligently to build this 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 for the City. 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. 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, however, as to what positions should be adjusted or to what degree those positions need to be adjusted. As a result, a classification and compensation study is necessary to assess where investment is needed.

This study is needed to properly assess where the City needs to invest resources to attract and retain the caliber of employee necessary to continue the City's effort toward sustainable financial recovery. In addition to providing grant funds to support the study, the Act 47 Coordinator's Team has developed a draft Request for Proposals that the City may amend and utilize to initiate the study as quickly possible. The Coordinator has advised that the City should also initiate this process concurrent with the contract execution process.

The Bureau of Financial Management has successfully implemented quarterly financial reporting, implemented a standard budget development calendar, and established a standard position control system. The Department has also modified the existing chart of accounts to track grant program funds on an individual basis. 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. Currently

the City is recruiting for a staff accountant/financial analyst to further build internal capacity. 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 are therefore included in the City's recovery plan update.

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. Such policies are looked upon favorably by rating agencies and are another important step in the City regaining credibility in the financial marketplace. In 2015, the Act 47 Coordinator developed draft debt and fund balance policies for review and adoption by the City. The drafts also have been reviewed with the City administration and Council. The Chair of Council's Finance Committee has expressed strong interest in advancing this policy. Council has worked with the Solicitor's office to refine the policies and they are now before Council's Budget and Finance Committee for action. Final action should occur later this fall.

Treasurer's Office

Following the resignation of Tyrell Spradley and consistent with the provisions of the Third Class City Code, City Council appointed former Controller and Councilmember Dan Miller as City Treasurer at their June 16 meeting. Mr. Miller was sworn in on July 5 and has indicated he plans to work to make the Treasury Department efficient and well run.

In order to improve the operation of the Treasurer's office and address concerns that had arisen, the City engaged Alvarez & Marsal 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 was conducted in late 2015 and the report was issued in February. 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 Miller recently completed his review of the report and acknowledged certain of the findings including the need for better segregation of duties to strengthen internal controls and the inability to reconcile the Treasurer's office accounts with those of the Finance Office. He further stated, however, that certain findings were not correct according to practices currently in place. It is very important that the Treasurer, Controller and Finance Offices work together to further address the report's findings in an expeditious manner. The recommendations will strengthen internal controls and improve overall efficiency in the financial operation of the City. I have offered the Coordinator team's assistance with implementing the report's recommendations.

Information Technology

The Act 47 grant award also provides funding to replace 28 Mobile Data Terminals (MDTs) in City police patrol cars. An MDT is the patrol car computer that allows an officer to access police records, driver information, and national warrant and stolen vehicle databases. Currently, approximately 28 MDTs are operating on Windows XP – a system that is no longer supported by Microsoft security updates and so precluded from connecting with county and national policing databases. In addition, many MDTs are beyond their life cycle and suffer from recurring reliability issues. Unreliable MDTs overburden dispatch, resulting in delays for officers doing traffic stops as they cannot run the tags on a vehicle. In addition, the inability to access regional and national crime databases could result in a significant life safety issue in the field thus their replacement will address a critical public safety issue for the police department.

As recommended in the Coordinator's IT assessment and the recent Strong Plan modifications, the City included in their Act 47 grant application a request for \$75,000 to provide an outsourced Information Technology project manager for the next year to address mission critical IT infrastructure issues and assist the City in prioritizing IT system needs. A prevailing issue in the City has been deteriorating and antiquated IT infrastructure as further discussed below. The City has had limited capacity to address these issues due to finite resources as well as difficulty maintaining a full complement of IT personnel. This grant which was approved in August will provide for an outsourced Project Manager who can coordinate IT related activities.

Late in the second quarter the City experienced 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 and prevented City officials from being able to access email, key documents and files stored on the shared drives. Even after email had been restored and access to the shared server partially restored, the City still lost one week of data that had been stored on the shared drives. This crisis has been long in the making after decades of neglect and failure to update the IT infrastructure and provide staff training. The situation is now at a critical stage and threatens every department of City government, including access to financial and legal

records, as well as police and fire records. The City's IT staffing capacity is very limited and its Director is constantly putting out fires. In response to these issues the City engaged Sigma Resources to serve as project manager to assess IT needs and provide the City with an IT strategy moving forward.

A major problem exists with the City's SAN server which uses outdated technology. With assistance from Sigma Resources and Harrisburg University, the City was able to obtain a donated SAN server from Unisys that had been housed in the Commonwealth's Data Center. This server has a significantly greater capacity than the City's current server. Unfortunately when the donated server was scrubbed of information the operating software was also deleted. Efforts are now underway to see if the operating software can be restored. Sigma Resources has obtained a quote of \$700 from a firm to analyze the server and determine if it is capable of being restored. The analysis is to occur the end of September or early October after which a decision will be made on restoring the donated server or pursuing a new server. Sigma has obtained a quote through the DGS Co-Stars program of approximately \$35,000 for a new server.

As a further action the City has established 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, the state's Office of Administration, Sigma Resources, the Coordinator and City Departments. As part of this effort Harrisburg University will continue to provide in-kind services as will a number of local IT firms.

As Project Manager, Sigma Resources proposes a team approach which will build on both the assessment of the City's IT system undertaken by the Coordinator's Team and the assessment completed by Harrisburg University. They have also recommended that IT issues be looked at on an enterprise wide perspective rather than department by department as there can be greater efficiencies obtained in this approach. They view IT as a service and are working to instill this concept throughout City government.

An IT retreat with all City departments was held in August and facilitated by Sigma Resources. In their assessment of issues raised at the retreat and identified earlier, Sigma has identified three key IT objectives: Internal Communication; Document Management; and Business Processes. Their strategy will focus on each objective on an enterprise wide basis as there is a critical need to share information across City departments. The first initiative to be deployed in early October will be a Service Desk program which will require 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.

Sigma has also advanced the Microsoft Office 365 software to address the City's email needs. This software will take the City's email service away from the server and into the cloud. Following a presentation of the Office 365 software by Microsoft and a recommendation by Sigma, the City submitted an application to Impact Harrisburg for \$250,000 to fund the acquisition and initial training and deployment of the software. At its September 7 meeting, Impact Harrisburg approved the

City's application and a contract is now in process. The City anticipates there would be significant savings by moving the email system away from the server and into the cloud. At the September 20 meeting of the IT Advisory Committee, Sigma reported that with the funding commitment they will begin planning for the implementation of Office 365. Considerable work is entailed in establishing a foundation for implementation. This will occur during the fourth quarter with deployment of the software during the first quarter of 2017.

Sigma Resources and the City's IT department are also working on improvements to the IT office. Used cubicles were donated by Unisys, however, they are missing certain hardware components in order to install them. In discussions with the Treasurer, there are cubicles in his office which he does not need and these may be moved to the IT office.

Also at the September 20 IT Advisory Committee meeting, representatives of Morefield Communications were present and discussed phone issues especially as they relate to the police department. Communications Director Joyce Davis indicated she and Morefield are aggressively working with Windstream to obtain a refund that may be as much as \$10,000 on phone lines that have been discontinued. Morefield has assisted the City in identifying inactive phone lines and having them discontinued. Morefield is also working 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.

Chairman Gerhard presented an offer from Harrisburg University at the September 20 meeting to undertake a pilot IT training program involving 6 students who will work one on one with Fire Department employees. They have met with the Deputy Fire Chief and identified certain training needs and the students will work individually with the employees to address their IT issues. If this program is successful it will be expanded City wide. Chairman Gerhard also announced that HU is working on a project that supports the Commonwealth's Open Data program for transparency of information. The Coordinator provided background on the Open Gov initiative that DCED has deployed with Harrisburg along with all Act 47 municipalities. Chairman Gerhard indicated he would coordinate their effort with the Open Gov initiative.

Finally, Ms. Davis announced at the meeting that she has been able to secure outside assistance to complete a security assessment of City Hall at no cost to the City. Ms. Davis indicated that emergency call buttons and camera equipment are not functioning and this creates a security risk. Though no serious incidents have occurred there have been situations where such equipment would have been helpful.

Solicitor's Office

In the 2013 Harrisburg Strong Plan the Law Bureau had a total of three initiatives and all three initiatives have been completed. The Law Bureau hired outside counsel to assist in labor relations activities and increased the number of staff attorneys from one to three. In addition, the Law Bureau also completed, recodified, and enacted the Code of the City of Harrisburg. Recruitment efforts are

currently underway to fill two additional positions, an Assistant Solicitor for litigation and an Assistant Solicitor for Collections.

The City utilized contracted professional assistance from labor negotiations in 2013 and 2014 as provided for in the Strong Plan. With the expiration of the FOP and AFSCME contracts in December the City is negotiating two collective bargaining agreements this year and will negotiate an IAFF contract in 2017. The Strong Plan amendments provided for the City to again retain experienced public-sector employment labor counsel for its labor relations activities beginning with negotiations of new collective bargaining agreements. In May 2016 following a proposal solicitation process, the City entered into agreement with Elliott Greenleaf to serve as outside labor counsel to assist with the 2016 bargaining processes. 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 firefighter/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 also worked to cover the cost of special services provided outside the course of normal firefighting services. City Council adopted an ordinance increasing emergency response and vehicle extrication fees and the City is now aggressively billing insurance companies accordingly. City Council also approved increased fire alarm fees that more accurately reflect the cost of providing services, though the Plan modifications address the need for additional adjustments to the false alarm fee structure based on current costs.

The Bureau, with the cooperation of the IAFF, converted an Administrative Assistant position to a civilian position. In addition, the Bureau created a formal Safety Committee review of each work-related injury, as well as observed safety issues, so that effective action can be taken to reduce the incidence of injury going forward.

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.

With changes to the deployment model and the addition of personnel to the Bureau of Fire, staffing and deployment has stabilized in the Bureau. The Bureau provides a high level of service to residents, businesses and visitors, and maintains a complement of highly trained firefighters and command staff.

Given the level of service provided by the Bureau, and the Bureau's proximity to boroughs and township's 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 recently participated in a Firefighters Forum organized by the Capital Region COG on August 15. 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. It is therefore recommended that the City continue to engage with the COG and with the Coordinator's support seek to partner with surrounding municipalities to conduct a fire regionalization and service sharing study to identify and prioritize opportunities.

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.

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 the Bureau in favor of assigning additional personnel to the patrol function. It has reduced civilian staffing in the parking enforcement function as a result of the monetization of parking assets.

The most pressing issue confronting the Bureau though continues to be staffing shortages and the lack of sufficient resources to both hire new officers and outfit those officers with reliable and functioning equipment. To that end, it is appropriate to evaluate what steps can be taken to increase the availability of officers within the Bureau and to prioritize the funding of equipment deemed necessary and critical to effective public safety.

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 Uniformed 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 the proactive policing activities, such as foot and bicycle patrols, according to interviews the Bureau's senior executive officers. This is based on 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. According to the Department's staffing estimates, an additional 12 patrol officers are required to meet the shift target staffing level.

In late 2015, the City received word that it received a Department of Justice COPS grant for over \$550,000 to fund the salaries for five patrol officer positions through 2016 and 2017. These officers will be devoted to community policing. The City must maintain funding for these positions through 2018. Recruitment efforts resulted in ten conditional offers of employment being made in July, however, two candidates took positions in other departments, two withdrew for personal reasons and one failed pre employment testing, thus only five candidates are now at the Academy. There are currently 15-18 vacancies and the City is initiating a new recruitment process for the next Academy class that will begin in early 2017. Recruitment efforts are only minimally able to maintain staffing levels in the face of naturally occurring attrition and will not resolve the staffing shortfall discussed above. Further, it is not clear that sufficient financial resources will be available to the City in the coming five years to fund significant increases in patrol staffing.

In the alternative it is appropriate to evaluate if other deployments schedules are available to enable the Bureau to more effectively, or more efficiently, deploy its limited staffing resources. Police officers who are assigned to uniformed patrol perform regular tours of either 7:00 a.m. to 3:00 p.m.; 3:00 p.m. to 11:00 p.m.; or 11:00 p.m. to 7:00 a.m.; with steady days off. Although a steady tour schedule provides a welcome measure of regularity for the workforce, there are a number of other schedule alternatives that can be evaluated to determine if deployment and schedule changes can mitigate the impact of staffing shortages. For example, implementation of 12 hour schedule deployment models has demonstrated value in decreasing the incidence of unexpected time off, which impacts staffing availability and potentially overtime usage.

Effective scheduling requires analysis of operational and financial efficiencies, the unique needs of the Bureau and the community, and the impact of the schedule on its employees. There are numerous possible alternatives, and the evaluation of those alternatives must be made to ensure that they result in a more efficient use of resources that will enhance police service without creating undue stress on the officers of the Bureau.

Before a new duty schedule is implemented, an in-depth study should be conducted to ensure that the nuances of the Bureau are explored and addressed. Therefore, a committee consisting of the Chief of Police and/or designees, representative(s) of the Fraternal Order of Police, and the Act 47 Coordinator shall be established to implement this initiative and make the final determination on a new schedule that meets the operational needs of the Bureau, enhances efficiency and reduces expense to the greatest degree possible.

To address vacancies in command level positions that have occurred due to retirements, the Bureau has scheduled promotional testing for October for a Lieutenant, 3 Sergeants and 2 Corporals. The Bureau also recently hired an Animal Control Officer who will start October 3 and will address stray animals in the City and coordinate efforts with the City's contract with the Dauphin County Humane Society.

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. The City of Harrisburg Bureau of Police, as the largest police department in the County, was included as an important participant in that assessment. Harrisburg's Police Chief and the City's FOP representative both participated as members of the Task Force.

The final report with recommendations for service and cost sharing was completed in late 2015. The report identified opportunities for the City's Police Bureau to engage in cooperative efforts that may enhance service and potentially reduce expenses. 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 has recently deployed two new tools. They have started a database of businesses and residences with video surveillance systems to help streamline investigations. The effort began in the police department's forensics unit in May 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 in November and after resolving technical issues the searchable database went live earlier 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 City is also engaging a crime analyst to study reports and help spot increasing crime trends. Although there is no current funding for the position a retired federal crime analyst has volunteered until funds could be budgeted in 2017.

In response to criminal events over the summer the Mayor has convened ongoing neighborhood meetings to discuss crime and other City related issues. The meetings have attracted large turnouts and much of the discussion has been on recent trends in crime and actions that can be taken to increase public safety.

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 necessary, 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 repair transportation infrastructure issues in a timely and proactive way. In May 2016 the City hired a sanitation logistics coordinator (management position) to provide technical and project management support. The City has also made a great effort to bring the sanitation operation up to a full staffing level during 2016.

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. The approach recommended in their report was one of a managed competition 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. Significant improvements were made in 2015 including the purchase of a new recycling truck through a DEP Recycling program grant and the purchase of several refurbished front end loaders that allow for the collection of commercial accounts.

As part of the 2016 budget process 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. The restructuring addresses both operational and financial needs and will enhance the City's ability to provide more efficient sanitation and street related services to its residents.

The City has implemented, or is currently implementing, a number of key initiatives relative to sanitation system improvements. The budget includes funding for additional collection equipment and with the assistance of another DEP Recycling Performance grant the purchase of a vacuum sweeper to assist with leaf collection and street sweeping. Another recommendation was to hire an administrative assistant to help in managing solid waste accounts and billing for these accounts. This position was filled and the individual began work in September.

A major focus during 2016 has been to update and retrofit the City's refuse and recycling collection fleet. The City has an antiquated refuse and recycling vehicle infrastructure that has been plagued with reliability issues. Collection vehicles are regularly out of service for extended periods of time which significantly impacts the City's ability to effectively meet its collection expectations. In addition, the types of refuse and recycling collection equipment operated by the City has limited its ability to service all residents and businesses.

As a result, the City has focused upon enhancing its collection fleet. In August the City entered into an agreement to purchase two truck chassis and will install functional packers from existing City vehicles on the new chassis. In addition, the City is finalizing a lease purchase agreement to procure seven additional refuse trucks. This will allow the City to enhance its collection procedures and potentially provide additional commercial properties with collection service.

The City is also in the process of preparing a Pennsylvania Department of Environmental Protection (PADEP) 902 grant application to purchase a new leaf collection truck. The intent is to purchase a multi-purpose chassis that will utilize a cross-functional lift arm. The equipment will include removable leaf boxes that can be exchanged for salt boxes in the winter – an action that will maximize the utility and utilization of the vehicle.

The City has been in engaged active discussions with the Harrisburg School District to develop an intergovernmental agreement to utilize a school district site to serve as the location for a yard waste composting facility. In addition, Susquehanna Township has expressed interest in becoming a partner in this composting facility project. The City and Township have maintained active discussions toward that end.

The Act 47 Coordinator's Team worked with the City to develop a conceptual layout of the yard waste composting site and has coordinated with PADEP to review the site layout to ensure that all regulatory requirements are accounted for in the conceptual design. The conceptual layout was presented to the Harrisburg School Board on September 12. School Board members expressed some requests for modifications, all of which are manageable within the current site configuration. It is anticipated that once these issues are addressed the City and School District will enter into an intermunicipal agreement necessary to move forward with permitting and site development. At its September 28 meeting Council authorized the negotiation of an agreement with the School District for a shared yard waste facility.

The development of a composting site will serve two important goals. First, it will enhance the City's yard waste collection and composting program which will in turn decrease the number of tons of waste disposed of at the Harrisburg incinerator. This will result in decreased disposal expenses. Second, it serves to advance intergovernmental corporation in the Harrisburg metropolitan area,

The City, with technical support from the Act 47 Coordinator's team, has also begun developing specifications for a sanitation route management software for purchase and implementation. This software will serve to create valuable management billing process efficiencies. The City is considering as part of its 2017 budget development process, establishing a project budget necessary to implement a comprehensive billing and route management software package. The goal is to maximize route efficiency and ensure maximum revenue collection.

Tonnage from the City disposed of at the Susquehanna Resource Management Complex (SRMC) was 36,636 tons (105%) of the City's minimum put or pay requirement of 35,000 tons in 2015. Thru the end of August 2016 the City had disposed of 24,165 tons (69%) of the put or pay requirement and is again on target to exceed the minimum requirement. At the same time,

recycling has increased dramatically. With deployment of 14,000 new recycling containers in 2015 the City saw its recycling rate increase from around 5% to over 20% of the waste stream.

With the education and outreach program now underway, and through coordination with the County's recycling office, the City should be able to further increase recycling tonnage while still meeting the required tonnage by monitoring and deterring diversion of municipal solid waste from exempt commercial establishments. The more the City recycles, the less it has to pay from sanitation fees collected for disposal, which is all-in-all, a good thing. These improvements will help stabilize the refuse and recycling collection operation and improve the overall appearance of the City.

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 Mayor continues to meet with various commercial accounts to facilitate transition of these accounts from private haulers to the City. The review of all accounts is to be completed by the end of 2016. A Solid Waste Logistics coordinator to assist with this process was hired and began work in May. A new intergovernmental agreement has also been negotiated with the Department of General Services for sanitation services for 33 Commonwealth facilities in the City. The new agreement is expected to generate an additional \$600,000/year in sanitation fees.

These are all positive steps that are being taken to address sanitation system responsibilities. The progress that has been made 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, many of which will require investment from the City. The development of a Capital Improvement Plan as called for in the Strong Plan for City-wide needs is one of those actions so that capital needs involving sanitation can be prioritized along with other pressing needs. A representative from Barton and Loguidice, as a member of the Act 47 Coordinator's Team, continues to provide implementation support to the City and meets with City leadership on a regular basis to provide consultation services and assist with implementation questions.

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 measureable changes and improvements. If the changes do not result in measurable and observable system improvement, "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 at the close of 2017 to determine success and viability going forward.

The City continues to address a lawsuit requesting that a declaratory judgment be issued claiming that the City's current commercial refuse rates are unreasonable and unenforceable. The above course of action with respect to commercial refuse is intended to assist in resolving this suit.

Public Works Facility

Though the Department has made strides in the area of infrastructure repair, the City will be confronted with significant facility viability issues into the future. The City's lease on the Department of Public Works garage facility expires in March of 2017 and the City must assess and pursue alternatives well in advance of the lease termination date. The Strong Plan modifications address the need to develop a long range plan for a public works facility. The City, with the support of the Act 47 Coordinator's Team, has begun an earnest effort to determine what the long term plan is for the DPW garage on Paxton Street. Alternative sites are limited, however, the City intends to include funding in the FY2017 budget to locate a site and perform conceptual engineering.

Transportation Infrastructure

The Bureau of Engineering, with Commonwealth enabled funding, has also made significant investments in the City's infrastructure. In 2014, the Pennsylvania Department of Transportation (PennDOT) committed to contributing \$10 million over a five year period toward infrastructure repair funding in the City. This commitment stood in addition to PennDOT's planned repairs and projects on Commonwealth managed roads in Harrisburg. In May 2015, the City was awarded \$3.19 million in funding from PennDOT as the first phase of this commitment. The City used a portion of these funds to pave heavily traveled City streets that are used to come into and out of the City. They have thus far received \$630,000 and are moving forward with final design plans for the remaining \$2.5 million. This funding will serve to allow the City to make major road repairs in the coming months and years. Following meetings with PennDOT and based on their recommendation, the City submitted an application under PennDOT's multi-modal program in December for the balance of the \$10 million. This funding will allow the City to make major road repairs in the coming years. PennDOT has indicated that grant awards are to be issued in the fall of 2016.

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. It will reduce the City's ongoing utility expenses by approximately \$400,000/year. The M&T loan was the City's first capital borrowing since before it entered the Act 47 program. The City signed off on substantial completion of the project on July 27 (95% complete). Lights still need to be installed under arches of the Market St. Bridge (lights on backorder) and complete the purchase of the PP&L owned lights downtown. A meeting is scheduled for October 5 with PPL to resolve issues related to their purchase. Recent invoices reflect a drop in the monthly street light electric expense from \$49,780 in August 2014 to \$17,860 in August 2016.

The Department has also made significant improvements in its fleet maintenance operation. It appointed a full-time fleet manager and has included additional fleet maintenance personnel in the 2016 budget. Auto mechanic and secretary positions were both filled in September. There are, however, 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

Though the City of Harrisburg has made strides in refining and improving its operating budget process, the City has yet to develop a multi-year capital budget and planning process that centrally identifies and prioritizes capital needs in the City. 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 established to administer \$12.3 million in funds available 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. The City has also budgeted funds in 2016 for certain capital expenditures. Further, the modification of the City's debt structure should afford the City the opportunity to regain access to the capital markets over the next several years. Finally, grant funding opportunities from state and federal agencies also provide resources to support capital investment.

To that end it is important to develop the necessary process and planning tools to take advantage of funding opportunities that become available. It is especially important to have a structure in place to centrally and comprehensively evaluate all capital needs and prioritize investment within the strategic priorities of the City. Those needs must be professionally assessed and options evaluated so that both daily maintenance plans and capital investment requirements can be appropriately prioritized. Currently each department or bureau is responsible for funding capital investment as an element of their operating budget. There is no process in place to segregate and evaluate comprehensive capital investment needs or to plan to address needs beyond the one-year operating budget timeframe. Further, it places Department directors in the difficult position of deciding priorities between ongoing operational needs and capital investment. The Administration is currently working on an initial Capital Improvement budget which is to be incorporated as part of its 2017 budget process. This represents a positive step in addressing the City's long neglected facility and infrastructure needs.

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 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. 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 and Consultants, Good Land Collaborative, ARUP Americas, CSPM Group and AB3 Development). Following a contest held to brand the planning process, "BeHBG" was selected as the name for the update process. A "BeHBG" web site was established to provide the community with ongoing updates and to allow further community input. To date over 500 users have registered and generated over 1200 ideas to date in topical areas of transportation, housing, economic development, historic resources and parks and recreation.

The process has 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 have met with PennDOT to coordinate on transportation issues and Harrisburg Housing Authority representatives to discuss housing issues. A day long community workshop was held last December 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.

2016 has focused on retooling the document based on the public input received in advance of a presentation to Council. The Plan process has slowed a bit due to staffing limitations in the Planning Office. The initial timeline for the development of the Plan was a bit optimistic; however, the Administration and the Consultant met the end of June to discuss a realistic, achievable timeline for finalizing the document. The Planning Director is reviewing and editing the consultant's draft with a proposed final submission date prior to year end. The comprehensive plan will provide land use guidance and strategies for housing and economic development and is a significant accomplishment that will serve to guide the City's strategic investments going forward.

The City and its Redevelopment Authority (HRA) have continued to work closely with PennDOT on a plan to make major improvements to the Harrisburg Transportation Center (HTC). The Center serves as a key anchor for the downtown and a hub for both rail and bus service for the City and region. Earlier this year PennDOT announced the award of \$15 million to fund a number of needed physical improvements to the Center including new roofs, energy efficient heating and cooling systems and replacement windows. Expansion of the HTC's multi-modal transportation services can serve as the foundation for the transit oriented redevelopment of surrounding and

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.

In late August PennDOT announced the initiation of a Transit Oriented Development (TOD) concept study. In partnership with the City and HRA, PennDOT has engaged the Michael Baker firm as consultant to study promote the reuse and redevelopment of the area adjacent to the Transportation Center. The study will focus on a four block area surrounding the HTC and provide different scenarios that may be advanced for implementation that will promote redevelopment, business attraction and connectivity of the Center to the adjacent neighborhoods. PennDOT, the City and Baker undertook a Visioning Week exercise September 19-22. The consultant team held 18 different events during the week to solicit as much input as possible on the reuse and redevelopment of the Market Street corridor and surrounding area. 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 will review all of the input received with a public presentation on October 27 and a target to complete the study by year end.

Though limited by staffing, the Bureau of Planning has also made significant strides in increasing the utilization of the City's Geographic Information System (GIS). The City has fully developed internal capacity to manage the GIS and has taken over the responsibility from a contracted third party. In addition, the Bureau has worked cooperatively with Capital Region Water to consolidate and share GIS information that will prove useful to the City planning and operations and maintenance personnel.

The Urban Planner/Zoning Officer submitted his resignation in May. Following an extensive recruitment process, a qualified candidate has been found and this critical position has recently been filled with the individual to start the beginning of October.

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 further be informed by the City's updated comprehensive plan. In May, with the support of the City, the Harrisburg School District approved their participation in the LERTA program. This was then followed by Dauphin County's approval over the summer. Now that the three taxing bodies have approved LERTA, the City is has undertaken recruitment efforts for a LERTA program administrator.

The City continues moving forward with the organization of a Land Bank Board, following the enactment of an ordinance to create a Land Bank which will assist the City with its focus on blighted properties and provide it with the ability to acquire vacant or abandoned properties, undertake improvements and return them to the tax base. The Land Bank Board has been meeting regularly with support from the Community and Economic Development Director and following an RFP process selected an attorney to serve as the Board's solicitor. They are also developing operational by-laws.

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.

Another positive development that occurred during the quarter was the September action by the House of Representative's Transportation and Infrastructure Committee to approve a resolution that among other projects includes funding for the design and construction of a new 243,000 square foot Federal Courthouse to be build at 6th and Reily Streets in Harrisburg. Although there is still an authorization needed for construction, this action is a significant step forward for the project which should spark further economic development in mid-town.

The City remains faced with significant housing and infrastructure issues related to the sinkholes on South 14th Street. With the federal government's expansion of the definition of a disaster in late 2014 to include sinkholes, Harrisburg was now eligible to apply for federal mitigation money to buy homes ruined by sinkholes on South 14th Street. Although they were denied funding previously, in September 2016, FEMA awarded the City \$1.65 million to undertake an initial phase of the project to acquire and demolition approximately 25 homes in the center of the block. DCED has 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. The Department held a public hearing on the use of the funds on July 25. Approximately a dozen residents, City officials and the Coordinator testified in support of the use of these funds for the South 14th Street project. Subsequent to the hearing DCED submitted its formal request to HUD. It is anticipated that HUD will issue their approval by early fall. 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 Bureau of Park Maintenance and the Bureau of 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 in the 2016 budget.

City Island is a significant asset for not only 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 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. The 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. It is the City's intent to seek grant funding to undertake this master plan.

In addition, the 2016 budget provides for a full-time position to manage the City's extensive festivals and special events. These festivals and special events are important community development and economic development tools for the City and need this type of focus. The City undertook a recruitment process for this position and the position was filled in April in time to address the City's three major summer festivals occurring over the Memorial Day, July 4th and Labor Day periods which by all accounts were quite successful.

Summer programs were also very successful this year. There was a 20% increase in attendance at the Morrison, Reservoir and Sunshine playgrounds over 2015 and the pools had increased attendance due to the extended hot weather. Playground renovations are also moving forward with the projects ready to bid and the work anticipated to be completed prior to next summer.

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. DCNR recently awarded the City a \$50,000 matching grant to develop a master site plan that will reimagine the large and historic park. The City has retained H. Edward Black and Associates as lead consultant supported by Simone Collins landscape architects and Urban Planners to undertake the study which will be initiated with an October 25 public forum to gather input from City residents on the park's future. Three additional forums will be scheduled for later this fall with the study to be completed by next summer.

Intergovernmental Cooperation

While there are specific instances of cooperation between and among the City, the Commonwealth, Dauphin County, the Harrisburg School District and other neighboring municipalities as discussed below, it remains important for the City 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. For example, The City

produces and distributes property tax bills on behalf of the School District and also collects the payments. They perform a similar function for the shared Business Privilege/Mercantile Tax.

The City and Dauphin County collaborate in the provision of 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. In June 2011, the Dauphin County Communication Center began providing 911 and dispatch operations for the City of Harrisburg, providing a significant savings to the City.

Dauphin County, through its Department of Community and Economic Development, directly assists businesses and municipalities within the County in undertaking economic development projects. The Dauphin County Economic Development Corporation, a non-profit development entity, has partnered with the City in ongoing efforts to retain and grow existing businesses as well as attract new ones through business resource networks and calling programs.

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 boroughs and townships from Cumberland, Dauphin, Perry and York Counties, formed to promote intergovernmental communication and cooperation. It offers a joint purchasing program and an auction for surplus property and equipment. Participation in the COG has resulted in cost savings for various commodities and services. The COG provides a forum to discuss common issues in the Harrisburg region and recently sponsored the Firefighters Forum discussed in the Fire Bureau section of the report. 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 discussions with the School District and Susquehanna Township on a yard waste facility. The City also entered into a new intergovernmental agreement with the Commonwealth for the collection of solid waste from all state facilities in the City and it is partnering with PennDOT on a Transit Oriented Development study of the Transportation Center and surrounding area.

The Act 47 Plan includes a number of initiatives relating to intergovernmental relations and cooperation. 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 targeted for completion in late 2015. The study, which was 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 improvements can be achieved.

The second public safety opportunity relates to the fire service. As staffing in the Bureau of Fire has stabilized, and volunteer firefighter availability in surrounding communities declines, the City may be 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 the Commonwealth on infrastructure and economic development initiatives. PENNDOT has committed to contribute significant resources to the City for infrastructure repair and development that will be 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 Strong Plan in August 2013. The amendments to the prior collective bargaining agreements, 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 will continue to insure implementation of the negotiated changes and to assist as may be 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, this 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 terms of compensation that are most important to the employees in each unit.

Because the CBAs with FOP and AFSCME expire on December 31, 2016, the City has taken various actions in preparation for negotiations with the bargaining units. The negotiations for the FOP and AFSCME successor agreements will be 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 has implemented one of the Strong Plan modification recommendations through the retention of the law firm of Elliott Greenleaf to assist with its labor negotiations. Members of the Coordinator team met with City officials and counsel from Elliott Greenleaf in June in order to formally meet, review the labor provisions of Act 47 and discuss negotiation topics in light of the Strong Plan. Counsel from Elliott Greenleaf sent letters of intent to initiate negotiations of new CBAs to both the FOP and AFSCME on June 23, 2016. The letters incorporated language suggested by the Coordinator with respect to Act 47 and the City's adopted Recovery Plan. The City and the FOP had an initial negotiating session earlier this month and a negotiating session with AFSCME is currently being scheduled.

In terms of pending grievances, on January 12, 2016, the FOP filed a grievance against Harrisburg after the Police Chief would not allow officers to perform off-duty work at the Great American Outdoor Show. As of this writing, this dispute is still pending. The Coordinator will provide a further update when more information becomes available. There is also an FOP grievance 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. A grievance is also pending from the IAFF 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. The City did, however, lose an arbitration related to injury-on-duty benefits, with the exposure being less than \$10,000.

By way of an update from the last report, on August 19, 2016, Arbitrator Walt De Treux denied the IAFF's class action grievance on behalf of a group of firefighters who entered the Fire Academy in March 2014 but did not graduate and become members of the Fire Bureau until June 2014. The IAFF alleged that the City breached the CBA by denying certain vacation benefits to this new group of firefighters based on the amendment to the CBA ratified by City Council in April 2014 – while these firefighters were still cadets in training. The IAFF alleged that this group should have received vacation benefits consistent with those in effect prior to April 2014, since they were "employees" of the City as of March 2014 when they received their conditional appointment letters and began their training. The City disagreed, asserting that the cadets, even though they were City employees receiving some wages and benefits, were not qualified to be firefighters at the time of the April 2014 amendment and, therefore, were not members of the Fire Bureau afforded the benefits existing under the then-current collective bargaining agreement. The City also argued that, prior to ratification by City Council, the IAFF and the City all understood that this new group of firefighters would not be eligible for benefits under the then-existing provisions and would be given a reduced level of benefits following graduation. The Arbitrator agreed with the City's position, finding that the

term “employees” in the CBA and its April 2014 Amendment did not include the cadets who were in training at the time of the amendment, as they did not become “employees” for the purposes of the CBA until after they graduated from the Fire Academy in June 2014 and were appointed as probationary firefighters.

Labor counsel for the Coordinator worked collaboratively with the City’s outside counsel on the arbitration hearing and subsequent brief that was filed. The time for appeal of this award has expired, so this decision is now final. The Coordinator is extraordinarily pleased with this outcome, since an adverse result could have spiraled into providing a series of additional expensive benefits for this newer group of firefighters, which would have put further strain on the City’s ability to implement a balanced budget in 2016 and in many years to come.

Fire overtime had been a continuing issue for the City since long before the City entered into Act 47, as expenses were constantly exceeding budget. However, the City has been able to significantly reduce its overtime expense since the IAFF CBA was amended in April 2014, a fire station was closed, and new firefighters were appointed in June 2014. Through prudent personnel management, the City’s Fire Chief has successfully been able to contain Fire overtime costs which has contributed greatly to cost containment in the Fire Bureau’s budget.

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 continued in 2015 and to date in 2016. 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. For the first three quarters of 2016, expenditures for overtime combined with premium pay total \$723,426.71, or 23.5% of regular salary. This expense is at 71.3% 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 2016 and into 2017.

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”,
- Activities related to the transfer of the water and sewer operation from the City to CRW.

After consummation of the Strong Plan in December 2013, the City no longer is a guarantor of debt service payable by either the Lancaster County Solid Waste Management Authority (LCSWMA) on the Resource Recovery Facility or the Pennsylvania Economic Development Financing Authority (PEDFA) for the parking system. The Strong Plan focused not merely on a restructuring of City liabilities, but the elimination of the vast majority of the City’s debt and other obligations (see chart attached). The

exceptions were the City's General Obligation Bonds and the so-called "Verizon Bonds." The former were restructured as part of the Plan's consummation and the latter were restructured in January 2015 as part of the Settlement Agreement on the Verizon Tower.

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 to put in place a monetization structure that maintained ownership of the assets in Harrisburg, and aligned the incentives of the parties, so that the better the system performed, the more the City would benefit. The latter was chosen and therefore it is important that the City do everything in its power to improve revenues and support the parking system.

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 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,
 - c. Fund deposit to Impact Harrisburg,
 - d. Fund a budgetary reserve to get through first three months of each year,
 - e. Repay Pennsylvania Investment Bank, and
 - 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. 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 has now been implemented)

Results of Operation

Parking Revenues and Expenses

- The 2016 Operating and Capital Budgets were approved by PEDFA at its December 21 meeting. Rate increases were generally held to rates stipulated in the project documents or existing rates except for Transient Rates which were increased slightly to meet the Rate Covenant (1.25% coverage on Class A, B and C bond debt payments for 2016).
- Through August 2016 parking revenues are on budget. Commonwealth and Monthly Contract Parker revenues are running slightly above budget (4% and 5% respectively). Transient revenue is lower than budget by -2% but is offset by favorable results from Meter revenue +9% and Fine/Penalties +2%.
- Operating Expenses are slightly over budget (4%) due to higher legal expenses and higher utility expense. Legal expenses are being incurred as a result of enforcement of zoning ordinances and to address an issue related to the Indenture flow of funds.

City Payments

- Payments received by the City through the August distribution from waterfall payments are significantly more than received in 2014 and 2015. The City has been paid \$1,172,361 (123% of budget) under the waterfall and \$746,375 (64% of budget) for the ground lease.

Other Subordinate Payments

- For other expenses paid at the Subordinate Expense level of the Trustee waterfall, there have been no Performance Fee deposits or payments made to the Asset Manager or Parking Operator in 2016 and no PEDFA fee deposits payments made in 2016. An amount in excess of \$300,000 is being held separately pending disposition of pending negotiations between the credit enhancers of the publicly offered parking revenue bonds and the City.

Overpayment by SP+

- After a painstaking review and accounting, it was determined that SP+ overpaid to the Trustee an amount equal to approximately \$800,000, during the start-up of the new parking operation (the "2014 Overpayment"). This amount is intended to be repaid to SP+, but due to the lack of an agreement with the City, there have been no repayments to SP+ for the 2014 Overpayment.

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 PK Harris has stated that the City's payments will be made consistent with the schedules in the Asset Transfer Agreement until such time as all parties agree to any changes. A meeting was held in July with all parties to discuss a resolution of this matter. The meeting resulted in positive discussions though no agreement was reached. The Asset Manager has engaged CDM Smith to update the capital study which has now been completed and provided to AGM and Dauphin County who agreed to prepare a proposed term sheet that would serve as a point of further discussion. The preparation of the term sheet is currently underway.

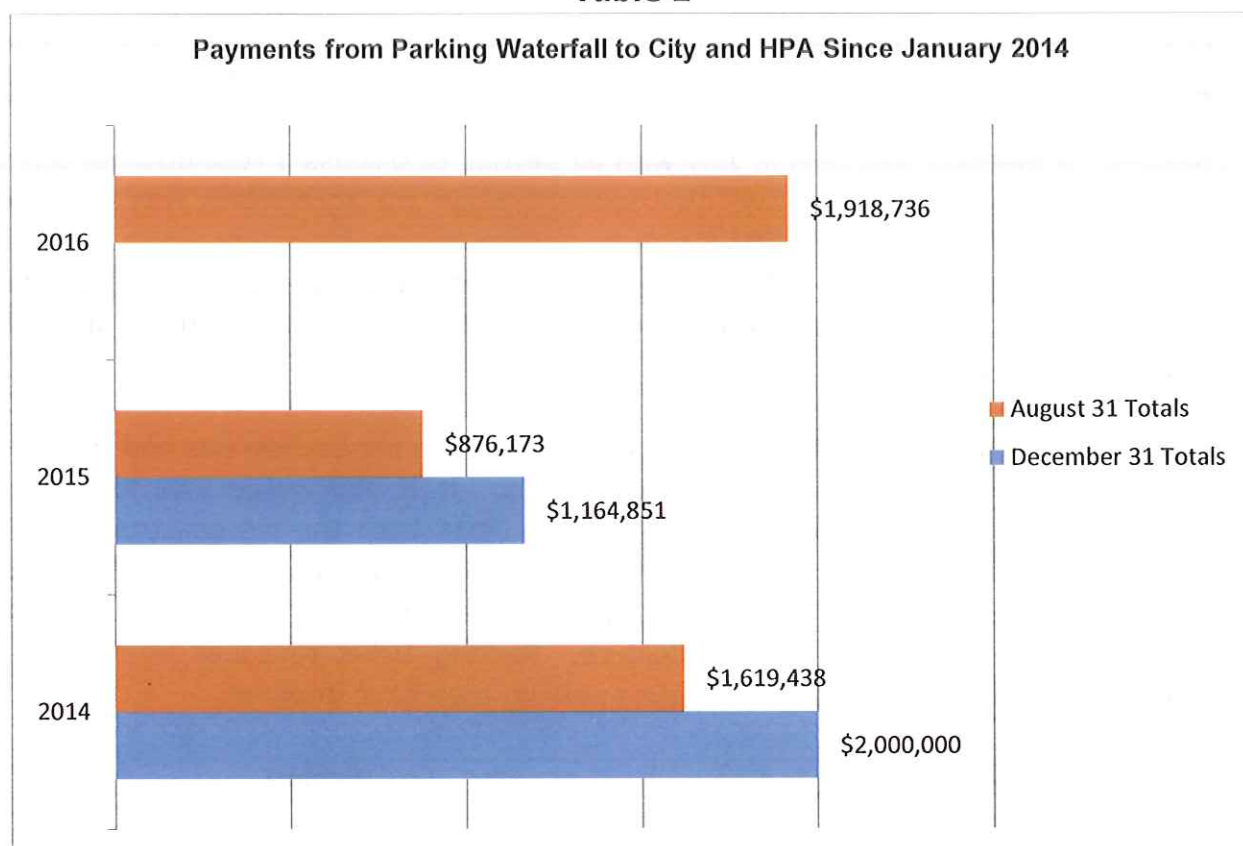
Table I below reflects the significant positive impact the parking transaction has had on revenues of the City derived from parking related fees and charges. It is anticipated that the new parking construct will generate in excess of \$4 million more in 2016 than the old construct generated in 2013. Parking tax revenues have consistently risen year over year and are expected to do so again this year. Revenues from the waterfall under the Indenture are expected to exceed budget and meet the scheduled amounts contained in the Indenture. Parking Ticket revenues from those parking tickets issued by the City outside of the competing parking area have declined.

City of Harrisburg		Table I		
Parking Revenues				
Acct#	Account Description	2014	2015	2016*
327000	MBP PARKING TAXES CURRENT	\$ 3,100,722	\$ 3,289,446	\$ 2,552,183
327001	MBP PARKING FEE	16,721	11,573	13,670
327002	PARKING LICENSE FEE-PRIOR	3,266	2,131	710
327003	PARKING LICENSE FEE-PENAL	3,477	2,007	1,318
342015	TOWING FEES	28,360	21,665	15,480
342050	METER BAG RENTAL	62,834	21,504	20,004
342092	FINE AND COSTS	72,570	49,535	29,351
342099	BOOTING FEES	14,595	8,850	2,325
346020	PARK TICKETS-VIO FINE	1,887,962	1,100,593	282,131
397002	PRIORITY PARKING DISTR.	587,286	527,900	1,172,361
355001	HPA RENTAL INCOME	20,800	0	746,375
397000	HBG PRK AUTH COORD PKG	0	0	0
Total Parking Revenue		5,798,592	5,035,205	4,835,908

*Through August 2016

Table 2 below reflects payments received under the waterfall inclusive of the priority parking and ground lease payments for 2014-2016. As noted the City is on track to exceed its budget amount for 2016 by approximately \$1 million. The 2014 payments include what has been identified as an overpayment by SP+, otherwise this amount would be significantly lower.

Table 2



Taxes and other Receipts Collected by the City

- With the Verizon Tower (now Commonwealth Tower) transition now completed, and the associated parkers working in the Tower, the City is beginning to realize additional revenue from two sources. First, the City will receive additional Local Service Taxes from these Commonwealth employees and second, the City will receive additional parking tax and waterfall payments as a result of these employees parking in the garages.
- In 2012 and 2013, the tax receipts that the City collected and retained in its general fund related to individuals parking in the system was approximately \$1.5 million and \$1.6 million respectively. The tax receipts budgeted for this year are \$3.8 million. Through August the City had received \$2,552,183 or 67.2% of budget and is on track to meet or exceed budget.
- Taken together along with the City Payments and HPA Ground Lease (termed the waterfall payments), the City is currently expected to reap approximately \$4 million in its general fund from the parking transaction this year in excess of what it received in 2013.

Capital & Operational Improvements

Many enhancements to the system have occurred and continue to occur since the monetization. Over \$9 million was set aside for improvements to on-street and off-street parking facilities and technology and is being invested in the system. The capital budget for 2016 is \$2.7 million.

- Capital Improvement projects have been approved for repair of concrete and other minor repairs. Release of additional significant repair work is being postponed until the new capital study is completed.
- An energy saving contract was entered into that is projected to provide savings of \$120K in electricity costs annually.
- A contract was also entered into to install lighting improvements at four garages that will save \$100K in utility expenses per year and increase visibility and enhance safety. Various other safety improvement measures are also being undertaken during the year.

Development of Revised Capital Program

- CDM Smith was retained and recently completed an updated 10-year capital study. The report is being utilized to generate a 10-year cash flow projection and term sheet for the project which is currently under development.

Parking Meter Enforcement

- The Coordinator and Trimont/SP+ continue to be engaged with the County Court system and Administrative Office of the Pennsylvania Courts to coordinate efforts to improve the delinquent collection process.
- As a result, the booting program was outlined in April and the booting of vehicles with 3 or more citations began in early September. It is anticipated that additional revenue will be generated as a result of this program, with the hope that people will pay their parking tickets on a timely basis.

Incentive Programs

- Following the implementation of several successful incentive programs in 2015, a 15 minute free parking program was initiated earlier this year for several parking areas in the Central Business District previously marked as loading zones. To date, parking revenue from meters located surrounding the free parking spaces has not been less than budgeted. Expansion of the program to convert additional loading zones areas in the CBD to 15 minute free parking spaces is being considered.
- With the new garage technology now in place, additional parking programs and improvements should become available to workers, merchants and residents thus providing additional benefits to system users. This technology will also allow for further analysis of parking patterns, thus allowing additional enhancements to occur.

Market Square Associates appeal

- Market Square Associates, the owner of an office building and parking garage in the Harrisburg CBD had requested a variance from the Harrisburg Zoning Board that would allow Market Square to lease parking spaces to the public. In excess of 100 monthly spaces were being leased to the public, undercutting the monthly charges of the system. PK Harris Advisors as asset manager retained Killian Gephart as counsel and they presented arguments opposing the request for variance by Market Square Associates. Representatives of the City of Harrisburg also participated in the Zoning Board meetings and also opposed the request for variance. Following several Zoning Board hearings on

the request, the Board presented its findings in August denying the request of Market Square Associates. The 30 day period for appeal has now expired with no appeal filed.

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 on a periodic basis 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.

Resource Recovery Facility

Results for 2014 - 2016

The Lancaster County Solid Waste Management Authority (LCSWMA) has been operating 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 and is on track to do so again for 2016. For 2015 the City disposed of 36,636 tons (105%) of the put or pay minimum. Thru the end of August 2016 the City had disposed of 24,165 tons (69%) of the put or pay requirement. At the same time, recycling has increased dramatically. The more the City recycles, the less the City has to pay from sanitation fees collected for disposal. The City also received an annual Host Fee from SRMC of \$299,277 for 2015, slightly exceeding the estimated \$285,000 per year. Through August the City has received \$153,382 in host fees for 2016. Tipping fees, which were reduced in 2014, have not been increased for 2016 all as agreed to with LCSWMA.

The "Verizon Bond Problem"

The "Verizon Bond Problem" that involved the issuance of long term, capital appreciation bonds in 1998 to fill a budget gap at that time has been addressed. It was addressed through the combination of a lease with the Department of General Services and the renegotiation of a settlement agreement with AGM and has been discussed thoroughly in prior reports.

The benefits to the City of the arrangement that was consummated on January 30, 2015 include:

- The Commonwealth as a Single tenant, with high credit rating and high likelihood of staying in Harrisburg entered into a 17 year lease, the entire repayment term of the Verizon Bonds.
- HDC concessions and DGS willingness to make installment purchase payments provide significant reduction in City's ultimate obligations (Expected to be in excess of a \$20 million reduction).
- HDC is provided incentives to increase the subsidy of City debt service coming from lease payments.
- Remaining debt service is affordable, allows for incremental capital borrowing over time and maintains the City's debt service ratio within financial industry accepted limits.

- Property remains on tax rolls generating approximately \$4.4 million per year.
- Over \$16 million in capital improvements to the 3 buildings in the Strawberry Square complex.
- Significant energy saving improvements to reduce the cost to Commonwealth and increase amounts available to City.
- Approximately 800 people moving into central business district should help merchants and will increase Local Service Tax to City by approximately \$120,000 per year with the imposition of the \$3 per week rate.
- Additional vehicles to be parked in system should increase parking tax collections of the City by approximately \$325,000 per year and total parking revenues by approximately \$1.650 million annually at the 2016 rate of \$180/space/month.

Current Status of Commonwealth (formerly Verizon) Tower Project

The Commonwealth has renamed the Tower the Commonwealth Tower and as reported in the 2nd quarter report, DGS had completed the build out and all Human Services employees had been transferred to the Tower by June. All told approximately 780 new Commonwealth employees are now working 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 will result 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).

Harristown Development Corporation (HDC) has been actively pursuing additional development opportunities in Strawberry Square (SS) and the surrounding neighborhood. Over the summer they announced the relocation of the Rite Aid store from across Market Street to the Square. Work on the retrofit of 14,000 square feet in SS began on September 26 with an expected opening by January 1, 2017. Also several new establishments opened over the summer including a child care center and a Hallmark store. An apparel retailer, Amma Jo expanded over the summer and Capital Area School for Arts leased an additional 2,000 s.f. for their charter arts school. Temple University/Harrisburg recently completed a \$250,000 retrofit of their 1st floor campus in SS. In addition Fresa Bistro, a new sit-down restaurant in SS will open by early 2017. New signage for the Commonwealth Tower, Strawberry Square Tower and 333 Market Street Tower was completed in September.

HDC also completed renovations to create 22 upscale apartments known as The Flats at Strawberry Square. They have been open for lease since August 2016 and as of late September only five units remain unleased. Two additional residential projects -- F@TT (Fifteen at 22 S. Third) and SoMa on Third -- are now open with an additional 30 new upscale apartment units available for lease. Already 8 have been leased with a number more pending. Also, Jump Street Arts Development group leased and recently moved into an entire 5,000 s.f. row building in the middle of the SoMa project on September 23rd. HDC continues to pursue additional leasing prospects in SSQUARE and other locations in the downtown. All told the positive resolution of the Verizon Tower matter has had a very significant impact on economic development in downtown Harrisburg.

Strawberry Square Energy Efficiency Upgrade: The Energy Upgrade was a separate Project thru DGS and HDC that was coordinated with the build out in PHASE 1 and PHASE 2. This project is now complete. HDC has entered into the performance agreement phase of the contract where the guarantee of saving by Siemens should be sufficient to pay the debt service on the loans. Siemens as part of their performance agreement maintains a very tight oversight of the buildings operation during the ten year period. Siemens will be holding quarterly operations meeting to insure that the building is operating according to the specs outlined in the agreement. One very positive outcomes that has surfaced relates to the ability of the engineers to now have real data to test the assumptions used in creating the savings forecast, as one might expect, the savings forecasts were conservative, the real data now being seen predicts an even higher potential for savings. Comparative data for 2016 to date reflects an overall energy cost savings of 33% over 2015.

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 had amounted to between \$180,000 and \$200,000 annually and appears to be a growing obligation. In 2015 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 to meet the debt service requirement on these bonds. In May 2016, the City made a payment of \$241,362 on these bonds and anticipates an additional payment of approximately \$167,000 in November. The increase in debt service 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 approximately a quarter million dollars per year in debt service. The goal of a new permit/lease is to insure that adequate revenues are received to fulfill the debt service obligations on the stadium bonds without further burdening City taxpayers.

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.

The Mayor has met with the Senators new owner, a local businessman, and is pursuing additional uses for the stadium that would generate additional revenue for the City. Earlier this year an agreement was effectuated whereby the City Islanders soccer team would play ten games in the stadium this year. This was a successful additional use for the stadium with the final game at FNB field on August 30. Uses of the stadium for other events are also being discussed by the City with the new owner. The addition of the City Islanders to the schedule and other initiatives that would 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 City has assumed responsibility for the "Senators' Stadium" financing matter though the Coordinator's team continues to be available to assist should the City desire.

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, regulators, and has been well-received by the citizens of Harrisburg. The organization is managed by a five-member City-appointed Board of Directors, Chief Executive Officer, Chief Financial Officer, and Directors of Engineering, Operations and Administration and 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.

Effluent Water Reuse (CRW and LCSWMA agreement)

As part of the sale of the incinerator from The Harrisburg Authority to the Lancaster County Solid Waste Management Authority, the two parties entered into an Effluent Water Reuse System (EWRS) Agreement wherein LCSWMA would replace potable water with effluent water from (now) CRW's Advanced Wastewater Treatment Facility for use in the incinerator's cooling processes. CRW received the benefit of receiving funds from LCSWMA to repay PENNVEST for the construction loan taken out to complete the EWRS (approximately \$1-million). LCSWMA received the benefit of a reduced cost of water (the effluent rate was established as \$2.00 per 1,000 gallons compared to the potable water rate in excess of \$7.00 per 1,000 gallons). While revenue to CRW's wastewater system would be enhanced through the receipt of approximately \$125,000 per year in non-rate revenue, CRW's water system would lose rate revenue on the order of \$500,000 annually. This arrangement was one of the many items necessary to reach the necessary purchase price negotiated by the Office of the Receiver.

In November 2015, LCSWMA approached CRW with a proposal to abandon the EWRS and to drill onsite wells to meet all of their non-potable water demands. LCSWMA offered to pay CRW the EWRS rate for all water pumped from the wells. Because there would be no expense to CRW's wastewater customers, there would be no reason to offset with non-potable rate revenues. CRW would instead deposit non-potable water revenues into the water revenue fund to help to offset the loss due to the difference in retail and contracted rate. Because LCSWMA's non-potable demand is much greater than just the cooling usage originally contemplated, this proposal would result in zero revenue to CRW's wastewater system and a loss of rate revenue to CRW's water system of \$1.17-million (or almost 6% of the total water rate revenue). LCSWMA and CRW

have been in negotiations over terms needed to allow LCSWMA to obtain water for non-potable uses in the most cost efficient manner (which will indirectly impact CRW's customers through solid waste disposal rates) while reducing the negative impact to CRW's water and wastewater customers that would result from LCSWMA's reduction in potable water consumption for non-potable uses. Multiple meetings and conference calls have resulted in a "final proposal" being provided by LCSWMA on September 20, 2016. CRW's Board of Directors will consider this proposal at their September 28, 2016 regular meeting.

Strategic Planning

Capital Region Water's Draft Strategic Plan will be presented at the September 28, 2016 Board meeting. The Plan preparation effort has involved staff from all levels of the organization, the Board of Directors, and external stakeholders.

The following Draft Statements have been proposed but not yet formally adopted by the Board of Directors:

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.

Goal teams created measurable objectives and strategies for each of the Goals.

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 of Pennsylvania, Capital Region Water secured a \$24 million low interest loan from PENNVEST for construction of the AWTF upgrades. With this low interest loan committed to, CRW was able to arrange for a private placement for the balance of the AWTF project. As of September the project was complete (pending final documentation) and 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 meeting Paxton Creek water quality standards, and robust community education and engagement. These plans will be incorporated into the City's Comprehensive Plan and CRW's Wet Weather Planning for regulatory compliance. These plans will result in significant investment into the community while attempting to minimize the financial impact to rate payers.

The Green Stormwater Infrastructure Plan is on schedule for presentation to the CRW Board of Directors in December 2016. CRW held a series of "Community Greening Parties" throughout the City this summer to provide education and receive resident feedback on the plan development. The project team is now taking the feedback received and 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. 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 being 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 operates 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 have coordinated and facilitated multiple meetings with representatives from the City's Codes, Engineering, Planning, Forestry, Parks, 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.

Drinking Water Compliance

In April 2016, the Department of Environmental Protection (DEP) issued results of their January 2016 Filter Plant Performance Evaluation (FPPE) of the Dr. Robert E. Young Water Services Center Water Treatment Plant. In 2012-13, the last time the evaluation was completed, DEP issued a performance rating of "Needs Improvement". This year, noting that "...many improvements have been made at this facility...", and that "...significant progress..." has been made, DEP issued an upgraded performance rating to "Satisfactory".

Due to an aggressive leak detection and repair program from January through May 2016, improvements have also been made in reducing leaks in the distribution system. The finished water production decreased from a 10-year average of 8.5 MGD to 7.0 MGD. Additional reduction in non-revenue water is anticipated as CRW takes additional steps on several fronts – from meter accuracy and billing system optimization to additional leak detection and repair work.

Also in April 2016, Capital Region Water's Board of Directors unanimously approved an agreement to conserve its 8,200 acre DeHart Property in Dauphin County by easement in partnership with the Ward Burton Wildlife Foundation, the Nature Conservancy, and Fort Indiantown Gap. The agreement will result in up to \$9-million in one-time revenue and potential for ongoing revenue through the sale of timber and pulpwood and carbon credits. CRW has also engaged a forestry consultant to advise on timbering operations and prepare a Forest Stewardship Plan which is to be presented at the Board's late September meeting.

The easement purchase will be phased based on funding availability. Pending Board approval of all remaining agreements on September 28, 2016, the first funding round ending on September 30, 2016 will provide for purchase of 3,917.6 acres, or a total of 19 of the 30 parcels comprising the Property. The intent of all partners is to enroll the entire DeHart Property under a Conservation Easement with The Nature Conservancy by September 30, 2019. During each Funding Round, a portion of the Property will be eased and the purchase price (\$1,125/acre) will be paid to Capital Region Water. Revenues received will go to the direct benefit of the drinking water system.

Project Funding

CRW has been successful in preventing large costs of borrowing by developing successful financial strategies. CRW has completed five successful borrowings since 2013 and plans for one more in the fourth quarter of 2016.

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. In

early 2016, with two years of financial records and operating history, CRW was able to restore its credit rating and refinance over \$52-million in bonds. Until this year, CRW had not been able to access the financial bond markets due to withdrawal of the bond ratings of the City and then of The Harrisburg Authority in 2011. With the restoration of a rating on March 25, 2016 (A+ from Standard and Poor's with respect to the water bonds), CRW successfully marketed refinancing bonds in early April 2016 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."

CRW will be seeking to reestablish its credit rating with respect to sewer bonds later this year to allow for new borrowing to support the \$10-million per year Capital Improvement Plan and to refinance the non-PENNVEST funding of the AWTF. Meetings with underwriters have commenced.

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. The condition became apparent when raw sewage was observed in an unnamed tributary to Asylum Run. Impact Harrisburg did not award funding 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 5-year Capital Improvement Plan, and instead submitted a "Project Application" requesting funding for water and sewer infrastructure in alignment with the City's Multimodal Transportation Projects.

CRW was notified on July 22, 2016 that Impact Harrisburg voted to provide \$2,743,645.25 to Capital Region Water for CRW's work associated with the City of Harrisburg's Multimodal (COH-MC) Project.

The 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 is currently coordinating with the City on the 3rd St project and will soon be meeting with the City's design engineers to discuss stormwater drainage. CRW will perform leak detection of the drinking water system with in-house staff and will utilize Disadvantaged Business Enterprise firms to provide wastewater and stormwater system inspection and reporting services. The scope of replacement and rehabilitation will be dependent upon inspection results. CRW will take a similar coordination approach for the other multi-modal projects. This funding will offset costs of condition assessments, design and construction of rehabilitation of drinking water, wastewater and stormwater infrastructure. The project also includes incorporation of Green Stormwater Infrastructure as practical in accordance with CRW's City Beautiful H2O wet weather and community greening plan.

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.

By the second half of 2015, CRW had implemented its new billing system for water and sewer and separated from the City's utility billing system ending several of the shared services. The amount paid to the City under the Shared Services Agreement has diminished significantly as a result. Adding further to the reduction in City revenue under the Shared Services Agreement, CRW provided notice to the City in June 2016 that after December 31, 2016, it would no longer pay 70% of the City's street cleaning expenses as a shared service due to the inability of the City to provide the standard of service necessary for CRW to meet its regulatory requirements. CRW will be publicly bidding for the service and has invited and encouraged the City to provide a bid in accordance with the bidding documents if they wish to continue to provide this service.

CRW has indicated that it does not anticipate making any payments to the City in 2016 for shared services due to offsets due them, the amounts of which have only recently been confirmed by the City. It is CRW's hope that all outstanding financial issues can be resolved by year end.

One project that CRW is providing service to the City for is as it relates 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, but until now, nothing had been done to remedy the situation. To date, CRW has completed significant onsite inspection and investigation into possible factors contributing to the problem. In-house and hired contractors were used to complete pipe and manhole inspections and determine connectivity of pipes and drains/downspouts. Consultants mapped and modeled the system to trouble shoot the problem. Initial results point to several compounding and separate factors with no cheap or easy system-based remedy likely. CRW will be scheduling a meeting in early October to review these findings and discuss alternatives.

Since 2013, CRW has been completing a comprehensive mapping and condition assessment of its underground infrastructure. Consultants and in-house staff are compiling both observed and historically documented data into a Geographic Information System and Asset Management System that will allow for a prioritization of capital repairs and improvements and identify weaknesses in the system for repair prior to failure. CRW intends to include the City's capital improvement plan and economic development schedules in its renewal and replacement plan schedule preparation.

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 that channels of communication have been revised allowing better management of the 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.

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, AGM, Dauphin County and AMBAC creditors of the City and Authority, other creditors who were involved in the renovations to the Resource Recovery Facility and the monetization of City assets. The one group of parties that has not participated to date in the City's recovery is 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 continues 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, letters were sent to parties involved in the various financings related to the Resource Recovery Facility. Meetings were also held with the parties 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 in the summer of 2015 from firms to engage in possible litigation. Harris Wiltshire and Grannis LLP with their main office in Washington was selected in September and is now engaged to represent the Coordinator in the continued pursuit of all outstanding claims up to and including litigation, if necessary. The pursuit of a resolution of these claims remains a priority for the Coordinator.

Summary

The City continues to make progress on many fronts with the further implementation of the Harrisburg Strong Plan. Following the Office of the Receiver being vacated in March 2014, the City returned to the underlying Act 47 process with continued oversight of Strong Plan implementation provided by the Court. The most significant occurrence during the third quarter was the Court's July 20 approval of the Strong Plan modifications which provide direction on a number of issues which among other recommendations include fiscal projections through 2018 and parameters for the current collective bargaining process. The enactment of the Strong Plan modifications represents a critical next step in the City's recovery and its move towards a path of sustainability and an exit from Act 47.

Concurrently, the Coordinator's Team continues to work with Mayor Papenfuse and his Administration as well as City Council to assist with numerous issues in helping the City move forward with Strong Plan initiatives and other operating matters. Regular interaction with the City administration occurred on issues involving finance, budget, tax collection, IT issues, planning, sanitation, public safety, parking and personnel. Agendas have focused on the most significant issues that are pending at the moment with the plan modifications being high priority. Meetings have been productive and resulted in addressing plan related issues in a constructive and positive way. I have also engaged in periodic meetings with Council President Williams, other members of Council and the Controller's Office, with the same objectives. Again, these meetings have been very productive as we work to achieve consensus between City officials on plan related initiatives.

Through the third quarter of 2016, the City's operating position is healthy. With the receipt of the the bulk of real estate taxes and significant EIT and parking revenues, the City's cash flow is strong. It ends September with a General Fund cash balance of \$11.9 which is \$5.8 million higher than at this point in 2015 when the City's cash position was \$6.098 million and \$7.6 million higher than at the end of the third quarter in 2014 when it was \$4.297 million. Continued strength and stability in the City's cash position moving into the 4th quarter is a very positive sign and as with the mid-year comparison, represents a very positive trend for the City's fiscal stability.

Close monitoring of both EIT and parking revenues will continue to be important as the year progresses to ensure they stay on track with the budget. The imposition of the higher LST will also need to be monitored closely to ensure proper withholding occurs. Positive results continue to be realized with personnel cost containment given the collective bargaining contract amendments that are now in place.

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 a TRAN for the third consecutive year, compliance with disclosure requirements, making timely debt service payments, bringing all payables into a current status and undertaking its first capital borrowing since entering Act 47.

With full occupancy of the Commonwealth Tower by almost 800 DHS 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. This project along

with the TOD study of the Transportation Center area can serve as a further stimulus for additional economic activity in the downtown.

Moving into the fourth quarter of 2016 our focus is on the implementation of the now approved Strong Plan modifications that include the Act 199 provisions, the increase in LST pursuant to Act 199, financial projections for 2016-18 and related recommendations to further advance the City's recovery process. We will continue to work with City officials to effectively manage the 2016 budget, develop a balanced 2017 budget with a capital improvement component, increase the City's management capacity, enact sound financial management policies, pursue collective bargaining negotiations with the FOP and AFSCME, further strengthen public safety, further implement 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 fund and implement the infrastructure and economic development project applications with the \$12.3 million that was set aside as part of the parking monetization to spur development and improve the quality of life for City residents.

As Coordinator, I will continue to keep the Court apprised of the progress on these initiatives through subsequent reports.

CITY OF HARRISBURG CASH FLOW

Cash Summary

Unrestricted Cash Balance Beginning of Month	1,223,853	459,372	9,256,163	13,030,078	11,797,910	12,803,557	11,184,228	9,105,914	15,911,597	11,517,737	11,494,817	10,685,065	
Surplus/(Deficit)	-805,251	6,994,149	5,192,817	-1,100,706	2,191,653	-2,655,845	-1,275,196	6,282,668	-4,493,861	-22,920	-809,752	-4,202,576	
Change in Accounts Payable	62,818	736,289	-833,993	827,189	33,071	-120,839	-803,118	98,604	100,000	0	0	-67,592	
Other items affecting Cash	-22,047	1,066,353	-584,910	-958,650	-1,219,077	1,157,355	0	424,411	0	0	0	0	
Unrestricted Cash Balance End of Month	459,372	9,256,163	13,030,078	11,797,910	12,803,557	11,184,228	9,105,914	15,911,597	11,517,737	11,494,817	10,685,065	6,414,897	

Revenues, Expenditures, Surplus/(Deficit)

Revenues without Transfers	1,629,387	5,118,222	13,437,163	3,886,562	5,422,601	2,416,777	2,410,856	4,210,843	2,323,600	5,509,070	2,734,546	2,751,696	51,851,322
Sanitation Utility Fund	0	0	0	0	0	0	0	0	0	0	0	0	0
Landfill/Incin Utility Fd	0	0	0	0	0	0	0	0	0	0	0	811,063	811,063
Transfers in from Host Fee for Enviromental Costs	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers from Other Funds	0	4,504,000	0	0	0	0	0	4,504,000	0	0	0	0	9,008,000
Total Revenues	1,629,387	9,622,222	13,437,163	3,886,562	5,422,601	2,416,777	2,410,856	8,714,843	2,323,600	5,509,070	2,734,546	3,562,759	61,670,385

Expenditures													
Personnel	1,795,312	2,006,019	2,424,791	2,151,175	2,390,574	3,377,697	2,950,524	1,712,293	2,755,658	4,336,329	2,343,337	5,783,354	34,027,062
Services	363,001	259,957	305,181	411,176	279,426	397,223	257,389	372,689	388,982	560,190	366,394	682,174	4,643,785
Supplies	97,541	154,171	193,191	366,714	113,770	248,899	234,099	123,555	198,648	237,625	242,005	449,583	2,659,800
Other	178,784	207,927	245,837	1,953,117	205,815	452,268	244,039	223,637	366,569	397,845	424,817	753,689	5,654,345
Debt Service	0	0	5,075,346	105,086	241,362	596,535	0	0	3,107,604	0	167,744	96,535	9,390,212
Total Expenditures	2,434,638	2,628,074	8,244,346	4,987,268	3,230,948	5,072,622	3,686,052	2,432,175	6,817,461	5,531,989	3,544,297	7,765,335	56,375,205

Operating Surplus/(Deficit)	-805,251	6,994,149	5,192,817	-1,100,706	2,191,653	-2,655,845	-1,275,196	6,282,668	-4,493,861	-22,920	-809,752	-4,202,576	5,295,180
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Accounts Payable

Accounts Payable Beginning of Month	-967,572	-1,030,390	-1,766,678	-932,685	-1,759,874	-1,792,945	-1,672,106	-868,988	-967,592	-1,067,592	-1,067,592	-1,067,592	
Accounts Payable End of Month	-1,030,390	-1,766,678	-932,685	-1,759,874	-1,792,945	-1,672,106	-868,988	-967,592	-1,067,592	-1,067,592	-1,067,592	-1,000,000	
Change in Accounts Payable	62,818	736,289	-833,993	827,189	33,071	-120,839	-803,118	98,604	100,000	0	0	-67,592	

City of Harrisburg
2016 Projected General Fund Revenues

Revenue Group	Actual Jan	Actual Feb	Actual March	Actual April	Actual May	Actual June	Actual July	Actual August	Estimated September	Estimated October	Estimated November	Estimated December	Estimated Total 2016	Budget 2016	Variance
Real Estate Taxes Current	274,767	1,968,130	9,936,517	702,950	992,027	202,531	164,492	110,751	66,857	74,121	99,368	326,527	14,919,038	14,777,056	141,982
Real Estate Taxes Delinquent	0	83,314	71,080	172,478	378,554	0	177,227	293,783	128,488	632,356	13,049	63,825	2,014,154	1,937,945	76,209
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
													0	0	0
EIT	131,843	428,954	383,093	121,005	500,974	276,525	141,977	422,683	358,248	206,303	396,035	151,924	3,519,564	3,572,143	-52,580
Act 47 EIT	263,685	857,908	766,186	242,011	1,001,948	553,050	283,954	845,367	716,496	412,606	792,069	303,848	7,039,128	7,144,287	-105,159
EMS/LST	94,380	229,073	147,720	70,866	544,874	50,498	7,737	485,784	74,570	10,918	462,863	74,801	2,254,084	4,989,344	-2,735,260
Mercantile Business Privilege	165,962	286,686	446,232	1,233,312	292,590	74,192	105,321	163,107	66,644	190,193	136,464	68,195	3,228,899	3,265,457	-36,558
Other Act 511 Taxes	36,530	119,839	39,991	33,795	76,076	53,760	60,676	66,460	50,401	91,423	107,645	163,634	900,229	1,779,838	-879,609
Capital Fire Protection	0	0	496,000	0	0	0	0	496,000	0	0	0	0	992,000	496,000	496,000
Cdbg Reimb. - Demolition	0	0	0	0	0	0	0	0	15,632	39,817	0	14,909	70,357	115,000	-44,643
District Justice Fees	29,393	25,991	23,677	47,262	50,226	37,563	31,919	27,734	64,655	71,570	28,962	21,021	459,972	394,009	65,963
Fed/State(Fed)Pass Thr Gr	3,750	0	7,500	3,750	3,750	3,750	3,750	0	4,583	4,583	4,583	4,583	44,582	45,000	-418
Federal Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Fees/Permits	172,383	108,579	122,572	158,739	120,594	78,090	124,433	149,476	69,242	115,519	98,221	185,351	1,503,199	1,245,721	257,477
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	1,333	1,966	1,954	1,361	14,321	1,365	11,000	17,272	2,322	1,644	1,744	3,927	60,210	26,525	33,685
License	0	132,628	15,600	0	148,212	0	0	148,859	8,775	0	133,910	387	588,370	581,744	6,626
Miscellaneous	42,382	97,420	194,415	92,672	57,202	210,024	248,812	151,744	229,245	221,932	104,808	206,013	1,856,669	1,994,836	-138,166
Pension System State Aid	0	0	0	0	0	0	0	12,994	0	2,409,563	0	0	2,422,557	2,200,000	222,557
Public Safety Fees/Permits	13,877	20,293	20,463	29,792	10,867	26,862	29,394	12,891	14,023	12,759	9,091	11,757	212,069	156,530	55,539
Public Safety Grants	25,306	23,227	42,541	49,641	15,826	42,762	9,836	13,273	19,667	3,284	3,579	8,230	257,172	273,106	-15,934
Public Safety Reimbursements	32,008	48,850	29,841	307,113	64,239	106,748	32,383	197,874	46,419	105,215	90,553	42,276	1,103,518	1,000,459	103,059
Public Works Fees/Permits	0	0	0	0	0	0	0	0	0	0	0	124,431	124,431	125,000	-569
Reimbursements	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Rental Income	163	163	163	163	163	238	163	163	157	209	153	181	2,075	2,113	-37
Recreation Fees	0	0	5	138	566	2,092	6,493	1,034	169	11	0	36	10,544	14,677	-4,132
Sale Of Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Vehicle Maintenance Charges	0	170,245	63,748	0	0	41,612	0	49,814	47,224	45,373	13,058	21,847	452,919	430,080	22,839
PILOTS	0	698	0	107,444	121,667	38,112	302,345	17,500	13,448	190,705	4,271	0	796,191	500,000	296,191
													0	0	0
Pub Utility Realty Tax	0	0	0	0	0	0	0	0	0	45,000	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	0	8	0	0	8	0	0	0	0	16	0	16
Sewer Maint Liens-Princip	18	0	0	0	14	6	0	11	0	0	0	0	50	0	50
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	811,063	811,063	1,911,063	-1,100,000
Landfill/Incin 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	4,504,000	0	0	0	0	0	4,504,000	0	0	0	0	9,008,000	4,504,000	4,504,000
Parking Taxes	266,332	324,426	274,153	118,971	602,711	305,971	376,939	296,350	102,726	402,469	26,815	724,266	3,822,128	3,812,500	9,628
Parking Fees	21,620	6,378	3,188	4,729	5,008	14,859	5,046	8,360	7,785	9,549	5,271	19,461	111,253	113,436	-2,183
Parking Tickets	25,277	30,595	20,636	27,750	48,730	46,166	36,961	46,016	39,009	35,134	25,219	33,448	414,941	350,000	64,941
Ground Lease Payments	0	59,462	149,519	140,280	134,334	97,249	97,249	68,282	97,249	97,249	97,249	97,249	1,135,372	1,166,990	-31,618
Priority Parking Distribution	28,379	93,398	180,371	220,340	237,120	152,751	152,751	107,252	79,568	79,568	79,568	79,568	1,490,631	954,810	535,821
THA Shared Service	0	0	0	0	0	0	0	0	0	0	0	0	0	400,000	-400,000
Harrisburg Authority	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenues	1,629,387	9,622,222	13,437,163	3,886,562	5,422,601	2,416,777	2,410,856	8,714,843	2,323,600	5,509,070	2,734,546	3,562,759	61,670,385	60,324,669	1,345,717

City of Harrisburg 2016 Estimated Expenditures by Month		Actual Jan	Actual Feb	Actual Mar	Actual April	Actual May	Actual June	Actual July	Actual August	Estimated September	Estimated October	Estimated November	Estimated December	Estimated Total 2016	Budget Total 2016	Variance Act - Bud
Office of City Council Personnel	Personnel	21,460	21,457	21,457	21,457	21,457	35,315	21,953	21,953	22,016	22,016	21,995	32,804	285,340	285,811	-471
Office of City Council Services	Services	1,024	21,829	154	720	2,703	98	2,001	114	9,997	27,336	2,507	23,538	92,020	105,593	-13,573
Office of City Council Supplies	Supplies	331	1,247	248	0	0	149	126	0	100	0	33	6,214	8,448	29,450	-21,002
Office of City Council Other	Other	0	0	0	0	0	0	0	222	0	0	0	0	222	0	222
Office of City Council		22,815	44,533	21,859	22,177	24,160	35,563	24,080	22,289	32,112	49,351	24,534	62,556	386,029	420,854	-34,824
Office of Mayor Personnel	Personnel	1,234	1,147	1,147	1,147	1,147	1,813	1,162	1,162	1,189	1,189	1,180	1,629	15,145	15,983	-837
Office of Mayor Services	Services	165	1,668	204	164	166	165	1,873	0	219	215	828	3,377	9,045	15,214	-6,169
Office of Mayor Supplies	Supplies	0	0	0	915	0	0	0	0	0	0	59	2,224	3,198	4,300	-1,102
Office of Mayor Other	Other	16,753	15,676	15,676	15,676	15,676	24,676	15,869	15,869	15,565	15,565	15,742	21,447	204,193	207,000	-2,807
Office of Mayor		18,152	18,492	17,028	17,903	16,990	26,654	18,904	17,030	16,973	16,969	17,809	28,677	231,581	242,497	-10,915
Office of City Controller Personnel	Personnel	745	745	803	747	747	1,121	747	748	772	777	773	1,038	9,763	10,109	-346
Office of City Controller Services	Services	40	0	0	0	3,479	0	0	0	0	132	0	274	3,925	12,025	-8,100
Office of City Controller Supplies	Supplies	46	5,108	65	207	0	0	0	43	0	92	219	4,201	9,980	7,975	2,005
Office of City Controller Other	Other	10,091	10,128	10,146	10,156	10,150	15,240	10,146	10,161	10,109	10,168	10,070	13,518	130,085	132,142	-2,057
Office of City Controller		10,922	15,980	11,013	11,111	14,376	16,361	10,893	10,951	10,882	11,169	11,062	19,031	153,753	162,251	-8,498
Office of City Treasurer Personnel	Personnel	1,210	1,522	1,630	1,513	1,516	2,134	1,493	1,558	1,783	1,686	1,503	2,517	20,066	23,782	-3,715
Office of City Treasurer Services	Services	12,391	48	1,683	25,632	282	-10,160	49	3,413	659	2,184	492	6,466	43,139	80,155	-37,016
Office of City Treasurer Supplies	Supplies	0	0	0	319	0	96	0	68	62	2,232	69	2,016	4,862	9,000	-4,138
Office of City Treasurer Other	Other	16,357	20,499	20,376	20,376	20,415	28,788	20,089	20,935	22,586	21,387	18,815	26,674	257,295	312,336	-55,041
Office of City Treasurer		29,958	22,070	23,689	47,839	22,212	20,858	21,631	25,974	25,091	27,489	20,879	37,673	325,362	425,273	-99,910
Office of City Solicitor Personnel	Personnel	1,608	1,695	1,870	2,062	1,712	3,344	1,750	1,750	2,324	3,277	2,265	3,238	26,895	29,440	-2,545
Office of City Solicitor Services	Services	2,739	50,169	4,165	1,588	14,727	20,183	20,791	7,684	27,283	15,523	16,596	83,114	264,563	315,763	-51,200
Office of City Solicitor Supplies	Supplies	1,716	1,876	1,853	1,505	269	4,431	2,871	1,720	3,283	883	2,854	7,765	31,025	36,068	-5,043
Office of City Solicitor Other	Other	21,905	23,112	23,758	23,343	23,343	37,405	23,853	23,853	30,664	29,764	29,079	41,664	331,742	373,670	-41,928
Office of City Solicitor		27,968	76,853	31,646	28,499	40,051	65,363	49,265	35,006	63,553	49,447	50,794	135,780	654,225	754,941	-100,716
Office of Business Administrator Personnel	Personnel	337	335	335	335	335	503	335	335	617	674	452	479	5,075	5,290	-215
Office of Business Administrator Services	Services	0	0	0	2	4	2	0	109	343	2,879	1,433	476	5,248	11,110	-5,862
Office of Business Administrator Supplies	Supplies	4,841	4,616	4,653	4,637	4,647	6,952	4,639	4,633	5,274	5,245	5,297	6,686	62,119	62,700	-581
Office of Business Administrator Other	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Office of Business Administrator		5,179	4,951	4,988	4,974	4,986	7,456	4,974	5,078	6,235	8,798	7,182	7,641	72,442	79,100	-6,658
Bureau of Financial Management Personnel	Personnel	1,818	1,897	2,051	1,921	1,986	3,009	2,852	1,932	2,115	2,645	2,140	3,044	27,408	31,196	-3,789
Bureau of Financial Management Services	Services	21,169	2,270	1,959	240	958	4,672	43,313	58,483	11,376	31,597	10,237	16,756	203,031	287,391	-84,361
Bureau of Financial Management Supplies	Supplies	16	6,148	16	1,289	16	16	16	16	143	207	543	1,922	10,346	13,532	-3,186
Bureau of Financial Management Other	Other	24,508	25,633	25,953	25,953	25,953	39,760	26,107	26,107	27,635	28,702	27,988	36,870	341,169	392,111	-50,942
Bureau of Financial Management		47,511	35,949	29,978	29,403	28,913	47,457	72,288	86,537	41,270	63,150	40,907	58,591	581,954	724,231	-142,276
Bureau of Communications Personnel	Personnel	866	945	945	945	945	1,491	956	1,198	1,284	1,284	1,284	1,919	14,063	16,668	-2,605
Bureau of Communications Services	Services	1,491	217	180	234	180	691	449	45	337	532	3,901	1,201	9,457	14,634	-5,177
Bureau of Communications Supplies	Supplies	0	0	0	0	0	0	0	0	0	0	0	2,000	2,000	4,300	-2,300
Bureau of Communications Other	Other	11,846	12,923	12,923	12,923	12,923	20,354	13,077	16,308	16,554	16,554	16,554	24,831	187,770	215,000	-27,230
Bureau of Communications		14,203	14,085	14,048	14,102	14,048	22,536	14,482	17,551	18,174	18,369	21,739	29,951	213,290	250,602	-37,312
Bureau of Risk Management Personnel	Personnel	398	398	398	398	398	708	415	415	496	496	496	743	5,758	6,228	-470
Bureau of Risk Management Services	Services	259	0	0	0	0	0	0	0	0	0	0	0	259	1,500	-1,241
Bureau of Risk Management Supplies	Supplies	5,308	5,308	5,308	5,308	5,308	9,415	5,538	5,538	5,760	5,760	5,760	8,640	72,951	72,000	951
Bureau of Risk Management Other	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of Risk Management		5,965	5,706	5,706	5,706	5,706	10,123	5,954	5,954	6,256	6,256	6,256	9,383	78,968	79,728	-760
Bureau of Information Technology Personnel	Personnel	1,939	2,298	2,167	1,944	2,027	2,917	2,177	2,283	2,584	2,653	2,478	3,126	28,592	32,684	-4,092
Bureau of Information Technology Services	Services	7,768	9,644	8,163	71,906	32,292	2,614	9,572	5,317	7,994	10,596	21,085	18,593	205,544	237,446	-31,902
Bureau of Information Technology Supplies	Supplies	33,189	31,774	32,275	33,642	34,661	45,168	35,786	36,532	41,607	49,664	43,076	59,455	476,829	542,800	-65,971
Bureau of Information Technology Other	Other	0	24,500	0	0	0	0	0	2,350	0	0	0	91,500	118,350	151,000	-32,650
Bureau of Information Technology		42,896	68,216	42,605	107,492	68,980	50,699	47,535	46,481	52,185	62,913	66,639	172,674	829,316	963,931	-134,615
Bureau of Human Resources Personnel	Personnel	1,222	1,271	1,247	1,247	1,247	2,166	1,293	1,293	1,279	1,297	1,274	1,689	16,525	17,742	-1,216
Bureau of Human Resources Services	Services	1,041	2,640	546	4,923	2,994	4,297	4,471	1,751	4,039	2,997	2,851	10,632	43,181	47,525	-4,344
Bureau of Human Resources Supplies	Supplies	0	0	0	0	0	0	0	44	0	0	84	603	731	1,800	-1,069
Bureau of Human Resources Other	Other	16,587	17,280	16,972	16,972	16,972	29,285	17,587	17,587	16,841	17,076	16,775	21,997	221,933	228,538	-6,605
Bureau of Human Resources		18,851	21,191	18,765	23,142	21,213	35,748	23,351	20,675	22,159	21,370	20,984	34,921	282,370	295,605	-13,234
Operations and Revenue (Office of the Director) Personnel	Personnel	995	1,041	1,069	1,042	1,042	1,786	990	1,033	1,430	1,429	1,201	1,410	14,469	17,845	-3,376
Operations and Revenue (Office of the Director) Services	Services	15,069	6,602	22,393	23,176	9,548	17,994	14,098	12,346	8,296	16,181	5,029	26,356	177,088	176,372	716
Operations and Revenue (Office of the Director) Supplies	Supplies	0	1,521	2,761	1,846	129	7,434	-24	1,889	735	1,396	2,304	4,160	24,153	28,100	-3,947
Operations and Revenue (Office of the Director) Other	Other	13,534	14,287	14,542	14,191	14,191	24,187	13,471	14,147	18,670	19,089	15,711	18,737	194,756	234,366	-39,610
Operations and Revenue (Office of the Director)		29,599	23,451	40,766	40,255	24,911	51,401	28,535	29,414	29,132	38,095	24,245	50,663	410,466	456,684	-46,217

City of Harrisburg
2016 Estimated Expenditures by Month

		Actual Jan	Actual Feb	Actual Mar	Actual April	Actual May	Actual June	Actual July	Actual August	Estimated September	Estimated October	Estimated November	Estimated December	Estimated Total 2016	Budget Total 2016	Variance Act - Bud
0																
General Expenses Personnel	Personnel	211,915	504,877	921,431	754,775	872,558	879,453	1,454,039	8,861	1,020,147	1,127,601	720,229	1,683,172	10,159,060	11,810,335	-1,651,276
General Expenses Services	Services	121,576	57,173	111,594	58,809	101,927	125,569	42,395	67,505	55,874	142,966	77,608	95,546	1,058,544	1,124,510	-65,966
General Expenses Supplies	Supplies	0	0	0	0	0	0	0	0	0	0	0	102	102	306	-204
General Expenses Other	Other	128	0	57,429	1,500,379	0	57,072	0	30,520	16,807	25	1,321	182,800	1,846,481	2,136,587	-290,106
General Expenses		333,618	562,050	1,090,454	2,313,964	974,485	1,062,094	1,496,434	106,887	1,092,829	1,270,592	799,158	1,961,621	13,064,186	15,071,738	-2,007,552
0																
Transfers to Other Funds Debt Service	Debt Service	0	0	5,075,346	105,086	241,362	596,535	0	0	3,107,604	0	167,744	96,535	9,390,212	8,759,227	630,985
Transfers to Other Funds Other	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers to Other Funds		0	0	5,075,346	105,086	241,362	596,535	0	0	3,107,604	0	167,744	96,535	9,390,212	8,759,227	630,985
0																
Office of the Director for the DCED Personnel	Personnel	430	424	424	558	692	1,038	692	692	946	946	946	1,062	8,850	14,246	-5,396
Office of the Director for the DCED Services	Services	0	0	0	0	0	1,098	0	0	0	0	0	0	1,098	500	598
Office of the Director for the DCED Supplies	Supplies	0	0	0	0	0	0	0	0	42	42	42	42	167	52,000	-51,833
Office of the Director for the DCED Other	Other	5,616	5,538	5,538	7,385	9,231	13,846	9,231	9,231	12,362	12,362	12,409	13,989	116,737	160,077	-43,340
Office of the Director for the DCED		6,046	5,962	5,962	7,942	9,923	15,982	9,923	9,923	13,350	13,350	13,397	15,093	126,852	226,823	-99,971
0																
Bureau of Planning Personnel	Personnel	6,946	6,946	6,946	6,946	6,946	8,847	3,969	3,969	7,847	7,847	7,894	8,207	83,310	93,871	-10,561
Bureau of Planning Services	Services	14,765	764	3,648	5,154	2,697	1,436	5,405	3,617	5,107	8,185	4,434	11,171	66,383	60,600	5,783
Bureau of Planning Supplies	Supplies	0	0	0	0	0	0	0	0	0	1,786	1,838	397	4,021	7,800	-3,779
Bureau of Planning Other	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of Planning		21,711	7,710	10,594	12,100	9,643	10,282	9,374	7,586	12,953	17,817	14,166	19,775	153,713	162,271	-8,557
0																
Bureau of Codes Personnel	Personnel	41,470	42,172	44,966	45,901	48,156	75,877	48,270	48,043	47,832	48,548	49,103	72,065	612,403	669,734	-57,331
Bureau of Codes Services	Services	1,056	1,224	1,861	1,088	1,718	2,454	1,351	1,054	3,428	2,073	1,795	3,992	23,095	26,300	-3,205
Bureau of Codes Supplies	Supplies	0	1,995	3,963	154	998	465	85	555	0	0	3,108	3,597	14,919	19,400	-4,481
Bureau of Codes Other	Other	0	100	100	100	100	100	100	100	0	0	0	0	697	1,095	-398
Bureau of Codes		42,527	45,489	50,889	47,243	50,971	78,895	49,806	49,753	51,260	50,621	54,006	79,654	651,114	716,529	-65,415
0																
Economic Development Personnel	Personnel	4,548	4,548	4,548	4,548	4,548	6,822	4,548	4,548	4,554	4,554	4,554	6,832	59,153	59,208	-55
Economic Development Services	Services	0	0	0	0	636	0	0	0	510	0	0	0	1,146	3,000	-1,854
Economic Development Supplies	Supplies	0	0	0	0	0	0	0	0	45	74	0	469	588	750	-162
Economic Development Other	Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Economic Development		4,548	4,548	4,548	4,548	5,184	6,822	4,548	4,548	5,110	4,628	4,554	7,301	60,887	62,958	-2,071
0																
Office of the Police Chief Personnel	Personnel	939,925	856,374	800,105	821,194	863,902	1,405,072	798,764	984,819	1,057,673	2,521,443	903,680	2,807,757	14,760,708	15,479,636	-718,928
Office of the Police Chief Services	Services	95,630	37,498	88,470	77,030	7,406	98,082	22,443	44,176	61,710	101,298	48,157	86,792	768,691	868,707	-100,017
Office of the Police Chief Supplies	Supplies	505	3,196	79,611	23,730	392	4,526	19,691	4,231	21,615	3,474	24,978	13,306	199,257	245,696	-46,439
Office of the Police Chief Other	Other	0	0	100	100	100	100	100	110	20,028	68,408	46,607	72,957	208,608	243,000	-34,392
Office of the Police Chief		1,036,059	897,068	968,285	922,054	871,800	1,507,779	840,998	1,033,336	1,161,026	2,694,623	1,023,423	2,980,811	15,937,264	16,837,039	-899,776
0																
Bureau of Fire Personnel	Personnel	499,576	489,841	561,650	430,448	507,067	830,772	476,360	509,784	504,808	526,854	560,842	1,042,014	6,940,016	7,121,673	-181,657
Bureau of Fire Services	Services	16,972	12,683	15,857	17,940	12,603	38,287	9,871	7,983	10,199	22,965	-110	97,726	262,977	326,200	-63,223
Bureau of Fire Supplies	Supplies	17,034	29,669	7,995	13,791	13,249	33,993	60,034	8,989	27,139	24,320	19,488	68,165	323,866	286,150	37,716
Bureau of Fire Other	Other	0	0	0	250,000	1,227	514	0	80	0	0	0	0	251,821	155,000	96,821
		533,583	532,193	585,502	712,179	534,147	903,565	546,265	526,837	542,145	574,139	580,219	1,207,905	7,778,679	7,889,023	-110,343

City of Harrisburg																
2016 Estimated Expenditures by Month		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimated	Estimated	Estimated	Estimated	Estimated	Budget	Variance
		Jan	Feb	Mar	April	May	June	July	August	September	October	November	December	Total 2016	Total 2016	Act - Bud
Office of the Director of Public Works Personnel	Personnel	47,716	50,216	46,597	49,019	49,036	79,893	56,871	56,375	52,656	52,656	52,656	99,192	692,882	724,523	-31,641
Office of the Director of Public Works Services	Services	39,664	40,707	23,107	112,353	70,885	55,509	60,449	146,464	134,461	151,579	123,388	133,906	1,092,471	1,474,406	-381,935
Office of the Director of Public Works Supplies	Supplies	86	11,795	3,689	228,699	1,511	54,555	21,085	3,057	27,330	30,125	26,977	37,963	446,874	352,500	94,374
Office of the Director of Public Works Other	Other	359	770	1,379	14,604	13,779	84,590	58,527	148	102,734	102,734	157,734	102,734	640,093	674,808	-34,715
Office of the Director of Public Works		87,826	103,488	74,772	404,675	135,211	274,547	196,932	206,045	317,181	337,094	360,755	373,795	2,872,321	3,226,237	-353,916
Bureau of City Services Personnel	Personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of City Services Services	Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of City Services Supplies	Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of City Services Other	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	Personnel	8,057	14,969	2,078	2,097	2,138	3,003	1,867	1,864	3,483	3,459	3,215	5,609	51,838	53,662	-1,824
Bureau of Vehicle Management Services	Services	9,884	11,690	13,864	8,661	12,305	28,758	13,090	7,572	26,361	13,362	39,086	48,779	233,412	292,850	-59,438
Bureau of Vehicle Management Supplies	Supplies	34,122	47,683	48,862	48,271	46,294	70,868	79,288	40,864	53,413	108,197	100,563	215,450	893,877	1,088,000	-194,123
Bureau of Vehicle Management Other	Other	29,012	25,317	28,429	28,403	28,635	39,891	25,301	25,310	40,969	40,969	40,969	61,454	414,658	532,600	-117,942
Bureau of Vehicle Management		81,075	99,659	93,233	87,432	89,372	142,520	119,546	75,610	124,227	165,987	183,833	331,293	1,593,786	1,967,112	-373,326
Office of the Director of Parks, Recreation and Enrichment Personnel	Personnel	896	900	927	930	973	30,611	69,023	57,677	17,822	2,999	3,178	3,806	189,742	243,427	-53,685
Office of the Director of Parks, Recreation and Enrichment Services	Services	298	3,129	7,334	1,557	1,918	5,477	5,767	5,057	20,789	7,589	7,077	13,477	79,468	212,900	-133,432
Office of the Director of Parks, Recreation and Enrichment Supplies	Supplies	347	2,235	1,894	2,401	6,296	10,831	4,963	15,375	12,101	4,128	4,712	4,207	69,489	103,900	-34,411
Office of the Director of Parks, Recreation and Enrichment Other	Other	12,088	12,165	12,516	12,557	13,120	36,462	10,581	10,600	15,044	15,044	15,044	22,516	187,736	195,471	-7,735
Office of the Director of Parks, Recreation and Enrichment		13,629	18,429	22,670	17,445	22,306	83,380	90,334	88,710	65,755	29,760	30,012	44,006	526,434	755,697	-229,263
Bureau of Act, Culture & Tourism Personnel	Personnel	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of Act, Culture & Tourism Services	Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of Act, Culture & Tourism Supplies	Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Bureau of Act, Culture & Tourism Other	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
		2,434,638	2,628,074	8,244,346	4,987,268	3,230,948	5,072,622	3,686,052	2,432,175	6,817,461	5,531,989	3,544,297	7,765,335	56,375,205	60,530,347	-4,155,142

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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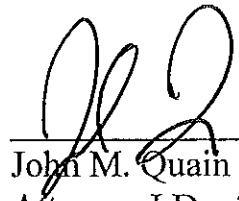
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10/3/16



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Department of Community and

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