

**ACT 47**  
**RECEIVER STATUS REPORT**  
**MARCH 28, 2013**

**Section No. 11**  
**Exhibit No. 54**

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

C. ALAN WALKER, in his capacity as  
Secretary for the Department of Community  
and Economic Development,

*Petitioner*

v.

CITY OF HARRISBURG,

*Respondent*

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Docket No. 569 MD 2011

STATUS REPORT OF THE RECEIVER FOR THE CITY OF HARRISBURG

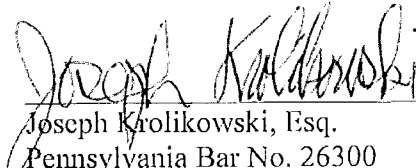
William B. Lynch, Receiver for the City of Harrisburg (the "Receiver"), by and through McKenna Long & Aldridge LLP, counsel to the Receiver, respectfully submits the following Status Report regarding the implementation of the Receiver's Recovery Plan as confirmed by this Honorable Court on March 9, 2012.

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COMMONWEALTH COURT  
OF PENNSYLVANIA  
28 MAR 2013 10 33

Respectfully submitted this 28<sup>th</sup> day of March, 2013.

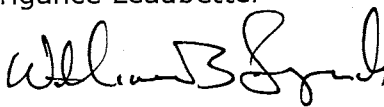
**MCKENNA LONG & ALDRIDGE LLP**

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**Attorneys for the Receiver for the City of  
Harrisburg**

Date: March 28, 2013  
To: The Honorable Bonnie Brigance Leadbetter  
From: William Lynch, Receiver   
Re: Update on Receiver's Plan Implementation

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I am pleased to provide the Court with an update on the status of the implementation of the Receiver's Recovery Plan as confirmed by the Court on March 9, 2012. Since my confirmation as Receiver on May 24, 2012, I have continued to oversee and advance the implementation of the confirmed Recovery Plan.

This memorandum, supported by the accompanying attachments, provides the Court with a summary of the actions that have occurred over the last quarter.

#### **Municipal Financial Recovery Advisory Committee**

Pursuant to the provisions of Section 711 of Act 47, I have continued to convene semi-monthly meetings of the Municipal Financial Recovery Advisory Committee. Since the last status report, meetings were held on January 9 and 23, February 13 and 27 and March 13. A meeting is also scheduled for March 27. Doug Hill was appointed by the Governor in February to fill the vacancy created by the December resignation of David Black. The meetings were attended by the members designated in the Act: Mayor Linda Thompson; Council President Wanda Williams; and Fred Lighty (Dauphin County designee for Commissioner Jeffrey Haste). Following his appointment Mr. Hill (Governor's appointee) assumed his seat for the February 27 meeting. At each meeting an update of the status of the implementation of the Recovery Plan was provided and questions were answered. A public comment period is also provided. Minutes of the December 12, January 9 and 23 and February 13 and 27 meetings are attached.

The Receiver has held weekly status conference calls with the members of his consulting team to coordinate all aspects of plan implementation. Below is a summary of key actions and issues related to the implementation of the confirmed Plan.

#### **Cash Flow**

The Office of Receiver (OTR) continues to closely monitor cash flow as part of the implementation of the confirmed Recovery Plan and the Emergency Action Plan. Through the end of February the City had received \$8,023,729 in revenue and disbursed \$6,117,146 in expenditures. The City ended February with an unrestricted cash balance of \$1,980,452. In January, the City, with Court approval, had authorized a temporary transfer from the sewer and sanitation funds of up to \$4 million to address cash flow needs during the first quarter. This temporary borrowing would provide the cash flow to meet critical obligations until real estate revenues were received. Through prudent management of its cash the City has not had to draw on these funds to date. Real estate taxes were mailed in mid-January and revenues have flowed into the City Treasury since that time. The discount period ended March 18. This resulted in significant revenues being received during the first two weeks of March.

The City's bi-weekly payroll averages \$1.1 million and it also processes payables on a bi-weekly basis. The Office of the Receiver continues to monitor City expenditures including the review of payables prior to City disbursements. I have worked with the City to both manage cash and prioritize payables. The cost containment provisions of the Emergency Action Plan continue to be followed as they relate to the City providing for "necessary and vital services". Efforts have been taken to identify and account for certain liabilities that the City had previously not included in their financial reports. This has resulted in an increase in payables which have continuously averaged in the range of \$4 - \$5 million. The largest of these are for various medical and health insurance liabilities. Many of the payables are over 60 days with some being as great as 120 days or more. Upon my advice the City has maintained communication with the most significant vendors to avoid any disruption or termination of critical services.

Based on cash flow projections and ongoing discussions with AMBAC, the insurer of the City's general obligation bonds, I made the decision that the City not pay its March debt service obligation. It is my intent to resolve these missed general obligation bond payments thru a negotiated agreement with AMBAC.

With a somewhat improved cash flow during March, the City is now making efforts to pay the oldest of these payables. Revenues will peak during the March and April time period with the receipt of the majority of real estate tax and earned income tax revenues. Expenditures will be more constant and the City's cash flow should be stable thru the late summer months.

Projected revenues for the year are \$51,435,650 while projected expenditures are \$58,424,881 with an anticipated deficit of \$6,989,232 which includes debt service obligations. The City ended 2011 with a \$2,831,344 deficit and based on unaudited data ended 2012 with a deficit of \$10,257,368 for a cumulative deficit of \$13 million. This deficit includes the debt service of \$9,097,394 on general obligation bonds that were due in March and September. Due to the severity of the City's cash flow I directed the City not to make these debt service obligations.

The OTR also continues to review requests to fill all position vacancies. Requests to fill vacancies are submitted to the Office of the Receiver and approval is required by the Receiver prior to positions being filled. To date limited requests have been approved when properly supported as critical to providing necessary and vital services. I have further advised the City to continue to follow the provisions of the Emergency Action Plan and the confirmed plan in funding only those activities that are essential to maintaining "vital and necessary services" and provide for the health, safety and welfare of City residents. The latest actual and projected cash flow along with a revenue/expenditure report thru March 15 is attached.

My focus moving forward is to continue to effectively manage the City's cash flow needs as we move thru 2013. With close management of cash flow, the City was able to meet payroll and critical creditor obligations thru the first quarter without having to access any of the \$4 million that was authorized to be transferred from the sanitation and sewer funds. My team engaged with various financial institutions in an attempt to negotiate a Tax Anticipation Note, during late 2012 and early 2013, however the financial community continues to have concerns over the City's credit worthiness.

It is critical as the recovery process proceeds that the City's fiscal credibility be restored with the financial community and I will continue to work towards that goal.

### **Operational Issues**

The Receiver continues to be supported by the Novak Consulting Group and the Pennsylvania Economy League to assist with the implementation of operational issues that are part of the confirmed Recovery Plan. The OTR's efforts have focused on key priorities that are the most time sensitive and can effect operational efficiencies and savings.

In order to maintain effective communication between my office and the City, I meet on a weekly basis with Mayor Thompson. Our agenda focuses on the most significant issues that are pending at the moment. These meetings have been very 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, with the same objectives. Again these meetings have also been very productive as we work to achieve consensus between the Mayor and Council on plan related initiatives.

A key recommendation of the confirmed plan was the recruitment and appointment of a Chief Operating Officer (COO). Ricardo Mendez-Saldivia was selected and began service as COO on April 23. This position has greatly strengthened the City's administrative capacity. Mr. Mendez-Saldivia continues to take an active role in administering day to day City operations. I meet with him on a periodic basis to review the status of the confirmed Recovery Plan. He has continued to demonstrate his full support to work aggressively on its implementation.

To that end Mr. Mendez-Saldivia has lead the City's effort in working with Maher Duessel, the City's appointed auditor, to achieve the completion of the 2010 audit just prior to the end of December. With financial assistance provided thru the Receiver's Office, he also coordinated the work of Trout, Ebersole & Groff LLP (TEG), third party accounting firm, to complete the preparation work for the 2011 audit by the end of December. This has allowed the City's appointed auditor to begin work on the 2011 audit during the first quarter with the audit's completion scheduled for mid-May. He is now coordinating the further work of outside accounting assistance in preparation for the 2012 audit. This work is being done with the assistance of the two new Finance Bureau staff. These individuals should then be able to fulfill this responsibility in preparation for the 2013 audit. It is anticipated that the City's audits should be brought up to date by late 2013. Bringing the audits up to date is critical in assisting the Harrisburg Authority with undertaking further financing as well as establishing a solid financial baseline for the City.

With the assistance of the Novak Team, the City continues their efforts to integrate a management system within City operations that more clearly defines goals and objectives. The Team has assessed the recent restructuring of the City's finance department as a result of the City hiring two very competent individuals to fill the Accounting Manager and Staff Accountant/Analyst positions. This has resulted in a significant increase in the Bureau's technical capacity and the ability to meet daily work demands in a timely manner.

A review of the City's fleet operations has been completed by the Novak Group. The report has been presented to the Mayor for her review and will be presented to Department heads later in March. The goal of the review is to explore the consolidation and efficiency with fleet operations. The report recommends the elimination of 36 vehicles. This will achieve an annual savings of \$25,380 from insurance and maintenance costs. Thru the sale of this equipment the City will also receive \$18,000 in salvage value (conservative estimate).

An RFP to outsource the City's sanitation operation has been completed following input from City administrative personnel, the Harrisburg Authority and the Lancaster County Solid Waste Management Authority. Proposals are currently being requested with responses due in June. The RFP addresses residential as well as commercial refuse collection with the goal of effecting further cost containment within City operations.

Since plan confirmation, the Novak Consulting Group has continued to meet regularly with directors of all City departments to review priorities and provide further guidance on implementation activities. A matrix documenting the status of implementation initiatives thru mid-March is attached.

### **Collective Bargaining**

The OTR's Act 47 Team has developed the maximum costs and expenses for each of the bargaining units consistent with the recent changes in the Act 47 legislation as a result of Act 133 of 2012. Based on these maximum costs and the updated financial projections Labor Counsel for the Receiver developed negotiation proposals that were presented to the three bargaining units in the spring of 2012. Progress was slow during 2012 as OTR attempted to negotiate agreements. A number of bargaining sessions were held during the first quarter of 2013 with all three unions - the FOP, the IAFF and AFSCME with progress being made. It is my hope that agreements will be reached with each of the unions to be effective as early in 2013 as possible. Given the current negotiating status, I directed the City not to implement any of the salary increases for 2013 that were part of the contract extensions. The City followed thru on this recommendation, however, until agreements are reached the City continues to incur health care costs at the levels provided in the current contracts. It is critical that significant cost containment of labor contracts be achieved as early as possible as labor represents almost 70% of the City's operating budget.

### **Mandamus**

On August 27, 2012, The Commonwealth Court entered an Order granting in part and denying in part a *petition for issuance of Writ of Mandamus* filed by the Receiver, following a hearing held on August 23, 2012. The OTR, the Mayor and Harrisburg City Council participated through their respective legal counsel. Subsequently, the parties jointly filed an *Application for Reconsideration*, effectively staying the proceedings so the parties could pursue possible resolution of the matter. A Stipulation Agreement was executed by City Council, Mayor and Receiver on October 23 that resolved the mandamus action. The agreement acknowledged that although there were disagreements between the parties, each had identified points of common ground in addressing the fiscal issues and agreed to undertake a more coordinated effort to address these matters. The parties acknowledged an agreement in principle to address structural deficit and debt related issues in a comprehensive and realistic manner with an aim towards achieving a long-term global resolution of the City's fiscal issues. The City and the Office of the Receiver have continued to comply with the provisions of the Stipulation Agreement and have maintained effective lines of communication on issues related to the further implementation of the confirmed plan. A copy of the Stipulation Agreement is attached.

**Asset Monetizations**

The Receiver previously engaged the law firm of McKenna Long & Aldridge (MLA) and Public Resource Advisory Group (PRAG) to assist with the monetization of the Resource Recovery Facility, the Parking Facilities and the management of the water and sewer systems. Screening and Evaluation Teams (SET) were established for each of the asset monetizations. A very detailed procurement process was established for each of the assets and has continued thru the first quarter of 2013 as efforts have continued to maximize the value of both the Resource Recovery Facility and the parking facilities. The Receiver has worked hard to establish a process that is fair and transparent, yet rigorous and protective of competitive-sensitive and propriety information. I have continued to be an active participant in the monetization processes. Selected parties were identified last year for the sale of the Resource Recovery Facility and the monetization of Parking Facilities. Active negotiations have continued with each party as we move towards a closing on these transactions.

The focus of the water and sewer system monetization has changed and we are now working towards the creation of an operating authority that will have participation from both the City and surrounding municipalities. This is the direction that the Federal Department of Justice, Environmental Protection Agency and PA Department of Environmental Protection have recommended. This initiative also involves a resolution with the suburban municipalities on the overcharges for sewer system operation. OTR has engaged in discussions with the suburban municipalities and is optimistic that a reasonable resolution of this matter will be achieved.

A summary of the actions that have occurred with each of the 3 asset monetizations is attached. Prior to any final action being taken on the assets, any proposed asset sale or monetization will be brought back to the Court for confirmation or approval as the Court has directed.

My Office has also continued active discussions with both Assured Guaranty Corporation and Dauphin County with respect to both the asset monetization processes as well as operational issues. In-depth discussion have been held with both on a regular basis during the quarter to keep them apprised of the asset monetization processes, the City's cash flow, budget and operational issues. A proposal that would represent a consensual solution based on the values of the monetizations has been presented and discussed with both creditors. At the time of this report, they are reviewing the proposal. We have responded to various questions and we are awaiting their response.

As we proceed with implementation of the confirmed Recovery Plan, we will continue to keep the Court apprised of its status.



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CLERK OF COURT  
OF PENNSYLVANIA

**IN THE COMMONWEALTH COURT OF PENNSYLVANIA**

**C. Alan Walker, in his capacity as  
Secretary for the Department of  
Community and Economic Development,  
Petitioner**

**v.**

**City of Harrisburg,  
Respondent**

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**No. 569 M.D. 2011**

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**RE: WILLIAM B. LYNCH, RECEIVER FOR THE CITY OF HARRISBURG,  
PETITIONER**

**V.**

**WANDA R.D. WILLIAMS, EUGENIA SMITH, PATTY KIM, BRAD KOPLINSKI,  
SUSAN BROWN-WILSON, KELLY SUMMERFORD, SANDRA REID AND  
THE CITY COUNCIL OF HARRISBURG, RESPONDENTS**

**STIPULATION OF THE PARTIES**

1. On August 27, 2012, this Honorable Court entered an Order granting in part and denying in part a *Petition for Issuance of Writ of Mandamus* filed by William B. Lynch, Receiver for the City of Harrisburg against the City Council of Harrisburg and each of its seven (7) members in their official capacity.

2. The Order was entered following a hearing on the matter held August 23.

3. The Office of Receiver, the City of Harrisburg by Mayor Linda D.

Thompson, and the Harrisburg City Council and its members ("the Parties"), participated in the proceeding through their respective legal counsel.

4. On September 6, 2012, the Parties to the hearing jointly filed an *Application for Reconsideration* of the Order of August 27, 2012, and sought an Order granting reconsideration and effectively staying the proceedings so that the Parties could pursue possible resolution of the matter during a brief cooling off period.

5. So as to avoid the costs and expense of ongoing litigation, Mr. Lynch and all members of City Council, with their legal counsel, took the opportunity to hold initial small group meetings and an executive session regarding this litigation and therein came to share their respective views on dealing with various aspects of the financial issues facing the City of Harrisburg, including the ongoing structural deficit and the debt related to the Resource Recovery Facility operated by The Harrisburg Authority.

6. After those discussions, the Parties acknowledge that they continue to disagree on issues related to this mandamus proceeding, each side maintaining that their respective view on the law and facts would prevail if the pending matter move forward.

7. Notwithstanding their respective firm beliefs and differences, the Parties further acknowledge that they have identified some points of common ground in addressing the fiscal issues impacting the City of Harrisburg and, accordingly, hereby

agree to undertake a more coordinated effort to address these matters.

8. The Parties herein acknowledge an agreement in principle that the work being undertaken by and on behalf of the City of Harrisburg to address structural issues, deficits and debt issues facing the City must be both comprehensive and realistic, with an aim toward bringing about a long-term, global resolution of financial issues.

9. The Parties acknowledge that in order to achieve such a comprehensive global resolution, the goal of recovery efforts must be to: (i) ensure a stabilization of the City's finances and its ability to provide vital and necessary services and (ii) achieve a measurable degree of shared responsibility among various other parties not signatories to this Stipulation.

10. The Parties acknowledge that in order to achieve fiscal stability for the City, it may be necessary to pursue legal claims against those responsible for certain debt of the City, by negotiation or other legal process.

11. Sharing a joint interest in achieving a global resolution for the City, the Office of Receiver, the City of Harrisburg by Mayor Thompson and the Harrisburg City Council hereby agree to an increase in the current one percent (1%) local earned income tax rate on residents of the City of Harrisburg – which is currently evenly split with the Harrisburg School District, to a temporary rate of two percent (2%) on income, with the additional revenue collected therefrom going solely to the City of Harrisburg to assist in the provision of services for the health, safety and welfare of City residents.

12. It is the intention of the Parties that this agreed increase in the earned income tax rate shall be for a period of four (4) fiscal quarters or, in the event that the tax increase should be implemented after the start of the fiscal quarter, then for a total period of 12 months.

13. In entering this agreement, the Parties herein each agree that they and any successor(s) to their respective public office shall continue to enjoy, free of any *res judicata* or collateral estoppel defenses, the right to raise any claim, issue or defense in any later proceeding(s), if any, that was raised in the current mandamus matter and that might arise from seeking to implement, compel or otherwise require the continuation or adoption of the earned income tax rate increase beyond the one-year period at issue.

14. By reason of entering into this agreement, the Parties herein each expressly agree that they shall not later raise, invoke, argue or otherwise pursue any issue of timeliness or waiver of any claim, issue or defense arising from the filing, litigation or resolution of this current proceeding.

15. The Parties acknowledge that the mutual promises to act or defer action is adequate mutual consideration for entering this agreement.

16. The Parties herein acknowledge and agree that except as otherwise expressly stated herein, by deferring to continue or otherwise forego their current claims, defenses and rights to continue pursuing or defending the mandamus proceeding, the Harrisburg City Council and its members, the City and the Receiver are not surrendering,

waiving or otherwise losing any right, claim or defense raised in the course of the pending *Petition for Issuance of Writ of Mandamus*, or any right, claim or defense arising outside the scope of these proceedings.

17. City Council and its members, the City and the Receiver are expressly foregoing an immediate appeal or reconsideration of those aspects of the Order mandating an increase in the earned income tax rate that was entered on August 27, 2012.

18. Notwithstanding the agreement to adopt a one-year increase in local earned income tax rate, the Parties expressly acknowledge and agree that Council and its members, the City and the Receiver shall be free to raise these same issues anew if a later proceeding is pursued by or against them to extend, continue or otherwise renew the earned income tax rate increase, and that no objection or defense of timeliness, waiver, accord and satisfaction, *res judicata*, collateral estoppel or other objection asserting a forfeiture of any right to pursue or defend against a future claim on the basis of the execution, existence or application of this agreement shall be interposed by any Party.

19. In no event shall an extension of the above-described increase in the local residential earned income tax rate be considered to be authorized beyond a one-year imposition, without supplemental tax legislation being enacted by a majority vote of the Harrisburg City Council, or unless otherwise so ordered by a court of competent jurisdiction after the Harrisburg City Council and its members have had an opportunity to participate and be fully heard by that court on the matter.

20. The Parties acknowledge and agree that the Harrisburg City Council and its members have joined in this Stipulation that includes a one-year increase in the local residential earned income tax rate in direct reliance on general representations made by and on behalf of the Office of Receiver to work cooperatively with City Council in his continuing formulation of a comprehensive Recovery Plan to protect the interest of the City of Harrisburg and those who live here.

21. The Parties acknowledge and agree that the 2013 Budget for the City of Harrisburg shall not include any increase in any real estate tax rate and that the Receiver shall not seek, require or otherwise approve any further increase in real estate tax rates in any modified recovery plan to be submitted for Commonwealth Court approval.

22. The Parties acknowledge and agree that the Receiver has not agreed to refrain from seeking or otherwise pursuing a local residential earned income tax increase to a rate of two percent (2%) in subsequent plan years or in any modified recovery plan, understanding that Council has not agreed to enact or renew such a rate increase.

23. The Parties further agree to cooperate in efforts to meet and confer on issues arising under the current recovery plan, any proposed or approved modified recovery plan, or other issues that may arise regarding the provision of vital and necessary services to the City of Harrisburg.

24. The Parties acknowledge and agree that insofar as this Stipulation provides for an increase in the local residential earned income tax rate, the agreement requires a majority vote of the members of the Harrisburg City Council and that this Stipulation

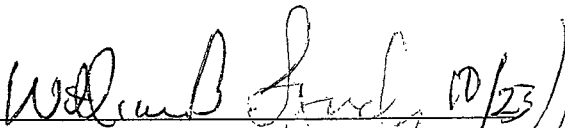
shall only be filed with the Court and become binding upon such after an affirmative vote of City Council.

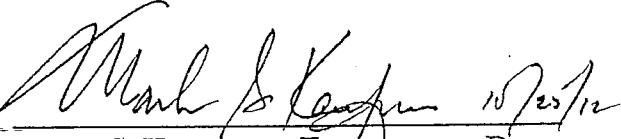
25. The Parties acknowledge and agree that such an affirmative vote shall not be deemed a waiver of any right, claim or defense of City Council or its members to challenge the basis for any claim or order of the Receiver or any order of the Court that directly or indirectly asserts the right or power to compel any or all members of City Council to vote on any specific matter or to otherwise direct a vote for or against any specific legislation that may be brought before the Council for consideration, and that none of the Parties shall assert that any such right, claim or defense has been waived or otherwise forfeited by Council or its members, with the sole exception being the increase in the local earned income tax rate for one-year as stipulated herein.

26. The Parties acknowledge and agree that the Office of Receiver, the City of Harrisburg by Mayor Linda D. Thompson and the Harrisburg City Council and its members shall not claim or assert that any other Party to this proceeding has waived, forfeited or otherwise has been divested of any rights, claims and/or defenses that have been raised in these proceedings or that could be raised on any appeal of the proceeding in the absence of this Stipulation.

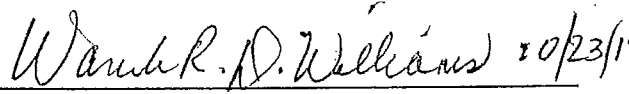
27. The Parties further agree to authorize any other steps required by their respective offices to implement the terms of this agreement.

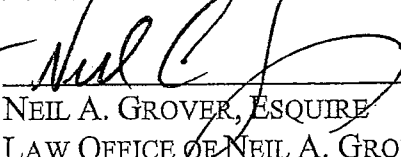
WHEREFORE, intending to be bound hereby, the Parties, by their signatures and that of their respective legal counsel, agree to and adopt the terms of the foregoing Stipulation.

 10/23/12  
WILLIAM B. LYNCH, RECEIVER      DATE  
OFFICE OF THE RECEIVER FOR  
THE CITY OF HARRISBURG  
401 FINANCE BUILDING  
HARRISBURG, PA 17110

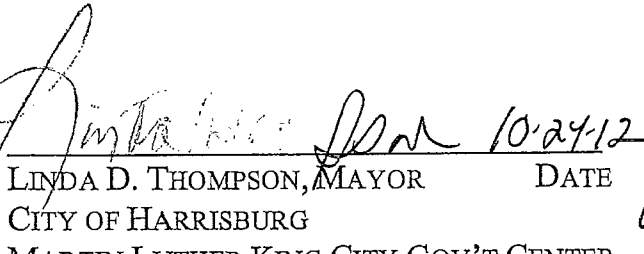
 10/23/12  
MARK S. KAUFMAN, ESQUIRE      DATE  
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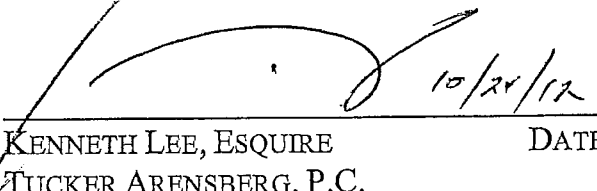
COUNSEL FOR WILLIAM B. LYNCH, RECEIVER  
FOR THE CITY OF HARRISBURG

 10/23/12  
WANDA R.D. WILLIAMS, PRESIDENT      DATE  
CITY COUNCIL FOR CITY OF HARRISBURG  
MARTIN LUTHER KING CITY GOV'T CENTER  
10 N. 2<sup>ND</sup> STREET, SUITE 1, LOWER LEVEL  
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COUNSEL FOR HARRISBURG CITY COUNCIL  
AND EACH MEMBER THEREOF

 10/24/12  
LINDA D. THOMPSON, MAYOR      DATE  
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MARTIN LUTHER KING CITY GOV'T CENTER  
10 N. 2<sup>ND</sup> STREET, SUITE 202  
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 10/24/12  
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LEMOYNE, PA 17043

COUNSEL FOR CITY OF HARRISBURG, MAYOR  
LINDA D. THOMPSON



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November PROOF OF SERVICE

I certify that this 31<sup>st</sup> day of October, 2012, I served a true & correct copy of the foregoing Stipulation on the following via electronic mail & the U.S. Postal Service, postage prepaid, properly addressed to:

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*Counsel for William B. Lynch, Receiver for  
the City of Harrisburg*

I further certify that I electronically delivered, via the respective electronic mail address or fax number shown, a true and correct copy of the foregoing Application on the following persons appearing on the docket:

ADDITIONAL RECIPIENT LIST

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By   
Neil A. Grover

**MUNICIPAL FINANCIAL RECOVERY  
ADVISORY COMMITTEE  
MEETING MINUTES**

## **MINUTES**

### **MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE FOR THE CITY OF HARRISBURG**

**December 12, 2012**

**8:30 a.m.**

**Council Chambers**

**Present:** William B. Lynch, Receiver

Mayor Linda Thompson

Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners

Anne Morrow (Recording Secretary)

**Absent:** Wanda Williams, City Council President

**Resigned:** David Black, President & CEO, Harrisburg Regional Chamber & CREDC

#### **Reports**

Mr. Lynch called the Municipal Financial Recovery Advisory Committee meeting to order at 8:34 a.m.

Mr. Lynch asked the Committee members if there were any corrections or addendums to the minutes from the November 28, 2012 Committee meeting.

Hearing none, Mr. Lynch said the minutes stand approved and would be posted to the Receiver's website.

Mr. Lynch read the resignation letter submitted by Mr. Black.

General Lynch:

I have submitted my resignation from the Municipal Financial Recovery Advisory Committee to Governor Corbett.

I believe you and your team; Mayor Thompson and her team with the cooperation of Council President Williams and City Council are on the road towards Harrisburg's financial recovery. This requires sorting through complex issues, serious negotiations and compromise by all parties. I do not want recent controversies of my making to stall or otherwise impede the clear progress that is being made in the financial recovery of Harrisburg.

We will continue to offer our organization's professional services to the City, Dauphin County and Region where needed and where helpful. Our goal remains a fiscally strong and vibrant City and a world class region.

Best Wishes, David E. Black.

Mr. Lynch thanked Mr. Black for his past service in this committee and to his efforts. But I think he's followed the right course of action here. Obviously, we'll still work closely with the Chamber and CREDC on economic development and other City related matters. I think there's a lesson in this for all of us. Particularly at this time of year we can and should treat each other with more kindness and sensitivity.

Mr. Lynch asked the committee for any comments.

Mr. Lightly had no comments.

Mayor Thompson noted she also received Mr. Black's letter of resignation and concurs with Mr. Lynch that it's the best path for Mr. Black to take. Mayor Thompson had several discussions with Mr. Black and also the Governor's office. The decision was made appropriately. Mayor Thompson noted she is going to be the leader that she's set out to be. You've got to move on and rise above it because it's bigger than her. She stated the City is on the fast road to recovery.

Mr. Lynch thanked Mayor Thompson and agreed with her statement and said we will press on.

Mr. Lynch asked Mr. Reddig to provide an update on the implementation of the confirmed Recovery Plan.

#### Operational Issues

- The Office of the Receiver continues work with the City on a variety of operational/financial issues. Over the last two weeks, several actions have occurred with respect to personnel. The positions of Street/Traffic Light foreman & Water Operator IV have been approved by the Office of the Receiver and that approval has been forwarded to the City. Several other positions were advanced to the Office of the Receiver within the last two weeks. Vice position, Rehab Specialist and Parking Officers have been advanced and are under review. We expect a response on those positions in the near future.
- Maher Duessel continues work on 2010 audit with completion of the draft report tentatively scheduled for next week. The City has provided all the information that has been requested by the auditors to date.
- Trout, Ebersole & Groff LLP (TEG) continues their work in preparing for the City's 2011 audit. Their work should be completed by mid January so that Maher Duessel can move forward with the 2011 audit. The new accounting personnel are working closely with TEG team and should be in a position to work on preparation for 2012 audit after 2011 work completed. It's our goal by mid-year 2013 to have the City fully caught up with respect to their audits, which is a significant accomplishment.
- The review of City's fleet operations continues. The results of analysis will be recommendations on elimination of excess equipment as well as consolidation and efficiency in fleet operations that will result in direct and indirect savings such as in the area of insurance.

- The position control system is being developed in concert with City officials that will be integrated into the budget process to provide better control over positions, vacancies and recruitment efforts.
- The development of the draft RFP for sanitation service has been completed. Input has been received and provided by the City's Public Works Director and The Harrisburg Authority. The RFP is currently being reviewed by with Lancaster County Solid Waste Management Authority (LCSWMA), at their request and we're hopeful that their responses will be provided in the near term. We would like to see the RFP out on the street by the end of the year. However, we were informed this week that the City's purchasing agent will be out of the office for approximately a month and this may delay the release of the RFP into the early part of next year.
- Negotiations have been held with the Fire Fighter and AFSCME bargaining units over the last two weeks and those negotiations will continue with respect to all three bargaining units over next several weeks.

#### Cash Flow

- The Office of the Receiver continues its monitoring of expenditures including the review of payables on a biweekly basis. The most recent review occurred with the December 7<sup>th</sup> check-run. A response was provided to the City on November 30<sup>th</sup>. That check-run totaled \$596,353 with the largest payments for insurances. They included payments to Highmark for \$415,560 and Workers Comp for \$55,144. In addition, the next largest payment was to Capital Area Transit (CAT) for \$68,127 for the 1<sup>st</sup> Quarter of 2012. There are three additional quarterly payments in similar amounts to CAT that are on hold. The above payments collectively totaled \$539,453 or 90% of the check-run.
- The review of the cash position shows the City had a cash balance of \$1,563,076.76 as of November 29<sup>th</sup>. The City transferred \$1,855,397.75 from Sanitation Fund to the General Fund for reimbursement of expenses. After the December 7<sup>th</sup> check-run and estimated payroll of \$1.1M the City will have \$1,721,131.62 remaining for the balance of the year, not including any additional revenues that the City may be receiving during the month of December. It is anticipated that the City will be receiving payment from its third-party tax office at some point in December. The City will also be receiving approximately \$760,000 from The Harrisburg Authority this month due to an audit finding that was a result of how certain utility payments were posted.
- Another check-run will be reviewed the end of this week. The available cash along with other revenues should be sufficient to meet next week's payroll and the most critical payables thru year-end. The City though is still faced with a serious cash flow problem and will need interim financing to get thru the early part of 2013 until tax revenues are received.
- The City currently is holding \$2,257,367 in payables. Approximately \$2M in payables are greater than 30 days with some older than 120 days. Larger payments are for various medical insurance reimbursements, to CAT and to Rogele for sewer line maintenance and certain legal expenses. The City pays its current medical claims out of the Reserve Account and reimburses this account from the General Fund. The

Office of the Receiver has advised the City to continue to maintain communications with Highmark and other medical insurance providers to keep them apprised of City's cash flow position so that City's able to avert any possible disruption of healthcare service.

- We've also reviewed actual revenue and expenditure numbers thru October, preliminary numbers for November and projections thru year-end. We do expect that the City will be able to meet critical obligations through the end of the year however they will experience an approximate \$10.2M structural deficit for FY12. Considering the approx. \$2.8M deficit from last year, the cumulative deficit is estimated to be \$13M. At this point the City will have sufficient cash to meet payroll and critical creditor payments thru December. Efforts in the coming weeks will focus on the City's ability to meet all cash flow needs thru year-end and to obtain interim financing to try to assist the City with a Tax Anticipation Note to deal with cash flow needs for the early months of 2013.
- The Office of the Receiver has assisted the City's Administration with 2013 budget preparation, reviewed the proposed budget and provided comments at Council's budget hearing held last Wednesday 12/5.

#### Asset Monetization

- Negotiations with the Lancaster County Solid Waste Management Authority (LCSWMA) continue. Discussions have involved the Office of the Receiver, LCSWMA and the DGS on the service purchase agreement for the sale of electricity. This agreement is a key component of LSCWMA proposal. Significant progress has occurred in reaching a reasonable result for all and a revised proposal from DGS is being prepared. The term sheet has been prepared and is under review by the creditors. The power purchase agreement will be folded into the term sheet for the monetization of the Resource Recovery Facility.
- The Office of the Receiver continues with negotiations with Harrisburg First, the selected party for the parking monetization. Discussions also continue with DGS to address Commonwealth's parking needs and to negotiate a multi-year agreement. DGS has been very cooperative in working to consolidate the parking needs of the Commonwealth in the Harrisburg Parking Authority (HPA) facilities. It will create a win-win situation and will have significant impact in value of monetization. Discussions have continued with PEDFA on serving as financing vehicle for tax exempt approach that Harrisburg First plans to use. We are also looking at ways that the City's 2013 structural imbalance issues can be addressed as part of the monetization.
- Water and sewer monetization efforts continue with the firms involved. There are ongoing discussions with surrounding municipalities and the City to determine an operational model moving forward that would address compliance with the Clean Water Act and the Chesapeake Bay initiative though there's nothing further to report from our last meeting.
- Negotiations have continued with AGM and Dauphin County. Another meeting was held with these parties last week to keep them apprised of the asset monetization processes, what has been happening on the operational front and to obtain their input into the process. The Office of the Receiver has responded to various follow up requests from AGM to review operational and cash flow issues.

Mr. Lynch asked Mr. Mendez-Saldivia, Chief Operations Officer and Chief of Staff, to provide an update on the Act 47 implementation for the City of Harrisburg.

- The Act 47 implementation teams met and continue to have discussions. These teams include Operations & Revenue, Information Technology and the Department of Building, Housing and Development which met yesterday. Meetings are scheduled today with the Departments of Administration and Public Works and with the Fire Bureau, Law Bureau and Police Bureau in the next couple of days.
- As of today, the City has completed 25 of the Act 47 plan initiatives or 33% of the confirmed Recovery Plan. The City is currently working on eleven initiatives with the Novak Consulting Group. They are:
  1. Consolidate the administration of the City's three retirement plans.
  2. Engage an actuarial firm to perform an independent and objective evaluation of the City's liability and projected payments for the forthcoming fiscal period using the City's own loss experience as opposed to industry data.
  3. Develop comprehensive City-wide financial policies.
  4. Establish standard position control system.
  5. Restructure some of the schedules in the Police department.
  6. Assign representative to the District Attorney's Office Narcotics Task Force.
  7. Participate in Dauphin County's Forensic team.
  8. Mandate a formal safety committee to review work-related injuries in Bureau.
  9. Implement a container based collection system for the Public Works department.
  10. Enforce City's right to commercial collection and contract with private collector for collection of commercial waste.
  11. Aggressively manage fleet make-up and quantity.
- All City deliverables for the 2010 audit were provided to the auditors in final draft form for their final review by end of day today. Barring unforeseen circumstances, we should be issued our audit report and peripheral documents on or about December 14<sup>th</sup>. We are still on track to meet our completion date of December 19<sup>th</sup>. The documents that were provided were:
  1. Management's discussion and analysis
  2. Introductory section
  3. Statistical section
  4. Mayor's foreword
  5. Responses to any single audit findings
- TEG began the 2011 audit preparation field work last week. Administration continues to provide the 2011 audit preparation open items list to TEG. I met with a TEG representative a couple of days ago and asked him to prioritize the items that the City is still outstanding so we can exercise due diligence effectively.
- TEG has put in about 1,000 hours which included nine experienced professionals to accomplish the 2009, 2010 and 2011 audits. The City has just hired an Accounting Manager and a Senior Accountant and strides are being made in the restoration of capacity in our Finance Bureau. Training continues to be provided but there are some concerns with 2012 coming to an end that we want to make sure we meet our goal to

complete these audits in house and on time. This is a challenge we are going to have to work on.

#### Other Financial Management:

- The Auditor General's pension plan compliance audits for 2009 to 2011 have not had any findings to date.
- We were also able to accomplish the E-filing for the City's 2013 PA DCED Tax Form to have the 1% earned income tax increase listed in the PA DCED Tax registry.
- We continue to prioritize payments and manage relationships with our vendors.
- We continue to provide training to our new hires in the Finance Bureau and we are also meeting our reporting obligations and compliance including:
  1. Material event notices,
  2. Annual statements,
  3. Annual surveys of financial condition,
  4. Pension reporting obligations,
  5. Public utilities,
  6. Certification renewals and
  7. Insurance renewals
- The Administration continues to make progress in the implementation of the Act 47 initiatives, in the completion of the 2010 and 2011 audits and in the stabilization of the City's financial management operations.
- For those of you who would like to take a look at all of the initiatives that the City has completed they have been posted on the City's website.

#### Committee Comments

There were no committee member comments from Mr. Lighty.

Mayor Thompson responded to Mr. Cluck's question from our last meeting regarding the Senior Citizen Tax Deferral Rebate Program. Mayor Thompson noted that the City did give the tax rebate out last year and plans to stay the course this year. The City has not received any info from the state saying it's illegal.

#### Public Comments

Bill Cluck, resident of Harrisburg

- Mr. Cluck requested again that the MFRAC meetings be rescheduled at an alternate time. He has heard from a large number of citizens that work. Nobody can attend an 8:30 a.m. meeting and traffic is difficult to get to these meetings at the currently scheduled time. He asked the advisory committee to consider scheduling an evening meeting in the spring to give people the opportunity to attend and participate.



- Mr. Cluck advised the advisory committee that he had a lengthy list of questions he'd like the committee to consider and answer if not today but in January since there will not be a meeting at the end of December. He asked if there could be a more detailed explanation on particular initiatives that are being implemented. (Example: department by department) He noted the summaries and matrix are very good.
- A report on the status of the SEC Enforcement Action against the City, according to the 2009 audit, that was released a couple of months ago. There we reference to a negotiated settlement but it had yet to come to finality so it wasn't subject at that time to public disclosure. Mr. Cluck questioned if there was anything to report at this point?
  - Mayor Thompson replied there's nothing to report. There's a clause in the law that prohibits discussing anything publicly other than it's a settlement.
- On page 106 of the 2009 audit, there are some deficiencies or disallowances referenced (\$256,000 grant from EECBG). For budgetary purposes, have these been addressed and are they also addressed in the 2013 audit?
  - Mayor Thompson replied yes, they have been resolved. We can bring it to the next meeting or send you an email showing the interest.
- Mr. Cluck noted where the audit showed that there was failure to adequately show documented cost or purposes, has that been addressed?
  - Mayor Thompson replied that the grant was inherited from the prior Administration and that some of the money was returned because it was not properly used.
- There was a notice of rejection from DCED regarding the Sesquicentennial Celebration audit that apparently there was a \$50,000 discrepancy and numerous documents were missing. Did those issues get resolved?
  - Mayor Thompson said the City will never be able to get these issues resolved. The committee that was under Mayor Steven Reed gave a particular individual the money then to find out that the company that was started was never registered. When DCED researched the company they found out that the company was fictitious. The City will have to absorb that loss as well.
  - Mr. Reddig noted that the loss was resolved through the recent DCED grant which accounted for the \$50,000 repayment.
- Mr. Cluck inquired about the host fee. There is still a pending Environmental Advisory Committee that only has two members appointed, one by Council and one by Mayor Thompson. There are still three vacant seats. Two appointments are awaiting the Mayor and one is awaiting City Council. They still can't meet because they don't have a quorum therefore they cannot start the process of coming up with environmental initiatives. One that I have proposed is to use some of the host fee money to purchase LED lighting for the street lights in the City. I would argue that it's an energy conservation measure which fits under the environmental projects rather than the General Fund being used for street lights and safety.
  - Mayor Thompson responded that the Administration is currently working on economic development initiatives and that the lighting is a number one priority. When we find interested candidates who want to be on an environmental advisory council, we'll forward them for consideration.

- In the Recovery Plan matrix under "Fill HUD Position" the comment section says "awaiting funds from HUD". What positions haven't been filled?
  - Mayor Thompson noted there are not enough funds to sustain the HUD position so it remains vacant until money is funded in future budgets. There's also a demolition position available. It has also been a challenge finding someone who is skilled to fill this position.
- Mr. Cluck asked if anyone has looked at contracting the demolition position work out.
  - Mayor Thompson noted it's too expensive to contract out and that's why the City brought demolition in-house.
- Mr. Cluck asked what the status of appointing an Economic Development Coordinator was.
  - Mayor Thompson replied the City is waiting on HUD.
- Mr. Cluck asked if the City has a 2012 figure for OPEB (Other Pension Employee Benefits) on how much was spent.
  - Mayor Thompson noted an amount has not been determined for 2012.
- Mr. Cluck asked if there was an estimate on OPEB for 2013. Mr. Kroboth said at the Budget hearing that it's an ongoing expense.
  - Mayor Thompson noted it's an ongoing expense on municipalities instead of putting a burden on them to pay it all at one time. The City pays on a payroll period rather than on an annual basis and the amount is always going to go up due to people retiring.
  - Mr. Reddig noted two additional comments. One, the City currently pays OPEB on a "pay as you go" basis which will continue, however, we are also looking to establish an OPEB Trust Fund which will supplement over time the obligation that is going to eliminate the need to continue the "pay-go". Hopefully, that can be funded on an ongoing basis. As we move down the road we will begin to offset some of the "pay-go" responsibility. Concurrently through the negotiating process we are also looking to draw a line in terms of stopping the growth of the OPEB liability by not providing that benefit for future hires.
  - Mr. Lynch noted it's prohibitively expensive. It's not just here but literally every community, municipality and state government has the same problem. It grows geometrically.
  - Mr. Reddig noted it was only a recent development by GASB (Governmental Accounting Standard Board) that even required an accounting standard for that liability. In 2009 and from that point on the OPEB liability needed to be identified as part of the audit process in a manner similar to how the pension obligation is identified.
- Mr. Cluck inquired about the police initiative #1 to restructure the police schedule. Someone today said that the police schedule is being looked at but the matrix says that The Novak Group looked at a 4 p.m. to midnight shift and due to an increase in cost it would be rejected. Is that a final decision that the police schedules are not going to change?

- Mayor Thompson noted this is still being discussed but from her discussion with the Chief of Police and labor attorneys, for now the schedules are not going to change.
- Mr. Cluck noted as a footnote, the appointment of the Task Force is an excellent suggestion and he commends Jennifer Storm and Tina Nixon.
- Reviewing police initiative #2, what's the status on the request for approximately \$400,000 from Dauphin County for the Gaming Grant for the replacement of police vehicles? Has there been a county decision yet?
  - Mayor Thompson and Mr. Lighty replied no not yet. Mr. Lighty noted the Gaming Advisory Board meets and then makes recommendations to the Commissioners and that will typically occur in the beginning of next year. It will not be done before the City's budget.
- Mr. Cluck noted police initiative #9 is to appoint a Civilian Manager. Is this initiative awaiting the Receivers approval? Initiative #10 is to replace the electronic parking ticketing devices. It appears that the devices have arrived and are being tested. The implementation was on November 26<sup>th</sup>. How are they working?
  - Mayor Thompson noted initiative #9 is actually awaiting a through report from the Police Capitan justifying the need for the position. The electronic parking devices should be on the ground by the first of the year.
- Mr. Cluck asked if the City is filling the parking enforcement vacancies. The matrix shows there are some people out on medical leave.
  - Mayor Thompson noted when someone is out on medical leave she cannot replace them. The contracts are written that when someone is out on medical leave their position and salaries stay in place until they return back to work.
- Mr. Cluck noted the City is down \$300,000 in parking revenue.
  - Mayor Thompson advised Mr. Cluck to take it up with the unions because all the contracts were signed prior to Mayor Thompson coming into her position.
- Mr. Cluck asked if this was something that is part of the union discussions.
  - Mr. Lynch replied he doesn't know if that's part of the discussions.
  - Mayor Thompson replied she believes it's beyond that. It's state mandated under the Family and Medical Leave Act. Not even on a temporary basis can the position be filled but if it could there would not be any funding because their salaries cannot be touched.
- Is Council action required to extending the enforcement of meter hours?
  - Mayor Thompson noted that it's the decision of the Parking Authority.
- Mr. Cluck asked if the City has any idea what the Parking Authority's thoughts are on extending the enforcement of the meter hours since it's a revenue matter.
  - Mayor Thompson noted the Parking Authority would be asked.
- Mr. Cluck noted the parking meters are extended to 5 p.m. now. Can the enforcement of meters be extended on Saturday's to around 8 p.m.? It seems to be a topic with City Council that the City is losing revenue because we have visitors coming downtown to use restaurant row which can be a source of revenue.

- Mayor Thompson noted it goes hand in hand. When you extend the hours you also need to have a person out there monitoring the meters and to give out the tickets. It's adjusting the hours to meet that demand.
- Mr. Cluck asked if the police can give out tickets.
  - Mayor Thompson said she'd rather have her police officers fighting crime rather than giving out meter tickets but they certainly can. It's not the best use of manpower, however.
- Mr. Cluck asked if the Fee Study is ready to be released to the public.
  - Mayor Thompson noted it's already built into the 2013 budget and it will be implemented in 2013. All the fees recommended in the study are in the budget. We have to send it to Council for their first Legislative meeting in January. Council will have to independently vote on each line item.
- Mr. Cluck suggested come the new year a presentation on housing should occur. A major aspect on this recovery plan is a housing coordinator for the housing plan. The Department of Building and Housing appears to be doing a study, a real estate broker has been hired to work with the Redevelopment Authority and there are a lot of things going on. It would be nice to have a presentation to explain what's happening across departments and agencies to upgrade what's going on. This is the right group who can create that presentation.

Nad Smith, resident of Harrisburg

- Mr. Smith noted it's hard for a lay person to get their minds around this whole thing especially when it's kind of a circus atmosphere at times. I, too, call for meetings at another time in the evening so that residents that are working could attend especially since they are the ones who made these concessions by paying an extra income tax.
- It seems like City Council got bullied into that decision. The former Receiver, Mr. Unkovic, should have called for this investigation. There's obviously massive fraud that has occurred. I'm wondering if that suggestion has been adhered to and where is that at. Mr. Unkovic put a lot of time into this situation and I think his efforts should be considered. Where does that stand?
  - Mr. Lynch noted we have no insight whether or not a federal investigation was ongoing. I think if it were it wouldn't be publicized until it gets close to being culminated. Personally, I have no information about that.
- Mr. Smith inquired about if there was some sort of investigation into the fraud that has occurred.
  - Mr. Lynch noted everybody is all for an investigation however, it is not a function that the Receiver's office has the ability to pursue.
- Mr. Smith commented on the Chamber of Commerce skit. It's really contemptuous towards the citizens of Harrisburg, our Mayor and City Council. These are people who are to be working together for a resolution. There's been some sort of sense of the common good lost here and it's been about servicing debt and money lenders.
- I live in Allison Hill and there's an extreme level of poverty there. We had a vigil last week for Mr. Diaz who was killed in Hall Manor and this Friday there's going to be a vigil for the young man that was shot and killed on North Street. There's death all around and there isn't a presence of public service. Even the police are limited with what they

can do since they've been cut back. We need more police and public service. I had called the Fire Department about sneakers that were thrown on wire. Hoodlum types of characters were gathered under that area. The Fire Department said they couldn't do anything because it's not in their mandate. Just the spirit that I was received with was a demoralization which is going on because of this climate of disrespect, fraud and injustice. We can't operate as a society in this type of a climate. We really need leadership to go after people who have committed crimes, massive crimes, which affect all of us. I'm imploring all of you that are involved in this process to really go in that direction in seeking justice and holding people accountable that have committed these kinds of crimes and that we really suffer in the neighborhoods because of these kinds of things. Merry Christmas and I hope we can get through this somehow.

- Mr. Lynch thanked Mr. Smith and noted we can get through this because it's people like you who care enough to make your feeling known. I think that's very important and I will tell you I am firmly convinced we are who we think we are and if we allow ourselves to feel that we're downtrodden and put upon then that's exactly what will happen. If we allow ourselves to be confident and, seek a future that's much fairer than our present then we will have that as well. Thank you very much, I appreciate your comments.
- Mayor Thompson responded to Mr. Smith's questions.
  1. I disagree with your comment that you felt City Council was bullied into passing the earned income tax increase. City Council made a very conscious decision on the EIT. We had been trying to lay out the facts over the last three years how critical this City is. It fell on a lot of deaf ears because of political factions and political posturing. Finally, Council had some independent time to review the facts and made a painstaking decision. That's exactly what they did. They made a sound decision and they stand by that decision. You hear this over and over again that this Administration's deficit is climbing between \$12M to \$15M. We have more expenditures than revenue. It's not because this Administration is out of control in their spending. When you've heard me say I've reduced this government to bare bones and to the point where I can no longer jeopardize the risk, health, safety and welfare of our taxpayers.
  2. You indicated that police officers had been cut. This Administration hasn't cut a single police officer. Public safety is my number one priority and will remain my number one priority. Because of the Controller and some Councilmember's had filed for bankruptcy, which a judge can take a person's pension down to the bare minimum, our police officers who worked for 30 to 40 years weren't having that done to them so they got out when they had a chance. From this filing of bankruptcy, our police comment is down by 20 police officers. We are building that team back up. We have a goal to hire 16 police officers in 2013. Eight of them are coming in to train in the 1<sup>st</sup> quarter in January and the second half will be coming in the later part of 2013. Every year I will increase my police force and I am not happy with the budget I have been given.
  3. This is a moral issue in our community. Our young men need to understand they are valued. We need more men to stand up and take young men under their wings. I look forward to organizing next year and creating some kind of global mentorship. The program we started in 2010

was disbanded when those organizations realized there was no money coming from the City. I started a City-wide mentorship program that I would like you and several other male leaders in this community who can get into the minds of our young men and point them in the right direction. I also have a program we're going to be launching next year to work with all the union leaders to put in serious job training programs for young males. I'm hoping to get Council's support for the program. That's how you deal with poverty and that's how you deal with this morality issue. For those who don't want it then we're going to make sure that when they are committing crimes they will be going to jail.

4. On the aspect of the Chambers behavior, I've had my private discussions not once but several times with Mr. Black. Hopefully he's learned from this but most importantly we need to stay focused. Mayor Thompson thanked Mr. Smith for demonstrating his outrage at this kind of behavior.
5. It is interesting that you say we should change our hours for these meetings for citizens to attend, yet when General Lynch and I and even my Administration before General Lynch convened a series of Town Hall meetings to lay out the City's crisis there were one or two people in the audience. We just had a series of Town Hall meetings for the first time in the City's history. We articulated the State of the City which is an annual report I have to give. I had a very scarce turnout for the meetings. Never in the past has a Mayor gone out into the community more than I have. I have had 15 Town Hall meetings since I have been Mayor and had very little participation from the community. I have been begging for community involvement. The more people who get involved the more educated they become as opposed to listening to those who scream the loudest and seem to get reported by the media. It has been a disservice to this community. I will continue to try to have these Town Hall meetings. We'd like to put you on a list so you can come to these meetings and bring people with you. Thank you for your involvement and your passion and love for this city.

Don Isabella, Republic Services.

- We are the second largest solid waste company in North America. You may know us a little better known as York Waste Disposal. As the name may imply my interest today was to learn more about the City's RFP for sanitation services. I hope I'm not too late in the game but it appears that through The Novak Group, the Public Works department and the Public Works Director, The Harrisburg Authority and now the Lancaster County Solid Waste Management Authority there's been a draft RFP prepared. It sounds like you're really close to a final draft. Is that the case?
  - The advisory committee agreed that was the case.
- Mr. Isabella reiterated he hoped he was not too late in the game. He suggested if it hasn't been done there's a limited number of companies, in his experience with this market that could handle this type of work and this size of work for Harrisburg. His company has contracts with the City of Lancaster, the City of Reading and as of May 2013 will have the contract for the City of York. Were any of the haulers or the industry experts consulted or had a chance to look at this.

- Mayor Thompson replied that it would be a violation of the procurement process to have such discussions. It has to be a transparent process. Everyone will have a chance once the RFP is posted.
- Mr. Isabella asked if the contract goes through when the work might start.
  - Mayor Thompson and Mr. Lynch said it would depend upon the RFP. Mayor Thompson explained the process in which the bid has to be posted then everyone will have to send in their proposal and then when it gets down to the finalist that's when negotiations start with that select party
- Mr. Isabella said it sounds like it's going to be an RFP process as opposed to a bid process.
  - Mayor Thompson and Mr. Lynch concurred and agreed that it would be a RFP process.

Neil Grover, Debt Watch Harrisburg and private law practice

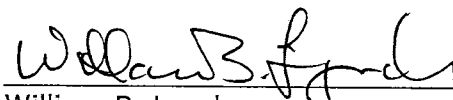
- Mr. Grover gave comments regarding the Family and Medical Leave Act that came up in earlier discussions. He noted to Mayor Thompson that she has a much greater negotiating position then he thinks people are describing. There is no requirement under the Federal law to pay any medical leave. In fact, it's an employer decision and therefore that means it's subject to negotiation. Employers have other things they can do too. I represent employees. If you're back at the table its not a given but rather a bargaining chip. From a taxpayers point of view, I understand keeping a job open. In private industry when you keep a job open the actual law says the same or similar position. Those similar positions under law are a more flexible force then they are in an accounting firm where you have two accountants. You really have some flexibility and need to build that in if a government is going to work efficiently. I've seen government contracts and they seem to be inefficient in the way they are negotiated.
  - Mayor Thompson noted it's a cash issue. Where would the funding come from to hire another person? In past discussions she was advised she could not release anyone from their position if they were on medical leave.

Mr. Lynch asked if there were any other comments from the public. There were no other public comments.

Before adjourning, Mr. Lynch noted that this is the last meeting before the end of the year. He wished everyone a happy holiday season and thanked them for their participation today and for their participation in the past and we look forward to your help in the future

Mr. Lynch called this meeting adjourned at 9:27 a.m.

Approved this 12<sup>th</sup> day of December 2012.

  
 William B. Lynch  
 Receiver for the City of Harrisburg

  
 Secretary - Anne Morrow

## **MINUTES**

### **MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE FOR THE CITY OF HARRISBURG**

**January 9, 2013**

**8:30 a.m.**

**Council Chambers**

**Present:** William B. Lynch, Receiver

Mayor Linda Thompson

Wanda Williams, City Council President

Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners

Anne Morrow (Recording Secretary)

#### **Reports**

Mr. Lynch called the Municipal Financial Recovery Advisory Committee meeting to order at 8:36 a.m.

Mr. Lynch asked the Committee members if there were any corrections or addendums to the minutes from the December 12, 2012 Committee meeting.

Hearing none, Mr. Lynch said the minutes stand approved and would be posted to the Receiver's website.

#### **Committee Comments**

Mr. Lynch asked the committee for any comments.

City Council President Williams had no comments.

Mr. Lighty noted the county is looking forward to increasing the speed of the negotiations and making good progress.

Mayor Thompson had no comments.

Mr. Lynch asked Mr. Reddig to provide an update on the implementation of the confirmed Recovery Plan.

#### **Operational Issues**

- Mr. Reddig noted the Office of the Receiver has continued to work with the City on a variety of operational and financial issues over the last month. The quarterly update on the status of the initiatives has been completed and was filed with both the City and Commonwealth Court on December 21, 2012. It has also been posted to the Receiver's website for public review.
- No new positions have been approved or advanced since the last meeting. The reorganization of the Finance Bureau is part of the 2013 budget and will better integrate the professionals and provide for cross-training of responsibilities in the Finance Bureau. With the filling of these two critical positions the City's overall financial management capacity has been strengthened considerably. The new hires



are currently working with Trout, Ebersole & Groff LLP (TEG) on the audit preparation work for the 2011 audit and then will assume these responsibilities as we move further into 2013.

- Maher Duessel completed work on the 2010 audit and filed it with the City just prior to the holidays. It is also available on the City's website. The TEG team continues their work in preparing for the 2011 audit and it's anticipated their work will be completed later this month so Maher Duessel can move forward with the 2011 audit. Our goal is to get the City fully caught up with all of the audits including the 2012 audit by later this year.
- A review of the City's fleet operations continues. The results of this analysis will be recommendations on the elimination of excess equipment as well as consolidation and efficiency in operations and should result in direct and indirect savings to the City on such things as insurance coverage.
- The Novak team has been working with the City to develop a position control system that will be integrated into the budget process and will provide better control over positions, vacancies and recruitment efforts.
- The development of an RFP for sanitation service is complete. Input has been received from the City's DPW Director, The Harrisburg Authority and Lancaster County Solid Waste Municipal Authority (LCSWMA). That input has been incorporated into the RFP and it's now awaiting the return of the City's Purchasing Director from leave before it can be issued. We anticipate that it will be out on the street later this month. The goal is to effect further cost containment in City operations.
- Negotiations continue with all three bargaining units in the City. Receiver Lynch issued a directive to the City that the contracted salary increases for 2013 would not go into effect for the bargaining units. That message has been communicated to the bargaining units.

#### **Cash Flow**

- The Receiver's office continues to monitor expenditures including the review of payables on a biweekly basis. The City was able to make it through the end of the year in meeting all of their payroll requirements and critical vendor payment issues. The Receiver's office reviewed the January 3<sup>rd</sup> check-run and provided a response prior to the end of the year to proceed with the payments. The run totaled \$681,511 with the largest payments to various insurances including Highmark of \$218,000 and Express Scripts of \$339,000. Those payments were through October. The insurance payments totaled approximately 92% of the total check-run.
- In January the City is to receive approximately \$757,000 from The Harrisburg Authority due to certain adjustments caused by the incorrect posting of utility payments and those funds should be available to meet the upcoming January 18<sup>th</sup> payroll as well as the check-run that should be received from the City later this week.
- The City is also in the process of transferring administrative fees from the utility funds in January that will assist to meet the January 18<sup>th</sup> payroll and other critical creditor obligations.

- The City is currently holding approximately \$2.8M in payables with the largest payment being for various employee insurance coverages. Of these invoices approximately \$950,000 are greater than 30 days and involve insurance coverage as well as payments to Capital Area Transit, Rogele and various legal fees. The payment to Rogele is currently being accommodated so that it doesn't have an adverse impact on Rogele's work in dealing with the sinkhole issue that has been front and center over the past week and a half.
- We've also reviewed the actual revenue and expenditure numbers through November and preliminary numbers for December. Based on these preliminary numbers for December the City ended the year with approximately \$47,742,000 in revenue and had expenditures of approximately \$57,999,000 for a deficit of \$10.2M. Of that deficit approximately \$9M is represented by debt service that was not paid during the year on the City's General Obligation Bonds. That payment is being negotiated with the bond insurer, AMBAC. Considering the approximately \$2.8M deficit from 2011 the cumulative deficit is estimated to be \$13M.
- The City had sufficient cash to meet payroll and critical creditor payments through December. Efforts over the last several weeks have focused on the City's short-term cash flow needs and obtaining interim financing for the early months of 2013. Efforts to secure a TRAN for 2013 continue though they've not been successful to date. A short-term transfer from the utility funds was approved by Council last night and will be used to bridge the City's cash flow needs through March when the City's real estate revenues flow into the City coffers.
- The City is expediting the real estate billing process so that the receipt of those funds is received as early as possible in the new year. The Receiver's office assisted the Administration with various 2013 budget preparation duties and testified at Council's Budget hearing in December. That was followed by Council's action to pass the 2013 budget on December 18<sup>th</sup>.
- The Receiver's office has also worked with the City in dealing with the recent sinkhole situation to address creditor related issues so that work could continue without interruption in restoring utility services and repairing the damage caused by the sinkhole.

#### **Asset Monetization**

- Negotiations with the Lancaster County Solid Waste Management Authority (LCSWMA) on the sale of the RRF continue. Discussions have also continued with Department of General Services (DGS) on the service purchase agreement which is a key component of the LCSWMA proposal. As of early this year, the power purchase agreement has been finalized and we're now moving that purchase agreement through DGS's contract process. That should allow us to finalize the terms for the LCSWMA sale and move towards a closing later this quarter.
- The Receiver's office has also continued negotiations with Harrisburg First, the selected party for the parking monetization. Discussions continue with DGS to address the Commonwealth's parking needs as part of a multi-year agreement that

will be folded into the parking monetization. We also talked with the Pennsylvania Economic Development Finance Authority (PEDFA) to serve as the financing vehicle for the parking monetization. Understanding that it is a tax-exempt process. PEDFA has agreed to do that and discussions with Capital Regional Economic Development Corporation (CREDC) to serve as the applicant as a development corporation needs to be the applicant. We're hopeful that this monetization will also move towards a closing late in the first quarter of this year.

- The water and sewer monetization efforts continue on a separate track. We had ongoing discussions with the surrounding municipalities to maintain communications in terms of what is happening in addressing the City's financial situation. Dialog has continued with the Department of Justice, EPA and DEP to further discuss an approach that will result in regaining market access to finance the upgrade to the sewage treatment plant/waste water treatment plant and to address the Clean Water Act requirements.
- Discussions have continued with AGM and Dauphin County to keep them apprised of the asset monetization processes as well as what is happening on the operational front. We're looking towards another meeting with those creditors later in January.

Mr. Lynch asked Mr. Mendez-Saldivia, Chief Operations Officer and Chief of Staff, to provide an update on the Act 47 implementation for the City of Harrisburg.

- Mr. Mendez-Saldivia noted the City has complied with the financial recovery plan requirements completing the implementation of 25 initiatives last year or approximately 33% in the following areas:

#### WORKFORCE & COLLECTIVE BARGAINING

1. WF02 Used professional assistance for labor negotiations

#### RETIREMENT

2. RET02 Froze benefit levels for all plans
3. RET05 Prevented implementation of 2007 enhanced service increments
4. RET06 Aggressively defended 2009 enhanced service increments
5. RET09 Amended Non-Uniformed collective bargaining agreement

#### DEPARTMENT OF ADMINISTRATION

6. ADMIN03 Implemented a standard budget development calendar
7. ADMIN05 Conducted comprehensive review of City purchasing policies
8. ADMIN06 Modified existing chart of accounts to track State and Federal grants
9. ADMIN07 Hired COO
10. ADMIN09 Hired a Senior Accountant

#### POLICE DEPARTMENT

11. POL04 Implemented a proactive crime analysis and crime reduction strategy
12. POL05 Increased complement of VICE Unit
13. POL10 Replaced electronic parking ticketing devices
14. POL14 Evaluated consolidation of Specialized Units
15. POL15 Enhanced leave supervision

#### FIRE DEPARTMENT

16. FIRE09 Established formal in-house training program
17. FIRE10 Partnered with HACC Public Safety Center regarding training

#### PUBLIC WORKS

18. PW03 Increased recycling efforts through education, accessibility, and enforcement

#### BUILDING HOUSING & DEVELOPMENT

19. BH03 Contracted for demolition of blighted structures
20. BH05 Adopted legislation requiring local agent for rental properties within the City

#### HOUSING

21. HS01 Designated a Housing Coordinator

#### ECONOMIC DEVELOPMENT

22. ED04 Improved management of the City's MOED Loan Portfolio

#### REVENUE

23. REV01 Increase (EIT)
24. REV02 Increased Real Estate Tax rate
25. REV10 Improved Taxpayer Information

- Currently the Administration is working with the Novak Consulting Group on the following initiatives:
  1. RET03 Consolidation of the Administration of the City's three retirement plans
  2. I&RM03 Engaging an actuarial firm to perform an independent and objective evaluation of the City's liability and projected payments
  3. ADMIN02 Developing comprehensive Citywide financial policies
  4. ADMIN04 Establishing Standard Position Control System
  5. POL01 Restructuring Patrol Duty Schedule
  6. POL06 Assigning representative to the District Attorney's Office
  7. POL07 Participating in Dauphin County Forensic Team
  8. FIRE08 Mandating formal Safety Committee review of work-related injuries
  9. PW01 Implementing container based collection system for residential solid waste and recycling
  10. PW02 Enforcing City's right to commercial collection and contract with private collector
  11. PW04 Aggressively managing our fleet make-up and quantity
- We are accomplishing our objective with our 2011 audit which is to have the TEG, Maher Duessel and the Administration working concurrently. The Treasurer's Office has provided all but one item as of last night.
- The Department of Building and Housing Development (DBHD) has been supplying a significant amount of information to TEG in regards to the grant deliverables.

- Our goal is to complete all 2011 audit preparation activities which will include providing an adjusted general ledger trial balance and send all work paper files to the Auditors on or before January 31<sup>st</sup>.
- Maher Duessel came in with three staff auditors and worked from last Wednesday through yesterday to get a head start on things and began work on the 2011 single audit, SEFA Report (Schedule of Expenditure of Federal Awards) since this was the segment of the 2010 audit that gave us the most difficulty.
- DBHD, Human Resources and our Grants sections have provided large amounts of information to the auditors over the last week.
- We are trying to exercise foresight by planning the work with the Fire Department and PA Urban Search & Rescue personnel who helped us gather and reconcile deployment information for the PA Task Force I Grant expenditures for the 2010 audit
- The Administration continues to work hard in providing information and coordination efforts with the auditors, TEG and the different department and bureaus to allow the process to move forward.
- The auditors have provided the following proposed schedule for the completion of the 2011 audit which infers they are coming back to the City to continue audit field work the first week of April, with 2011 audit issuance by May 17<sup>th</sup>.
- Based on audit preparation information provided by the City by January 31<sup>st</sup> and the Harrisburg Parking Authority's willingness to help the City by moving their audit field work back, the auditors are concerned that the timing will be extremely tight. They feel they can provide the City with a final draft report by April 22, 2013. This is based on the City providing the following:
  - Confirmations, related party spreadsheet, component unit checklists, and internal control narratives (all reviewed and updated) by January 28, 2013 (all was provided via email on Monday).
  - All other items requested on the 2011 audit checklist by January 31, 2013.
  - Analytic explanations by March 4, 2013 (our target is to provide this on February 4, 2013).
  - All single audit requested items by February 4, 2013
  - Should anything delay the provision of these items, the final drafts would be moved back to June 30<sup>th</sup>.
- The following proposed schedule assumes that the auditors will have everything that they need in order to issue the final drafts by April 22 including:
  - Attorney letters sent on April 6, 2013,
  - Final drafts provided from Maher Duessel to the City on April 22, 2013 and
  - Attorney letters due back on May 6, 2013.

- By May 8, 2013 the City will need to provide the following:
  - Management's discussion and analysis,
  - Introductory section,
  - Statistical section,
  - Mayor's foreword,
  - Responses to any single audit findings and
  - Responses to any management letter comments (optional).
- The City also has the following deadlines:
  - Final changes to any of the draft documents by May 10, 2013,
  - Corrective action plan by May 17, 2013,
  - Signed representation letter by May 17, 2013,
  - Issuance by May 17, 2013 and
  - Public issuance by May 22, 2013.
- This is an extremely aggressive time frame based on your request to have the 2011 audit done. With your support I believe we can achieve this goal.
- Maher Duessel got started on the \$247,500 EIP-Phase II Grant audit today. They have informed us that additional information will need to be provided.
- The payroll and check-run for January 3<sup>rd</sup> were funded and processed. The full 2013 Sewer Fund administrative service charge payment advance was wired to the General Fund on January 3<sup>rd</sup>. This will allow most of the General Fund's January 17<sup>th</sup> payroll to be covered.
- City Council passed a Resolution at last night's Legislative Session allowing a short-term \$4M Inter-fund Tax and Revenue Anticipation Loan from the Sewer and Water Funds to supplement the General Fund payrolls, health benefits and critical operations from mid-January till mid-March when our real estate taxes start coming in. The \$4M loan would need to be paid back in two \$2M installments plus 0.5% interest on or before March 20<sup>th</sup> and June 20<sup>th</sup>, respectively.
- The City continues to prioritize payments and manage relationship with our vendors. Training for our new hires in the Finance Bureau also continues.
- We are meeting our reporting and compliance obligations including:
  - Material event notices,
  - Annual statements of taxes levied (PA DCED) due on January 15<sup>th</sup>,
  - Annual surveys of financial condition (PA DCED) due on March 15<sup>th</sup>,
  - Pension reporting obligations (various Act 205 reports),
  - Public utilities (realty report due April 5<sup>th</sup>),
  - Certification renewals (workers compensation which was due on January 1<sup>st</sup>) and
  - Insurance renewals.
- We also engage our labor unions in negotiation meetings and our Administration continues to make progress in the following:
  - Implementation of the Act 47 initiatives,

- Completion of the 2011 and other audits and
- Stabilization of the City's financial management operations & reporting obligations.

Mr. Lynch complemented Mr. Mendez-Saldivia and the Finance Bureau on the 2010 audit being completed on the schedule that was set up. It's a significant accomplishment and I encourage your continued work with the Finance Bureau on the 2011 audit. I will reiterate how important that is to everyone here because it gives the City access to financial opportunities that are otherwise unavailable without the audit. You are doing good work and we thank you and appreciate it.

Mr. Mendez-Saldivia noted the City is cross-training a team and building their capacity to complete these audits in-house and on time. We are creating a new culture leading by deadlines, identifying our priorities, meeting our goals and measuring our performance. It will take some time. It took TEG a great deal of hours with 10 professional trained auditors.

Mr. Lynch noted its these small victories that are important. He also reminded everyone that part of the initiative here is to have the City's finance people working with the outside auditors in preparation for the audit so in the future the City can do it without bringing people in.

Mr. Lynch complimented DPW and the Mayor and her team on handling the sinkhole issues. Positive feedback has been received. When you're without water for a short period of time it becomes difficult especially if you are the small number of people who are affected. For you it is hard so I complement everyone involved in this emergency. DPW and the rest of City personnel performed well in this emergency. Communicating the status of the emergency was particularly important and well done.

### **Public Comments**

Bill Cluck, resident of Harrisburg

- Mr. Cluck noted he heard Mr. Reddig say that the Receiver said current raises for the three bargaining units for this current year were not implemented. Did I hear that correctly?
  - Mr. Lynch noted Mr. Cluck heard it correctly.
- Mr. Cluck noted even though the contract called for a rate increase the Receiver has made that determination. They have been notified but have they responded?
  - Mayor Thompson noted the FOP responded and they are filing their objections to it. We have not heard from AFSCME or the Firefighters.
- With respect to non-union City employees, are there any salary increases for this year?
  - Mayor Thompson responded, no. This Administration has reduced personnel by 20% and its operational cost by 10%. In doing so we haven't given any managers pay raises. What we did in the Finance department in 2012 was to decrease a particular position's salary and increase another person's salary so it had a neutral impact.
- Mr. Cluck noted Mr. Mendez-Saldivia had mentioned an EIP-Phase II Audit. What is EIP?
  - Mr. Mendez-Saldivia responded it is the Early Intervention Program.

- Mr. Reddig noted the Early Intervention Program was the grant that preceded Act 47.
- Mr. Cluck said he heard the revenues for 2012 were approximately \$47M as of December which Mr. Reddig noted included the preliminary numbers. Mr. Cluck asked how those numbers are projected as he recalls it used to be \$66M to \$67M.
  - Mayor Thompson noted those were the years when it was inflated projections.
  - Mr. Reddig noted in those years there were sizable water and sewer transfers which have now been eliminated.
- Who is the Housing Coordinator?
  - Mayor Thompson replied its in-house and shared responsibility among the Deputy Director in Housing.
- Does the City have a contract with someone to take the recyclables that are collected and do we make money or lose money on the transfer of recyclables?
  - Mayor Thompson noted over the years we've known that there's never been an aggressive recycling campaign throughout the entire City. Most of the businesses, particularly the school district and some of the hospitals and hotels are not really aggressive in separating. We have started a campaign and there's more to come with the hope of engaging the entire community in getting more people to become more responsible. With limited effort then certainly we haven't gained the type of revenue the City can potentially gain. The recycling system was built based on the incinerator. The county received the grant money and is the party that manages the recycling system. Going forward let's hope we can get everyone to be more participatory and gain revenue from it.
- We give our recyclables to the county? We don't have a separate contract with another company where either they pay us for our recyclables or we pay them?
  - Mayor Thompson replied she would need to get back to Mr. Cluck with an answer to his question about recyclables.
- Mr. Cluck congratulated everyone on the hard work on getting out the 2010 audit but emphasized that the 2011 audit was due last June. We need to keep this in perspective and it's critical that these deadlines are met. As you know it's not just the City that can't go to market to get financing, The Harrisburg Authority can't go to market. The 2012 audit is due this June so we're playing big time catch up ball and it needs to continue to be a priority.
  - Mr. Lynch responded it is a priority and pointed out that 6 months ago the 2009 audit had not been completed. We've made some significant progress. I understand precisely what you're saying and I agree and will continue to make it a priority. That's why I took time to comment on it earlier today.
  - Mr. Mendez-Saldivia noted the City now has the most aggressive realistic schedule that the City can have. We are hopeful to complete our goals and continue our successful system with all the contributions from all the parties involved.



Nad Smith, resident of Harrisburg

- Mr. Smith noted some of the technical language is hard for the common person to understand. In regards to the asset monetizations, General Lynch, if you could briefly summarize what that means to the City. What assets are being sold, to whom and what that means to the City? What revenue had been generated by that asset and how will that be replaced?
- Mr. Lynch responded, monetization is a lawyer's word. It means assigning a value to an asset which can either be sold or leased or somehow have that value realized in a meaningful way. The assets we talk about are the incinerator, parking assets and the water and sewer assets. The incinerator has always received the most attention. The truth is the incinerators' value is dependent on how much you can get someone to pay you for it. As it sits there, the physical client doesn't appear to be worth much yet there's some \$340M in debt that's associated with that facility. Part of our effort has been to raise the value of that asset so that someone would find it valuable enough to purchase. That's what Mr. Reddig's discussion of the Power Purchase Agreement and the financing through tax-free avenues of financing all go to increase that value. The incinerator burns trash and creates electricity so purchasing that electricity by the Commonwealth will have been a tedious process. We are very close to an agreement now with the Commonwealth, who will purchase the power that's produced by the incinerator over a long term. When the company that purchases the incinerator can go to market for financing with a government contract that makes them a much more attractive borrower because they have a predicable income stream. It also gives them the opportunity for financing that can be tax-free. That means they don't have to pay debt service because they have more money upfront for the facility. Once we get through that we're a long way from \$340M so now we talk about the parking assets. Now we believe we have crafted a unique public private partnership and the parking assets will be leased to a conglomerate financial and operational group. Standard Parking is the largest parking operator in the country and an asset management group that will manage the assets. For some period of years, the City will achieve more income through the various ramifications of this transaction than the City does now the way the parking is currently constituted and operated. Even without the incinerator debt we believe this would be a prudent move for the City under any circumstances. Those two are ongoing. Water and sewer has evolved to where we are looking at what is the best solution is a reconstituted authority that is focused on the water and sewer business rather than some of the things the authority has done in the past and has some opportunities for suburban sewer and water customers to be part of that process. That brings communities that surround us into a position where we can borrow through them because they all have better credit ratings than the City. They can contribute to the EPA mandated restructuring of the sewage treatment plant. Part of this recent sinkhole business makes it clear that the only way to operate for the City of Harrisburg is to anticipate problems like that and have some money set aside for that but more importantly to have a maintenance program whereby maintain is not fixed to some immediate problem but problems are anticipated and don't occur because you've taken care of it in the first place.
- In regards to the incinerator's debt and it's over-value. How did that come about and how did we get to that place?

- Mr. Lynch responded that it's a very long story and that the forensic audit would take you through the information. The forensic audit is also posted the Receiver's website or we can get you a copy.
- It would seem to me that we would want to uncover the fraud and corruption that occurred so that the problem and value would be assessed and those that committed the inflation of the incinerator would be corrected so the City isn't on the line for paying that inflated price. I heard there are millions of dollars of fees that was tacked on from the companies that are involved. Why should it be assisted to the value of the debt? That needs to be corrected so the citizens don't have to pay for that fraudulent amount of money.
- Mr. Lynch noted this is a philosophical debate that could go on for a very long time. Who is responsible vs. who is here now and has the task of fixing it. No matter how you got here we're here and there's a lot of people that say it's up to us and it is up to us to fix this for ourselves. Whether there are bad guys involved that should be prosecuted there are a whole lot of options on that and what we need to do is to get on with business and fix thing. We're beginning that process and we're actually in pretty good shape. You heard somebody say by the end of the first quarter we should probably have the incinerator and parking just about concluded.
- We shouldn't reward corruption or fraud. We shouldn't be paying money out to guys that perpetrated these kinds of things. They should be held accountable and the companies that ran up these fees and such shouldn't be given any type of compensation for what they did.
- Mr. Lynch responded that no one would disagree with you. I will tell you that none of that is anticipated as far as we can see.

Mayor Thompson responded to a question Mr. Cluck had from our last meeting on the Other Post Employee Benefits (OPEB) whether it was going to go up.

- Mayor Thompson noted the average payouts have been between 3.1, 3.2, 3.6 and that it varies. The highest year will be 2012 because we delayed hiring particular ranking positions in the police department. That has been all put back into the 2013 budget so the OPEB will go up and the new hires. Whenever we have new hires and fill those positions that when it fluctuates up. After 2013, you will see it stabilize again to 3.6, 3.8, 3.2 levels.

Mayor Thompson responded to a question Mr. Cluck had from our last meeting on the Securities and Exchange Commission (SEC) matters.

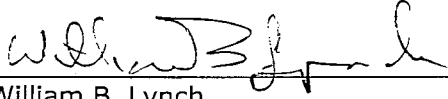
- Mayor Thompson noted the City has had our policies completed. A Mayoral Executive Order has been executed and posted on different websites. A call was received from our attorney to take down the posting until the SEC Commissioners sign off on it. A Settlement Agreement was signed and should be made public in several months to a year.

Mayor Thompson responded to a question Mr. Cluck had from our last meeting on the Economic Development position.

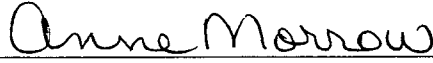
- Mayor Thompson noted the City received our clearance from HUD and will now be positing the Economic Development position.

Mr. Lynch asked if there were any other comments. There were no other comments.  
Mr. Lynch called this meeting adjourned at 9:20 a.m.

Approved this 9<sup>th</sup> day of January 2013.



William B. Lynch  
Receiver for the City of Harrisburg



Secretary – Anne Morrow

**MINUTES**  
**MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE**  
**FOR THE CITY OF HARRISBURG**  
**January 23, 2013**  
**8:30 a.m.**  
**Council Chambers**

**Present:** William B. Lynch, Receiver

Mayor Linda Thompson

Wanda Williams, City Council President

Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners

Anne Morrow (Recording Secretary)

**Reports**

Mr. Lynch called the Municipal Financial Recovery Advisory Committee meeting to order at 8:36 a.m.

Mr. Lynch asked the Committee members if there were any corrections or addendums to the minutes from the January 9, 2013 Committee meeting.

Hearing none, Mr. Lynch said the minutes stand approved and would be posted to the Receiver's website.

Mr. Lynch advised Mr. Reddig was unable to attend the meeting today due to the passing of his mother. Mr. Lynch provided an update on the implementation of the confirmed Recovery Plan.

**Operational Issues**

- The Office of the Receiver has continued to work with the City on a variety of operational and financial issues over the last month. The quarterly update on the status of the initiatives has been completed and was filed with both the City and Commonwealth Court on December 21, 2012. It has also been posted to the Receiver's website for public review.
- Three new positions have been approved or advanced since the last meeting. Two VICE positions in the Police department and one position in the Water department.
- Trout, Ebersole & Groff, LLP (TEG) team continues their work in preparing for the 2011 audit and it's anticipated their work will be completed soon so Maher Duessel can move forward with the 2011 audit. Our goal is to get the City fully caught up with all of the audits including the 2012 audit by later this year.
- A review of the City's fleet operations continues. The results of this analysis will be recommendations on the elimination of excess equipment as well as consolidation and efficiency in operations and should result in direct and indirect savings to the City on such things as insurance coverage.
- The Novak team has been working with the City to develop a position control system that will be integrated into the budget process and will provide better control over positions, vacancies and recruitment efforts.

- The development of an RFP for sanitation service is complete. Input has been received from the City's DPW Director, The Harrisburg Authority and Lancaster County Solid Waste Municipal Authority (LCSWMA). That input has been incorporated into the RFP. We anticipate that it will be out later this month. The goal is to effect further cost containment in City operations.
- Negotiations continue with all three bargaining units in the City.

### **Cash Flow**

- We continue to monitor expenditures including the review of payables on a biweekly basis. The City was able to make it through the end of the year in meeting all of their payroll requirements and critical vendor payment issues. The Receiver's office reviewed the January 17<sup>th</sup> check-run and provided a response to proceed. The run totaled \$895,000 with the largest payments to various insurances including Highmark of \$254,242 and Express Scripts of \$182,794. The insurance payments totaled approximately 60% of the total check-run.
- The City is currently holding approximately \$5M in payables with the largest payment being for various employee insurance coverages. Approximately \$1.1M is greater than 30 days and involves insurance coverage as well as payments to Capital Area Transit and various legal fees.
- The City had sufficient cash to meet payroll and critical creditor payments through December. Efforts over the last several weeks have focused on the City's short-term cash flow needs and obtaining interim financing for the early months of 2013. Efforts to secure a Tax Revenue Anticipation Note (TRAN) for 2013 continue though they've not been successful to date. A short-term transfer from the utility funds was approved by Council and will be used to bridge the City's cash flow needs through March when the City's real estate revenues flow into the City coffers.
- The City is expediting the real estate billing process so that the receipt of those funds is received as early as possible in the year.
- We also worked with the City in dealing with the recent sinkhole situation to address creditor related issues so that work could continue without interruption in restoring utility services and repairing the damage caused by the sinkhole.

### **Asset Monetization**

- Negotiations with the Lancaster County Solid Waste Management Authority (LCSWMA) on the sale of the RRF continue. Discussions have also continued with Department of General Services (DGS) on the service purchase agreement which is a key component of the LCSWMA proposal. Recently, the power purchase agreement has been finalized and we're now moving that purchase agreement through DGS's contract process. That should allow us to finalize the terms for the LCSWMA sale and move towards a closing later this first quarter.
- The Receiver's office has also continued negotiations with Harrisburg First, the selected party for the parking monetization. Discussions continue with DGS to address the Commonwealth's parking needs as part of a multi-year agreement that will be folded

into the parking monetization. We also talked with the Pennsylvania Economic Development Finance Authority (PEDFA) to serve as the financing vehicle for the parking monetization. Understanding that it is a tax-exempt process. PEDFA has agreed to do that and discussions with Capital Regional Economic Development Corporation (CREDC) to serve as the applicant as a development corporation needs to be the applicant. We're hopeful that this monetization will also move towards a closing late in the first quarter of this year.

- The water and sewer monetization efforts continue on a separate track. We had ongoing discussions with the surrounding municipalities to maintain communications in terms of what is happening in addressing the City's financial situation. Dialog has continued with the Department of Justice, EPA and DEP to further discuss an approach that will result in regaining market access to finance the upgrade to the sewage treatment plant/waste water treatment plant and to address the Clean Water Act requirements.
- Discussions have continued with AGM and Dauphin County to keep them apprised of the asset monetization processes as well as what is happening on the operational front. We're looking towards another meeting with those creditors early in February.

Mr. Lynch asked Mr. Mendez-Saldivia, Chief Operations Officer and Chief of Staff, to provide an update on the Act 47 implementation for the City of Harrisburg.

- We met individually with the Act 47 implementation teams including Financial Management, Human Resources, Operations and Revenue, Public Works, Fire Bureau, Police Bureau, City Engineer and Law Bureau.
- The City continues to make progress in the implementation of the financial Recovery Plan and completed 5 more initiatives in the areas of Information Technology, Police and Retirement. Since December, we have completed 30 initiatives to date in the areas of:
  - Workforce & Collective Bargaining
  - Retirement
  - Department of Administration
  - Police Department
  - Fire Department
  - Public Works
  - Building Housing & Development
  - Housing
  - Economic Development
  - Revenue
- Last week, we held several meetings with the Novak Consulting Group and the implementation teams and continue to accomplish our goals in the completion of eleven additional initiatives in the areas of Retirement, Insurance & Risk Management, Administration, Police, Fire and Public Works.

## **Audits**

- We are working towards accomplishing our objectives by:
  - Providing all records and completing the 2011 audit preparatory work by Trout, Ebersole & Groff, LLP (TEG), our accounting firm, by January 31<sup>st</sup>.
  - Providing all of the information requested by our auditors regarding the Single Audit by January 31<sup>st</sup>.
- TEG completed the 2011 audit preparation field work on January 21<sup>st</sup>. There are adjusting journal entries to be posted and a general ledger trial balance to be run today.
- Maher Duessel, our auditors, is scheduled to return on February 1<sup>st</sup> for the 2011 audit field work.
- Our goal is to complete the 2011 audit preparation activities, including providing an adjusted general ledger trial balance and send all the work paper files to the auditors on or before January 31<sup>st</sup> in order to remain on schedule and meet the public issuance target date of May 22, 2013. This is an extremely aggressive time frame.

## **Cash Flow**

- January payrolls will all be funded for January 3<sup>rd</sup>, 17<sup>th</sup>, and 31<sup>st</sup>. City Council approved an inter-fund loan of up to \$4M from the sanitation and sewer utility funds. This loan may be drawn in part to meet health benefits and critical vendor payments on January 31<sup>st</sup>.
- We continue to prioritize payments and manage our relationships with our vendors.
- We are meeting our reporting obligations and compliance with the following:
  - Material event notices,
  - Annual statements of taxes levied; filed preliminary report in December 2012 for the new earned income tax rate and filed again in early January 2013,
  - Annual surveys of financial condition, due March 2013,
  - Pension reporting obligations, 205 Act Reports, due September 2013,
  - Public utilities Realty Report, due April 1, 2013,
  - Certification renewals for Workers' Compensation have been renewed and
  - Insurance renewals obligations.

## **Committee Comments**

Mr. Lynch asked the committee for any comments.

City Council President Williams extended her condolences to Mr. Reddig on the passing of a loved one. Council President Williams noted City Council had a legislative session last night. One of our residents inquired about the Map Program from the Department of Economic Development, a municipal assistance program.

- Mr. Lynch acknowledged he would get information to Council President Williams on the Map Program.

Council President Williams asked Mr. Lynch for more information regarding this program. She also asked if the City received the \$757,000 from The Harrisburg Authority.

- Mr. Lynch and Mayor Thompson both responded that the money had come in around the middle of the month.

Mr. Lighty noted everyone from the county would like to extend their condolences to Mr. Reddig.

Mayor Thompson extended her heartfelt condolences to Mr. Reddig and noted staff has been notified.

### **Public Comments**

Bill Cluck, resident of Harrisburg

- Mr. Cluck extended his condolences to Mr. Reddig and offered his best wishes to the Mayor for her father's recovery from surgery yesterday and extended his good wishes to our City spokesperson with his future endeavors.
- Mr. Cluck inquired on the status of potential tax liens? There was news coverage that the Receiver was considering entering into a transaction with respect to the City's tax liens. Has that happened or is it happening. Is there any status to report?
  - Mr. Lynch noted nothing is happening with the tax liens. It was one of those things we were considering but we didn't get a universal agreement on as a course of action so we haven't pursued it.
- Mr. Cluck noted last night Dauphin County Gaming Advisory Committee issued their recommendations for the County Commissioners who will be considering the list soon. The City's request of \$409,000 for new police vehicles was on their list of recommendations. Mr. Cluck congratulated the City and thanked the County conditionally.
- Mr. Cluck inquired if there was any update on the pay freeze of the three bargaining units? When last we met you announced a pay freeze and informed us that the Police union filed objections. Has there been further action by any of the other two bargaining units or activity on the police objection?
  - Mr. Lynch noted he was not aware of any.
- Mr. Cluck noted there's continued ongoing legal litigation regarding the sale of artifacts between the Mayor and the Controller. He said the issue is basically who has to sign a document and also noted that this situation is complicated. Mr. Cluck noted Mayor Thompson won round-one. The Controller is now up at Commonwealth Court. In the meantime, the artifacts continue to sit and gather dust. We also understand there is also a contract pending for revenue discovery enhancement and audit services to assist the City in collecting revenue from businesses for the Business Privilege and Marcellus Tax and the Amusement and Parking Tax which also hasn't been signed for months. This is something where we would invest money for someone to enforce our tax collection laws. I think revenue enhancements should be our number one priority. The easiest solution is that City Council approves the contract but I understand legally the

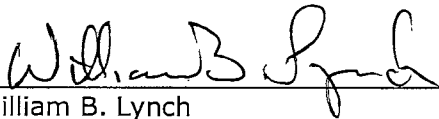


Mayor probably has a position not to set that precedent. Can the Receiver get involved to mediate and get these sides to some resolution because that's not the only contract? We have the artifacts on auction and the constable services. Has that been resolved or is that also pending? This is significant revenue and unfortunately the court system is not going to resolve this in a short-term. I'd hate for it to be resolved in an election. The citizens deserve better and I would hope the Receiver, with your ultimate power, can step in and get this iced together.

Mr. Lynch asked if there were any other comments. There were no other comments.

Mr. Lynch called this meeting adjourned at 8:51 a.m.

Approved this 23<sup>rd</sup> day of January 2013.



William B. Lynch  
Receiver for the City of Harrisburg



Secretary – Anne Morrow

**MINUTES**  
**MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE**  
**FOR THE CITY OF HARRISBURG**  
**February 13, 2013**  
**8:30 a.m.**  
**Council Chambers**

**Present:** William B. Lynch, Receiver

Mayor Linda Thompson

Wanda Williams, City Council President

Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners

Anne Morrow (Recording Secretary)

**Reports**

Mr. Lynch called the Municipal Financial Recovery Advisory Committee meeting to order at 8:35 a.m.

Mr. Lynch asked the Committee members if there were any corrections or addendums to the minutes from the January 23, 2013 Committee meeting.

Hearing none, Mr. Lynch said the minutes stand approved and would be posted to the Receiver's website.

Mr. Lynch asked Mr. Reddig to provide an update on the implementation of the confirmed Recovery Plan.

**Operational Issues**

- Mr. Reddig noted the Office of the Receiver continues to work with the City on a variety of issues over the last month. There was a conference call Status Report provided to Commonwealth Court yesterday to keep the court apprised of what's been happening. We've been holding these periodically between the formal written reports that are provided to the Court on a quarterly basis.
- Several new positions have been advanced for review by the City since the last meeting and the Receiver's office has given approval to internally post the Maintenance Specialist IV position, a Service Person I position, both in the Water Department, and a Labor II position in the Department of Public Works.
- With the pending monetization of the parking assets, we are working with the City and Harrisburg Parking Authority (HPA) to consider qualified personnel from HPA to fill certain City vacancies as they come up after the City goes through their internal posting requirements.
- We reviewed and approved a request from the City to promote two positions within the Police Department, a Sergeant and a Corporal, to fill vacancies that were created due to retirements in the Police Department.

- Trout, Ebersole and Groff, LLP (TBG) completed the preparation work for the 2011 audit and provided their information to the City's auditor on January 30<sup>th</sup>, slightly ahead of their schedule. Maher Duessel now has this information and has begun work on the 2011 audit. In January they provided the City with a list of deliverables with timelines associated with them and the City has been following through in gathering the information to be provided to Maher Duessel. Although CPA firms are quite busy this time of year, Maher Duessel has committed to working closely with the City to complete the 2011 audit and deliver it by May 22<sup>nd</sup>.
- A review of the City's fleet operation has been completed by the Novak team and is currently being reviewed by the Office of the Receiver. The results of this analysis will include recommendations on the elimination of excess equipment as well as the consolidation and achieving greater efficiency in City operations especially from a fleet management perspective. The City should derive direct and indirect savings from this effort through lower insurance costs and lower maintenance costs.
- The development of an RFP for sanitation service is complete. It's received input from a number of sources, including City's DPW Director, The Harrisburg Authority and Lancaster County Solid Waste Management Authority (LCSWMA). The issuance of the RFP has been slowed due to the absence of City's Purchasing Director. We've recently been working with the City's Finance Director to move the RFP to a point where it can be issued. We have received considerable interest from various firms on the RFP and as we move that process forward we have a goal of effecting further cost containment within City operations.
- Negotiations by the Receiver's office and the City have continued with the Fraternal Order of Police, the International Association of Fire Fighters and the AFSCME bargaining units. The Receiver is working hard to achieve new collective bargaining contracts with each of those bargaining units that will likewise effect cost containment as provided for in the confirmed-Plan.

### **Cash Flow**

- The Receiver's office continues to monitor the City's expenditures including the review of payables on a bi-weekly basis. We reviewed the February 14<sup>th</sup> check-run last week and provided a response last Friday. The check-run totaled almost \$978,000 with the largest expenses, again being paid to the City's Treasurer's office for various insurances which represented 68½% of the total run. Included were payments to Highmark through mid-November, Express Scripts for prescription and dental insurance, as well as Worker's Compensation coverage through the end of the year. The above payments for insurances and related issues totaled almost 80% of the check-run. There were also significant payments to PPL for electricity of \$22,000 and to the Human Society, likewise, for \$22,000. The remaining payments were relatively modest in nature and were well within the parameters established by the City and the Receiver's office.
- The City is currently holding invoices totaling approximately \$4.8M with the largest amount being for various insurance coverage's. Of these just slightly over \$4M are greater than 30 days old and some of the payments are over 120 days overdue.

- Significant payments on hold include insurances as well as payments to Capital Area Transit and for various legal and other professional services totaled collectively about \$270,000. The City owes just over a \$1M to its Pension Fund from the distribution of the 2012 State Aid. We're working with the City to try to prioritize some of those payables as we move forward recognizing the City's cash flow position will gradually improve as we move through the balance of February and March. We're hoping to pay down those payables over the next 30-60 days.
- The Receiver's office has also advised the City to continue communication with Highmark and the other insurance and medical providers to keep them apprised of the City's cash flow position so as to avert any disruption of service. We've also reviewed the preliminary expenditure numbers for the rest of January. The City has received \$4.3M in revenue which included approximately \$2.4M in transfers from the utility funds for administrative fees for 2013 as well as a \$625,000 payment from Harrisburg Parking Authority.
- Based on this review, the City ended the month on a cash balance of about \$2.12M. To date the City has not had to transfer any of the Sewer Funds that were authorized by Council last month to be used for short-term cash flow needs. When we reviewed last week's check-run, the City also provided us with cash flow information. With an estimated payroll of approximately \$1.1M this week along with the \$978,000 in payables the City should end this Friday with a cash balance of about \$176,000. With real estate bills that were mailed in mid-January helping the City's cash flow, we project the City will be able to meet expenditures for the next several months and begin to pay down some of the long outstanding payables.

### **Asset Monetization**

- Negotiations with the Lancaster County Solid Waste Management Authority (LCSWMA) also continue. We've had good success in working with the Department of General Services (DGS) on the Power Purchase Agreement. The basic terms of that agreement have been put into place and it's moving through a contract stage as we speak. The term sheet has been prepared and it's being reviewed by the various parties. The Power Purchase Agreement is folded into that term sheet.
- The Receiver's office has also continued negotiations with Harrisburg First on the parking monetization. We've likewise have had further discussions with DGS to consolidate the Commonwealth's parking needs and to negotiate a multiyear agreement. This multiyear agreement is in the final stages of being developed and likewise will be folded into the parking monetization. The engineering review of the parking facilities has recently been completed and though we don't have a final report yet in discussions with the engineering firm there was nothing that reflected any material issue that would have an adverse impact on the parking monetization. We've also continued dialog with the Pennsylvania Economic Development Financing Authority. They are going to serve as the financing vehicle for the parking monetization, as it is a tax-exempt model and we're working with them to initiate the application process.
- Discussions continue with the surrounding municipalities on the water and sewer initiative and the development of an operational model that would address compliance with the Clean Water Act and the Chesapeake Bay initiatives. Dialog continues with the Department of Justice and the EPA both at the federal level as well as with DEP at the

state level to further discuss an approach to regaining market access and in addressing the Clean Water Act requirements.

- We've also continued discussions with Assured Guaranty Corporation (AGM) and Dauphin County as well as AMBAC to keep all of those major creditors apprised of the asset monetization processes as they continue to move forward and we work toward a consensual resolution to the City's fiscal situation.

Mr. Lynch asked Mr. Mendez-Saldivia, Chief Operations Officer and Chief of Staff, to provide an update on the Act 47 implementation for the City of Harrisburg.

- Mr. Mendez-Saldivia noted the City continues to make progress on the implementation of the Financial Recovery Plan. Within the past two weeks, we have met with the implementation teams including Operations & Revenue, IT, Budget Office, Financial Management, Public Works, DBHD, Law Bureau and Police. We are also scheduled to meet with the Fire Bureau today.
- Our recent accomplishments with the initiatives are:
  - REV05: Increase business license fees; improve compliance with Business Privilege and Mercantile Tax: The Business Privilege license fee is currently in line with the Maximus fee study results. The contract with Muniservices to help improve compliance with the business privilege tax was signed by the Controller's office on February 8<sup>th</sup>.
  - REV06: Increase enforcement of the Local Services Tax (LST): Information was sent to the Law Bureau for an ordinance to be drafted to reflect an increase in interest and penalty for the LST. This request also included information on a 60 day amnesty period as the plan calls for for the LST.
  - REV09: Increase Interest & Penalty Provisions where Permitted: Bill 21-2012 was passed by City Council on January 22, 2013 increasing the penalty and interest provisions of the Business Privilege and Mercantile tax.
  - P103: Develop a Performance Management System: The draft performance evaluation tool for managers and supervisors has been approved by the Novak Consulting Group. The evaluation tool will be introduced to senior staff and managers at the Leadership Institute in March. The anticipated implementation date is June 2013.
  - WF03: Establish a Labor/Management Committee for all employee groups: The draft template for Labor Management Committee meetings has been submitted for review and approval to management and the President of AFSCME, IAFF and FOP unions. All parties have reviewed the draft document and the final version will be submitted for official adoption at each union's Labor Management Committee meetings once it is approved by the Receiver's office.
  - WF06: Implement a Three Year Wage and Step Freeze: The Office of the Receiver has directed the City not to implement the 2013 wage increases contained in the contract extensions with AFSCME, FOP and IAFF bargaining units. The annual step

increases and longevity increases based on years of service for 2013 will be issued based on the 2012 pay scales. Grievances were filed by the AFSCME, FOP and IAFF bargaining units.

- WF07: Implement a new pay scale for new police officers: The seven (7) new Police Officers who were hired on January 14, 2013, are being paid at the starting rate for a Police Officer Trainee.
- I&RM04: Revise collective bargaining agreements to allow for flexible Light Duty Program: Full implementation is dependent upon successful negotiations with all three unions.
- LAW02: Increase the number of staff attorneys from one to three: We sent the questionnaire request to the Receiver's office yesterday. The justification/rationale for the position of Assistant City Solicitor was submitted to the Receiver's Office on February 12, 2013.
- BHO6: Fill vacant HUD funded positions: A final candidate was selected for the position of Rehabilitation Specialist I. The police background investigation is still on-going on the selected candidate.
- ED01: Designate an Economic Development Coordinator: HR is presently advertising for the position of Deputy Director of Economic Development.
- PW 01: Implement container Based Collection System for residential solid waste and recycling: The Residential Collection System Information had been provided to the Novak Group. Current routes have been modified to a five day a week service. The Novak Group provided us a draft RFP which we reviewed. We met at the end of last year to discuss our concerns. The City attorney has made his recommendations. Based on our last meeting with the Novak Group on January 15, 2013 an updated draft will be forwarded for review and comments. Requests for follow-up emails were sent on February 1<sup>st</sup> and February 8<sup>th</sup>.
- PW 03: Increase recycling through education, accessibility, and enforcement - Sanitation Fund: The City has a recycling grant which we have qualified for the last six years. There are planned education events through the Parks and Recreation Department, primarily through the Youth As Restorers (YAR) program. A flyer for recycling has been distributed. The Keep Dauphin County Program will provide an education program at three (3) Harrisburg Public Schools during 2013. The only piece of this intended program not met is the paper/cardboard piece, which would require extra equipment, space, and manpower which is not feasible at this time. However, the City will continue to look for ways to increase recycling.
- RET 03: Consolidate Administration of the City's three Retirement Plans: The attorney hired by the Novak Group agreed with the Law Bureau's opinion that this initiative cannot be implemented unless the FOP agrees through collective bargaining.

- RET 04: Seek IRS determination letter for Police Plan: This initiative is being worked on. The Novak Group approved extending the change of priority to June 1, 2013.
- RET 07: Update PMRS Agreement to reflect recent changes in the Firefighters' Plan: The Solicitor is in discussions with PMRS about the language changes. We are anticipating that an ordinance will be introduced to City Council by end of March, 2013.
- RET 10: Establish Other Post Employment Benefits (OPEB) Trust: Deputy Solicitor is drafting a Trust Agreement and working with Administration to identify potential trustees. Liabilities have been identified per the GASB 45 and potential initial funding identified.
- LAW 03: Complete, recodify, and enact the Code of the City of Harrisburg: The Recodification Ordinance was introduced to City Council at their Legislative Session last night. All final drafts of the recodified ordinances were distributed to all departments.
- REV 13: Sell City acquired historical assets: Contract has been signed.
- IT01: Replace mission critical IT components: Partial inventory list has been developed and a full list should be completed by March 29<sup>th</sup>. Target replacement schedule should be completed by March 29<sup>th</sup>. IT's adopted the 2013 budget which includes one air conditioner and we will be applying for a grant to pay for a new UPS since the current UPS is 25 years old.
- IT02: Replace outdated personal computers: The inventory list has been developed that includes life cycle and replacement priority. A replacement schedule has been developed and incorporated into the budget development process. Forty-seven computers were purchased at the end of 2012. We are planning to purchase twenty computers this year which are included in the 2013 adopted budget.
- IT03: Eliminate all personal printers and maintenance on printers: Inventory of personal printers has been completed. (Identified 20) Alternative network printing options were provided for the seven printers that were removed, seven printers are used for special purposes (photo ID, fax, and scanner). The remaining personal printers will be eliminated as supplies are used up.
- IT04: Develop custom Interface between County Dispatch System and METRO: Standard Dispatching software is being provided without cost by Dauphin County. Therefore, the interface is not needed.
- IT05: Conduct a needs assessment for an Enterprise Resource Planning System: Commonwealth ACT 47 funding is being sought to hire a Consultant to undertake the needs assessment.
- IT06: Complete a needs assessment and audit of existing phone system and components: Parts can still be located for the existing phone system. Further implementation of this initiative is not critical when compared to other initiatives.

- IT07: Pursue long-term strategic IT initiatives: As the City's financial condition improves these initiatives will be considered for funding.

### **Financial Management**

- The 2011 audit preparation work was completed and delivered to Maher Duessel between January 30<sup>th</sup> and February 5<sup>th</sup>. Our auditors returned for the 2011 audit field work on February 1<sup>st</sup> and are on schedule to finish on or about April 6<sup>th</sup>.
- All City audit document deliverables including the Comprehensive Annual Financial Report (CAFR), responses to any Single Audit Report findings and Management Letter comments are due to Maher Duessel in final form by May 8<sup>th</sup> in order to remain on a schedule.
- Public issuance of the 2011 Audit CAFR and related documents is anticipated on or before May 15<sup>th</sup>.

### **Cash Flow**

- The February 14<sup>th</sup> payroll, benefits and critical vendor payments are to be funded solely from General Fund revenues.
- No funds have been drawn against the \$4M Interfund Loan from Sanitation and Sewer Utility Funds approved by City Council to-date. However, some funds may need to be drawn to cover February 28<sup>th</sup> payroll, benefits and critical vendors.
- Vendor payments continue to be managed and prioritized. The General Fund accounts payable total is \$4.4M as of February 14<sup>th</sup>.
- Regarding our reporting obligations, we are in compliance with the following:
  - Material event notices,
  - Annual statements of taxes levied,
  - Annual surveys of financial condition, due March 15, 2013,
  - Pension reporting obligations, due September 30, 2013,
  - Public utilities and realty report, due April 1, 2013,
  - Certification renewals and Workers Compensation and
  - Insurance renewals.
- All account receivables have been sent/mailed including:
  - Consolidated business license invoices (health/fire prevention when applicable),
  - Annual and quarterly business privilege and mercantile tax returns,
  - Dog license renewals (along w/applications in water bills),
  - Quarterly parking lot/garage tax returns,
  - Monthly amusement tax returns (for the whole year),
  - General and vendor license invoices and
  - Monthly alarm billing.
- The Budget Office is currently working on providing the 4<sup>th</sup> Quarter Report to City Council by February 14<sup>th</sup>.



- They are also working on the 2012 approved budget document for the GFOA award. The estimated completion date June 19<sup>th</sup>.
- Training sessions for new employees have been held on Friday afternoons over the past few weeks. The training included processing of account payables, processing of budget transfers, how to enter requisitions and journal related payroll entries. In addition, we've reviewed various items on a daily basis with our Accounting Manager and Financial Analyst.
- In Summary the City continues make progress on the implementation of the Financial Recovery Plan, in the completion of the 2011 audit and the stabilization of the financial management operations.

### **Committee Comments**

Mr. Lynch asked the committee for any comments.

Council President Williams and Mr. Lighty had no comments.

Mayor Thompson noted her Administration has several updates on revenue enhancements. She also addressed a concern Mr. Cluck had at our last meeting regarding the artifact litigation and felt Receiver Lynch should intervene due to the amount of time it could take the court to resolve this matter. The court made an expedient and right decision on the side of the law and ordered Mr. Miller to sign the contract. Mr. Miller signed the contract and we appreciate his expediency. We have been in contact with the auctioneer several times this week and we are requesting a timeline from him. He is very excited and a number of international people have called the office really excited about the sale of the artifacts and wanting to be ready to get involved. We're hosting the auction in Harrisburg which is a decision the Mayor made several years ago in order to create good news for the City and drive up revenues in various ways for our hotels and businesses. There's a lot of excitement developing around the auction.

Mayor Thompson thanked Madame President for her leadership in making sure that she clearly defined the role of the Administration by not getting involved once approval for the sale of the artifacts occurred. She thanked Council President Williams for not muddying the waters any further by reintroducing any legislation that was unnecessary.

Mayor Thompson noted the other area of revenue enhancement is surrounding the contracts for the mercantile license and the uncollectable funds from businesses who have failed to pay their mercantile license for years past. That's the area that this new group will be focusing on and again Mr. Miller signed that contract. My cue is for the Mercantile and License Department to hit the ground running with that company. They've been in touch with me and are very excited with moving forward in order to generate additional revenues here.

Mayor Thompson introduced a proposal from the Department of Building and Housing. The program is called "Homeowners as Wealth" (HAW). This is a result of the City getting federal grant dollars to renovate houses. Mayor Thompson is very familiar with this program from being on City Council. Unfortunately, this program has been in place for several years and sales have been extremely sporadic. In 2010, when Mayor Thompson came into office there were at least ten houses that had been renovated using these funds. Houses renovated were in the price range of \$80,000 to \$90,000 and there was no ability to sell them. Mayor Thompson met with HYP Group in 2011 to review the idea to reduce the price of the houses. She requested HYP contribute a percentage of a down payment and also the City would use its

creative funding under the HUD program to add an additional down payment. A buyer could have received an additional \$6,000 towards a down payment. That didn't go over well because the people who were applying were out of the income criteria range that HUD defines. The houses have to be sold to low to moderate income families. Low to moderate families don't qualify because of their credit and the houses have been sitting on the market for at least 7 to 9 years with \$80,000 to \$90,000 of investment into them. Mayor Thompson created Homeowners as Wealth Program (HAW). The program will be rolled out in a month or two. The program is designed to assist a potential renter who is currently renting and has proven they are renter worthy and introduce them to this program. We have a criteria process we are going to be finalizing through HUD's approval that these renters would be able to rent these houses with the option to buy. This program will then create revenue for the City instead of costing the City money for maintaining them.

Another creative way Mayor Thompson is generating revenue is by providing an opportunity for the YMCA to utilize and rent two of these properties. The YMCA was looking for housing facilities for some of their residents. The properties were valued at \$180,000 and located side by side. Two properties were rented to them and they have already started making their rental payments. These payments will go into a private fund. We will continue to reinvest these funds back into the Housing Projects under HUD guidelines as we are required to do.

### **Public Comments**

Mr. Lynch asked if there were any public comments.

Bill Cluck, resident of Harrisburg

- Mr. Cluck noted that revenue initiative #14 in the Receiver's Plan has been completed thanks to efforts of the Mayor and City Council. We now have a fully staffed five member Environmental Advisory Committee. Thank you. Our initial budget appears to be \$135,000. Apparently the solicitor is signing off on the lease for the City to occupy the Vehicle Maintenance Center and the warehouse where the artifacts are presently stored. The City will now be paying utilities on that building in exchange for the dollar per the Host Fee coming to the City. In 2013 we anticipate that Host Fee to be \$250,000 which the Receiver's Plan says must be designed for environmental projects. We look forward to recommending to the Mayor and City Council worthwhile projects in the City.
- Last night City Council approved three outstanding candidates for the Harrisburg Economic Development Loan Review Committee. These were Mayoral appointments. This appears to be the restarting of the formal Revolving Loan Program. It's going to be done under the City ordinance and it sounds like its HUD money that will be used for these loans. The comment for the advisory committee is that we've had a problem in the past, however, it appears that this is properly structured with high quality people reviewing the applications. What role, if any, will the Receiver have with the program? I think its part of the Receiver's Plan. I want to make sure there are appropriate checks and balances. It sounds like there will be. The Mayor has said at a public meeting that there will not be governmental officials involved. I want to make sure there is transparency in the accounting. For example, what's the source of the money, how much is there and will there be monthly statements because it's not part of the City's budget.
- The last update to the matrix is November 28<sup>th</sup>. Has there been a new update?

- Mr. Lynch responded the matrix was updated when the Quarterly Status Report was filed at the end of December.
- Mr. Cluck asked if the last update to the court was oral and not in writing.
  - Mr. Lynch and Mr. Reddig both confirmed that was correct.

Mr. Lynch asked if there were any other comments from the public.

Mayor Thompson asked to respond and thanked Mr. Cluck for acknowledging the fine quality of appointments that were sent down to Council and also thanked Council for acknowledging the recommendations.

Mayor Thompson cautioned Mr. Cluck when he comes to City Council and makes statements that would suggest that this Administration is out of line with their leadership. Mayor Thompson noted Council President William's called her yesterday out of concern regarding Mr. Cluck's indication that there was not a process put into place for these loans.

Mayor Thompson noted she has discussed the Revolving Loan Program and Board at four public meetings and that her Administration was cleaning up the process. At these public meetings Mayor Thompson said she made it very clear that they were being guided by an ordinance and it's been on the books in the City for quite some time. It's unfortunate that there were some Council members who were not aware that the ordinance existed. Mayor Thompson noted her Administration has worked on the policies for the last five months and they are commensurate with the ordinance. Mayor Thompson again cautioned Mr. Cluck by suggesting when he has a question he needs to contact the Mayor's office. At that time his questions will be answered as opposed to him coming down to Council and getting Council all stirred up with misinformation.

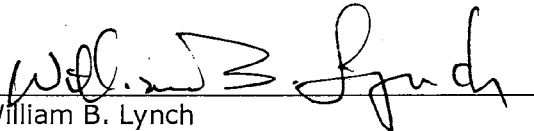
Mayor Thompson continued by saying she provided Council President Williams with a copy of the ordinance and the policies and also noted City Council had already had the resumes of the fine individuals recommended to serve on the Board. Mayor Thompson noted this is the kind of stuff that makes people not want to serve as volunteers. Mayor Thompson advised Mr. Cluck that if he has any concerns about any legislation to please call the Mayor's office. There are policies in place to govern this board and there's an ordinance on the book that governs this Administration.

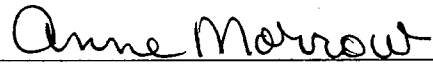
- Mr. Cluck asked the Receiver if he could respond to the assassination of character from the Mayor.
- Mr. Lynch responded that this forum isn't really designed to be a debate. Unless you have a comment to make that has something to do with the committee I'd prefer to close this off now.
- Mr. Cluck noted he would have a press conference afterwards to set the record straight.

Mr. Lynch asked if there were any other comments. There were no other comments.

Mr. Lynch called this meeting adjourned at 9:10 a.m.

Approved this 13<sup>th</sup> day of February 2013.

  
\_\_\_\_\_  
William B. Lynch  
Receiver for the City of Harrisburg

  
\_\_\_\_\_  
Secretary – Anne Morrow

**MINUTES**  
**MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE**  
**FOR THE CITY OF HARRISBURG**  
**February 27, 2013**  
**8:30 a.m.**  
**Council Chambers**

**Present:** William B. Lynch, Receiver

Mayor Linda Thompson  
Wanda Williams, City Council President  
Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners  
Doug Hill, County Commissioners Association of Pennsylvania

Anne Morrow (Recording Secretary)

**Reports**

Mr. Lynch called the Municipal Financial Recovery Advisory Committee meeting to order at 8:34 a.m.

Mr. Lynch asked the Committee members if there were any corrections or addendums to the minutes from the February 13, 2013 committee meeting.

Hearing none, Mr. Lynch said the minutes stand approved and would be posted to the Receiver's website.

Mr. Lynch was pleased to announce that the Governor's Office has appointed Mr. Doug Hill as the Governor's representative to the Municipal Financial Recovery Advisory Committee. Mr. Hill is uniquely well qualified by education and experience to serve on the committee. He is a City resident. Mr. Hill is the Executive Director of the County Commissioners Association of Pennsylvania. He previously worked as Legislative Director and Research Director for the Pennsylvania State Association of Boroughs. He holds a Bachelor of Arts from Westminster College and a Masters in Public Administration from Penn State. In addition, Mr. Hill serves on a variety of professional, state and local boards and civic groups, and has a long distinguished record of community service. I know that you will all join me in welcoming Doug Hill.

Mr. Lynch asked Mr. Reddig to provide an update on the implementation of the confirmed Recovery Plan.

**Operational Issues**

- Mr. Reddig noted the Office of the Receiver continues to work with the City on a variety of operational and debt related issues. The Novak team is in the City this week meeting with the Chief of Administration Officer and various department heads on the implementation of priorities.
- Mr. Reddig noted the Receiver's team has begun work on the Quarterly Status Report that is due the end of March to both the City and Commonwealth Court.
- The Office of the Receiver continues to work with the City on various personal related requests. Two Code Enforcement Officers positions have been approved since the last meeting and we're currently reviewing a request for an Assistant Solicitor position that

was recently forwarded. The City continues to actively recruit a number of positions that were previously approved by the Receiver's office including a Maintenance Specialist IV position, a Service Person I position, both in the Water Department, a Labor II position in the Department of Public Works, a Street Light Manager, a Demolition Specialist and an Economic Development Coordinator among others.

- With the pending monetization of the parking assets, we are working with the City and Harrisburg Parking Authority (HPA) to consider qualified personnel from HPA to fill certain City vacancies as they occur once the City has gone through their internal posting requirements.
- Maher Duessel continues work on the 2011 audit. They are currently engaged in their field work. In January they provided the City with a list of deliverables with timeframes associated with them. The City has been following through in gathering that information and providing it to the auditor. Although CPA firms are quite busy this time of year during the tax season, Maher Duessel is committed to fulfilling their responsibility with 2011 audit and delivering it by mid-May.
- A review of the City's fleet operation has been completed by the Novak team and is currently being reviewed by the Office of the Receiver. We are planning to schedule a meeting in March with the Mayor and related department heads to review the results of the analysis. Recommendations in the report will eliminate certain excess equipment that the City currently has and achieve greater efficiency in City operations from a fleet management perspective reducing both insurance costs and maintenance costs.
- The development of an RFP for sanitation service has been completed. Its issuance has been slowed due to the absence of City's Purchasing Director however we have been working with the City's Finance Director to move the RFP to a point where it can be issued. We are looking at it being issued within the next week to 10 days. We have received considerable interest from various firms on the RFP. We are looking for a good response to this RFP request.
- Work has also started on an Insurance RFP that will consolidate insurance coverage. This work was started in the fall however it was put on hold due to the inability of the City to have the current insurance carriers extend coverage for a shorter period than their normal renewal period. We're going to mesh the RFP with the City's renewal schedule in 2013.
- Negotiations continue with the three collective bargaining units to effective new bargaining contracts with the FOP, IAFF and AFSCME that is consistent with the cost containment provisions of the confirmed Recovery Plan.

### **Cash Flow**

- The Receiver's office continues to monitor the City's expenditures including the review of payables on a bi-weekly basis. Last week we received the February 28<sup>th</sup> check-run and provided a response on Friday. The check-run totaled approximately \$740,900 with the largest expenses, again being paid to the City's Treasurer's office for various insurance coverages. Included were payments to Highmark through November 20<sup>th</sup> and Express Scripts for prescription drug through the end of the year. These were the

two largest payments and represented about 80% of the total check-run. There were also significant payments to Maher Duessel for audit expense of \$31,000, PPL for electricity of \$21,000 and NRG Energy of \$18,500. The remaining payments were relatively modest in nature and were within the parameters established by the City and the Receiver's office.

- The City is currently holding invoices totaling approximately \$4.6M with the largest amount being for various insurance coverages. Of these just slightly over \$4M are greater than 30 days old and some of the payments are over 120 days overdue.
- Significant payments on hold include various insurances as well as payments to Capital Area Transit and for various legal and professional services totaled collectively about \$270,000. The City owes \$1M to its Pension Fund from the distribution of the 2012 State Aid and debt payments to SunTrust of \$170,000 and to the Pennsylvania Infrastructure Bank of \$70,000. We're working with the City to prioritize these payables as we move forward recognizing the City's cash flow position is improving given the receipt of revenue from the real estate taxes that were billed in mid-January. The end of the discount period is mid-March. We expect the City will receive substantial revenue by that time.
- The Receiver's office has also advised the City to continue to maintain communication with Highmark, Express Scripts and the other vendors to keep them apprised of the City's cash flow situation in order to avert any disruption of service. The Office of the Receiver has also been negotiating resolution of the City's debt service obligations with AMBAC from last year and given the status of these discussions as well as projected cash flow for this year, the City will not be making its March debt service payment. We've also reviewed the preliminary cash flow data and as the year progresses the City's cash flow position should be solid in March, April, May and June time period however as we enter into the summer months and especially the late summer months, we are projecting the City will go negative again.

### **Asset Monetization**

- Negotiations continue with Lancaster County Solid Waste Management Authority (LCSWMA) on the sale of the Resource Recovery Facility (RRF). We've been able to achieve a positive arrangement with the Department of General Services (DGS) on a Power Purchase Agreement. This will add significant value to the sale of the RRF. Basic terms of that agreement have been put into place and it's moving through a contract process with DGS.
- The Receiver's office continues negotiations with Harrisburg First who is the selected party on the parking monetization. Likewise, we've had success with the discussions with DGS to consolidate the Commonwealth's parking needs that will play in the parking monetization and add value to that initiative. As the discussions transpired with DGS to consolidate parking within the Executive branch there has been interest from other agencies outside of the Executive Branch. We've been working with both the House and Senate on their parking needs. The other elected offices within State government and some outside entities including Pinnacle Health have also indicated a desire to participate in this agreement. The more spaces that can be included in the parking monetization the greater the value of the parking monetization.

- The engineering review of the parking facilities has been completed recently. We are waiting a final report from the engineer however in discussions with them there are no significant issues that would have a material impact on the monetization. We've continued work with the Pennsylvania Economic Development Financing Authority (PEDFA). PEDFA will be the entity that undertakes the financing for Harrisburg First, as it is a tax-exempt model. Bond counsel has been selected for PEDFA and we're just about ready to begin the application process.
- Discussions continue with the surrounding municipalities on the water and sewer initiative as we work to develop an operational model that will address compliance with the Clean Water Act and the Chesapeake Bay requirements.
- We've also continued dialog with Assured Guaranty Corporation (AGM) and Dauphin County as well as AMBAC to keep all of those three major creditors apprised of the asset monetization processes as we continue to move forward and work toward a consensual resolution to the City's fiscal situation.

Mr. Lynch asked Mr. Mendez-Saldivia, Chief Operations Officer and Chief of Staff, to provide an update on the Act 47 implementation for the City of Harrisburg.

- Mr. Mendez-Saldivia noted the City continues to make progress on the implementation of the Financial Recovery Plan. Since our last meeting we have met with the implementation teams including Operations & Revenue, Human Resources, IT, Budget Office, Financial Management, Public Works, DBHD, Law Bureau, Fire and Police.
- The City continues to make progress on the following:
  - Establishing a standard position control system.
  - Eliminating manual data entry processes in the Bureau of Financial Management.
  - Increasing fees, fines and charges based on the Maximus fee study.
  - Addressing inspections hiring of additional Code Enforcement Officers.
  - Filling vacant HUD funded positions.
  - Updating the City's Comprehensive Plan.
  - Developing a comprehensive housing strategy.
  - Designating an Economic Development Coordinator.
  - Scheduling fire training.
  - Adjusting false alarm fees to more accurately reflect costs and impacts.
  - Utilizing Vacant Property Reinvestment Board.
  - Replacing critical IT components.
  - Replacing outdated personal computers; 47 were purchased in 2012 and 20 will be purchased this year.
  - Eliminating all personal printers.
  - Increasing the number of attorneys.
  - Completing and enacting the new Code of the City of Harrisburg.
  - Expanding the Stormwater Management Ordinance.
  - Implement a vehicle replacement policy for the police.
  - Staffing Police Vice operations.
  - Increased operational efficiency in the Parking Enforcement Office.
  - Updating fee schedule for burglar alarms.
  - Implementing container based collection system for residential solid waste and recycling.



- Increasing recycling efforts through education and accessibility.
- Improving taxpayer information by updating website.
- Increasing enforcement of the Local Services Tax.
- Increasing interest and penalty provisions for business privilege/mercantile taxes.

### **Financial Management**

- The 2011 audit field work is underway. Our auditors are on schedule to complete the audit field work by April 6<sup>th</sup>.
- All City audit document deliverables are due on May 8<sup>th</sup> including the City's Comprehensive Annual Financial Report, responses to any Single Audit Report findings and management letter comments.
- Public issuance of the 2011 Audit, CAFR and related documents is anticipated on or before May 15<sup>th</sup>. At this time we do not see any challenges in reaching this goal.
- The EIP Phase II Grant Audit was completed. Audited financial statements are to be released and provided to Pennsylvania Department of Community and Economic Development (DCED) on or before February 28<sup>th</sup>.

### **Cash Flow**

- February 14<sup>th</sup> and 28<sup>th</sup> payrolls, benefits and critical vendor payments have all been funded without the need to draw on the \$4M Interfund Loan from the Sanitation and Sewer Funds which was authorized by City Council in January. No loan funds have been drawn upon to-date. With the real estate discount period ending March 16th, it is likely that no loan funds will be drawn against these funds.
- We continue to manage our vendor relationships.

### **Reporting Obligations and Compliance**

- The City is in compliance with the Material Event Notice requirement that is to be published on EMMA (Electronic Municipal Market Access) by March 10<sup>th</sup> for the The Harrisburg Authority RRF Debt Service non-payment due on March 1<sup>st</sup> for the Guaranteed Revenue Bonds, Series A, B, and C of the 2003 that The Harrisburg Authority and the City did not fund.
- The Annual Statement of Taxes levied is in compliance with DCED. It was filed by the December 2012 (new EIT rate notice) and January 2013 due dates.
- The Annual Survey of Financial Condition is due March 15, 2013.
- The Pension Reporting Obligations are due on September 30, 2013.
- The Public Utilities Realty Tax report is due April 1, 2013.

- Certification renewals for Workers Compensation are in compliance. Workers Compensation Excess Policy and Self-Insurance Renewals were both due on January 1<sup>st</sup> for the January 1<sup>st</sup> – December 31<sup>st</sup> term.
- The excess policy renewal process should begin on or about June 1<sup>st</sup> along with all other insurances to be bid simultaneously through a brokerage arrangement as the Financial Recovery Plan calls for.
- Health insurances were renewed on January 1, 2013 for the January 1<sup>st</sup> – December 31<sup>st</sup> term. The renewal process should begin again on or about June 1, 2013.
- Unemployment Compensation is administered through a Third-Party Administrator (TPA). The TPA contract is effective January 1<sup>st</sup> for the January 1<sup>st</sup> – December 31<sup>st</sup> term. The renewal process should begin after September 1, 2013.

#### **Budget Office**

- Our Budget Office has been conducting a final review and research for the 2012 budget document for the Government Financial Officers Association (GFOA) Award.
- The 2012 year-end report was completed and provided to City Council by the February 14<sup>th</sup> due date. Our new Financial Analyst was trained to create, format, review, write and distribute this executive summary

#### **Purchasing**

- We issued 114 purchase orders and we continue to train our new Accounting Manager and Financial Analyst.

#### **Accounting Office**

- Our Accounting Manager continues to work on reviewing posted journal entries relative to Treasury report activity, accounts payable and learning our auditing and accounting procedures. He is also helping to prepare the bi-weekly check-run for the Receiver's review. He also is providing audit support to our auditors focusing on fixed assets, accounts payable, long-term debt, and analytical review
- Our new hires continue to learn the Pentamotion (e-Finance) system, focusing on the areas of accounts payable and accounts reconciliation.
- In Summary, the City continues to make progress on the implementation of the Financial Recovery Plan, the completion of the 2011 audit and the stabilization of the City's financial management operations:

Receiver Lynch then recognized Representative Patty Kim who was present to discuss infrastructure related issues in the City. Representative Kim made a special invitation to the advisory members and public to enter into a discussion regarding the City's serious

infrastructure problems. With water main breaks happening more frequently, Rep. Kim believes someone needs to take the lead in addressing these matters and that we can't be reactive. She invited everyone to stay after the adjournment of the Advisory Committee meeting for a round table discussion. She pointed out representatives from the Harrisburg Authority, Senator Teplitz, Councilmember's, the Mayor, and the public who she wants to hear from as well. Rep. Kim noted there are limited resources so we all know we have to be creative. We have to reach out to people, the business community and whatever relationships we have to network. Rep. Kim feels like we have a broken puzzle and everyone needs to bring a missing piece. Let's all work on a solution so we can get an overall picture of a plan for the City with our infrastructure issues. After adjournment of the MFRAC meeting she hopes to see everyone at the table.

Mayor Thompson thanked Rep. Kim for attending the Advisory Committee meeting and exemplifying leadership. She stated that to suggest that someone should take the lead doesn't recognize that there is leadership. In fact the Harrisburg Authority and this Administration have been working very diligently over the past year on a more global and proactive plan. Thanks to WGAL who did a very extensive story recently that compared other cities like Harrisburg who are having the same infrastructure problems. Lancaster, York and Reading all have 100 year old systems and they all have had multiple water breaks this year and in prior years. As I recall as I was on Council as Public Works Chair, this was nothing new to this Administration and prior Administrations. There have been numerous water main breaks every winter. It is normal and we are responding to that normalness in a reactive as well as in a proactive way. The global recovery plan does have built in methods for us to address a more upgraded system; replacing pipes, expanding for growth and development for new businesses and housing infrastructure. The Harrisburg Authority's Executive Director, Shannon Williams, and I meet once a month on a number of various issues around water and sewer infrastructure. The Board is very proactive in making sure that there is a plan in place. Our Public Works Department is very much involved. Mayor Thompson suggested that Rep. Kim and Senator Teplitz go to the Authority's Board meeting. There you'll get an in depth report on all the proactive action that is being taken with the City's infrastructure. The main issue is getting the entire system inventoried. That is being done right now. If you saw the news the other night, we laid out maps that showed we are going to digitize the system. Council is very involved in terms of the budget. The Directors have money in the budget and can buy cameras to go down there and survey the system. I know we need money and Senator Teplitz is working on getting the City money. Hopefully we can determine where we're going to start looking for the funding. The U.S. Conference of Mayors has three top priorities. One is to work on legislation involving infrastructure. Mayor Thompson is very much involved with Mayors across the country on how to obtain funding from the Federal Government. I have several meetings scheduled with Congressman Perry and others on finding funding. There is leadership here and there is leadership at this table working on the City's infrastructure. Mayor Thompson stated she was unable to attend the round table discussion afterward the Advisory Committee meeting due to prior scheduling of meetings.

Mr. Lynch noted it's very important to have proactive representation across the street. He appreciated Rep. Kim and Senator Teplitz's interest in this very important matter and thanked them very much for participating in today's meeting.

## **Committee Comments**

Mr. Lynch asked the committee for any comments.

Council President Williams, Mr. Lighty and Mr. Hill had no comments.

Mayor Thompson welcomed Rep. Kim and Senator Teplitz and thanked them for attending the meeting. Mayor Thompson wanted to bring to the Committee's attention that the Governor had made a recent announcement about the Governor's Mass Transit Funding and the impact it will have on the City of Harrisburg. She has also had some discussions with Senator Teplitz and Representative Kim on its impact which will require the City to increase its allocation to CAT. If the Governor's plan goes forward there's a provision that will require local municipalities to have to pay more money to CAT. We didn't factor that into this year's budget and she asked that there be further discussion around the issue. Right now the City is paying \$272,000 annually. If the Governor's plan goes forward the City's share will increase by an additional 20% or 25% towards this system. We all support regional transit however this proposal would place additional financial responsibility on local governments. There are a lot of us coming together, like the local commissioners, because they don't support it. Some of the Cumberland County Commissioners are against it. The Dauphin County Commissioners are against it. We are all banning together. We would like to get our Representatives and Senators involved since the House and Senate will be dealing with the proposal and advocate for why the additional costs should not be passed back on local governments.

## **Public Comments**

Mr. Lynch asked if there were any public comments.

Nad Smith, Harrisburg resident.

- About a month ago there were eleven ministries that had gathered. It's a quarterly meeting. This was a few days prior to The Patriot News report about Harrisburg's rating on the safety of the City and the dangers in the City. I believe there were eleven groups present. Half of them confessed of having real safety fears for themselves, their workers and the people that they serve and the lack of police presence that creates that sense of safety. I had seen at one of the Council meetings Chief Ritter stating that the complement of the police officers is down by 35 officers over the last couple of years. I'm wondering how this Plan is making money available to replenish the kind of police force we need to really create a safer environment. Many people have told Mr. Smith that either they, a family member or friends have been robbed, mugged or beaten. It's really distressing and a real concern. Where is the Receiver's Plan at possibly making funding available for more police officers?
  - Mr. Lynch noted public safety is one of the Mayor's very top priorities. We've authorized the hiring of 8 police officers this year.
  - Mayor Thompson also noted the City just hired 7 police officers who are in training now and another 8 are to start in July. After the Advisory Committee meeting she is holding a press conference to announce the Neighbor Safety Initiative. The City is applying for a \$1.2M grant with collaborative partners to address "hot spots" and "safety zones" in our community. She asked that Mr. Smith get more involved in this movement.
  - Mayor Thompson also noted the loss of 30 officers over the last several years. One of the reasons for the loss of some officers was the action taken to file a

bankruptcy petition. Police officers watch the news and are concerned about what would happen to their police pensions. They decided to find jobs elsewhere to secure their pensions. We can't replace a police officer as quickly as we lose one due to state recruitment and training requirements. We're governed under state laws in terms of the Civil Service process. We have to select candidates and test them before we can begin to hire anyone.

- Mr. Smith noted the Weed and Seed Program which was defunded by the State. There would be two meetings a month with an officer present in support of this program. Since that program has evaporated we haven't had an ongoing relationship with officers for a couple years. If at all possible he asked that an officer be put on detail, at least once in a while, to listen to our concerns.
  - Mayor Thompson noted more will be heard at the Neighbor Safety Zone press conference. We are interviewing now for a Community Policing Officer who will be the direct liaison for the police and also the citizens. Once we go through the background checks we will be bringing in the two top qualified candidates for a second interview. We hope to have that person on board before the end of March. If you attend our press conference today, under the Neighbor Safety Zone, you will hear more about what's going on around our City in terms of targeting crime zones.
- Mr. Smith asked the Advisory Committee to consider, taking action against any of the persons that perpetrated fraud on the City thru all the business deals and the signing on of the self liquidating bonds and all that sort of debt. He felt this was the State's responsibility to address. These individuals didn't do their job. Before these guys get paid all this money, public safety needs to be priority number one and replenishing the police and making sure there's enough fire fighters around and sewage service. The basic services should be priority number one before any of these guys get paid. I'm still concerned about why no one who has been a part of this hasn't been prosecuted or brought before some sort of a justice system. There's something very wrong with this process that none of these guys are being held accountable for this kind of thing.

Karen Balaban, Midtown, Harrisburg.

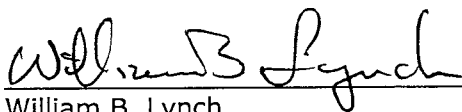
- Ms. Balaban thanked the Committee for all of their hard work and for televising all of these meetings so we can be informed. She had one question to the General and Mr. Reddig because it wasn't answered at the last session. Is there any role of the Receiver in the Business Investment Loan Program?
  - Mr. Reddig responded the Recovery Plan addressed the reestablishment of the Revolving Loan Program which is designed to provide low interest loans to start a business and to assist in economic development. Basically, it's to provide incentives to start a business. The recovery plan provides a structure for the Fund but the role of the Receiver under Act 47 is not to actually manage day-to-day governance but to provide oversight and assistance to the City. The Receiver will not have a direct role as a participant in the Loan Committee process but rather the overall structure of the Committee would be in the confines of the confirmed Plan.
- Ms. Balaban asked if the program starts up while we still in Receivership will that become part of the report that is given at these meetings.

- Mr. Reddig replied that information will flow through the City. We can talk with the City Economic Development Office as to how the results of that would flow into this meeting. It would be part of the normal City reporting process. It will be something that will be included on the City's financial statement and will be something that is included in the annual audits that are done of City finances.
- Mayor Thompson added saying she's been cleaning up a lot of mess during her administration and that the Revolving Loan was a mess. She noted half of the files were missing and records don't reflect who received loans. As a result of the cleanup, which Mayor Thompson spoke about at a number of town hall meetings, she now has put into place an independent loan committee. The members chosen are very savvy and sharp and really care about integrity. Mayor Thompson prides herself on that too. There are no headlines coming out of this Administration that we've embezzled funds or mismanaged these loans. In fact, we're cleaning them up. The fact that we have a whole new set of policies and bylaws on how this board is governed. Her Administration is going to get every piece of good news they can get out of this effort. When someone gets a loan you can believe we're going to be talking about how we helped that business get started and that will be made public. We have an open door policy. If you would like to come down yourself and sift through the documents you will be welcome to do so. The board will certainly welcome you. In fact I would welcome you to even be on the board if you want to. I'm calling for professionals to get involved with this City. If you want to be on the board you won't have to be looking from the outside in. You can be on the board helping to make those decisions. If you want to talk about transparency and making sure that we're honoring our obligations, responsibilities and policies, I welcome you to be on the board and I would love to have your expertise. If you want to give me your resume, I'd certainly have it sent downstairs to Council so they can vote on it and put you on the board. That way you can be the spokesperson to report out on the honest and ethical process of these loans so it doesn't happen again.

- Ms. Balaban thanked Mr. Reddig for answering her question.

Mr. Lynch asked if there were any other comments from the public. Hearing none Mr. Lynch called this meeting adjourned at 9:12 a.m.

Approved this 27<sup>th</sup> day of February 2013.



William B. Lynch  
Receiver for the City of Harrisburg



Secretary - Anne Morrow

**CITY OF HARRISBURG  
CASH FLOW**

City of Harrisburg  
2013 Cash Flow

3/26/2013

9:28 AM

	Actual Jan	Estimated Feb	Projected Mar	Projected Apr	Projected May	Projected June	Projected Jul	Projected Aug	Projected Sep	Projected Oct	Projected Nov	Projected Dec	Total
<b>Cash Summary</b>													
Unrestricted Cash Balance Beginning of Month	1,346,243	1,749,726	1,980,452	8,071,771	4,752,247	2,111,821	1,355,059	1,369,219	1,354,765	813,765	1,763,748	1,009,625	
Monthly Operating Surplus/(Deficit)	928,846	977,737	2,893,302	-3,319,524	-2,640,427	-756,762	-485,840	-1,014,453	-5,395,195	949,984	-1,754,123	1,127,223	
Changes in Balance Sheet that affect Cash	-525,363	-747,011	3,198,017	0	0	0	500,000	1,000,000	4,854,194	0	1,000,000	-500,000	
Unrestricted Cash Balance End of Month	1,749,726	1,980,452	8,071,771	4,752,247	2,111,821	1,355,059	1,369,219	1,354,765	813,765	1,763,748	1,009,625	1,636,848	
<b>Revenues, Expenditures, Operating Surplus/(Deficit)</b>													
Revenues without Transfers	1,346,898	3,786,245	12,441,773	2,111,746	3,315,745	3,059,087	2,578,508	1,381,687	2,212,974	5,338,560	2,001,301	4,313,289	43,887,815
Capital Fire Protection	0	0	0	0	0	0	0	2,500,000	0	0	0	0	2,500,000
Sanitation Utility Fund	1,210,496	0	0	0	0	0	1,000,000	0	0	0	0	1,157,249	3,367,745
Sewerage Utility Fund	846,131	0	0	0	0	0	0	0	0	0	0	0	846,131
Hbg Water Utility Fund	833,959	0	0	0	0	0	0	0	0	0	0	0	833,959
Hbg Prk Auth Coord Pkg	0	0	0	0	0	0	0	0	0	0	0	0	0
Sewer Fund Short Term Loan	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>4,237,484</b>	<b>3,786,245</b>	<b>12,441,773</b>	<b>2,111,746</b>	<b>3,315,745</b>	<b>3,059,087</b>	<b>3,578,508</b>	<b>3,881,687</b>	<b>2,212,974</b>	<b>5,338,560</b>	<b>2,001,301</b>	<b>5,470,538</b>	<b>51,435,650</b>
Expenditures without Debt Service	3,308,638	2,808,508	3,988,066	4,431,270	4,953,367	3,815,849	3,715,558	4,896,140	3,905,974	4,388,577	3,407,862	4,343,316	47,963,125
Emergency Repairs	0	0	0	1,000,000	500,000	0	0	0	0	0	0	0	1,500,000
Debt Service Paid	0	0	355,405	0	502,805	0	348,791	0	348,000	0	347,562	0	1,902,562
Debt Service Not Paid	0	0	5,205,000	0	0	0	0	0	3,354,194	0	0	0	8,559,194
Sewer Fund Short Term Loan Repayment	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>3,308,638</b>	<b>2,808,508</b>	<b>9,548,471</b>	<b>5,431,270</b>	<b>5,956,172</b>	<b>3,815,849</b>	<b>4,064,349</b>	<b>4,896,140</b>	<b>7,608,169</b>	<b>4,388,577</b>	<b>3,755,424</b>	<b>4,343,316</b>	<b>59,924,881</b>
Monthly Operating Surplus/(Deficit)	928,846	977,737	2,893,302	-3,319,524	-2,640,427	-756,762	-485,840	-1,014,453	-5,395,195	949,984	-1,754,123	1,127,223	-8,489,232
<b>Changes in Balance Sheet That Affect Cash</b>													
Other unrestricted Cash	-483,759	-222,821	0	0	0	0	0	0	0	0	0	0	0
Restricted Cash	-8	0	0	0	0	0	0	0	0	0	0	0	0
Loans Receivable	86,229	11,961	0	0	0	0	0	0	0	0	0	0	0
Prepaid Expenses	810,578	168,709	0	0	0	0	0	0	0	0	0	0	0
Accounts Payable	-938,403	-665,800	-1,000,000	0	0	0	500,000	1,000,000	1,500,000	0	1,000,000	-500,000	
Due to Debt Service Missed Payment	0	0	5,205,000	0	0	0	0	0	3,354,194	0	0	0	0
Due to Pension Fund	0	0	-1,006,983	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustments	0	-39,061	0	0	0	0	0	0	0	0	0	0	0
<b>Total Balance Sheet Changes that Affect Cash</b>	<b>-525,363</b>	<b>-747,011</b>	<b>3,198,017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500,000</b>	<b>1,000,000</b>	<b>4,854,194</b>	<b>0</b>	<b>1,000,000</b>	<b>-500,000</b>	
<b>Accounts Payable</b>													
Accounts Payable Beginning of Month	-5,666,244	-4,727,841	-4,062,041	-3,062,041	-3,062,041	-3,062,041	-3,062,041	-3,562,041	-4,562,041	-6,062,041	-6,062,041	-7,062,041	
Accounts Payable End of Month	-4,727,841	-4,062,041	-3,062,041	-3,062,041	-3,062,041	-3,062,041	-3,562,041	-4,562,041	-6,062,041	-6,062,041	-7,062,041	-6,562,041	
Change in Accounts Payable	-938,403	-665,800	-1,000,000	0	0	0	500,000	1,000,000	1,500,000	0	1,000,000	-500,000	
<b>Pension Payable</b>													
Due to Pension Beginning of Month	-1,006,983	-1,006,983	-1,006,983	0	0	0	0	0	0	0	0	0	0
Due to Pension End of Month	-1,006,983	-1,006,983	0	0	0	0	0	0	0	0	0	0	0
Change in Pension Payable	0	0	-1,006,983	0	0	0	0	0	0	0	0	0	0
<b>Debt Service Payable</b>													
Due to Debt Service Beginning of Month	-9,097,394	-9,097,394	-9,097,394	-14,302,394	-14,302,394	-14,302,394	-14,302,394	-14,302,394	-14,302,394	-17,656,588	-17,656,588	-17,656,588	
Due to Debt Service End of Month	-9,097,394	-9,097,394	-14,302,394	-14,302,394	-14,302,394	-14,302,394	-14,302,394	-14,302,394	-17,656,588	-17,656,588	-17,656,588	-17,656,588	
Change in Debt Service Payable	0	0	5,205,000	0	0	0	0	0	3,354,194	0	0	0	0



**Schedule B**  
**City of Harrisburg**  
**General Fund Surplus/(Deficit)**

**2013 Projected Baseline with Additional EIT**

	General Fund Operating Revenues	Revenue Anticipated from City Utilities	Parking Authority Transfer	Short Term Sewer Fund Loan	Total Revenues	General Fund Expenditures	General Fund transfers to DSR	Repayment Short Term Sewer Fund Loan	Debt Service Payment Not Made	Total Expenditures	Monthly Surplus/ (Deficit)	Cumulative Surplus/ (Deficit)
2012 Balance												(\$12,703,541)
JANUARY	\$1,346,898	\$2,890,586	\$0	\$0	\$4,237,484	\$3,308,638	\$0	\$0	\$0	\$3,308,638	\$928,846	(\$11,774,695)
FEBRUARY	\$3,786,245	\$0	\$0	\$0	\$3,786,245	\$2,808,508	\$0	\$0	\$0	\$2,808,508	\$977,737	(\$10,796,957)
MARCH	\$12,441,773	\$0	\$0	\$0	\$12,441,773	\$3,988,066	\$355,405	\$0	\$5,205,000	\$9,548,471	\$2,893,302	(\$7,903,655)
APRIL	\$2,111,746	\$0	\$0	\$0	\$2,111,746	\$5,431,270	\$0	\$0	\$0	\$5,431,270	(\$3,319,524)	(\$11,223,179)
MAY	\$3,315,745	\$0	\$0	\$0	\$3,315,745	\$5,453,367	\$502,805	\$0	\$0	\$5,956,172	(\$2,640,427)	(\$13,863,606)
JUNE	\$3,059,087	\$0	\$0	\$0	\$3,059,087	\$3,815,849	\$0	\$0	\$0	\$3,815,849	(\$756,762)	(\$14,620,368)
JULY	\$2,578,508	\$1,000,000	\$0	\$0	\$3,578,508	\$3,715,558	\$348,791	\$0	\$0	\$4,064,349	(\$485,840)	(\$15,106,208)
AUGUST	\$3,881,687	\$0	\$0	\$0	\$3,881,687	\$4,896,140	\$0	\$0	\$0	\$4,896,140	(\$1,014,453)	(\$16,120,662)
SEPTEMBER	\$2,212,974	\$0	\$0	\$0	\$2,212,974	\$3,905,974	\$348,000	\$0	\$3,354,194	\$7,608,169	(\$5,395,195)	(\$21,515,856)
OCTOBER	\$5,338,560	\$0	\$0	\$0	\$5,338,560	\$4,388,577	\$0	\$0	\$0	\$4,388,577	\$949,984	(\$20,565,873)
NOVEMBER	\$2,001,301	\$0	\$0	\$0	\$2,001,301	\$3,407,862	\$347,562	\$0	\$0	\$3,755,424	(\$1,754,123)	(\$22,319,995)
DECEMBER	\$4,313,289	\$1,157,249	\$0	\$0	\$5,470,538	\$4,343,316	\$0	\$0	\$0	\$4,343,316	\$1,127,223	(\$21,192,772)
	\$46,387,815	\$5,047,835	\$0	\$0	\$51,435,650	\$49,463,125	\$1,902,562	\$0	\$8,559,194	\$59,924,881		

**\*\*\*\*2013 Budget Adjusted By:**

Additional EIT expected June - December reflected in Operating Revenues  
Anticipated Concessions not included.  
Three payrolls assumed January, August.  
Assumed revenue from monetizations not included and resulting accounts payable balance increased to conserve cash on hand

# **ASSET MONETIZATION SUMMARIES/STATUS**

## **Resource Recovery Facility**

The following is a chronological summary of the progress made with respect to monetizing the Harrisburg Authority's Resource Recovery Facility ("HRRF") since December 15, 2012:

During the past several months the advisors to the Office of the Receiver and The Harrisburg Authority's legal counsel have had numerous conference calls with representatives of the Lancaster County Solid Waste Management Authority ("LCSWMA") to negotiate a detailed term sheet containing material terms and conditions of the proposed transaction. In addition, multiple meetings and conference calls have occurred in connection with the sale of electricity and capacity from the HRRF to the Commonwealth of Pennsylvania for a 20-year term in accordance with a fixed payment schedule. This arrangement is expected to increase the value of the HRRF by a material amount. A term sheet for this long-term power purchase agreement is near complete, and a meeting with the Commonwealth's Department of General Services has been scheduled for next week to discuss the few remaining terms on which agreement is still needed.

The term sheet was used to draft an Asset Purchase Agreement. The Asset Purchase Agreement has been reviewed by, among others, representatives of THA and the Office of the Receiver. The Asset Purchase Agreement is being reviewed currently by LCSWMA.

The two largest creditors to the City (Assured Guaranty and Dauphin County) continue to be provided with updates regarding the salient features of the process and the material aspects of terms. Among the purposes of these meetings were to provide the creditors with information necessary for them to agree that the best strategic partner and team was selected and the highest available purchase price at this time could be obtained from LCSWMA.

Weekly conference calls with LCSWMA are scheduled with counsel for THA and the financial advisor (PRAG) to the Office of the Receiver to discuss the HRRF transaction and developments in the overall restructuring plan for the City.

Weekly conference calls with THA's Board took place during December and January to keep the THA Board apprised of developments. The THA Board continues to be updated on the progress of the HRRF transaction as material developments occur.

The Receiver continues to obtain regular updates on the status of the HRRF, its related issues, and the monetization process.

## **Harrisburg Parking Assets**

The following is a chronological summary of the progress made with respect to the Harrisburg Parking Authority assets since December 15, 2012:

Harrisburg First is comprised of Guggenheim Securities, Piper Jaffray, Standard Parking and AEW, all national firms in their areas of expertise. Weekly conference calls with advisors to the Office of the Receiver and Harrisburg First have occurred for most of January and part of February and March. Meetings in Harrisburg with the Harrisburg Parking Authority have taken place and due diligence has continued.

An Exclusive Negotiation Agreement was entered into with Harrisburg First and approved as to form by the Office of Attorney General. This Exclusive Negotiation Agreement has been extended by the Receiver to April 5, 2013, as progress continues to be made on terms of a transaction. The most recent draft of the term sheet has been reviewed and revised by the Office of the Receiver's advisors and has been sent to Harrisburg First. The Term Sheet will be finalized when the Commonwealth parking proposal, the labor negotiations, and the structure of the bond issuance (all discussed below) have progressed to the point that the terms are reasonably clear.

A great deal of time continues to be spent on a consolidation of Commonwealth of Pennsylvania parking as part of the monetization. The Harrisburg First team, the Office of the Receiver team and Department of General Services have met on multiple occasions to discuss potential terms of a long-term agreement that would be beneficial to both the Commonwealth and the monetization of the City's Parking Assets. A proposal to the Commonwealth has been developed, reviewed by the Commonwealth, commented on, revised and returned to the Commonwealth. The House of Representatives and Senate are now reviewing the construct to see if they would like to participate as well.

The Office of the Receiver briefed the Board of HPA at the end of February regarding progress with respect to the proposed parking monetization transaction. Labor negotiations have started for a revision of the Collective Bargaining Agreement between the HPA and AFSCME to facilitate the proposed monetization transaction. AFSCME would represent parking employees in negotiation of a collective bargaining agreement with Standard Parking as the new private employer following the monetization.

Pennsylvania Economic Development Financing Authority and Harrisburg First, as well as representatives of DCED and the Office of the Receiver, have met in Harrisburg to discuss the role of PEDFA as bond issuer in the transaction. PEDFA has retained bond counsel to assist with the issuance of tax exempt bonds.

An engineer study of the parking assets is nearing completion and expected to be presented to the Parking Team in the near future, along with a revenue study. The Office of the Receiver has been in communication with creditors of the HRRF to keep them apprised of the approximate value of the transaction and material terms, cash flow projections and other items they have inquired about.

## **Water, Wastewater and Stormwater Systems**

The following is a chronological summary of the progress made with respect to Harrisburg's water, wastewater and stormwater (together "sewer systems") since December 15, 2012:

The 2010 Audit has been completed and released. The audit preparation for the 2011 audit has been completed and the 2011 audit is expected to be released in May of 2013.

The Office of the Receiver has determined that the creation of a local operating authority will be the best way to access the capital necessary to fund a Federally and State mandated sewer treatment project estimated to cost in excess of \$50 million. The City will not have access to the capital markets to fund a project of this size for several more years and the Regulators (mentioned below) are not amenable to delaying construction of the facility until this happens. The plans for the sewer treatment facility have been drawn up, reviewed by the Suburban Sewer Customers and are ready to be included in a contract bid. A funding plan that is practical and realizable is necessary to send the bid out to the market.

The operating authority approach appears to be satisfactory to the Department of Justice, Federal Environmental Protection Agency and Commonwealth Department of Environmental Protection (the Regulators) and is favored by the Suburban Communities. The Regulators have asked for regular meetings and conference calls. These meetings and conference calls have included representatives of the City of Harrisburg, The Harrisburg Authority (THA) and Office of the Receiver. The Regulators have stated that the City should expect a Judicial Consent Order in draft form imminently. Representatives of the City, THA and Office of the Receiver have met with and continued a cooperative dialogue with the Suburban Sewer Customers' representatives, with an aim towards developing satisfactory arrangements going forward. There is also an agreement between the Office of the Receiver and counsel to the Suburban Communities with respect to how to settle certain past alleged transgressions.

Legal Counsel and an engineering consultant for the City have been retained to represent the City in this transition – payment for these professionals will be made on the City's behalf by The Harrisburg Authority.

A term sheet has been developed and has been reviewed with the Mayor and her staff. A report by the engineering consultant is in draft form and when finalized, will be used by Legal Counsel and the City to finalize the term sheet.

**City of Harrisburg, Pennsylvania Approved Receiver's Plan:  
Preliminary Implementation Plan**

EChapter - #	Initiative	Five Year Financial Impact	Responsible Parties	Status	Priority <sup>1</sup>	Target Completion Date <sup>2</sup>	Key Implementation Steps	Comment
PI01	Conduct regular Recovery Plan implementation meetings	N/A	Office of the Receiver	In Process	Priority 1	May 2012	<ul style="list-style-type: none"> <li>Develop meeting agenda and process</li> <li>Schedule meetings</li> </ul>	Meetings began May 2012
PI02	Assemble and deploy Recovery Plan implementation teams	N/A	Office of the Receiver	Completed	Priority 1	May 2012	<ul style="list-style-type: none"> <li>Identify key staff, consultants, and subject matter experts</li> <li>Develop management and reporting protocol</li> <li>Assemble teams</li> </ul>	Act 47 Team is meeting with departments regularly to review initiatives.
PI03	Develop a performance management system	N/A	Business Administrator	In Process	Priority 3	December 2012	<ul style="list-style-type: none"> <li>Review City programs and develop outcomes by program</li> <li>Develop detailed work plans for the City's executive team</li> <li>Schedule regular meetings to review work plan progress and program outcomes</li> <li>Develop protocol for results and outcomes to be communicated to elected officials and the public</li> </ul>	Mayor Thompson conducts monthly one-on-one meetings with Department Directors. The draft performance evaluation tool for managers and supervisors has been provided to the Novak Group for comments. The evaluation tool will be introduced to senior staff and managers at the Leadership Institute in March. The anticipated implementation date is June 2013.

<sup>1</sup>Priority 1 - Important to complete as soon as possible to address emergent and immediate operational and/or financial issues

Priority 2 - Can be completed within one year but not urgent

Priority 3 - Mid to long-term initiatives

<sup>2</sup>Target completion dates are subject to amendment based on comparative prioritization and/or financial issues

Pending	In Process	Complete	Progress not tracking
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**City of Harrisburg, Pennsylvania Approved Receiver's Plan:  
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EChapter - #	Initiative	Five Year Financial Impact	Responsible Parties	Status	Priority <sup>1</sup>	Target Completion Date <sup>2</sup>	Key Implementation Steps	Comment
WF01	Renegotiate existing contract extensions or in the alternative, declare extensions of collective bargaining agreements void and renegotiate existing contracts	N/A	Mayor	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Consult with legal counsel to determine approach</li> <li>Implement approach</li> </ul>	The Office of the Receiver will work collaboratively with the Mayor to provide support and direction during the renegotiations. Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF02	Use professional assistance for labor negotiations	N/A	Mayor	Complete	Priority 1	July 2012	<ul style="list-style-type: none"> <li>N/A</li> </ul>	The Mayor has hired and is using outside counsel. Having labor counsel engage in future negotiations remains important.
WF03	Establish a labor/management committee for all employee groups	N/A	Business Administrator	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Meet with Union(s) to develop charter for committee</li> <li>Develop committee structure and processes for bringing items before the committee</li> <li>Develop committee work plan</li> <li>Schedule committee meetings</li> </ul>	The draft template for Labor Management Committee meetings has been submitted for review and approval to management and the president of AFSCME, IAFF and FOP unions. All parties have reviewed the draft document and the final version will be submitted for official adoption at each union's Labor Management Committee meetings once approved by the Receiver's Team.
WF04	Limit new contract enhancements	N/A	Mayor	Pending	Priority 1	Ongoing	<ul style="list-style-type: none"> <li>Implement</li> </ul>	Pending direction from Office of the Receiver and

**City of Harrisburg, Pennsylvania Approved Receiver's Plan:  
Preliminary Implementation Plan**

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								outside legal counsel before any action can be taken.
WF05	Ensure future collective bargaining agreements remain compliant with Recovery Plan	N/A	Mayor	Pending	Priority 3	Ongoing	<ul style="list-style-type: none"> <li>Adopt a practice of vetting each negotiation proposal against the approved Receiver's Plan</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF06	Implement a three year wage and step freeze	N/A	Mayor	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	The Office of the Receiver directed the City not to implement the 2013 wage increases contained in the contract extensions with the AFSCME, FOP and IAFF bargaining units. The annual step increases and longevity increases based on years of service for 2013, will be issued based on the 2012 pay scales. Grievances were filed by the AFSCME, FOP and IAFF bargaining units.
WF07	Implement a new pay scale for new police officers	N/A	Mayor	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	The seven (7) new Police Officers who were hired on January 14, 2013, are being paid the starting rate for a Police Officer Trainee of \$46,018.00 (75% of the 2012 top Police Officer rate). Upon completion of their Police Officer training, their annual salary will increase to \$49,086.00.



**City of Harrisburg, Pennsylvania Approved Receiver's Plan:  
Preliminary Implementation Plan**

EChapter - #	Initiative	Five Year Financial Impact	Responsible Parties	Status	Priority <sup>1</sup>	Target Completion Date <sup>2</sup>	Key Implementation Steps	Comment
								A grievance was filed by the FOP.
WF08	Implement a new pay scale for new firefighters	N/A	Mayor	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF09	Freeze longevity pay and eligibility	N/A	Mayor	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF10	Reduce paid holidays and personal leave to 10 days annually	N/A	Mayor	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Some benefits for management employees have been scaled back already. Mayoral Executive Order 9-2012 Elimination of Personal Leave Carry-Over was sent to all management employees on June 5, 2012. Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF11	Adjust overtime eligibility thresholds to reflect hours actually worked	N/A	Mayor	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF12	Adjust minimum overtime provisions	N/A	Mayor	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and

**City of Harrisburg, Pennsylvania Approved Receiver's Plan:  
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EChapter - #	Initiative	Five Year Financial Impact	Responsible Parties	Status	Priority <sup>1</sup>	Target Completion Date <sup>2</sup>	Key Implementation Steps	Comment
								outside legal counsel before any action can be taken.
WF13	Reduce vacation leave	N/A	Mayor	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Mayoral Executive Order 8-2012 Vacation Leave Carry-Over was sent to all management employees on June 5, 2012. Reducing vacation leave for bargaining unit employees subject of mandatory collective bargaining that is being undertaken by outside labor counsel.
WF14	Reduce sick leave allotments	N//A	Mayor	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Bonus sick leave deposits for management employees was abolished by Executive Order 6 of 2011. Any additional sick leave reductions are awaiting outcome of union negotiations.
WF15	Implement a court-related overtime reduction strategy	N/A	Police Chief	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF16	Redesign employee health care	N/A	Business Administrator	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.

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WF17	Contain post-retirement healthcare cost	N/A	Business Administrator	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF18	Enhance light duty program	NA	Business Administrator	Pending	Priority 2	January 2013	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
WF19	Retain flexibility to fill vacant positions after six months	NA	Office of the Receiver, Mayor, City Council , & Business Administrator	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Pending direction from Office of the Receiver and outside legal counsel before any action can be taken.
RET01	Prospectively reduce the level of benefits	NA	City Council & City Solicitor	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	This initiative is on hold pending labor negotiations.
RET02	Freeze benefit levels for all plans	NA	City Solicitor	Complete	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with labor union(s)</li> </ul>	Benefit levels are currently frozen.
RET03	Consolidate administration of the City's three retirement plans	NA	City Solicitor	Complete	Priority 3	January 2013	<ul style="list-style-type: none"> <li>Conduct a study comparing the fully loaded cost of administering the City retirement plans</li> <li>Consolidate plan management under the most cost effective trust</li> </ul>	Law Bureau has researched whether consolidation of assets is possible. It is the Law Bureau's opinion that because the Police Pension Plan's separation from PMRS was included in an Act 111 Arbitration Award, any consolidation

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								back in to PMRS must be bargained for. The attorney hired by Novak agreed with the Law Bureau's opinion: therefore, this initiative will not be implemented.
RET04	Seek IRS determination letter for Police Plan	NA	City Solicitor	Pending	Priority 1	June 1, 2013	<ul style="list-style-type: none"> <li>Review Police Plan against the IRS Employee Plan Compliance Resolution System and bring any plan defects, if they exist, into compliance</li> <li>Complete IRS application for determination</li> <li>Submit application for legal review and revise as appropriate</li> <li>Submit application</li> </ul>	Received approval from the Receiver's Team to change target completion date to June 1, 2013
RET05	Determine status of 2007 enhanced service increments and prevent implementation of such enhancements, if applicable	NA	City Solicitor	Complete	Priority 1		<ul style="list-style-type: none"> <li>Review Police Plan ordinance to determine if it has been amended to reflect the 2007 agreements</li> <li>If not, do not amend the ordinances</li> <li>If yes, initiate process to prospectively cap service increments at 60% of final salary</li> </ul>	The pension amendment was approved (employee with 27 years of service receive 70% benefit). There is no way to prevent implementation. It was already adopted by City Council.
RET06	Aggressively defend an appeal, if applicable, regarding the 2009 enhanced service increments	NA	City Solicitor	Complete	Priority 1	Complete	<ul style="list-style-type: none"> <li>Implement</li> </ul>	The Law Bureau aggressively defended the appeal by the FOP and recently obtained a favorable decision by the

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								Supreme Court, who upheld the decision of the PA Labor Relations Board that the City did not commit an Unfair Labor Practice when City Council refused to enact the pension enhancement given by the former Mayor.
RET07	Update PMRS Agreement to reflect recent changes in the Firefighters' Plan	N/A	City Solicitor	Pending	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Revise ordinance to reflect relevant amendments</li> <li>Submit ordinance to City Council for consideration</li> </ul>	Solicitor is in discussions with PMRS about the language changes. Anticipated that an ordinance will be introduced to City Council by end of March, 2013.
RET08	Resolve discrepancies between the Non-Uniformed Plan and the Non-Uniformed PMRS Agreement	N/A	City Solicitor	In Process	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Conduct comparative review of uniformed and non-uniformed plans</li> <li>Identify discrepancies and appropriate amendments</li> <li>Revise ordinance to reflect relevant amendments</li> <li>Submit ordinance to City Council for consideration</li> </ul>	The response received from PMRS on January 11, 2013 was the contract is still undergoing a final review by PMRS superiors as well as their legal counsel.
RET09	Amend Non-Uniformed collective bargaining agreement	N/A	City Solicitor	Complete	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Amend plan ordinances to reflect collective bargaining changes that went into effect in 2009</li> <li>Submit ordinance to City Council for consideration</li> </ul>	The contract changes made to the CBA re. pension improvements at the end of 2009 were conditioned upon Council approval within 120 days. Council approval

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								was not obtained rendering those changes to the contract null and void. This initiative is invalid and unable to be implemented.
RET10	Establish Other Post Employment Benefits (OPEB) Trust	N/A	City Solicitor	In Process	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Identify procedure to establish OPEB Trust</li> <li>Develop timeline, process and implementation plan</li> </ul>	Deputy Solicitor is drafting Trust Agreement and working with Administration to identify potential trustees. Liabilities have been identified per the GASB 45 and potential initial funding identified.
I&RM01	Fund risk management services	N/A	Director of Financial Management	Complete	Priority 1	October 2012	<ul style="list-style-type: none"> <li>Contact the City's Third Party administrator to schedule safety trainings</li> <li>Schedule training events</li> </ul>	The City has contracted Inservco, our workers compensation third-party administrator, to provide safety training. In 2012, three certified training sessions were conducted by Chuck Baker of Inservco for Public Works employees. Seventeen employees attended the Safe Driving Awareness session on 9/17/12. Two sessions were held on Thursday, December 20, 2012 - "Worksafe for Sanitation Workers", at which 17 employees attended and "Worksafe

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								for Public Workers”, at which 7 employees participated. The Public Works Director also conducted a Work Place Safety Training on 10/1/12 where 17 employees attended. The City is working with Inservco and Marsh USA to jointly identify other high-risk areas to focus future annual training sessions.
I&RM02	Revise terms of brokerage service agreement	N/A	Director of Financial Management	In Process	Priority 1	July 2013	<ul style="list-style-type: none"> <li>Develop and issue RFP</li> <li>Assemble RFP review committee</li> <li>Review proposals and select the lowest responsible bidder</li> </ul>	RFP has been developed and finalized and the City anticipates issuance on or about June 1, 2013 for the upcoming 10/01, 11/01/2013 and 1/1/2014 renewals.
I&RM03	Engage an actuarial firm to perform an independent and objective evaluation of the City's ultimate liability and projected payments for the forthcoming fiscal period using the City's own loss experience as opposed to industry data	N/A	Director of Financial Management	In Process	Priority 2	January 2013	<ul style="list-style-type: none"> <li>Evaluate necessity of initiative based on the City's new insurance program.</li> <li>Develop and issue RFP</li> <li>Assemble RFP review committee</li> <li>Review proposals and select the lowest responsible bidder</li> </ul>	This initiative would require funding for a third-party firm to conduct the analysis. Given budget constraints and pressing fiscal issues, the initiative temporarily put on hold until resources became available. Additional information was requested from the Novak Group on 1-22-2012. Novak Group will

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								consider whether this initiative is still applicable and within the context of the City's current insurance program and, if so, will reassess the value added within the context of the City's broader financial and operational issues. The Director of Financial Management will provide a contact for Marsh USA and AIA Insurance to the Novak Group to further research the issue. In response, Marsh indicated on 1/23/13 that their sister company Mercer/Oliver Wyman, may be of assistance for I&RM03 to perform an independent and objective evaluation of the City's ultimate liability and projected payments for the forthcoming fiscal period using the City's own loss experience as opposed to industry data. Final implementation will require negotiations with the Unions.
I&RM04	Revise collective bargaining agreements to allow for flexible Light Duty Program	N/A	Mayor, Business Administrator, City	Pending	Priority 2	March 2013	<ul style="list-style-type: none"> <li>Develop working committee consisting of</li> </ul>	Full implementation of Initiative I&RM04 is



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			Solicitor, and Human Resources Director				<ul style="list-style-type: none"> <li>representatives from management and each labor union</li> <li>Conduct best practice research to define light-duty program options</li> <li>Develop program</li> <li>Draft and adopt MOUs establishing flexible light duty program</li> </ul>	dependent upon successful negotiations with all three unions.
I&RM05	Create a safety program to manage risk of vehicle liabilities	N/A	Director of Financial Management	In Process	Priority 2	July 2013	<ul style="list-style-type: none"> <li>Conduct research to identify best practice safety programs</li> <li>Develop process to regularly review motor vehicle records of employees who operate motor vehicles</li> <li>Develop review process for city vehicles involved auto accidents, and associated disciplinary process</li> <li>Communicate program, policy and procedures to employees/labor groups</li> <li>Conduct training for employees and initiate program</li> </ul>	The City relies upon Inservco, its contracted safety training service provider, to provide certified trainers who conduct the research to identify best practices safety programs as relates to the specific kinds of risk City employees are exposed. Seventeen Public Works Employees attended a Safe Driving Awareness, Training Session on Sept. 17, 2012, conducted by Chuck Baker from Inservco. The City has since contacted Marsh USA and began a dialogue requesting their assistance in developing and implementing the 2nd, 3rd, and 4th bullets. Brit Insurance and Marsh

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								Risk Consultants indicated in an e-mail dated 1/23/13 that they would be available to review these three "key implementation steps" with the City's Fleet Safety Officer and/or City's Fleet Manager and discuss possible implementation options and any related support which we might jointly provide to assist in the City's Fleet Safety Program.
I&RM06	Conduct a cost benefit analysis to determine adequate Umbrella Excess Liability coverage	N/A	Director of Financial Management	In Process	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Evaluate necessity of initiative based on the City's new insurance program.</li> <li>Conduct analysis to determine existing liability</li> <li>Identify cost associated with increasing liability coverage to cover estimated risk in the interim</li> <li>Evaluate and implement actions to decrease liability and risk (e.g., create a safety program)</li> <li>Adopt a practice, as part of the Director of Financial Management's work plan, of assessing risk and coverage levels on an</li> </ul>	City requested a range of quotes from Marsh USA to potentially expand Umbrella Excess Liability Coverage, as well as benchmarks to help conduct a cost benefit analysis. Marsh USA provided a Benchmark Report provided on 1/23/12 to compare the City's current Excess Limits of Liability (\$5,000.000) to 89 Public Entity Peers from Marsh's data base and developed estimated premiums for increased coverage for the Receiver and City to

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							annual basis	consider.
EL01	Increase communication, and collaboration with Mayor, City Council, City Controller, City Treasurer, and Department of Administration	N/A	All Elected Officials	Ongoing	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Convene a working group, staffed with the Business Administrator, to identify the types of information that should be communicated (e.g., cash flow, financial statements, performance data), when, how often, and in what level of detail</li> <li>Develop and adopt processes to institutionalize communication</li> <li>Develop agenda, reports, etc., for monthly meetings</li> <li>Schedule regular meetings</li> </ul>	
EL02	Review progress on Financial Recovery Plan implementation monthly and quarterly	N/A	Mayor & City Council President	Ongoing	Priority 1	Ongoing	<ul style="list-style-type: none"> <li>Develop agenda, reports, etc., for monthly meetings</li> <li>Schedule meetings</li> </ul>	
EL03	Amend and pass City ordinances, fees and taxes as outlined in the Recovery Plan	N/A	City Council	Ongoing	Priority 1	Ongoing	<ul style="list-style-type: none"> <li>Revise ordinances</li> <li>Submit ordinances to City Council for consideration and approval</li> </ul>	Council adopted a 5% Parking Tax increase and .8 mill. real estate tax increase in 2012 budget. Residential Parking increase and Parking Meter Rate increase are still pending in Council Committee.
IGR01	Identify and implement intergovernmental cooperative initiatives	N/A	Mayor & City Council	Pending	Priority 2	April 2013	<ul style="list-style-type: none"> <li>Schedule meetings with elected officials from other</li> </ul>	

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							<p>governments and agencies (local and State) to identify opportunities for intergovernmental cooperation</p> <ul style="list-style-type: none"> <li>• Develop prioritized list of opportunities and deliver to respective City staff for analysis</li> <li>• Conduct feasibility, cost, and operational impact analysis</li> <li>• Implement opportunities</li> </ul>	
ADMIN01	Implement quarterly financial reporting and associated review process	N/A	Director of Financial Management	In Process	Priority 1	March 31, 2013	<ul style="list-style-type: none"> <li>• Develop quarterly department budget review process, and revenue review process managed by the Bureau of Financial Management</li> <li>• Develop and document internal revenue and budget analysis process</li> <li>• Develop reporting process to elected officials</li> <li>• Develop budget amendment process to be included as a contingency option in the review and reporting process</li> </ul>	The 1st, 3rd, and 4th bullets have been developed and implemented. The Budget Office has established and implemented procedures beginning with the 2012 Mid-Year Fiscal Report, to review budgetary performance (revenues and expenditures) on a quarterly basis with all individual department heads/bureau chiefs, prior to the compilation and issuance of a formal Quarterly Fiscal Report. The Quarterly Fiscal Report will be provided

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								to all elected officials within 45 days of each quarter-ended and be made available on the City's website. City filed its Mid-Year and Third-Quarter Fiscal Reports on July 14 and November 14, 2012, respectively, and its 2012 year-end Fiscal Report on February 14, 2013. A formal budget amendment process is currently in place in the form of a Line-item Budget Reallocation Plan development and public issuance and review process. However, the Administration will endeavor to review and discuss the possibility of limiting the frequency and amounts of Reallocation Plans by seeking City Council's approval through change in Ordinance to either increase the \$20,000 threshold maximum line-item transfer allowed between the most restrictive category established by Ordinance, or to increase the legal

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								level of budgetary control from the current line-item level to a higher categorical level as part of the 2013 Budget approval or amendment process. Internal processes to be documented by March 31, 2013.
ADMIN02	Develop comprehensive Citywide financial policies	N/A	Director of Financial Management	In Process	Priority 2	August 2013	<ul style="list-style-type: none"> <li>Conduct research of best practice financial policies (begin with GFOA)</li> <li>Develop draft policies</li> <li>Assess existing financial practices against draft policies and develop action plan to amend practices as appropriate</li> <li>Submit draft policies to the City Solicitor's Office for legal review</li> <li>Submit policies as amended, for review and adoption by City Council</li> <li>Conduct staff training</li> </ul>	The Budget Manager is currently gathering and updating existing City fiscal policies, and the Finance Director will acquire GFOA Policies (best practices) for review and consideration, to create a comprehensive binder of City fiscal policies. With the assistance of the newly hired Staff Accountant and Accounting Manager positions, we will endeavor to implement this by August, 2013. The Novak Consulting Group will provide assistance to update and develop these policies.
ADMIN03	Implement a standard budget development calendar	N/A	Director of Financial Management	Complete	Priority 1	N/A	<ul style="list-style-type: none"> <li>N/A</li> </ul>	Budget Development calendar has been established.

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ADMIN04	Establish standard position control system	N/A	Director of Financial Management	In Process	Priority 1	June 2013	<ul style="list-style-type: none"> <li>Develop tool (software or Excel) that compares budgeted positions to actual positions in the personnel system (should include cost projections by pay period)</li> <li>Develop quarterly position control review process to identify discrepancies and eliminate unfunded/unbudgeted positions from the personnel system</li> <li>Eliminate all unbudgeted positions from the personnel system</li> </ul>	Receiver's Implementation Team provided assistance in developing an Excel based position control tool. The Act 47 Implementation Team met with City staff to identify the systems and data that must be integrated to create Excel based position control tools. The Team is currently developing alternative approaches. The Novak Consulting Group met with City IT, Accounting and Budget personnel and identified options to revise the City's PERDAILY HR Mainframe report. City IT developed a revised PERDAILY budget format and The Novak Consulting Group will develop an approved budget upload document to show budgeted position data in the HR system. Two follow-up meetings were held in early January 2013 with City Finance, HR and IT staff to review the

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								current DPER (personnel) system and to identify DPER system/data enhancements to achieve systematic position control. Separately, Finance staff worked to compare the DPER listing of positions to the 2013 Budget - Position Control listing of positions by budget unit to purge all unbudgeted positions from DPER.
ADMIN05	Conduct comprehensive review of City purchasing policies	N/A	Director of Financial Management	Complete	Priority 2	July 2013	<ul style="list-style-type: none"> <li>• Conduct research of best practice purchasing policies (take Pennsylvania rules into account)</li> <li>• Develop draft policies</li> <li>• Assess existing purchasing practices against draft polices and develop action plan to amend practices as appropriate</li> <li>• Submit draft policies to the City Solicitor's Office for legal review</li> <li>• Submit policies as amended, for review, and adoption by City Council</li> <li>• Conduct staff training</li> </ul>	The current Purchasing Policies are in accordance with the State of Pennsylvania Regulations and the Third Class City Code. The Public Bid Limit for all Third Class Cities was increased to \$18,500.00, signed into law by the Governor and went into effect January 1, 2012. This directive was approved by the Solicitor's Office and circulated to all City employees and officials. It did not have to be approved by City Council. Due to the current fiscal condition of the City, it has been determined



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								that the City's purchase order limit of \$1,000.00 will not be increased at this time. One-on-one training on purchasing procedures is provided whenever needed. If it is deemed necessary, a training seminar for all staff involved in the purchasing function will be held early in 2013.
ADMIN06	Modify existing chart of accounts to track Commonwealth and Federal grant program funds on individual basis	\$260,000	Director of Financial Management	Complete	Priority 2		<ul style="list-style-type: none"> <li>N/A</li> </ul>	The City has added additional detail to its Chart of Accounts to allow for individual grant-specific revenue and expenditure monitoring. In addition, a Grants Manager was hired June 4, 2012, to manage grant reporting processes.
ADMIN07	Revise the job description and increase hiring salary range for Chief of Staff/Business Administrator		Mayor & Director of Human Resources	Complete	Priority 1		<ul style="list-style-type: none"> <li>N/A</li> </ul>	Chief of Staff/BA was hired April 18, 2012 and was confirmed by City Council on May 22, 2012.
ADMIN08	Eliminate manual data entry processes in the Bureau of Financial Management	N/A	Director of Financial Management	In Process	Priority 2	January 2013	<ul style="list-style-type: none"> <li>Develop crosswalk between the Pentamation and the DREV system</li> <li>Test crosswalk in a test environment</li> <li>Conduct pilot, redundant process in live environment</li> </ul>	Crosswalk had been developed. However, upon testing, the data download and upload process proved to be equally manual-input driven to achieve the desired results. Financial

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							<ul style="list-style-type: none"> <li>Assess and address crosswalk problems</li> <li>Fully implement process</li> </ul>	Management and IT staff initially met to discuss a re-designed approach to eliminate these manual data-entry processes following the hiring of the vacant Network Administrator and vacant Senior Accountant positions. Two follow-up meetings were held in early January 2013 with Finance and IT staff to observe the original crosswalk developed by IT in order to identify where enhancements could be made to alleviate the need for continued manual effort and to tweak the programming to achieve the original desired results. IT staff programmed changes that have been proven successful. Finance staff are using in test and basic upload instructions have been prepared and distributed. Go-Live occurred February 6, 2013.
ADMIN09	Hire a Senior Accountant position to the Bureau of Financial Management	-	Director of Financial Management	Complete	Priority 1	November 2012	<ul style="list-style-type: none"> <li>Conduct recruitment and hiring process</li> </ul>	Senior Accountant hired on November 5, 2012.

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							<ul style="list-style-type: none"> <li>Hire and train employee</li> </ul>	
IT01	Replace mission critical IT components	N/A	Director of Information Technology	In Process	Priority 1	February, 2013	<ul style="list-style-type: none"> <li>Develop inventory of existing IT infrastructure, life cycle, and replacement priority</li> <li>Develop corollary target replacement schedule</li> <li>Incorporate schedule into budget development process</li> </ul>	Partial inventory list has been developed and a full list should be completed by 03/29/13 . Target replacement schedule should be completed by 03/29/13. IT's adopted 2013 budget includes 1 Air conditioner, and we will be applying for a grant to pay for a new UPS. The current UPS is 25 years old.
IT02	Replace outdated personal computers	(60,000)	Network Administrator	In Process	Priority 2	July 2013	<ul style="list-style-type: none"> <li>Develop inventory of existing PCs, life cycle, and replacement priority</li> <li>Develop corollary target replacement schedule</li> <li>Incorporate schedule into budget development process</li> </ul>	The inventory list has been developed that includes live cycle and replacement priority. Replacement schedule has been developed and incorporated into the budget development process. 47 computers were purchased at the end of 2012. 20 computers will be purchased in 2013 that are included in the 2013 adopted budget.
IT03	Eliminate all personal printers and maintenance on printers	N/A	Network Administrator	Complete	Priority 2	September 2013	<ul style="list-style-type: none"> <li>Inventory all personal printers</li> <li>Develop alternative network</li> </ul>	Inventory of personal printers has been completed. (20

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							<ul style="list-style-type: none"> <li>printing options, if they do not exist, for those with personal printers</li> <li>Eliminate personal printers</li> </ul>	Identified) Alternative network printing options were provided for the 7 printers that were removed. 7 printers are used for special purposes (Photo ID, Fax, and Scanner). The remaining personal printers will be eliminated as supplies are used up.
IT04	Develop custom Interface between County dispatch system and METRO	N/A	Director of Information Technology & Police Chief	Closed-N/A	Priority 3	December 2013	<ul style="list-style-type: none"> <li>Seek grant funding from the Commonwealth</li> <li>Contract with an IT vendor to develop custom interface</li> <li>Test interface in a redundant environment</li> <li>Address interface problems</li> <li>Fully implement interface</li> </ul>	Standard Dispatching software is being provided without cost by Dauphin County. The interface is not needed.
IT05	Conduct a needs assessment for an Enterprise Resource Planning system	(80,000)	Director of Information Technology and Director of Financial Management	Pending	Priority 3	April 2013	<ul style="list-style-type: none"> <li>Seek grant funding from the Commonwealth</li> <li>Develop RFP for consultant to complete needs assessment</li> <li>Assemble RFP review committee</li> <li>Review proposals and select the lowest responsible bidder</li> </ul>	Commonwealth ACT 47 funding is being sought to hire a consultant to undertake a needs assessment. The City's Grants Manager has been assigned to the task of writing the Grant request.
IT06	Complete a needs assessment and audit of existing phone system and components	(50,000)	Director of Information Technology	Pending	Priority 2	April 2013	<ul style="list-style-type: none"> <li>Seek grant funding from the Commonwealth</li> <li>Develop RFP for consultant</li> </ul>	Commonwealth grant funding is being sought by the City's

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							<ul style="list-style-type: none"> <li>to complete needs assessment</li> <li>Assemble RFP review committee</li> <li>Review proposals and select the lowest responsible bidder</li> </ul>	Grants Manager to offset the cost of implementation. Parts can still be located for the existing phone system when issues arise; as a result, implementation of this item is not critical when compared to other initiatives.
IT07	Pursue long-term strategic IT initiatives	N/A	Director of Information Technology	Pending	Priority 3	N/A	<ul style="list-style-type: none"> <li>N/A</li> </ul>	As the City's financial condition improves, these initiatives will be considered for funding.
LAW01	Use professional assistance for labor relations activities	N/A	City Solicitor	Complete	Priority 1	N/A	<ul style="list-style-type: none"> <li>N/A</li> </ul>	Hired outside counsel in December
LAW02	Increase the number of staff attorneys from one to three	N/A	Mayor & City Council	In Process	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Incorporate positions into the budget development process as funds are available</li> </ul>	The justification / rationale for the position of Assistant City Solicitor was sent to the Receiver.
LAW03	Complete, recodify, and enact the Code of the City of Harrisburg	N/A	City Solicitor	Pending	Priority 1	December 2012	<ul style="list-style-type: none"> <li>Develop code</li> <li>Submit code for approval by City Council</li> </ul>	The recodification ordinance will be introduced at the City Council Legislative Session scheduled for February 12, 2013. All final drafts of the recodified ordinances have been distributed to all department directors.
POL01	Restructure the Patrol Duty Schedule	131,250	Police Chief	Complete	Priority 1	TBD	<ul style="list-style-type: none"> <li>Develop alternative</li> </ul>	The Novak Group analysis

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							<ul style="list-style-type: none"> <li>schedule options</li> <li>Initiate discussion with the FOP</li> </ul>	indicated the 4-10 schedule was more costly to implement than the current 8-hour schedule and that, in light of the City's fiscal constraints, the schedule change is not recommended at this time.
POL02	Implement a vehicle replacement policy	(803,232)	Police Chief, Director of Public Works, & Director of Financial Management	In Process	Priority 1	March 2013	<ul style="list-style-type: none"> <li>Conduct fleet condition and utilization analysis, based on life-cycle, maintenance costs, and the pre-defined utilization standards</li> <li>Reassign or dispense of underutilized vehicles</li> <li>Develop target replacement plan with prioritization</li> <li>Incorporate replacement plan into budget development process</li> </ul>	Fleet survey has been completed , with 20 unusable vehicles disposed of. The Receiver's and Capital Improvement Plan call for the replacement of 4-6 vehicles per year. An application for \$409,000 in Dauphin County Local Share Gaming Funds to purchase 10 vehicles was approved on February 13, 2013. Marked Patrol vehicles with more than 75,000 miles are the priority for replacement. The replacement plan has been incorporated into the budget development process
POL03	Review and revise stipend for newly promoted investigators		Police Chief & Director of Human Resources	Pending	Priority 1	Jan 2013	<ul style="list-style-type: none"> <li>Draft new salary schedule</li> <li>Initiate discussions with the FOP</li> </ul>	Initiative is on hold pending the outcome of the negotiations between the City's outside legal counsel and the

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								Receiver's team with the FOP.
POL04	Implement a proactive crime analysis and crime reduction strategy	N/A	Police Chief	Complete	Priority 1	May 2012	<ul style="list-style-type: none"> <li>Develop crime analysis software</li> <li>Assign personnel as dedicated crime analyst(s)</li> <li>Develop crime pattern analysis and reporting process</li> <li>Develop information sharing and deployment processes tied to real time crime analysis and data</li> </ul>	Crime Analyst position was created and assigned in 2012. Crime mapping system up and operational, May 2012.
POL05	Increase complement of VICE Unit	N/A	Police Chief	Complete	Priority 1	Sept 2012	<ul style="list-style-type: none"> <li>Assess ability to reassign officers from specialty units and/or officers made available from a shift schedule adjustment (Initiative POL1).</li> <li>Reassign officers to VICE if operationally feasible</li> <li>In the interim, develop a "90 day career advancement" placement to increase VICE resources and provide professional development opportunities</li> </ul>	Career Development program in place. District Attorney's Office to pay ongoing 5% stipend. An officer is assigned to Vice and paid for from the 5% stipend.
POL06	Assign representative to the District Attorney's Office Narcotics Task Force	N/A	Police Chief & District Attorney	Complete	Priority 2	January 2013	<ul style="list-style-type: none"> <li>Coordinate with District Attorney's office to assign personnel</li> </ul>	The Receiver has granted permission for two additional Detectives to enhance Vice operations and keep it under City control in order to provide more effective

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								neighborhood safety oriented anti-drug operations. These personnel will be assigned to the Vice function by mid-February
POL07	Participate in Dauphin County Forensic Team	N/A	Police Chief & District Attorney	Complete	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Coordinate with District Attorney's office to assign personnel</li> </ul>	The forensic function is being kept under City control to allow their activities to be focused on neighborhood and community activities/needs. There are currently sufficient resources available to meet the Bureau's needs without additional personnel.
POL08	Transfer prisoner booking responsibility to Dauphin County	N/A	Police Chief	Complete	Priority 3	July 2013	<ul style="list-style-type: none"> <li>Coordinate with County to formalize booking procedure</li> <li>Train sworn officers on booking process</li> <li>Transition booking process and reassign personnel assigned to booking</li> </ul>	The Dauphin County Booking Center is scheduled to be fully operational on May 6, 2013. It will be staffed entirely by Dauphin County personnel. The Harrisburg officers currently assigned to booking duties will be reassigned to patrol. No further action is needed on the part of the Bureau of Police.



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POL09	Appoint a Civilian Manager for Parking Enforcement Office	N/A	Police Chief & Director of Human Resources	In Process	Priority 2	December 2012	<ul style="list-style-type: none"> <li>Conduct recruitment and hiring process</li> <li>Hire and train employee</li> </ul>	Awaiting feedback from the Office of the Receiver as to whether they will be approving the City's request to fill this position.
POL10	Replace electronic parking ticketing devices	(112,200)	Police Chief & Director of Financial Management	Complete	Priority 1	November 2012	<ul style="list-style-type: none"> <li>Fund replacement of devices</li> <li>Identify and select vendor</li> <li>Purchase/lease and activate devices</li> <li>Train parking enforcement officers</li> </ul>	The devices have been fielded and are fully operational.
POL11	Increase operational efficiency in Parking Enforcement Office	480,480	Police Chief	In Process	Priority 1	Oct 2012	<ul style="list-style-type: none"> <li>Establish targets for increased efficiency and relay targets to staff</li> <li>Adopt a practice of accessing employee productivity against targets</li> </ul>	The importance of productivity is stressed to enforcement personnel. Ticket count and time/location reports are reviewed daily. There are four positions vacant, pending approval to fill. Once the unit is fully staffed, personnel schedules will be restructured to provide more enforcement later in the day. A Technical Services Administrator is needed to enhance supervision and accountability.
POL12	Implement a new schedule for Parking Enforcement Officers	N/A	Police Chief	In Process	Priority 1	Oct 2012	<ul style="list-style-type: none"> <li>Create new schedule</li> <li>Meet with affected</li> </ul>	Scheduling adjustments are pending a proposed

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							employees to discuss schedule change	change to meter enforcement hours addressed in legislation before City Council. Legislation has been in the Budget and Finance Committee since January 20, 2012.
POL13	Increase current parking ticket fees	4,500,000	Mayor & City Council	In Process	Priority 1	Oct 2012	<ul style="list-style-type: none"> <li>Develop new schedule of fees</li> <li>Submit revised fee schedule to City Council for adoption</li> <li>Conduct public information process</li> <li>Begin enforcement</li> </ul>	Fee increase proposal has been in Budget and Finance Committee since January 20, 2012.
POL14	Evaluate the consolidation of Specialized Units	N/A	Police Chief	Complete	Priority 2	Complete	<ul style="list-style-type: none"> <li>Evaluate efficacy of special units on an ongoing basis, depending on crime profile and community need</li> </ul>	Units have been absorbed into patrol platoons to meet staffing needs, except street crimes unit and traffic unit
POL15	Enhance leave supervision	N/A	Police Chief	Complete	Priority 1	April 2012	<ul style="list-style-type: none"> <li>Develop chronic sick and injury-related leave policy and sanctions, with advisory input from the FOP</li> <li>Educate staff on policy and related expectations</li> <li>Adopt policy enforcement into the performance management system</li> </ul>	Sick leave abuse policy is in place and effect. Officers are allowed to run sick time out, at retirement. Needs to be addressed at labor relations. Considered unfair labor practice if discontinued.
POL16	Evaluate false alarm fee for burglar alarms and aggressively collect fees due	N/A	Police Chief and Director of Bureau of Operations and Revenue	Complete	Priority 1	September 2012	<ul style="list-style-type: none"> <li>Develop monthly review process of Dauphin County communications' records to identify calls eligible to be</li> </ul>	On February 8, 2013, the City Clerk introduced legislation for approval to City Council, in ref to an

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							<ul style="list-style-type: none"> <li>billed</li> <li>Assess false alarm fees in the City-wide fee study and adjust as appropriate</li> </ul>	ordinance addressing to update the fee schedule for burglar alarms.
FIRE01	Change current shift schedule	N/A	Fire Chief	Pending	Priority 1	December 2012	<ul style="list-style-type: none"> <li>Develop alternative schedule options</li> <li>Initiate discussion with the IAFF</li> </ul>	Pending negotiations
FIRE02	Eliminate premium pay	N/A	Mayor, Fire Chief, & Business Administrator	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussion with the IAFF</li> </ul>	Pending negotiations
FIRE03	Evaluate the tradeoffs of taking a piece of apparatus out of service and increasing staffing on remaining apparatus	N/A	Fire Chief & Business Administrator	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Identify alternative apparatus/deployment structures</li> <li>Determine service impact associated with each and corollary impact on response capability</li> <li>Develop preferred option and initiate discussions with the IAFF</li> <li>Implement preferred alternative</li> </ul>	Pending negotiations
FIRE04	Implement an engine company inspection program	N/A	Fire Chief	In Process	Priority 2	April 2013	<ul style="list-style-type: none"> <li>Review inspection inventory and identify company-based inspection plan</li> <li>Develop inspection guidelines and procedures</li> <li>Train inspectors</li> <li>Incorporate inspection work plan into daily company activities</li> </ul>	Fire officers will be scheduled to take the Fire Inspector I Course on Residential and Commercial Occupancies for State Certification.
FIRE05	Increase billing/collection of emergency response and vehicle extrication fees	61,875	Fire Chief & City Council	Complete	Priority 1	April 2012	<ul style="list-style-type: none"> <li>Develop fee schedule</li> <li>Submit fee schedule to City</li> </ul>	Ordinance No.13 (Bill NO. 16-2012) passed as

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							<ul style="list-style-type: none"> <li>Council for adoption</li> <li>Notify insurance companies of fee change</li> <li>Aggressively bill and collect fees from insurance companies</li> </ul>	amended. Extraction fee of \$500 by Extrication. The Tax & Enforcement office will aggressively bill the insurance companies once notified and provided details of the extraction from the Fire Bureau.
FIRE06	Adjust false alarm fees to more accurately reflect costs and impacts	60,000	Fire Chief	In Process	Priority 1	April 2012	<ul style="list-style-type: none"> <li>Identify fully loaded cost (salary, benefits, vehicle use, and fuel, administrative/ billing overhead, etc.) of each false alarm response</li> <li>Revise fee schedule to recover costs and provide disincentive of multiple false alarms</li> <li>Submit fee schedule to City Council for adoption</li> <li>Develop citizen education plan (include Commonwealth)</li> </ul>	The revised fee schedule was sent to the Law Bureau for review and approval. Once approved, it will be sent to the Mayor's Office and then presented to City Council.
FIRE07	Civilianize Bureau's Administrative Assistant position	N/A	Fire Chief & Director of Human Resources	Pending	Priority 2	January 2013	<ul style="list-style-type: none"> <li>Revise job description</li> <li>Incorporate position into budget development process</li> <li>Recruit and hire Confidential Secretary to the Fire Chief</li> <li>Reassign firefighter to</li> </ul>	Initiative is on hold pending the outcome of the negotiations between the City's outside legal counsel and the Receiver's team with the IAFF.

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							suppression duties	
FIRE08	Mandate formal Safety Committee review of every work-related injury in Bureau	N/A	Fire Chief & Director of Human Resources	In Process	Priority 2	N/A	Develop and adopt administrative policy Develop work related injury review process Educate employees on the process	The Fire Department has established the practice of reviewing workplace accidents and near misses through a joint labor-management committee. The Committee reviews safety issues and injuries and develops interventions as appropriate. This meets the intent of the initiative.
FIRE09	Establish a formal in-house training program, including a shift swap system, that allows in-house trainers to lead events	N/A	Fire Chief	Complete	Priority 3	December 2013	<ul style="list-style-type: none"> <li>Develop charter and membership for in-house training committee</li> <li>Conduct inventory of in-house expertise</li> <li>Identify and train in-house trainers</li> <li>Develop training curriculum and training schedule</li> <li>Work with IAFF to develop a short-term shift swap system for in-house trainers</li> </ul>	All implementation steps have been accomplished.
FIRE10	Continue discussions with Harrisburg Area Community College Public Safety Center regarding possible training collaboration	N/A	Fire Chief	Complete	Priority 2	Complete	<ul style="list-style-type: none"> <li>Schedule regular formal and informal interaction with the college to identify training opportunities for City firefighters</li> </ul>	Regular and informal interaction takes place as part of the Bureau of Fire's annual training schedule

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FIRE11	Revise turnout gear replacement practices in current collective bargaining agreement	N/A	Business Administrator, City Solicitor, & Fire Chief	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with the IAFF</li> </ul>	Pending negotiations
FIRE12	Revise IAFF collective bargaining agreement to allow more efficient and effective use of resources	N/A	Business Administrator, City Solicitor, & Fire Chief	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with the IAFF</li> </ul>	Pending negotiations
FIRE13	Eliminate minimum manning upon expiration of current collective bargaining agreements	N/A	Business Administrator, City Solicitor, & Fire Chief	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Initiate discussions with the IAFF</li> </ul>	Pending negotiations.
PW01	Implement container based collection system for residential solid waste and recycling	N/A (Should result in General Fund savings)	Director of Public Works	In Process	Priority 1	September 2012	The Residential Collection System Information had been provided to the Novak Group. Current routes have been modified (October 2012) and we went back to a five day a week service. In early November, the NOVAK Group provided us a "draft" RFP. We reviewed the RFP. Initial questions/concerns were delivered at our meeting on November 20, 2012. City attorney has since made his recommendations and our Purchasing Agent was in the process of making her recommendations. Based upon the meeting with the Novak group on January 15, 2013 an updated draft will be forwarded for review and comments. Follow through emails were sent on February 1 and February 8.	The Residential Collection System Information had been provided to the Novak Group. Current routes have been modified (October 2012) and we went back to a five day a week service. In early November, the NOVAK Group provided us a "draft" RFP. We reviewed the RFP. Initial questions/concerns were delivered at our meeting on November 20, 2012. City attorney has since made his recommendations and our Purchasing Agent was in the process of making her recommendations. Based upon the meeting with the Novak group on January 15, 2013 an

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								updated draft will be forwarded for review and comments. Follow through emails were sent on February 1 and February 8. The final draft has been reviewed and approved by City staff and the RFP is scheduled to be released the third week of March. 2013.
PW02	Enforce City's right to commercial collection and contract with private collector for collection of commercial waste	N/A	Director of Public Works	In Process	Priority 1	July 2013	<ul style="list-style-type: none"> <li>Identify all active businesses in the City (may require coordination with the Department of Revenue)</li> <li>Mail letters to all businesses indicating commercial waste hauling requirements</li> <li>Issue bills to all Harrisburg businesses</li> <li>Aggressively collect money owed</li> </ul>	This initiative is on hold pending the resolution of the refuse and recycling RFP process
PW03	Increase recycling through education, accessibility, and enforcement - Sanitation Fund	N/A	Director of Public Works	Complete	Priority 2	December 2012	<ul style="list-style-type: none"> <li>Develop recycling education process</li> <li>Evaluate implementation of recycle bank program to incentivize recycling</li> </ul>	We have a recycling grant which we have qualified for the last six years. There are planned education events through the Parks and Recreation Department, primarily through the Youth As Restorers (YAR) program. A flyer for recycling has been distributed. The

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								Keep Dauphin County Program will provide an education program at three (3) Harrisburg Public Schools during 2013. The RPF contains an education piece that the contractor would have to comply with. The only piece of this intended program not met is the paper/cardboard piece, which would require extra equipment, space, and manpower which is not feasible at this time. We will continue to look for ways to increase recycling, this issue should be considered closed
PW04	Aggressively manage fleet make-up and quantity	N/A	Director of Public Works	In Process	Priority 2	April 2013	<ul style="list-style-type: none"> <li>Develop detailed inventory of City fleet that includes key identifying data, life cycle data, mileage/utilization, use profile, etc.</li> <li>Develop process of tracking and assessing utilization data, maintenance costs, fuel costs, etc.</li> <li>Conduct fleet utilization analysis based on pre-defined utilization standards</li> </ul>	Fleet inventory has been developed. Tracking and Utilization process is in place. Outmoded vehicles are currently in the process of being sold and the fleet will be evaluated quarterly in 2013 to get a better handle on this developing program. Updated list provided on 20 November, 2012 and the



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							<ul style="list-style-type: none"> <li>Move underutilized vehicles/equipment out of service</li> <li>Identify target fleet size and composition and incorporate into a vehicle replacement plan that fits within financial constraints</li> </ul>	NOVAK group is scheduled to review recommendations with the Mayor and City staff on March 19, 2013.
PW05	Create Central Fleet Agency with Combined Facilities and Fleet Manager	N/A	Director of Public Works	In Process	Priority 3	January 2014	<ul style="list-style-type: none"> <li>Develop organization structure, bureau mission, programmatic responsibilities, and performance targets</li> <li>Develop bureau work plan by program</li> <li>Communicate change to impacted employees</li> <li>Create internal service fund and associated chart of accounts</li> <li>Incorporate structural and fund change into budget process and pursue City Council approval</li> <li>Recruit and hire bureau director position</li> <li>Incorporate work plan into the performance management system</li> </ul>	Based upon the city's current financial position, a dedicated individual cannot be hired to perform this necessary function. The Administration has placed this position on HOLD, with the hopes that by analyzing the equipment and better managing the fleet the position will pay for itself as a cost savings.
BH01	Increase fees, fines, and charges based on fee study results	N/A	Mayor & City Council	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Develop revised fee schedule</li> <li>Submit fee schedule to City Council for review and</li> </ul>	Department recommendations for fee changes have been provided o the Law

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							approval	Bureau which is planning to get the proposed fee schedule on the 2/26/13 City Council Legislative Agenda.
BH02	Quantify extent of inspections backlog and hire additional codes enforcement officers to clear and prevent backlogs	\$200,000	Director of Building and Housing Development	In Process	Priority 2	December 2012	<ul style="list-style-type: none"> <li>Conduct internal evaluation of inspection backlog by type</li> <li>Identify target efficiency standards per inspection by type</li> <li>Assess staffing needs based on inspection backlog and incorporate additional position requests into the process</li> </ul>	Currently no backlog exists . Rental applications for inspections are arriving as expected and require one physical inspection over the next 5 years. A backlog will not exist until current inspections due lapse past 2017. The hiring of 2 additional inspectors have been approved in the 2013 budget.
BH03	Contract for demolition of blighted structures	N/A	Director of Building and Housing Development	Complete	Priority 2	July 2012	<ul style="list-style-type: none"> <li>Develop and issue RFP</li> <li>Assemble RFP review committee</li> <li>Review proposals and select the lowest responsible bidder</li> <li>Develop demolition schedule based on safety priority</li> </ul>	RFP is not required to obtain bids for emergency demolitions. There is no formal RFP Review Committee. RFPs are reviewed by: DBHD, the Purchasing Manager, Office of the Mayor and if needed the Law Bureau. RFP bid responses are awarded to the lowest and most qualified bidder. All properties scheduled for demolition that are based on public safety are reviewed and

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								triaged by the Codes Administrator and staff. Requests for demolition bids are also based on available funds.
BH04	Assemble and systematically deploy code enforcement teams	N/A	Deputy Codes Administrator	Complete	Priority 2	December 2012	<ul style="list-style-type: none"> <li>Develop composition and structure of teams</li> <li>Conduct assessment of "problem areas"</li> <li>Based on assessment, develop work plan and measurable goals for teams</li> </ul>	Composition of Team completed. Meeting to be scheduled for DBHD, Fire and Police Departments.
BH05	Adopt legislation requiring a local responsible agent for rental properties within the City	N//A	City Council	Complete	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Draft ordinance and associated fine structure</li> <li>Develop registration process</li> <li>Submit ordinance to City Council for consideration</li> <li>Conduct public notification and registration campaign before effective date</li> </ul>	The measure was passed by City Council in October 2011, Ordinance 9-2011. In lieu of a registration process, Bureau of Codes maintains an electronic database of rental unit applications. Public notification was accomplished prior to passage of Ordinance.
BH06	Fill vacant HUD funded positions	N/A	Director of Building and Housing Development and Director of Human Resources	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Conduct recruitment and hiring processes</li> </ul>	A final candidate was selected for the position of Rehabilitation Specialist I. The police background investigation is still on-going on the selected candidate.
BH07	Update the City's Comprehensive Plan	\$30,000	Director of Building and Housing Development	In Process	Priority 3	December 2014	<ul style="list-style-type: none"> <li>Develop and issue RFP</li> <li>Assemble RFP review committee</li> <li>Review proposals and select</li> </ul>	On January 30, 2013, DBHD met with a representative from Mullin and Lonergan to

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							<ul style="list-style-type: none"> <li>the lowest responsible bidder</li> <li>Conduct public engagement and planning processes</li> </ul>	discuss actions steps for the Comprehensive Plan. DBHD will update its community "Stakeholders" list and research CDBG program income accounts to supplement payment for assistance with updating Comprehensive Plan. "Stakeholder" meeting tentatively planned for late February or March.
HS01	Designate a Housing Coordinator	N/A	Mayor	Complete	Priority 1	July 2013	<ul style="list-style-type: none"> <li>Identify and evaluate interested candidates</li> <li>Designate a Housing Coordinator</li> </ul>	The Housing Coordinator functions have been assumed by the Deputy Director for the Bureau of Housing as well as the Program Directors and Program Managers for the Bureau of Housing.
HS02	Develop a comprehensive Housing Strategy	\$10,000	Mayor, Business Administrator, & Housing Coordinator	In process	Priority 2	December 2013	<ul style="list-style-type: none"> <li>Convene a working group to guide strategy development</li> <li>Develop working group charter and objectives</li> <li>Develop project plan and process to develop housing strategy</li> <li>Develop draft plan for review and comment by elected officials and partner agencies</li> <li>Finalize plan based on</li> </ul>	Mullin and Lonergan to develop Housing Strategy in coordination with revised Comprehensive Plan and City contracted real estate agent's marketing plan.

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							<ul style="list-style-type: none"> <li>feedback</li> <li>Incorporate plan elements into the work plan of the housing coordinator and other relevant staff</li> </ul>	
HS03	Utilize Vacant Property Reinvestment Board	N/A	Mayor, Business Administrator, & Housing Coordinator	In Process	Priority 2	January 2013	<ul style="list-style-type: none"> <li>Develop work plan and goals for the board based on comprehensive housing strategy</li> <li>Develop implementation plan to engage private redevelopment groups and civic groups</li> </ul>	On January 30 <sup>th</sup> , Vacant Property Reinvestment Board held first meeting in 2013. The Board is now functioning.
ED01	Designate an Economic Development Coordinator	\$75,000	Mayor	In process	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Develop position work plan and priorities</li> <li>Conduct recruitment and hiring process</li> </ul>	HR is presently interviewing candidates for the position of Deputy Director of Economic Development. Applications and resumes are being reviewed as they are received for this position.
ED02	Develop a coordinated long-term economic development strategic plan	N/A	Mayor & City Council	Pending	Priority 2	April 2013	<ul style="list-style-type: none"> <li>Develop and issue RFP</li> <li>Assemble RFP review committee</li> <li>Review proposals and select the lowest responsible bidder</li> <li>Conduct planning processes</li> <li>Incorporate planning process results into the Economic Development work plan</li> </ul>	DBHD is waiting for the formal hiring of a Deputy Director of Economic Development/Contract Compliance to assist with the completion of a long term economic development strategy and planning. In the interim period DBHD has emphasized the

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								neighborhood development plans/strategies for addressing economic development. No RFPs are needed for the above position and work tasks. The Deputy Director will be responsible for developing an Economic Development Work Plan
ED03	Evaluate the City's tax abatement strategy	N/A	Mayor & City Council	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>• Conduct best practice research to identify successful tax abatement programs</li> <li>• Develop tax abatement strategy alternatives</li> <li>• Submit alternatives to City Council for consideration</li> <li>• Finalize abatement packages and strategies</li> <li>• Conduct proactive education and recruitment campaign to solicit program participants</li> </ul>	The Law Bureau has developed a new Tax Abatement program. Until the new Tax Abatement program is approved by City Council, educational and recruitment programs are postponed.
ED04	Improve management of the City's MOED Loan Portfolio	N/A	Mayor, Business Administrator, & Economic Development Coordinator	In Process	Priority 2	January 2013	<ul style="list-style-type: none"> <li>• Evaluate options available to centralize management of the MOED portfolio</li> <li>• Develop monitoring and enforcement processes and contract with vendors/partners as appropriate</li> </ul>	Revised Loan Underwriting Policy Manual to include provision for CDBG guidelines for CDBG funded loans. On February 12, 2013 City Council approved City Administration

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								appointees to the Harrisburg Economic Development Loan Review Committee. DBHD to draft letter to Loan Review Committee appointees, informing them as to CDBG guidelines for CDBG funded loans.
CIP01	Establish and maintain a multi-year (5-7) Capital Improvement Program	(22,227,548)	Director of Financial Management, with assistance from the Director of Public Works & Department Directors	In Process	Priority 2	July 2013	<ul style="list-style-type: none"> <li>Conduct inventory and condition assessment of existing capital assets</li> <li>Prioritize capital improvement needs based on key considerations such as infrastructure use, condition, safety, cost, etc.</li> <li>Identify long-term Improvement plan based on resource estimates</li> <li>Conduct capital budget development process and incorporate 5-7 year CIP development into the process</li> </ul>	The “draft” was distributed to the Administration for their input with a requested input date of December 15 <sup>th</sup> , 2012. . The combined data was forwarded to the Novak Group for review on January 22, 2013 and The Novak Consulting Group confirmed that the plan serves as a comprehensive starting point to developing a long term capital plan. That plan will presented to the Mayor as a “draft Plan.”
CIP02	Establish a CIP development process	N/A	Director of Financial Management, with assistance from the Director of Public	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Develop calendar to include resource estimates, target development, department</li> </ul>	A Capital Improvement Plan (CIP) is being started with the CIP01 initiative. This process will be

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			Works & Department Directors				budget submission, internal review and amendment, executive review, internal budget hearing, and recommended budget formulation <ul style="list-style-type: none"> <li>• Develop associated templates and processes</li> <li>• Communicate processes to staff, the public, and elected officials in advance</li> <li>• Train staff on capital budget schedule, process, roles, responsibilities, and obligations</li> </ul>	documented, evaluated, adjusted, and forwarded for adoption which will produce our future CIP process. On 20 November 2012, we validated our initial steps of the plan with the NOVAK group. Target completion date was changed to July 2013. Public Works has taken the initial steps to start the inventory of capital items within the accounting system.
CIP03	Establish and maintain an asset management system	(187,500)	Director of Financial Management & Director of Public Works	Pending	Priority 3	January 2014	<ul style="list-style-type: none"> <li>• Develop infrastructure condition rating systems and processes and incorporate into department work plans</li> <li>• Conduct inventory and condition assessment of existing capital assets</li> <li>• Incorporate infrastructure condition assessments into the capital budget development process</li> </ul>	A current list of vehicles (fixed assets) has been identified. It will need to be consolidated with permanent assets and reviewed on a periodic basis. As other inventories are completed, those assets will be added to develop our asset management program.
CIP04	Investigate the sale and leaseback of City buildings	N/A	Mayor & Business Administrator	In Process	Priority 1	September 2012	<ul style="list-style-type: none"> <li>• Identify City facilities that may have a market for sale and/or lease back</li> <li>• Assess operating</li> </ul>	DBHD in cooperation with the Harrisburg Redevelopment Authority has reviewed City and



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							<ul style="list-style-type: none"> <li>implications of sale and/or lease back for each facility</li> <li>If operationally feasible, place facilities on open market</li> <li>Negotiate sale/lease back agreements and submit to City Council for consideration and approval</li> </ul>	HRA owned real estate with the intention of promoting selective properties for sale to "low to moderate income" families and individuals. In addition, the City released a RFP for purpose of soliciting a Real Estate Broker to market City and HRA owned properties. City has selected real estate broker; the real estate broker is developing marking plan.
OA01	Establish a stormwater utility fee	N/A	THA	Pending	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Determine legal ability of an Authority to establish a stormwater fee</li> <li>Conduct fee study</li> <li>Develop fee schedule and submit to appropriate legislative body for consideration and approval</li> <li>Develop billing and collection process</li> <li>Conduct public education process</li> <li>Implement billing process</li> </ul>	
OA02	Negotiate Payment in Lieu of Tax (PILOT) agreements with the City of Harrisburg	N/A	THA & Mayor	Pending	Priority 1	January 2013	<ul style="list-style-type: none"> <li>Define PILOT structure and calculation methodology</li> <li>Initiate discussions to establish PILOT agreements</li> </ul>	City has begun discussions with local non-profits.

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							<ul style="list-style-type: none"> <li>• Submit draft agreements to City Council for consideration and approval</li> <li>• Develop payment schedule and processes</li> </ul>	
OA03	Expand Stormwater Management Ordinance regarding discharges - THA	N/A	Mayor, City Council, & City Engineer	In Process	Priority 1	February 2013	<ul style="list-style-type: none"> <li>• Draft ordinance amendments</li> <li>• Submit to City Council for consideration and approval</li> <li>• Communicate ordinance changes to the development community</li> </ul>	PW has begun revising the City stormwater ordinance to include the most recent Act 167 Plan revisions as discussed with the Dauphin County Conservation District and received a copy of the County model ordinance. The model ordinance also includes Volume Controls CG-1 & CG-2 taken from the PA DEP BMP manual and TMDL guidelines but has no provisions deemed suitable for a combined sewer system. PW is currently reviewing approved ordinances with combined sewers including, Philadelphia, Baltimore and Lancaster Cities. The current ordinance is undergoing a first round of revision reviews for the non technical issues, including the definitions, while the technical elements such as, water quality and

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								combined sewer flow and TMDL issues are being addressed.
REV01	Increase the Earned Income Tax (EIT) rate as required to eliminate operating deficits	N/A	City Council & City Tax Administrator	Complete	Priority 1	July 2013	<ul style="list-style-type: none"> <li>Draft enabling ordinance</li> <li>Submit to City Council for consideration and approval</li> <li>Communicate rate change to the public</li> <li>Adjust revenue projections</li> </ul>	City Council approved the EIT tax increase on October 24, 2012. The new tax rate will be effective on January 1, 2013.
REV02	Increase the Real Estate Tax rate as required to eliminate	NA/	Mayor & City Council	Complete	Priority 1	July 2013	<ul style="list-style-type: none"> <li>Draft enabling ordinance</li> <li>Submit to City Council for consideration and approval</li> <li>Communicate rate change to the public</li> <li>Adjust revenue projections</li> </ul>	.8 increase included in 2012 budget
REV03	Review Real Estate Taxable Assessments	N/A	City Treasurer with County Assessment Office and School District Business Manager	Pending	Priority 2	April 2013	<ul style="list-style-type: none"> <li>Initiate discussions with partner governments</li> <li>Develop assessment plan and funding structure</li> <li>Conduct reassessment</li> <li>Evaluate revenue impact and revise revenue projections</li> </ul>	
REV04	Review and increase utilization of Payment in Lieu of Property Tax (PILOT) Agreements; consider impact in sale of government owned property	N/A	Mayor, Business Administrator with County Assessment Office and School District Business Manager	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Adopt a practice of evaluating property tax revenue impact associated with selling city owned property to non-profits</li> <li>Identify and analyze opportunities to create new pilot agreements with tax exempt agencies that heavily utilize City services</li> </ul>	Will await the findings of the Mayor's PILOT Task Force.

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							<ul style="list-style-type: none"> <li>Initiate discussions to establish PILOT agreements and draft agreements</li> <li>Submit draft agreements to City Council for consideration and approval</li> <li>Develop payment schedule and processes</li> </ul>	
REV05	Increase business license fees; improve compliance with Business Privilege and Mercantile Tax	N/A	City Council & City Tax Administrator	Complete	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Develop new schedule of fees</li> <li>Increase penalties for non-payment</li> <li>Submit revised fee schedule to City Council for adoption</li> <li>Conduct public information process</li> <li>Institute amnesty period for delinquent remittances</li> <li>Begin enforcement</li> </ul>	The Business Privilege license fee is currently in line with the Maximus fee study results. The contract with Muniservices to help improve compliance with the Business Privilege tax was signed by the Controllers office on 2/8/13.
REV06	Increase enforcement of the Local Services Tax	N/A	City Council, Mayor & Business Administrator	In Process	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Increase penalties for non-payment</li> <li>Conduct public information process</li> <li>Institute amnesty period for delinquent remittances</li> <li>Begin enforcement</li> </ul>	Information was sent to the Law Bureau for an ordinance to be drafted to reflect an increase in interest and penalty for the LST. This request also included information on a 60 day amnesty period for the LST
REV07	Pursue Legislative Change for the Local Services Tax Levy	N/A	Mayor & City Council	Pending	Priority 1	September 2012	<ul style="list-style-type: none"> <li>Work with local legislator(s) to draft legislation to increase Local Services Tax</li> </ul>	
REV08	Pursue Department of Revenue determination for additional tax, penalty, and interest	N/A	City Council	Pending	Priority 1	September 2012	<ul style="list-style-type: none"> <li>Contact Department of Revenue to clarify process</li> </ul>	City Solicitor advised after consulting with

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	regarding realty transfer tax						<ul style="list-style-type: none"> <li>Develop agreement with the Department of Revenue</li> <li>Submit agreement and cost benefit analysis to City Council for consideration and approval</li> <li>Develop administrative process</li> <li>Train relevant personnel on process</li> </ul>	Novak group that the intent of this initiative is not to increase the realty transfer tax. This is currently collected at time of property transfer by Dauphin County Further discussion required.
REV09	Increase Interest & Penalty Provisions Where Permitted	90,000	City Council & Tax Administrator	Complete	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Conduct benchmark analysis of interest and penalty provisions</li> <li>Develop revised interest and penalty framework</li> <li>Submit ordinance to City Council for consideration and approval</li> <li>Conduct public information process</li> <li>Institute amnesty period for delinquent remittances</li> <li>Begin enforcement</li> </ul>	Bill 21-2012 was passed by City Council on January 22, 2013 increasing the penalty and interest provisions of the Business Privilege and Mercantile tax.
REV10	Improve Taxpayer Information	N/A	Tax Enforcement Administrator & IT Director	Complete	Priority 2	July 2012	<ul style="list-style-type: none"> <li>Create repository of tax related documents and forms</li> <li>Design tax webpage and add tax document and forms</li> <li>Test webpage</li> <li>Go live with webpage and conduct public outreach process</li> </ul>	Website updated

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REV11	Improve real estate taxpayer collection rate	N/A	City Treasurer, Business Administrator, & Tax Enforcement Administrator	In Process	Priority 1	September 2012	<ul style="list-style-type: none"> <li>Evaluate opportunities to increase the collection rate</li> <li>Develop implementation plan and associated targets</li> <li>Develop improved system for notification of unpaid tax accounts</li> <li>Meet quarterly to review real estate tax collections, identify issues, and develop interventions where possible to maintain to improve collections</li> </ul>	
REV12	Generate revenue through Market Based Revenue Opportunities	800,000	Business Administrator	Pending	Priority 1	July 2012	<ul style="list-style-type: none"> <li>Develop and issue RFP for broker to identify potential City assets for an MRBO program</li> <li>Assemble RFP review committee</li> <li>Review proposals and select the lowest responsible bidder</li> <li>Develop policy framework and market MRBO opportunities</li> <li>Enter into agreements with potential partners</li> </ul>	
REV13	Sell City acquired historical assets	500,000	Mayor & City Council	In Process	Priority 1	September 2012	<ul style="list-style-type: none"> <li>Conduct asset value study</li> <li>Develop parameters for determining whether a property should be sold or maintained as a City asset</li> <li>Place eligible properties on the market</li> </ul>	Controller appealed order of Dauphin County Court to the Commonwealth Court. Oral Argument on Controller's Application for Stay of Order pending

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								Appeal is scheduled for January 30, 2013. Dauphin County Court ruled on 11/15/12 in Mayor vs. City Controller in favor of the Mayor, granting a motion for Mandamus ordering the Controller to sign the contract. Occurred on 1/29/13. Judge ruled in Mayor's favor and denied Controller's Application for Stay pending Appeal on 2/7/13.
REV14	Revise Host Fee agreement between the City and the Harrisburg Authority	N/A	Mayor, City Council, & THA	In Process	Priority 1	September 2012	<ul style="list-style-type: none"> <li>Amend waste disposal agreement</li> <li>Submit revised agreement to City Council for consideration and approval</li> <li>Develop environmental compliance programs that will be supported by the host fee</li> </ul>	Law Bureau drafted an amendment to the agreement between THA and the City. Amendment was ratified by City Council. Waiting for THA's approval.

C. ALAN WALKER, in his capacity as )  
Secretary for the Department of Community )  
and Economic Development, )  
) )  
*Petitioner* )  
) )  
v. ) Docket No. 569 MD 2011  
) )  
CITY OF HARRISBURG, )  
) )  
*Respondent* )

I hereby certify that I am this day serving a copy of the foregoing pleading upon the persons and in the matter indicated below which service satisfies the requirements of Pa. R.A.P. 121 and Pa. R.A.P. 2187(a):

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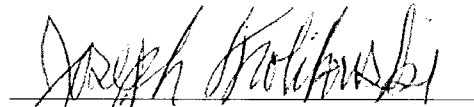
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Date: March 28, 2013

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