Municipal Financial Recovery Act

Recovery Plan

City of Harrisburg

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

As Filed with the City Clerk on July 8, 2011

The Novak Consulting Group

PENNSYLVANIA ECONOMY LEAGUE
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July 8, 2011

Ladies and Gentlemen:

The purpose of this letter is to formally transmit the Recovery Plan for the City of Harrisburg and to describe key changes that have been made since the draft Plan was filed on June 13, 2011.

Since release of the draft Plan, numerous meetings have been held with elected and appointed officials and community stakeholders. A formal public hearing was held on June 28, 2011. These meetings provided the Act 47 Coordinator with the opportunity to listen to interested parties and, where deemed appropriate, make adjustments to the Recovery Plan.

With regards to the debt solution, the Act 47 Coordinator has received written confirmation from Assured Guaranty Municipal (AGM) and Dauphin County (the County) describing their participation in and commitment to the consensual debt solution described in this Recovery Plan. In addition, Lancaster County Solid Waste Management Authority (LCSWMA) has agreed to an earlier decrease in tipping fees to the City of Harrisburg. Both The Harrisburg Authority (THA) and the Harrisburg Parking Authority (HPA) have expressed their willingness to work with the City on the disposition of assets to make the debt solution possible. In addition, the goals of the sale or lease of assets have been clearly articulated, and the Act 47 Coordinator has clarified that the process used for the lease of parking facilities should be transparent. It will be important for the City to commence working with the Authorities immediately and move forward with the process to dispose of the assets as described in the Debt Chapter.

With regard to the City's structural deficit, the Act 47 Coordinator has made the following adjustments:

- Removed the requirement to implement a single tax rate and as such the existing two-tiered tax rate will be retained;
- Removed the requirement to implement a ten year tax abatement strategy and instead suggest that this strategy be evaluated and considered;
- Stressed the importance of improving collections on the City's Revolving Loan Fund;
- Removed the requirement to consolidate the Mayor and City Council offices and share staff, while still urging closer coordination and support where appropriate;
- Clearly articulated the Act 47 Coordinator's support for the forensic audit being conducted by THA;
- Removed the requirement to provide recreation services through a non-profit partnership and rather required that this be explored and studied and the department's budget be decreased;
- Removed the requirement to close a single fire station, but mandated that this be evaluated in the context of changing apparatus deployment to include four firefighters per engine;
- Clarified that post-retirement health care benefits are eliminated for future employees of the City, not for those employed as of the date of adoption of this Recovery Plan;

- Added a requirement for out-of-county landlords to have a local agent to facilitate improved interaction between the City and property owners as code violations are identified and addressed; and
- Added a requirement for the City to alter its trash pick-up schedule to allow for weekly bulk waste removal in the community.

In addition, the Act 47 Coordinator was informed on July 1 that the City's application for a grant from the Department of Homeland Security under the Staffing for Adequate Emergency Response (SAFER) Grant Program was approved. If this Recovery Plan is adopted, the City must work with the Coordinator to determine if the City can accept the grant and remain in compliance with the Plan.

These adjustments have been made and the Recovery Plan is now presented to the City for consideration. As the City deliberates on the Plan it is important to remember that the plan, while adopted by ordinance, is also a living document. The role of the Coordinator through implementation is to work with the City to review and make adjustments to changing conditions while the City remains in the Act 47 Program.

The fiscal integrity of the Act 47 Coordinator's Plan is intact and provides a solid game plan for restoring fiscal stability to the Capital City.

Regards,

Julia D. Novak, President
The Novak Consulting Group
Act 47 Coordinator for the
City of Harrisburg

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Executive Summary

The City of Harrisburg is facing a direct, immediate and grave financial crisis. The financial crisis is so severe that the City has been in default of certain debt payments since 2009 and will have insufficient cash to meet payroll and operating expenses by the fourth quarter of this year. This crisis threatens the ability of the City to do what cities exist to do - provide for the health, safety and welfare of its residents. Failure to act and to achieve consensual solutions with parties of interest will produce catastrophic results for the City. It will also damage the reputation of the Keystone State at a national level should its Capital City be forced into bankruptcy.

The Mayor of Harrisburg asked the Commonwealth of Pennsylvania's Secretary of the Department of Community and Economic Development (DCED) to designate the City as financially distressed under Act 47. In October 2010, the Secretary approved the distress determination, concluding that the City has been unable to meet debt payments for bonded debt and judgments, has had a multi-year history of fiscal year-end structural deficits (four out of the six years), declining fund balances and significant cash flow difficulties. As a result of the determination, in January 2011 the Secretary appointed an Act 47 Coordinator led by The Novak Consulting Group to develop a financial Recovery Plan to address these serious deficiencies.

The Act 47 Coordinator's field work and analysis confirms that the City has a structural deficit in its operating budget that exceeded $2 million in 2010; an additional $3.4 million will be added to that deficit in 2011. The Act 47 Coordinator projects the City will be out of cash and unable to pay bills or make payroll by the fourth quarter of 2011.

The Act 47 Coordinator projects the deficit to grow to over $10 million by 2015 as shown in the table below.

General Fund Projections, 2011-2015

General Fund	Act 47 Coordinator Estimate 2011	Act 47 Coordinator Projected 2012	Act 47 Coordinator Projected 2013	Act 47 Coordinator Projected 2014	Act 47 Coordinator Projected 2015	% Growth
Revenues	$54,629,104	$53,538,500	$53,644,122	$53,348,643	$53,451,888	(2.2%)
Expenditures	$58,095,557	$58,522,763	$59,606,654	$61,610,115	$63,867,406	9.8%
Surplus/(Deficit)	($3,466,454)	($4,984,262)	($5,962,532)	($8,261,472)	($10,415,518)	200.5%

The annual debt service is in excess of $18 million per year on the approximately $220 million in principle bonds outstanding on the RRF. In addition, the City has accumulated significant debts to other parties who have acted on their own subordinate guarantees, insurance or loans and made payments for which the City is responsible. Specifically these debts, which are owed by the City and related to the RRF, exceed $75 million, as shown in the table below.

Debts Owed by the City Related to the Resource Recovery Facility

Due to	For	Amount
Dauphin County	Accrued interest and expenses	$1,906,377
Dauphin County	Amounts paid under County guaranty	$9,391,503
Dauphin County	Refinanced Series 2007 C and D Notes	$34,685,000
AGM – Bond Insurer	Payments made under the insurance	$6,166,345
Covanta	Loan	$23,587,500
TOTAL		**$75,736,725**

Avoiding bankruptcy requires:

- Continued patience and cooperation of Dauphin County (the County) and Assured Guaranty Municipal Corporation (AGM) as the City pulls together the resources necessary to repay the debts identified above;
- A consensual solution to the debt;
- Immediately reopening and renegotiating labor agreements with the City's three bargaining units; and
- A new spirit of cooperation by those who govern the City of Harrisburg – both internally as they interact with each other, and externally as they deal with regional partners, who can only be described as gracious and frustrated as they await action by the City.

Public confidence in the City's ability to conduct its affairs is extremely low. The community and elected officials are coming to terms with unwise decisions made by elected officials over the past several decades that have led to a structural deficit, staggering debt and deteriorating infrastructure throughout the City. The contentious relationship and lawsuits among the City's own elected officials frustrate a citizenry who want their local government to be responsible, refrain from placing blame and start taking affirmative action to restore fiscal stability and long-term viability of the City.

That is the goal of this Recovery Plan. American essayist, playwright and novelist James Arthur Baldwin said, *"Not everything that is faced can be changed. But nothing can be changed until it is faced."* This Recovery Plan faces the pending reality of doing nothing head-on and provides the path to change and a plan for recovery.

Harrisburg's Recovery Plan

Unlike other recovery plans adopted throughout the Commonwealth, Harrisburg is not in control of its own destiny. While the structural deficit can be addressed through improved fiscal restraint, increasing fees and renegotiating agreements with the City's bargaining units, the crushing debt of the RRF guarantees is beyond the City's fiscal reach. Therefore, this Recovery Plan relies on the continued patience and cooperation by other parties who have subordinate guarantees of the RRF debt, as the City disposes of assets to pay down the debt and refinances the stranded debt.

The ultimate debt solution includes the full participation of and significant concessions from the County, AGM and the Commonwealth.

This Recovery Plan also speaks to the future of the community by focusing on improved governance, targeted economic development and improving housing and vacant properties.

Addressing the Structural Deficit

The City cannot continue "business as usual" and still provide for the health, welfare and safety of its residents. Instead the City must strengthen its management infrastructure, improve internal coordination and look to improved methods of service delivery. This Recovery Plan includes initiatives to accomplish these objectives.

- The City must change service delivery through:
  - Requiring increased coordination between the Chief Executive (Mayor) and Legislative body (Council);
  - Requiring increased coordination between the City Treasurer and Bureau of Financial Management by sharing staff;
  - Modernizing the approach to residential sanitation collection which will improve service and worker safety;
  - Outsourcing commercial sanitation collection;
  - Combining Park Maintenance in the Department of Public Works;
  - Modifying the work schedules of Public Safety employees; and
  - Eliminating the Park Ranger program.

- The City must improve its management infrastructure and accountability by:
  - Requiring more frequent communication and collaboration between the Mayor, City Council, City Treasurer, City Controller and Department of Administration;
  - Adding professional staff in the Bureau of Financial Management;
  - Consolidating fleet and facility maintenance under the leadership of a qualified manager;
  - Increasing the salary range for the Chief of Staff/Business Administrator, thus making the position more attractive for seasoned professionals; and
  - Upgrading necessary information technology, both hardware and software.

- The City must contain fast growing employee compensation by:
  - Immediately voiding the extensions made by the previous Mayor immediately prior to his leaving office that increased compensation for employees despite the looming financial crisis;
  - Negotiating appropriate contracts with the bargaining units that freeze wages, restructure health benefits and reduce overtime pay; and
  - Freezing wages and restructuring health benefits for non-bargaining unit personnel.

- The City must focus on housing and long-term redevelopment by:
  - Updating the City's Comprehensive Plan;
  - Contracting for the timely demolition of blighted structures;
  - Eliminating the backlog of inspections and systematically deploying code enforcement teams for improved enforcement and compliance;
  - Developing a comprehensive housing strategy;
  - Utilizing the Vacant Property Reinvestment Board; and
  - Developing a coordinated long-term economic development strategic plan.

- The City must do what it can to increase revenue by:
  - Implementing full cost recovery from fees for appropriate services;
  - Improving the real estate tax pay collection rate;
  - Pursuing payments in lieu of taxes (PILOTS) from non-profit entities who own approximately 50% of real property in Harrisburg;
  - Selling certain City assets; and

- Increasing Property and Earned Income Tax rates only when absolutely necessary to close any remaining gaps between revenues and expenditures.

Implementation of the initiatives included in this Recovery Plan to address the City's structural deficit will result in the elimination of nine full time equivalent (FTE) positions, as detailed below.

Positions Eliminated as Part of the Structural Deficit Solution

Initiative	Number of Positions Eliminated (FTEs)
ADMIN07 - Eliminate the bulk copy service in the City's Duplication Center and eliminate one position	1.0
FIRE01 - Change current shift schedule	5.0
PRE03 – Eliminate Park Ranger Corps	3.0
TOTAL	**9.0**

These changes will require political courage and professional expertise to implement. This Recovery Plan is designed to provide expert assistance to the City as it works to implement these sweeping changes.

Addressing the Resource Recovery Facility Debt

Dealing with the RRF debt requires its own strategy. For the City to meet its obligations on the guaranty of the Harrisburg Authority (THA) debt, it must sell the RRF and sell or lease the assets of the Harrisburg Parking Authority (HPA) to reduce the debt burden and then refinance stranded debt. This is only possible with the cooperation of Dauphin County and AGM, and their willingness to waive certain fees and penalties as well as guarantee and insure any new debt issuance by the City. They have indicated to the Coordinator a willingness to do so and have provided letters outlining their concessions which are included as Appendix A to this report.

As a result of addressing the debt, the City is forced to reduce its existing operating budget by a minimum of $2.5 million to pay for debt service and compensate for lost revenue previously transferred from the Coordinated Parking Fund. The Coordinator's goal is to accomplish this through additional revenues - including requesting funding from Dauphin County from Gaming Funds and increasing property tax the equivalent of 8%. Should the amount required to balance the budget exceed the revenue generated by these initiatives then the City is forced to increase other sources of revenue or make additional cuts in personnel.

Addressing the Short Term Cash Need

As previously stated, the City will be out of cash to pay current expenses in the fourth quarter of 2011. Contained within the projected sources and uses of funds as presented under the debt solution portion of this Recovery Plan is a deposit to a City escrow account for $6 million in the first year. The escrow account funds will be from the ultimate disposition of City assets as proposed. Due to the immediate nature of the City's cash shortage, the escrow may be comprised of funds advanced to the City prior to the actual sale or lease of assets. The City has had conversations with HPA regarding the potential for financing assistance prior to the disposition of assets.

Conclusion

Harrisburg cannot solve its own financial problems. The City is receiving support from AGM, the County, the region and the Commonwealth; now the City must demonstrate that their investment in Harrisburg's future is not misplaced. This requires a new posture for those who govern the Capital City. Hard lines must be drawn with bargaining units; bold action must be taken to restructure service; a commitment to fiscal prudence is required as is an attitude of conciliation and cooperation towards those who have the ability to participate in Harrisburg's fiscal recovery.

This Recovery Plan is an opportunity to focus on a new future for the City, but requires the City to embrace accountability and cooperation as its new way of doing business. This is a plan to restore Harrisburg to the dynamic and prosperous hub of the Susquehanna Valley that it once was and can be again.

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I. Overview

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Introduction

The City of Harrisburg is facing a direct, immediate and grave financial crisis. The financial crisis is of such magnitude it threatens the City's ability to provide for the health, safety and welfare of its citizens.

The crisis is the result of two separate but interrelated causes. First, the City, as one of the guarantors of The Harrisburg Authority's Resource Recovery Facility, has become liable to meet the debt obligations related to the facility due to the Authority's default. These obligations extend far beyond the City's ability to meet them.

Second, exclusive of meeting The Harrisburg Authority debt guarantees, the City has a structural deficit in the annual operating budget which will create a cash-crisis in late 2011 and will continue to increase unless immediate and dramatic corrective action is taken.

Resource Recovery Facility Guaranteed Debt

The City of Harrisburg guarantees the debt of its component governmental units including: THA, HPA and the Harrisburg Redevelopment Authority (HRA). With respect to THA, these guarantees include debt related to the sewer operation, water operation and the RRF.

Beginning in 2007, THA failed to make its debt service payments. In partial fulfillment of its guarantee of the RRF, the City of Harrisburg paid approximately $4.0 million (based on City audit reports) in both 2007 and 2008 and additional payments totaling about $4.55 million in 2009.[1] The City had received reimbursements (debt service payments and advances) of more than $4.2 million from notes issued by THA in 2007. The City has made no debt guarantee payments in 2010 or 2011. Both Dauphin County and AGM have made payments related to both debt service and SWAP agreements pursuant to their guarantees under various commitments for the RRF. Litigation has been initiated by various parties pursuant to THA's non-payments and the partial payments made by the City.

It is estimated that the total outstanding City guaranteed publically issued debt as it relates to the RRF is approximately $220 million. This total outstanding debt is more than four times greater than the City's $55.1 million 2011 General Fund budget. A full discussion of the RRF debt guarantee is provided in the Debt chapter of this Recovery Plan.

Operating Budget Structural Deficit

Accounting Methods

Throughout the fiscal year, the City of Harrisburg budgets and accounts for its various funds on what it terms a "modified cash" basis. On this basis, revenues are recognized when received (as on a cash basis), but expenditures are recorded when they are incurred. Expenditures which are recorded but not paid at any point in time equal the amount of the accounts payable.

At the end of the year, the City adjusts the "modified cash" method to derive a modified accrual presentation in preparation for the City's independent audit. A modified accrual basis recognizes

[1] Cravath, Swain & Moore LLP report, March 31, 2011

revenues when earned and available to meet current year expenditures; expenditures are recognized when they are incurred.

Generally Accepted Accounting Principles (GAAP) used in the U.S. requires a modified accrual method for governmental fund accounting.[2] It is the modified accrual basis upon which the independent auditor's opinion is given in the annual audit.

The difference between the two systems results in timing differences so that revenue and expenditures will not necessarily match on a yearly basis in account totals. Consequently the City's budget and year-end totals on the "modified cash" basis will not necessarily match those reflected in the City's audit on a modified accrual system.

Audit and Financial Results

A summary of the City's General Fund audited financial results using the modified accrual system for the period 2006 thorough 2008 is presented below. The City has not yet completed preparation for the 2009 audit.

Audited Financial Results, 2006-2008

General Fund	2006	2007	2008
Revenues as Reported in Audit	$54,446,464	$60,772,099	$60,351,300
Other Financing Sources			
Proceeds Issuance of Debt	$7,214,620	$8,275,085	$0
Proceeds Sale Assets	$2,350	$1,308,407	$211,780
Transfer In	$1,013,519	$1,366,615	$2,017,497
Total Revenue and Other Financing Sources	$62,676,953	$71,722,206	$62,580,577
Expenditures as Report in Audit	$56,880,442	$50,526,762	$48,240,187
Other Financing Uses			
Transfer Out	$8,829,930	$7,629,243	$15,018,460
Total Expenditures and Other Financing Uses	$65,710,372	$58,156,005	$63,258,647
Revenue and Sources over (under) Expenditures and Uses as Reported in Audit	($3,033,419)	$13,566,201	($678,070)
Beginning of the Year Fund Balance	$3,739,275	$705,856	$14,272,057
End of the Year Fund Balance	$705,856	$14,272,057	$13,593,987
Unreserved (useable) Fund Balance	($1,939,764)	$3,862,932	$220,122

Source: City Audit 2006-2008

- Unreserved (usable) fund balance has fluctuated widely during the review period. As of 2008, the City's available fund balance was $220,000.
- Debt proceeds and the sale of assets have become important components of total revenue and other sources.
- Revenue increased significantly beginning in 2007 because of an increase in the real estate tax rate.

[2] The City's system for proprietary funds including sewer and water are converted to a full accrual basis.

- Expenditures decreased between 2006 and 2008. However, the $56.9 million expenditure for 2006 includes a $6.1 million accounting adjustment for unreimbursed RRF operating expenses. Therefore, the reported reduction in expenditures between 2006 and 2007 is skewed by the treatment of this item.

Unaudited "Modified Basis" Basis Results (General Fund)
The City provided to the Act 47 Coordinator detailed line item account data on a "modified cash" basis. A summary of General Fund Revenue and Expenditures for the years 2006 through 2010 shows a surplus of all revenue sources over expenditures and all uses for each year from 2006 through 2009. However, these surpluses were the result of including sources of revenues from the proceeds from debt and sale of assets. The results of including these sources can be misleading if one time revenues are treated as reliable and annually available revenues.

General Fund Revenue and Expenditures, 2006-2010

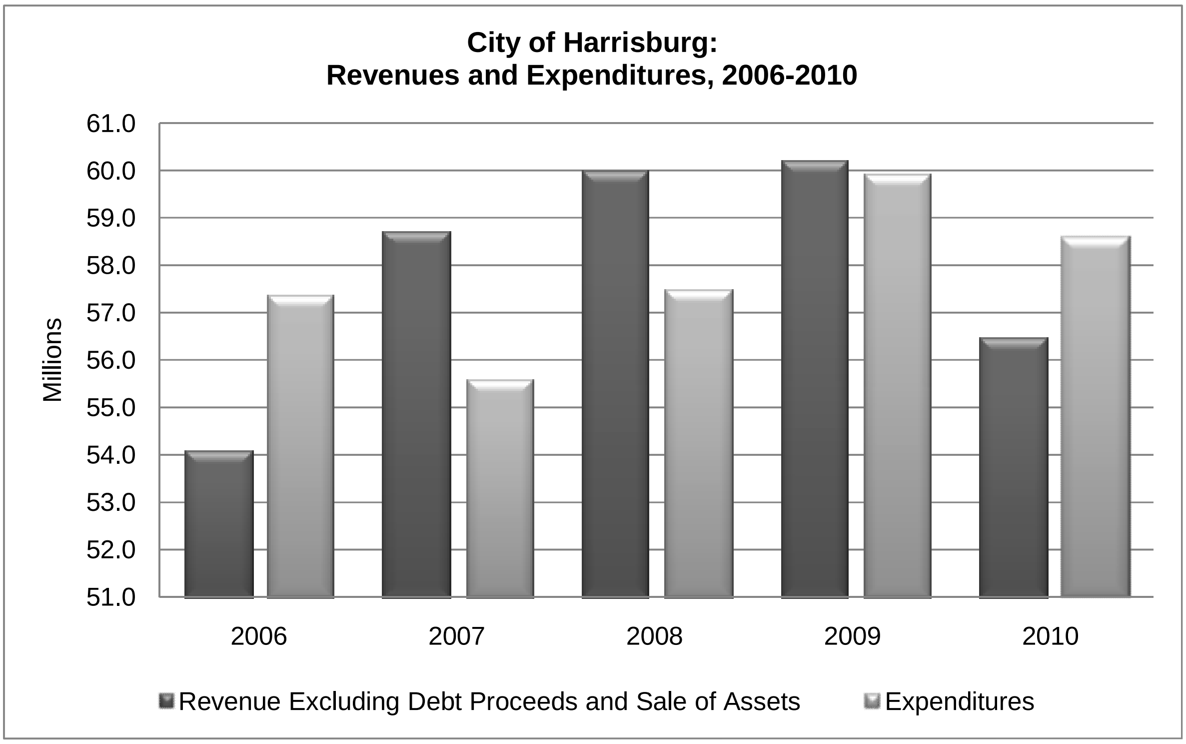
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Change
Revenue All Sources	$61,295,760	$58,731,056	$60,191,622	$60,194,749	$56,537,954	(7.8%)
Expenditures	$57,352,185	$55,604,081	$57,482,580	$59,894,963	$58,602,672	2.2%
Surplus/(Deficit)	**$3,943,575**	**$3,126,976**	**$2,709,042**	**$299,786**	**($2,064,718)**	**152.4%**

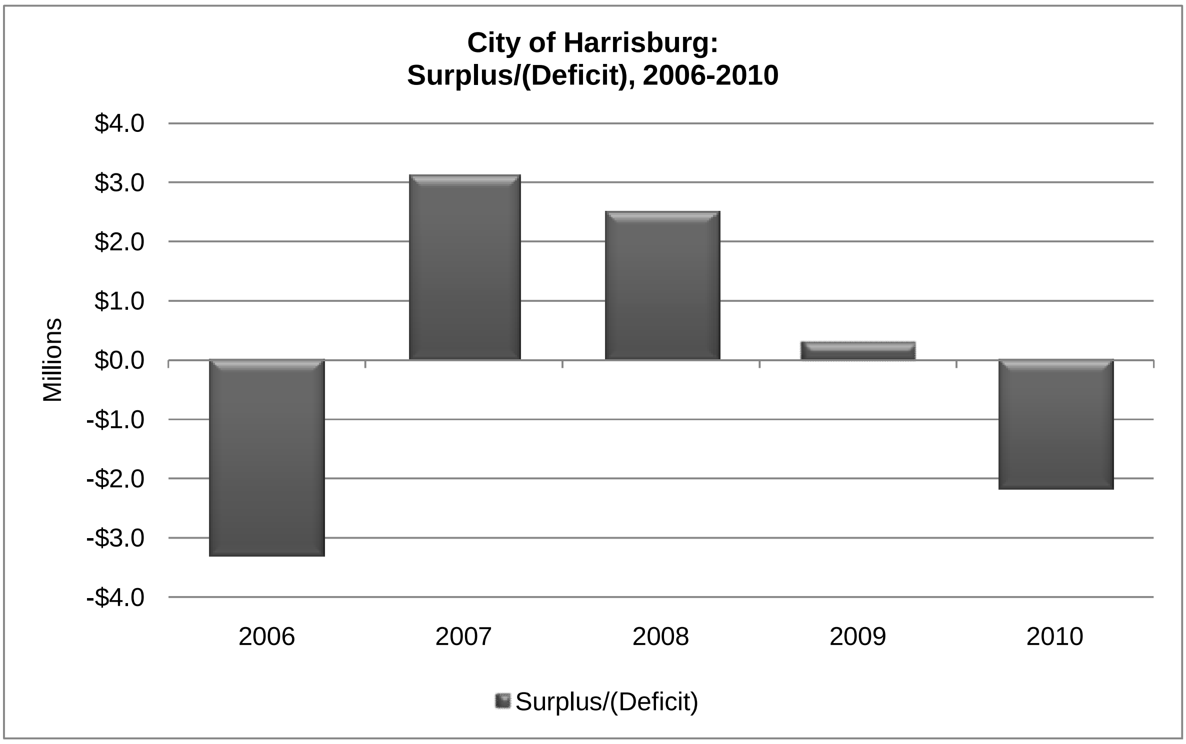
Source: Historical Data from City As Provided.

In the following table, all debt proceeds and the sale of assets have been eliminated from revenue sources. As a result, the 2006 surplus is now a deficit, and the downward trend of surplus between 2007 and 2009 is evident.

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Change
Revenue (excludes Debt Proceeds and Sale of Assets)	$54,093,410	$58,730,056	$59,977,642	$60,194,749	$56,456,789	4.4%
Expenditures	$57,352,185	$55,604,081	$57,482,580	$59,894,963	$58,602,672	2.2%
Surplus/(Deficit)	**($3,258,775)**	**$3,125,976**	**$2,495,062**	**$299,786**	**($2,145,883)**	

Source: Historical Data from City As Provided.


City of Harrisburg:
Revenues and Expenditures, 2006-2010
61.0
60.0
59.0
58.0
57.0
56.0
55.0
54.0
53.0
52.0
51.0
Millions
2006
2007
2008
2009
2010
Revenue Excluding Debt Proceeds and Sale of Assets
Expenditures


City of Harrisburg:
Surplus/(Deficit), 2006-2010
$4.0
$3.0
$2.0
$1.0
$0.0
-$1.0
-$2.0
-$3.0
-$4.0
Millions
2006
2007
2008
2009
2010
Surplus/(Deficit)

Revenue

Total revenue in the General Fund has increased from $54.1 million (exclusive of debt proceeds and sale of assets) in 2006 to $56.5 million in 2010.

An examination of real estate taxes demonstrates the nature of the City's structural financial problems. The table below provides a comparison of total real estate tax revenue compared to total revenue. During the review period, real estate taxes provided between 23.8% and 27.8% of total revenue. Moreover, with little growth in assessed value of real estate during the period, the increase in real estate millage in 2007 provided nearly all of the increases in real estate tax revenue. The large amount of property (48% of City total assessed value) [3] that is from tax-exempt property cannot provide millage based tax revenue. Future development of available taxable land and improvements contribute to growth in the taxable assessment base, however, the current slowdown in realty based development impacts the projected growth in the City taxable assessment base.

Real Estate Tax Revenue, 2006-2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Real Estate Taxes without Lien Sales	$12,871,146	$15,801,352	$15,929,375	$15,657,718	$15,715,733	22.1%
% of Total Revenue	23.8%	26.9%	26.6%	26.0%	27.8%	

Source: Historical Data from City As Provided

All other taxes have declined from 20.6% to 18.1% of total revenues. Furthermore, actual dollars provided from all other taxes have declined by almost $1.0 million from the 2006 level. Much of this decline occurred in 2009 and 2010 as a result of the nationwide economic downturn as it affected cities throughout the Commonwealth. The table below provides a summary of revenue from other taxes.

All Other Tax Revenue, 2006-2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
All Other Taxes	$11,147,206	$11,342,141	$11,386,025	$10,865,679	$10,194,499	(8.5%)
% of Total Revenue	20.6%	19.3%	19.0%	18.1%	18.1%	

Source: Historical Data from City As Provided

Administrative Charges, Transfers and Parking Payments
Historically, in an effort to compensate for the relatively low tax revenue stream, the City developed a series of payments related to its operation of water, sewer and sanitation (solid waste collection) services as well as parking authority contributions through the agreement on the Coordinated Parking Fund. The payments were: administrative charges for overhead; costs incurred by the General Fund; direct transfers into the General Fund; or payments made by the Coordinated Parking Fund. Payments from these sources varied over the period from a low of $16.4 million in 2006 to a high of $22.6 million in 2009. In 2010 the payments dropped significantly to $18.8 million. This

[3] The 2011 audit tax audit report (report no.2) lists assessment taxable $1.60 billion and tax exempt $1.46 billion.

extraordinary dependency creates its own volatility for City finances and future revenues from these sources could be unfavorably changed exacerbating the annual structural deficit.

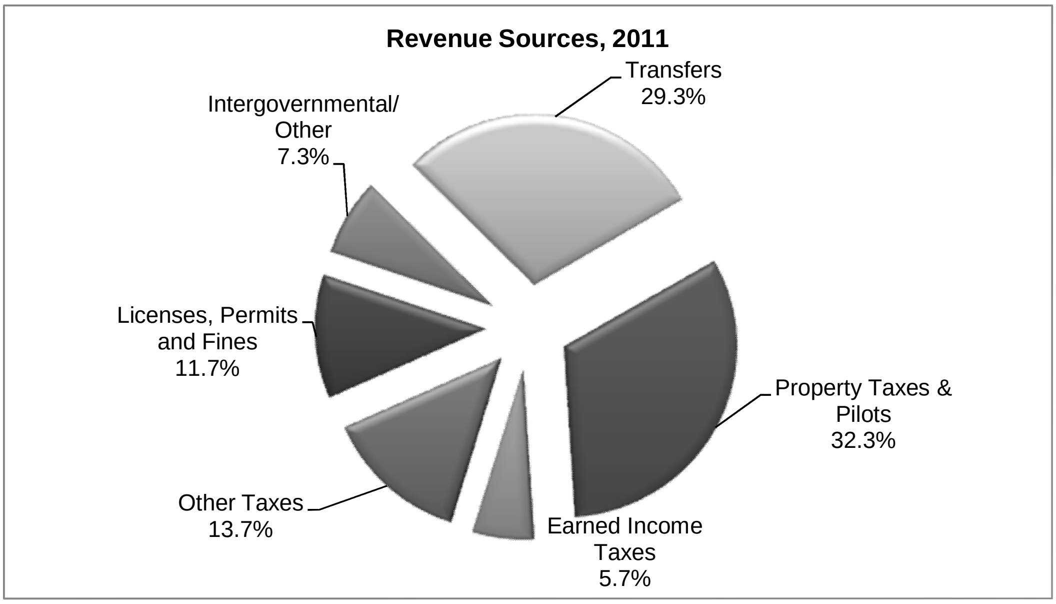
Administrative Charges, Transfers and Parking Revenue, 2006-2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Transfers and Administrative Charge Payments	$12,852,316	$13,861,260	$14,800,394	$18,590,844	$16,157,932	25.7%
Parking Authority/ Coordinated Parking	$3,524,893	$4,005,000	$4,750,000	$4,050,000	$2,664,000	(24.4%)
Total Payments	**$16,377,209**	**$17,866,260**	**$19,550,394**	**$22,640,844**	**$18,821,932**	**14.9%**
% of Total Revenue	30.3%	30.4%	32.6%	37.6%	33.3%	

Source: Historical Data from City As Provided

The City has traditionally included the Sewer administrative charge as an operating expense in its budget. Water and Parking Fund administrative charges and transfers are dependent on whether the individual fund's operation has sufficient revenue to meet costs and produce a surplus so that a transfer to the City's General Fund is possible.

The figure below compares these total payments from transfers, administrative charges and parking authority payments with the City's real estate taxes during the review period. Clearly, without these administrative charges, transfers and parking revenues the City's General Fund would have a very significant deficit.



Expenditures

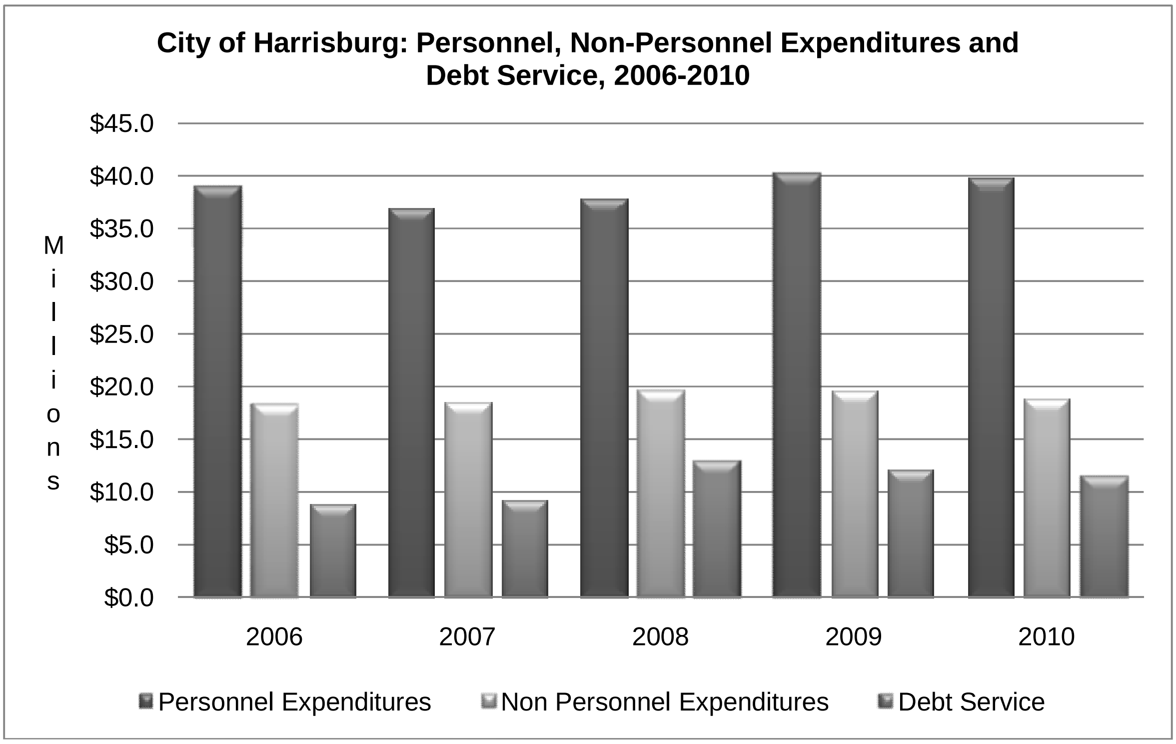
Total General Fund expenditures have fluctuated over the period. They declined from $57.4 million in 2006 to a low of $55.6 million in 2007. Expenditures then rose to $60.0 million in 2009 before declining to $58.6 million in 2010.

Personnel, Non-Personnel Expenditures and Debt Service

The table below provides further insight into the nature of the expenditures and their relative changes over the period. As is the case with any labor intensive service industry, personnel expenditures consume a significant portion of the General Fund's financial resources. For the City of Harrisburg personnel costs comprised between 66% and 68% of total expenditures. In dollar terms, personnel expenditures range from a $37.0 million low in 2007 to a high of $40.3 million in 2009. For 2010, personnel expenditures were $39.8 million. Debt service payments rose significantly when compared to both personnel and non-personnel expenditures over the review period. In 2008, debt service payments on the City's debt were $8.84 million; by 2010, debt service increased by 30.1 % to $11.5 million.

Personnel, Non-Personnel Expenditures and Debt Service, 2006-2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$38,979,462	$37,043,707	$37,866,774	$40,341,070	$39,811,789	2.1%
Non Personnel Expenditures	$18,372,723	$18,560,374	$19,615,806	$19,553,893	$18,790,883	2.3%
Total Expenditures	**$57,352,185**	**$55,604,081**	**$57,482,580**	**$59,894,963**	**$58,602,672**	**2.2%**
City Debt Service	$8,841,044	$9,287,555	$12,972,732	$11,949,975	$11,501,745	30.1%
Personnel Expenditures as a % of Total Expenditures	68.0%	66.6%	65.9%	67.4%	67.9%	



The following table lists the major personnel expenditure categories from 2006 through 2010.

Personnel Expenditures, 2006-2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Wages	$25,496,637	$23,594,955	$24,711,909	$25,437,652	$25,626,599	0.5%
Overtime	$2,189,687	$2,367,854	$2,815,238	$2,977,366	$2,876,710	31.4%
Severance Pay	$822,316	$1,098,583	$472,552	$1,691,651	$1,364,446	65.9%
Healthcare and Life Insurance	$8,570,807	$7,894,188	$8,331,144	$8,609,594	$8,023,039	(6.4%)
Unemployment Compensation	$42,894	$202,298	$73,438	$87,330	$152,086	254.6%
Pension	$504,202	$523,803	$281,349	$275,869	$314,094	(37.7%)
Workers Compensation	$1,044,163	$1,126,316	$943,995	$1,000,484	$1,228,257	17.6%
All Other Personnel Expenditures	$308,757	$235,710	$237,150	$261,126	$226,558	(26.6%)
Total	**$38,979,462**	**$37,043,707**	**$37,866,774**	**$40,341,070**	**$39,811,789**	**2.1%**

Several items are important to note regarding personnel expenditures.

- Wages decreased between 2006 and 2007 because medical transport services were discontinued.
- Subsequent to 2007, the wage category continued to grow through 2010.
- Overtime expenditures grew from 2006 through 2009. In 2010, a minor decrease occurred from the 2009 high of $2.98 million.
- Severance pay fluctuated widely over the period ranging from a high of $1.69 million in 2009 to a low of $473,000 in 2008. Changes reflect the number, type and timing of personnel leaving City employment.
- After an initial decline from $8.57 million in 2006 to $7.89 million in 2007, employee healthcare costs increased, reaching a maximum of $8.61 million in 2009. In 2010, healthcare declined to $8.02 million. Decreases in healthcare costs correspond to years in which there is decrease in the number of employees.
- Pension expenditures generally fell throughout the period before rising slightly, from a high of $504,000 in 2006 to $314,000 in 2010. For the two valuation periods of 2005 and 2007, the pension funds for all units of the City were overfunded with funding ratios exceeding 111%. The Police pension fund fell below full funding in 2009 (97%); however, in 2009, both the Fire and Non-uniformed pension funds increased their funded ratios to 123% and 135%, respectively.
- Unemployment Compensation follows the changes in number of employees.
- Workers' Compensation related expenditures on a yearly basis did not vary substantively from the 2006-2010 average of $1.07 million.
- Other personnel costs did not substantively fluctuate from the average over the period.

The table below provides summary data on a number of major non-personnel expenditure categories.

Non Personnel Expenditures, 2006-2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Debt Service	$8,817,704	$6,324,036	$10,004,928	$11,338,871	$11,275,518	27.9%
Lease Purchase	$1,386,833	$1,008,170	$835,190	$857,555	$446,332	(67.8%)
Utilities and Street Lights	$1,246,661	$1,194,018	$1,302,797	$1,263,052	$1,331,308	6.8%
Insurances	$1,089,894	$1,285,590	$1,178,134	$1,169,458	$1,212,009	11.2%
Vehicle Fuels, Parts and Equipment	$1,400,960	$1,529,953	$1,710,586	$1,208,150	$1,170,100	(16.5%)
All Other Non Personnel Expenditures	$4,430,672	$7,218,606	$4,584,170	$3,716,807	$3,355,616	(24.3%)
Total	**$18,372,723**	**$18,560,374**	**$19,615,806**	**$19,553,893**	**$18,790,883**	**2.3%**

Source: Historical Data from City As Provided

Several items are important to note regarding non-personnel expenditures.

- By far, debt service is the largest component of General Fund non-personnel expenditures. Expenditures (transfers to the Debt Service Fund) declined from $8.82 million in 2006 to $6.32 million in 2007. However, the total debt service for City did not decrease by this amount. Rather $4.31 million was recorded directly into the Debt Service Fund from the sale of City assets. Thereafter, General Fund debt service reached $10.9 million in 2008, $11.3 million in 2009 and $11.3 million in 2010.

- Lease purchases fell during the period from $1.39 million in 2006 to $446,000 in 2010. Lease purchases are in addition to capital lease purchases that are included within the Debt Service Fund. As of 2010, the Debt Service Fund payments equal $11.3 million.

- After falling from $1.24 million to $1.19 million between 2006 and 2007, utilities and street lights expenditures were relatively constant through 2010, averaging around $1.3 million.

- Insurances for the most part centered near the average for the 2006-2010 period of $1.21 million.

- Vehicle fuel and related expenditures rose from $1.40 million in 2006 to a high of $1.71 million in 2008 before falling steadily to $1.17 million in 2010. The largest expenditure in this summary category is vehicle fuel.

- The All Other category rose very significantly from $4.43 million in 2006 to $7.22 million in 2007. Two principal items generated this increase. In 2007, the legal category increased from $86,000 in 2006 to $1.12 million due to a Mayor/Council dispute over the Board appointment powers of the Mayor. Additionally, $1.89 million was posted as a write-off of uncollectable loans to the Incinerator Fund during the City's operation of the facility. No other year has such an expenditure.

Demographics and Economic Trends in Harrisburg

The actual revenue and expenditure trends for 2006 through 2010 as well as the 2011 budget analysis needs to be placed within the context of the demographic and economic parameters of the City.

Because Harrisburg is the Commonwealth's capital, it is easy to lose sight of the basic economic characteristics of the City. In reality, Harrisburg is a medium-sized City with declining population and a stressed economic base. Consequently, the financial resources from which the City can draw upon to fund its expenditures are limited. This problem is compounded by the very high percentage of property exempt from taxation.

Harrisburg has seen a gradual decline in population over the last 30 years, in contrast to population gains within the Dauphin County and the Commonwealth as a whole. The table below summarizes the change in population.

Population Trends

Jurisdiction	1980 Population	1990 Population	2000 Population	2008 Population	% Change
Harrisburg	53,264	52,376	48,950	44,848	(16%)
Altoona	57,078	51,881	49,523	46,756	(18%)
Lancaster	54,725	55,551	56,348	56,116	3 %
Chester	45,794	41,856	36,854	29,542	(35%)
Wilkes-Barre	51,551	47,523	43,123	40,618	(21%)
York	44,691	42,192	41,298	38,809	(13%)
Dauphin County	232,317	237,813	251,805	255,322	10%
Commonwealth	11,863,895	11,881,643	12,281,054	12,418,756	5%

Further compounding the loss in population in Harrisburg is the significantly high poverty level when compared to other similar sized cities. Over 26% of families in the City are at or below the poverty level, and 17% earn less than $10,000.[4] The average housing value in Harrisburg is less than half of the average housing value in the Commonwealth and $73,500 less than the average in Dauphin County. The City's Per Capita Income is only 68% of the state's average. Education levels in the City are also significantly lower when compared to the County and the Commonwealth. Over 21% of Harrisburg residents over the age of 25 do not have a high school diploma. Income and housing characteristics are compared in the following table.

Income and Housing Trends[5]

Jurisdiction	2008 Median Household Income	2008 Per Capita Income	2008 % Families Below Poverty	2008 Median Home Value
Harrisburg	$35,105	$18,294	26.1%	$75,200
Altoona	$35,156	$18,659	15%	$79,500
Lancaster	$32,854	$15,499	23.6%	$90,100
Chester	$26,998	$13,444	29.8%	$65,500
Wilkes-Barre	$29,183	$17,064	17.1%	$74,700
York	$27,640	$14,624	31.2%	$75,500
Dauphin County	$52,360	$26,015	7.5%	$148,700
Commonwealth	$50,272	$27,025	8.2%	$155,400

[4] 2008 Census
[5] 2006-2008 American Community Survey 3-Year Estimates

The loss of population coupled with the high percent of families below the poverty level and the low education levels has a negative impact on the City's tax base and creates added stress on the City's ability to meet increasing demands for service. These statistics also demonstrate that the population cannot reasonably withstand increases in earned income, real estate or other taxes.

Process and Methodology for this Act 47 Recovery Plan

Beginning in January 2011, extensive stakeholder outreach was held with elected officials, community and business leaders, residents, and City of Harrisburg employees to assist the Act 47 Coordinator in development of this Recovery Plan.

The Act 47 Team met with the Mayor and key managers and attended a City Council meeting to introduce the team members and discuss the process. Subsequent meetings were held with the Deputy City Treasurer and City Controller, and a status report was provided to the City Council at its April 26 meeting.

To solicit community input, two public input meetings were held. The first public meeting was held at the YWCA of Greater Harrisburg on February 28, 2011 and was attended by an estimated 100-110 people. The meeting began with a presentation of the issues and then public comment was taken in a hearing-style format. The Act 47 Team listened to the input and considered it as part of its data gathering. The second public meeting was held on March 7, 2011 at the Heinz-Menaker Senior Center with an estimated 70-80 people in attendance. This meeting was intentionally less formal and began with a presentation and a question and answer period. Attendees then engaged in small group discussion regarding ideas for the Act 47 Coordinator to consider.

Act 47 Team members met with elected and appointed officials from Dauphin County and the Commonwealth of Pennsylvania and board members and staffs of THA and the HPA. Business leaders were also a targeted stakeholder group and Act 47 Team members met with Harrisburg Development Corp., Debt Watch Harrisburg and members of the Harrisburg Regional Chamber of Commerce. Meetings were also held with Cravath, Swaine & Moore LLP, LambdaStar Infrastructure Partners, Ambac Financial Group, AGM and attorneys representing various parties in ongoing litigation against the City.

City staff input was collected in a number of ways. The Act 47 Team members interviewed the heads of the City departments and bureaus and other key management staff. Multiple meetings were held with City's three bargaining units – Fraternal Order of Police (FOP), Capital City Lodge 12; International Association of Fire Fighters (IAFF), Local No. 428; and the American Federation of State, County, and Municipal Employees (AFSCME), Local No. 521 – to solicit ideas and identify cost savings. In addition, two employee meetings were held to inform employees about the Act 47 process and solicit ideas. The first meeting was held at the Water Bureau on March 22, 2011. Between 30 and 40 employees attended. The second session was held in the City Government Center on March 23, 2011. Approximately 40 to 50 employees were in attendance.

On June 13, 2011, the Act 47 Coordinator filed a draft Act 47 Recovery Plan for public review and comment. In addition to the delivery of copies of the draft Plan to certain elected and appointed officials as designated under Act 47, the Coordinator made an electronic version of the draft Plan available for the City and local news media to post on their websites.

On June 28, 2011, the Act 47 Coordinator held a public hearing to receive comments on the draft Plan pursuant to the provisions of Act 47. Approximately 200 people attended the meeting, which was held in the auditorium at John Harris High School. As provided by the statute, the Coordinator also received written comments on the draft Plan through June 28, 2011. Finally, the Coordinator has had numerous meetings about the draft Plan with the City's elected officials, community leaders, union leadership and interested individuals. In all comments received on the draft Plan, several common themes emerged, including requests to:

- Preserve the split tax rate in Harrisburg;
- Enact a commuter tax and/or a County-wide sales tax;
- If assets must be leased or sold, preserve flexibility for the City in any sale or lease agreements (e.g., to collect some portion of total revenue, to offer competing services, to terminate agreements at some future date);
- Ensure that Dauphin County, AGM, and bondholders play an equal part with the citizens of Harrisburg in any debt solution (i.e., "share the pain");
- Include bankruptcy as a possible debt solution in Plan;
- Ensure that the Commonwealth is adequately contributing to the City's operations (e.g., through PILOT agreements and sufficient Capital Fire Protection allocations); and
- Preserve current public safety staffing levels and services.

As noted in the transmittal memo, the extensive public input has led to several revisions since the draft Plan was released. A summary of public input received throughout the process is included as Appendix B.

In addition to this direct outreach, the Act 47 Coordinator requested and reviewed a significant amount of background materials from the City. Information reviewed included but is not limited to: budget documents; organizational charts; operational work plans; collective bargaining agreements; tables of organization; audited financial statements; revenue and expenditure history; staffing history; other audits; prior studies, including the City's Early Intervention Plan report; and DCED's Municipalities Financial Recovery Act Consultative Evaluation for the City of Harrisburg.

Budget Projection Methodology

In order to adequately and correctly determine the scope of the City's financial situation, the Act 47 Coordinator began with a detailed assessment of the FY2011 General Fund budget to determine the estimated year-end balance. Based on a thorough understanding of the FY2011 revenue and expenditure picture, the Act 47 Coordinator then developed a multi-year budget projection model to determine the size and nature of the City's budget shortfall. The assumptions and process used to develop these projections are detailed below.

2011 General Fund Budget

The City's 2011 General Fund budget as passed is balanced with revenues equal to expenditures in an amount of $55,993,157. This amount compares to the 2010 budget figure of $64,710,369.[6]

The 2011 General Fund budget provided for major cost reductions in an effort to correct the deficit as reflected in the 2010 actual financial results. However, the budget did not address debt guarantees for the RRF. As proposed by the Mayor, the Debt Service Fund budget provided for $51.3 million to meet debt guarantees, the resources of which were to come from the sale of City assets. The City Council did not include this proposal in the adopted Debt Service Fund budget.

[6] 2010 Budget Ordinance City of Harrisburg

Based on the historical data as well as various collective bargaining provisions, the Act 47 Coordinator has estimated that 2011 year end will have a deficit of approximately $3.5 million, as noted in the table below.

2011 Year End Projection

	2011 Budget	2011 Estimated	Estimated Budget
Revenues	$55,993,154	$54,629,104	($1,364,050)
Expenditures	$55,993,154	$58,095,557	$2,102,404
Surplus/(Deficit)	**$0**	**($3,466,454)**	**($3,466,454)**

With respect to revenue, the differences between various revenue items as budgeted and those estimated by the Act 47 Coordinator are shown in the following table.

2011 Projected Revenues

	2011 Budget	2011 Estimated	Estimated Budget
Real Estate Taxes	$17,633,520	$17,234,858	($398,662)
Other Taxes	$10,819,552	$10,555,275	($264,277)
Utility Payments, Transfers, Parking Authority	$16,390,847	$15,990,847	($400,000)
All Other Revenue	$11,149,235	$10,848,123	($301,112)
Total	**$55,993,154**	**$54,629,104**	**($1,364,050)**

Source: 2011 Budget from City; 2011 PEL Estimated

The following assumptions were used to determine the projected revenues:

- The City has budgeted $1.42 million in revenue from the lien sale of delinquent real estate taxes. Also budgeted is an additional $1.91 million to be received from delinquent real estate taxes. The Act 47 Coordinator estimates (assuming a lien sale does occur in November-December of 2011) proceeds will approximate $1.3 million. Further, other delinquent collections will be $1.8 million. Most importantly, given the static nature of the real estate assessment base, the Act 47 Coordinator estimates current real estate taxes at $14.2 million, not the $14.3 million budgeted.

- The other principal estimated tax revenue shortfalls include a decrease in the Business Privilege & Mercantile Tax estimated at $115,000, the real estate transfer tax at $45,000 under budget and parking taxes at approximately $87,000 under budget. The first two items are the result of the slow economic recovery. The parking tax reduction assumes that the proposed increase in parking tax from 15% to 20% will not occur until the fall of 2011.

- The Act 47 Coordinator held Administrative Charges and Transfers at the 2011 budget level. However, the HPA budget provides for only $3.6 million to the City, not the $4.0 million in the

City budget. In 2010, the City received only $2.66 million. Therefore, the Act 47 Coordinator elected to use HPA's budgeted $3.6 million for 2011.

- For All Other Revenue, the 2011 estimate is less than that budgeted by approximately $300,000.

The differences between the adopted 2011 budget and the year-end estimates developed by the Act 47 Coordinator include overtime, severance pay, social security, medical insurance and motor vehicle fuel costs. They are summarized in the table below.

2011 Projected Expenditures

	2011 Budget	2011 Estimated	Estimated Budget
Overtime	$1,030,100	$2,380,100	$1,350,000
Medical Insurance	$7,250,306	$7,900,306	$650,000
Severance Pay	$822,145	$1,269,347	$447,202
Social Security	$1,413,114	$922,411	($490,703)
Motor Fuel Lubricants	$855,266	$1,000,800	$145,534
All Other	$44,622,223	$44,622,594	$371
Total	**$55,993,154**	**$58,095,557**	**$2,102,404**

Source: 2011 Budget from City; 2011 PEL Estimated

The following assumptions were used to determine the projected expenditures:

- The adopted 2011 City budget drastically reduced overtime expenses, especially overtime for the Fire Bureau. However, much of the overtime costs are related to existing contractual language and/or operational schedules. For example, IAFF Collective Bargaining Agreement requires that two hours per man per week (the last two hours of 42 hours per work week) be paid at time and one-half. There is also a minimum manning per shift requirement which appears to generate overtime hours. Unless there are significant changes in schedules, contracts or related procedures, substantive reduction in overtime, although a positive goal, seems unlikely. Actual overtime costs for 2010 were $2.9 million. The Act 47 Coordinator's estimated overtime for all General Fund Departments for 2011 is $2.4 million.

- The City's budget includes $1.413 million for Social Security. The Act 47 Coordinator estimates the final expenses in this category will be $922,000 million for 2011. The Act 47 Coordinator's 2011 estimate compares closely to the 2010 year-end actual expense.

- Medical insurance was reduced in the adopted 2011 budget to $7.3 million from the 2010 actual amount of $7.9 million. Even with a reduction of personnel in the 2011 General Fund budget to approximately 435 employees, the Act 47 Coordinator believes medical insurance is approximately $650,000 under budget.

- The increase in severance pay expenditure is estimated by the Act 47 Coordinator to be $447,000 more than the budgeted amount. The higher severance pay expenditure is included in 2011 budget amendments by the City.

- The increased cost in vehicle motor fuel lubricants is expected due to the escalation in the price of gasoline, diesel and related products.

2012 – 2015 General Fund Baseline Projections
Based on the Act 47 Coordinator's 2011 year-end estimates, baseline projections for the General Fund were made for 2012 through 2015. These projections assume that no plan interventions are made to change either the existing revenue or expenditure trends. In developing these projections, a variety of assumptions were used.

The revenue assumptions used in the baseline projections were as follows:

- All tax and fee rates were held constant.

- Revenue from real estate taxes has been held constant over the period as assessed valuation growth is assumed to be minimal.

- The sale of tax liens has been included for years 2012 through 2015 assuming the sale occurs in the early part of each year. The Act 47 Coordinator's examination of the sale indicates that continuing the tax lien sale for a minimum of three consecutive years is necessary in order to maintain adequate cash flow.

- Other Taxes were reviewed on a line-by-line basis. Earned Income Tax was increased by 1% per year, the Business Privilege & Mercantile Tax by 1.75% per year and the real estate transfer tax by 3% per year over the 2011 estimated base. All other taxes were held constant.

- The American Recovery and Reinvestment Act (ARRA) Police Grant is expected to end in 2014.

- Vehicle Maintenance Reimbursements were increased at the same rate as related expenditures.

- State aid for pension expenses were held constant over the period. It is possible that the Commonwealth's payments may be less in future years depending on resources in the statewide pension pool. However, the City's reimbursement is less than the maximum available because municipal contributions are only required for the police pension fund. Therefore, barring a very large reduction in the Commonwealth's rate of payment or a large increase in actuarial unfunded liability and/or normal cost, the Commonwealth's pension payments should continue to offset pension costs. Consequently, the net pension cost less reimbursement should equal zero.[7]

- The Commonwealth's payment to the City for fire protection has been decreased to $497,000 beginning in 2011 in line with the proposed state budget.

- Most other revenues are held constant over the period.

[7] The pension costs do not include pension benefit increases described in collective bargaining agreements. The pension benefit increases in the agreements were subject to City Council approval which did not occur.

- Importantly, other fund administrative charges, transfer payments and parking authority payments are held constant through the period. It is possible that future annual administrative charges may be reduced from the projection amounts to maintain proper subsidiary operations and to keep rate increases to a minimum.

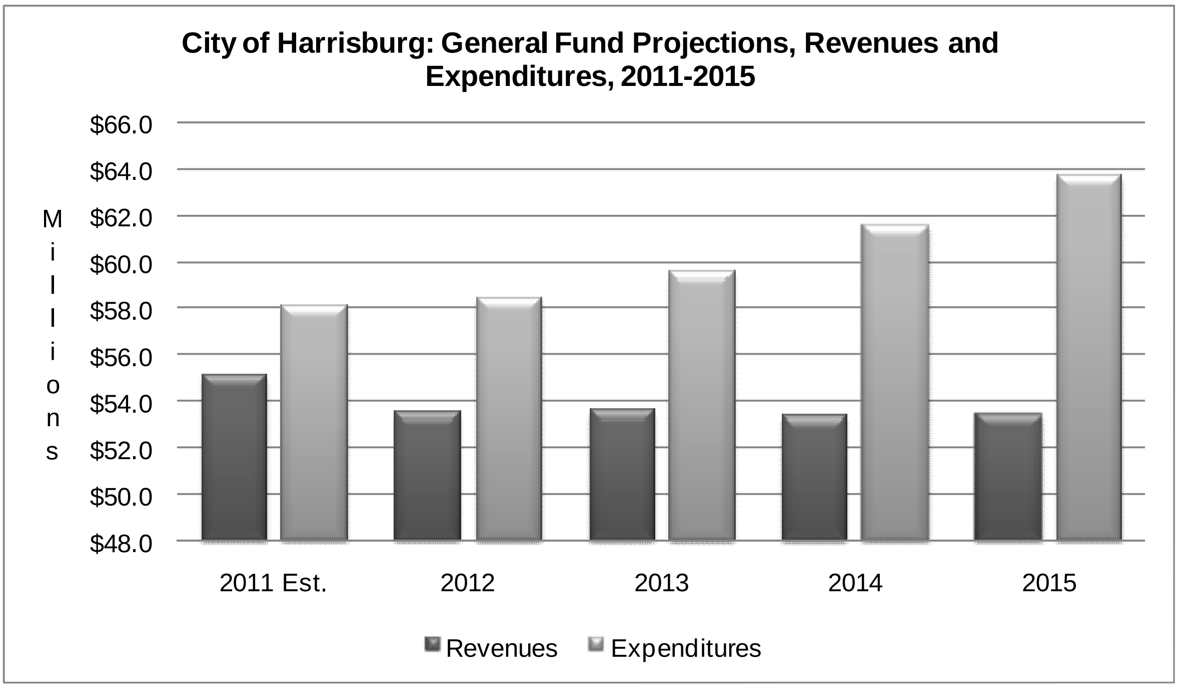
The expenditure assumptions used in the baseline projections were as follows:

- The number of personnel has been held constant at the 2011 budget level.
- Wages have been increased as specified in the respective collective bargaining agreements.
- Medical insurance has been increased at 12% per year in conformance with the City's most recent experience and observed increases for government employees.
- Other major insurance costs have been projected on a case-by-case basis.
- Transfers to the debt service fund are based on amortization schedules given in the latest City audit with estimates for the capital lease payments.
- No new debt is anticipated.
- No new capital expenditures are included.
- Municipal pension obligations are held constant over the period.
- No payments on the RRF debt obligations are included.
- Other expenditures were increased at various levels.

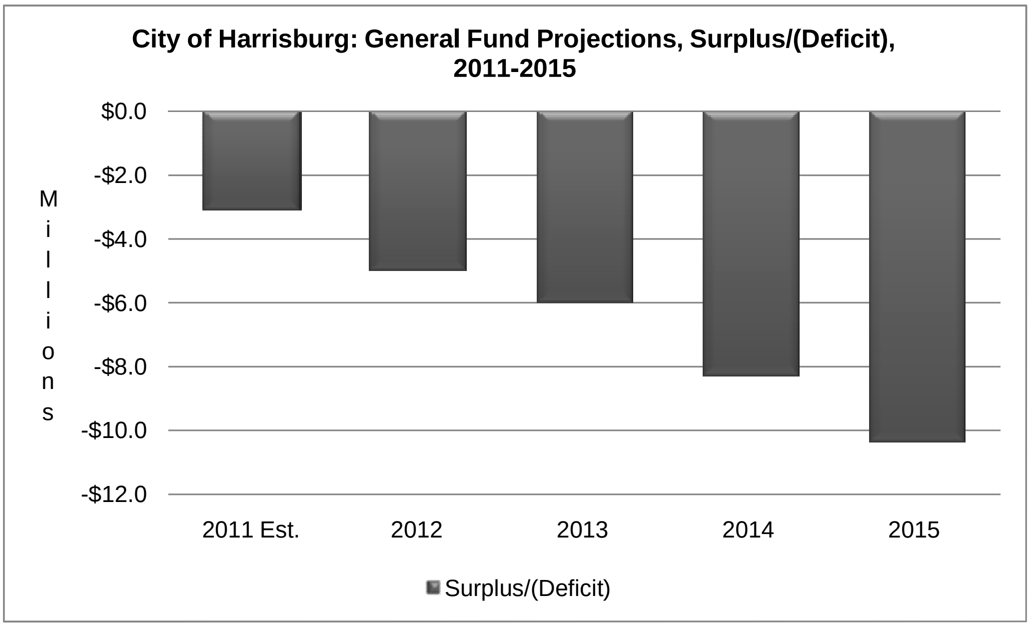
Based on the foregoing, the following table provides the estimated General Fund projections for the City of Harrisburg for 2011 through 2015.

General Fund Projections, 2011-2015

General Fund	Act 47 Coordinator Estimate	Act 47 Coordinator Projected	Act 47 Coordinator Projected	Act 47 Coordinator Projected	Act 47 Coordinator Projected	%
	2011	2012	2013	2014	2015	Growth
Revenues	$54,629,104	$53,538,500	$53,644,122	$53,348,643	$53,451,888	(2.2%)
Expenditures	$58,095,557	$58,522,763	$59,606,654	$61,610,115	$63,867,406	9.9%
Surplus/(Deficit)	**($3,466,454)**	**($4,984,262)**	**($5,962,532)**	**($8,261,472)**	**($10,415,519)**	**200.5%**



The General Fund deficit grows from an estimated $3.5 million in 2011 to $5.0 million in 2012, $6.0 million in 2013, $8.3 million in 2014 and $10.4 million in 2015. For the period 2011 to 2015, the cumulative deficit would be just over $33.0 million.



Revenues are projected to decrease from $54.6 million in 2011 to $53.5 million in 2015. The largest decrease of just over $1 million occurs between 2011 and 2012 primarily as the result of the prior year sale of delinquent real estate taxes.

Most importantly, the City's total taxes as well as administrative charges, reimbursement transfers and contributions from HPA are essentially constant. The latter revenues are dependent on these enterprise fund sources having sufficient funds to pay into the General Fund.

General Fund Revenue Projections, 2011-2015

Category	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Real Estate Taxes	$17,234,858	$15,956,000	$15,956,000	$15,956,000	$15,956,000	(7.4%)
Other Taxes	$10,555,275	$10,753,081	$10,844,764	$10,937,968	$11,032,723	4.5%
Utility Payments, Transfers, Parking Authority	$15,990,847	$15,990,847	$15,990,847	$15,990,847	$15,990,847	0.0%
All Other Revenue	$10,848,123	$10,838,573	$10,852,511	$10,463,828	$10,472,318	(3.5%)
Total	**$54,629,104**	**$53,538,500**	**$53,644,122**	**$53,348,643**	**$53,451,888**	**(2.2%)**

Expenditures are projected to grow from $58.1 million in 2011 to $63.8 million in 2015. The principal factor for the increase in expenditures is personnel costs, primarily employee medical insurance and wages.

Medical insurance increases from $7.9 million in 2011 to $12.5 million in 2015, an increase of 57.2%. Wage increases for the period go from $23.4 million in 2011 to $27.8 million in 2015, an increase of 11.2% from 2011 to 2015.

The City experiences a significant reduction in severance pay declining from $1.3 million estimated in 2011 to a projected $75,000 in 2012 and thereafter. Because of changes in personnel in both 2010 and 2011 as well as severance policies, the estimated cost in 2011 was higher than historical experience. Beginning in 2012, the baseline projections of the number of personnel have been held constant, and severance is kept at a minimum expense level.

Another factor affecting the expenditure pattern is the City's projected debt service transfers from the General Fund. It has been assumed that for 2012 there will be no sale of assets provided directly to the Debt Service Fund. On the positive side, expenditures for capital leases are scheduled to significantly decrease beginning in 2013[8] by almost $700,000. During 2014, debt service further decreases by nearly $100,000. No new debt is included in the model's projections.

[8] The City has not provided amortization schedule for the capital line payments and the data included is based on a general estimate from the City's 2008 audit.

General Fund Expenditure Projections, 2011-2015

Category	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	Growth %
Wages	$25,001,506	$25,781,468	$26,455,673	$27,149,857	$27,813,950	11.2%
Overtime	$2,380,100	$2,451,940	$2,507,975	$2,565,691	$2,625,139	10.3%
Severance Pay	$1,269,347	$75,000	$75,000	$75,000	$75,000	(94.1%)
Healthcare and Life Insurance	$7,925,306	$8,873,343	$9,935,144	$11,124,361	$12,456,284	57.2%
Unemployment Compensation	$107,322	$107,322	$107,322	$107,322	$107,322	0.0%
Pension	$1,551,579	$1,551,579	$1,551,579	$1,551,579	$1,551,579	0.0%
Workers Compensation	$1,194,116	$1,194,116	$1,194,116	$1,194,116	$1,194,116	0.0%
All Other Personnel	$230,650	$230,879	$231,136	$231,471	$231,864	0.5%
Debt Service	$11,208,129	$11,548,690	$10,711,921	$10,605,917	$10,605,917	(5.4%)
Lease Purchase	$281,481	$285,175	$289,293	$294,608	$300,795	6.9%
Utilities and Street Lights	$1,044,398	$1,066,554	$1,092,262	$1,126,959	$1,169,688	12.0%
Insurances	$1,276,391	$1,285,074	$1,294,692	$1,307,028	$1,320,681	3.5%
Vehicle Fuels, Parts, Equipment	$1,251,050	$1,305,383	$1,368,000	$1,451,877	$1,554,149	24.2%
All Other Non Personnel Expenditures	$3,374,182	$2,766,240	$2,792,541	$2,824,329	$2,860,921	(15.2%)
Total	**$58,095,557**	**$58,522,763**	**$59,606,654**	**$61,610,115**	**$63,867,406**	**9.9%**

Other Funds

The analysis presented above assumes that administrative charge payments, transfers and HPA revenue will remain constant. It also assumes that there are sufficient revenues to maintain this flow of funds. On the expenditure side, transfers from the General Fund to meet debt service obligations depend on the funds required in the Debt Service Fund.

In short, the financial status of the City depends upon a number of operational funds in addition to the General Fund. The principal additional operational funds which must be considered are:

- Debt Service Fund – Accounts for transactions relating to City debt excluding any guaranteed debt;
- Sanitation Fund – Accounts for transactions dealing with the City's collection of refuse. Does not include RRF activities;
- Sewer Fund – Accounts for certain transactions dealing with City's operation in the collection and treatment of sewage not covered in other City General Fund categories; and
- Water Fund – Accounts for transactions relating to the City's agreement with the Harrisburg Authority to operate the water system for Harrisburg and other contracting adjacent municipalities.

The Act 47 Coordinator reviewed the historical revenue and expenditure for each of these funds over the period 2006 through 2010 as well as the City's budget for each for 2011.

Based on similar assumptions used for the City's General Fund, revenue and expenditure projections for each fund were developed. It is noteworthy that no new capital expenditures or new debt were included.

The following table provides the results of these projections in combination with the General Fund projections.

Projections for All Funds, 2011-2015

General Fund	Estimated 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Revenues	$54,629,104	$53,538,500	$53,644,122	$53,348,643	$53,451,888
Expenditures	$58,095,557	$58,522,763	$59,606,654	$61,610,115	$63,867,406
Surplus/(Deficit)	($3,466,454)	($4,984,262)	($5,962,532)	($8,261,472)	($10,415,519)
Debt Service Fund					
Revenues	$12,218,229	$12,058,790	$11,222,021	$11,116,017	$10,479,586
Expenditures	$12,218,229	$12,058,790	$11,222,021	$11,116,017	$10,479,586
Surplus/(Deficit)	$0	$0	$0	$0	$0
Sewer Fund					
Revenues	$14,089,600	$14,164,600	$14,240,350	$14,316,858	$14,394,130
Expenditures	$17,018,022	$14,931,916	$15,128,191	$15,351,409	$15,586,071
Surplus/(Deficit)	($2,928,422)	($767,316)	($887,841)	($1,034,551)	($1,191,941)
Sanitation Fund					
Revenues	$4,549,007	$4,599,007	$4,649,007	$4,699,007	$4,749,007
Expenditures	$4,810,652	$4,883,791	$4,963,621	$5,052,401	$5,148,550
Surplus/(Deficit)	($261,645)	($284,784)	($314,614)	($353,394)	($399,543)
Water Fund					
Revenues	$5,594,573	$5,720,890	$5,859,343	$6,014,669	$6,171,829
Expenditures	$5,594,573	$5,720,890	$5,859,343	$6,014,669	$6,171,829
Surplus/(Deficit)	$0	$0	$0	$0	$0
All Funds Surplus/(Deficit)	**($6,656,521)**	**($6,036,362)**	**($7,164,987)**	**($9,649,417)**	**($12,007,003)**

In general, the revenues of each fund are essentially static assuming no increase in rates for the utility funds or increases by the Commonwealth for the Liquid Fuels payments.

Expenditures over the period generally increase for the utility funds because of the increase in contractual wage costs (personnel are City employees) and estimated increases in employee medical insurance at 12%. The very large decrease in the Sewer Fund of $2 million between the 2011 budget and the 2012 projection is the result of the termination of certain lease rental payments to THA for sewer bonds.

When combining the General Fund projections with that of the other relevant funds the combined structural deficit trends from $6.72 million estimated in 2011 to $12.0 million projected in 2015.

It should be noted that the projections of yearly surpluses and deficits do not include any carryover balance from 2010 and prior years.

General Fund Carryover Fund/Cash Balance

Because the City has not initiated the 2009 and 2010 audits there are no audited financial statements on a GAAP basis. In February 2011, City Administration provided a year end 2010 cash balance of approximately $2.1 million. This estimate was based on a "Modified Cash" basis, which is essentially the year end difference between cash and accounts payable.[9] Therefore, combining the 2010 $2.1 million carryover with the 2011 $3.5 million projected General Fund deficit results in an estimated 2011 operating budget deficit of $5.6 million.

In preparation of Recovery Plan, the Act 47 Coordinator has requested large quantities of financial and other data from the City of Harrisburg. Because of time and other practical constraints, the Act 47 Coordinator has not independently verified the accuracy and completeness of the data. In certain cases the data received seemed to be inconsistent or incomplete. In certain other cases, the data and information was either not available or readily available for the required analyses. Therefore, either secondary sources or best estimates were utilized.

Conclusion

Significant changes in how Harrisburg operates and funds its services are required in order to return the City to a place of fiscal solvency. Separate solutions are required to address the City's primary financial challenges: the overwhelming debt associated with the RRF and the structural budget deficit.

This Recovery Plan includes wide-ranging initiatives impacting all facets of Harrisburg City Government. Each initiative was developed with the express intention of providing the City with an opportunity to more effectively provide services in a financially sustainable and responsible manner. These changes will not be easy though they must be implemented expeditiously. However, with commitment, leadership and the involvement of all key stakeholders, Harrisburg can survive and prosper well into the future.

[9] Analysis provided to the Act 47 Coordinator in February 2011.

Recovery Plan Implementation

Overview

Successful implementation of this Recovery Plan will necessitate broad changes in the way the City currently functions. The overall goal of this effort is to restore the community's confidence in the City's ability to effectively maintain current operations while also proactively planning for the future. This is particularly important in terms of this Recovery Plan's emphasis on cooperation - both within and outside City government. Several initiatives within this Recovery Plan center around increased coordination and leveraging of resources between the City and other entities in the community that, in some instances, have had limited communication or interaction up to this point.

To ensure successful implementation of all initiatives in this Recovery Plan, the City must address several broad issues related to: governance; cooperation among the City's elected leadership; organizational structure and accountability; and communication with the Act 47 Coordinator. Each of these issues is outlined below. It is imperative that the City proactively engage with external entities; this is addressed in detail in the following Intergovernmental Relations chapter of this Recovery Plan.

Governance

The City of Harrisburg currently operates under an older, optional plan form of government for municipalities in the Commonwealth of Pennsylvania, first authorized in 1957. Subsequent to that authorization, in 1972 the Pennsylvania General Assembly passed revised Home Rule legislation known as the Home Rule Charter and Optional Plans Law (Home Rule law).

Under Home Rule law, the basic authority to act in municipal affairs is dictated by a local charter, rather than Commonwealth law as set forth by the General Assembly. The local charter is initially adopted and subsequently amended by the voters of the local jurisdiction. The Home Rule law establishes the procedure for adopting a Home Rule charter. Under this procedure, the voters of a local jurisdiction elect a government study commission charged with studying the existing form of government, exploring alternatives and deciding whether to recommend change. If the commission decides to recommend a change to home rule, it drafts a charter that is presented to the voters of the local jurisdiction through a referendum. The charter is adopted only with the approval of a majority voting in the referendum election. The table below lists cities within the Commonwealth that have adopted Home Rule status since the legislation was passed in 1972.

Home Rule Cities in Pennsylvania

City	County	Effective Date
Farrell	Mercer	1976
Franklin	Venango	1976
Hermitage	Mercer	1976
McKeesport	Allegheny	1976
Pittsburgh	Allegheny	1976
Scranton	Lackawanna	1976
Wilkes-Barre	Luzerne	1976
Carbondale	Lackawanna	1977
Warren	Warren	1978
Coatesville	Chester	1980

City	County	Effective Date
Chester	Delaware	1981
Greensburg	Westmoreland	1989
Clairton	Allegheny	1990
Johnstown	Cambria	1994
Lebanon	Lebanon	1994
St. Mary’s	Elk	1994
Reading	Berks	1996
Allentown	Lehigh	1997
Latrobe	Westmoreland	1998

Home Rule, through the adoption of a local charter, can be advantageous for many reasons. Local authority allows a community to act more quickly and effectively to solve local problems, rather than waiting for enabling legislation from the Commonwealth. Home Rule also allows a city to respond to complex local problems with creative solutions. With specific regard to the City of Harrisburg's current fiscal distress, Home Rule would allow changes to the City's organizational structure to facilitate more efficient use of resources. For example, the Offices of the City Treasurer and City Controller and the Bureau of Financial Management within the Department of Administration all currently employ separate groups of staff with similar financial management skill sets. The co-location or combining of these groups may allow the same tasks to be completed in the same amount of time by a smaller number of employees. Home Rule empowers municipalities to enact structural changes such as these to ensure that local resources are used as efficiently and effectively as possible.

In addition to the creation and adoption of a local charter, it is a best practice to develop and maintain an administrative code that includes an introduction with a detailed explanation of the roles and responsibilities of the city's elected officials. This introductory section of the administrative code also outlines the overall organization of the city, including the management structure of all departments, bureaus and offices. This introduction is followed by the ordinances of the city, with any applicable updates incorporated into the code on an annual basis. The administrative code is subordinate to the local charter and can be changed by the Governing Body of the city as need and experience dictates, without holding a referendum on technical amendments to the charter.[10] Further discussion of the City's administrative code can be found in the Law Bureau chapter of this Recovery Plan, under Initiative LAW03 “Complete, recodify and enact the Code of the City of Harrisburg.”

Cooperation Among Leadership

Governance and leadership of the City of Harrisburg rests with both the Executive branch (Mayor) and Legislative branch (City Council) of the municipal government. While the Mayor-Council form of government provides for a separation of powers between the two branches, it requires both branches to work together to provide effective governance and leadership.

In any community, including Harrisburg, it is not expected that the Mayor and City Council will agree on every issue. However, a fundamental cornerstone of governance is the elected leaders working together on behalf of all residents to effectively manage the City’s financial operations, adopt a balanced budget and maintain, at a minimum, basic City services. In Harrisburg, collaboration, cooperation and compromise will be necessary from all elected officials in order to lead the City out of its currently unstable financial condition.

[10] National Civic League, *Guide for Charter Commissions.*

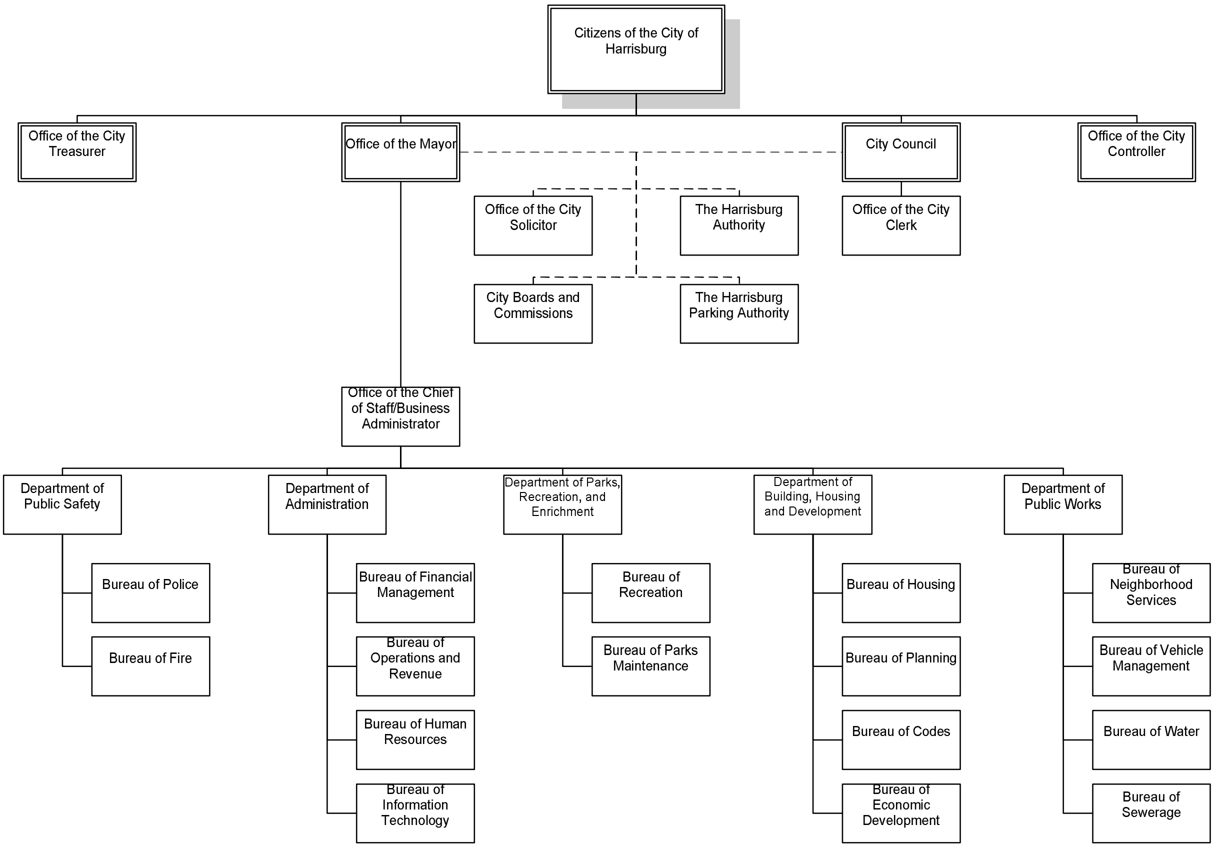
The current relationship among the City's elected officials is one of critical importance in terms of improving existing levels of cooperation. Numerous people, both within and outside the City government, have described the weak, tense, even hostile relationships between the Mayor, City Council and the City Controller. While differences of opinion and some level of conflict are inherent to the politics of governing, a greater than normal level of distrust and poor communication exist within City government. Many of the recommendations within this Recovery Plan are aimed at addressing several of the root causes of these conflicts.

Organizational Structure and Accountability

One probable cause for this distrust is the general difficulty that many of the City's elected officials face in obtaining reliable information. Financial reports, departmental work plans and performance measurement data are not regularly produced by all City departments and bureaus. The City Controller is, at present, filling a void by providing monthly financial reports to the Mayor, City Council and City Treasurer as well as by performing the City's position control function. However, data about all of the City's operations must be made available in order to proactively address issues, particularly in this current financial crisis.

In order to efficiently utilize limited resources and improve efficiency and accountability of operations, there are many structural changes recommended throughout this Recovery Plan. The figure below depicts the City's current organizational structure.

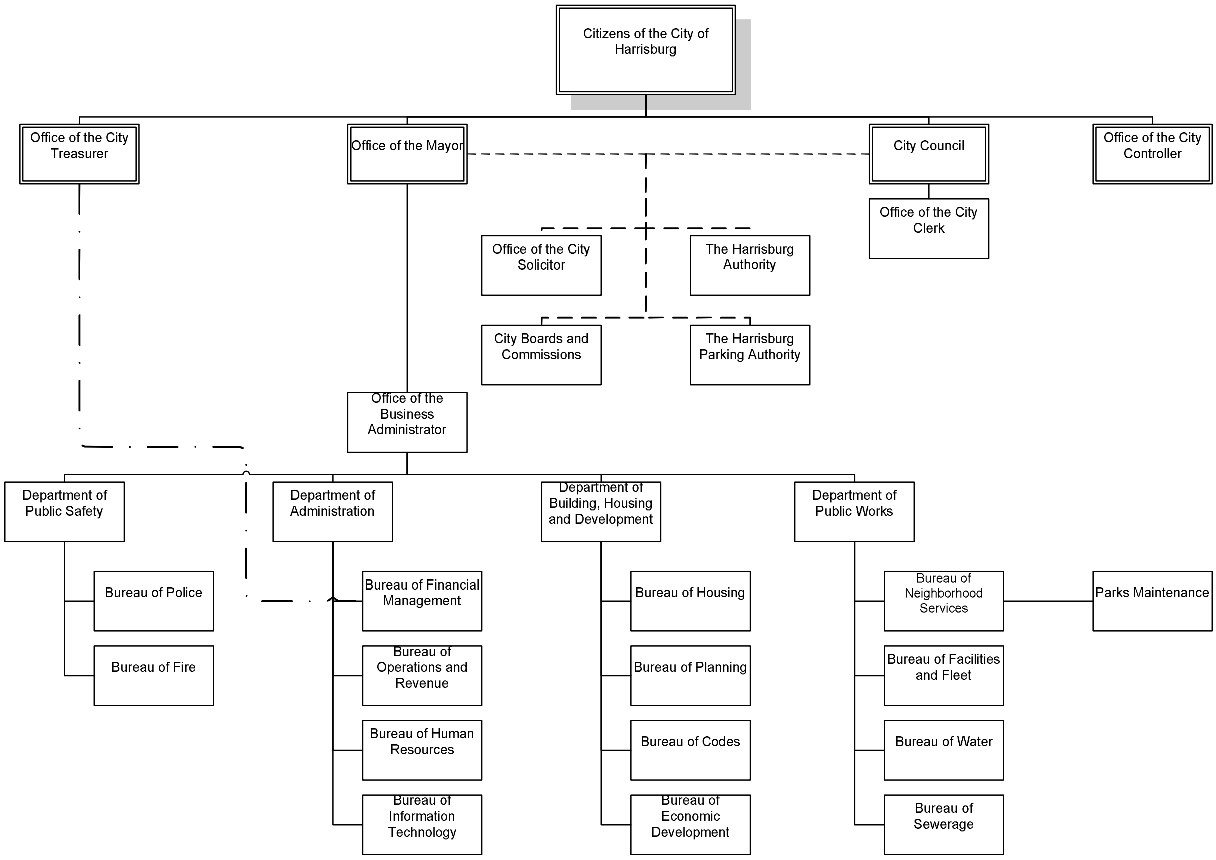
The City of Harrisburg, Current Organizational Structure



Detailed descriptions of each department, bureau and office shown above, including primary responsibilities and current staffing levels, can be found in the relevant chapters throughout this Recovery Plan.

Based on the recommended changes discussed in this Recovery Plan's initiatives, the following figure depicts the City's proposed organizational structure.

The City of Harrisburg, Proposed Organizational Structure

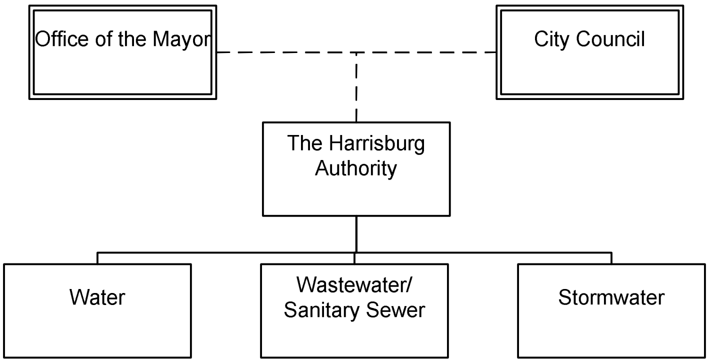


The figure above reflects the following specific changes, further details of which may be found in the relevant chapters throughout this Recovery Plan:

- Staff formerly working within the Office of the Treasurer shall be housed within the Bureau of Financial Management.
-
- The Department of Parks, Recreation and Enrichment shall be disbanded. Recreation shall be provided by a non-profit entity external to City government and park maintenance shall be provided by the Department of Public Works.

In particular, this Recovery Plan recommends a significant change in the organizational structure of The Harrisburg Authority with the creation of a new Stormwater Management Division, as seen in the figure below.

The Harrisburg Authority, Proposed Organizational Structure



Communication with the Act 47 Coordinator

Reporting
It is important that that the City continue to regularly report its progress in implementing this Recovery Plan to the Act 47 Coordinator. This, in turn, allows the Coordinator, as the agent of DCED, to ensure that the Commonwealth is up-to-date on the status of implementation efforts and subsequent lifting of distressed status by the Commonwealth. Therefore, the City shall provide status reports to the Act 47 Coordinator no less frequently than monthly during the period it remains in a distressed condition. These reports may be in written form or may take the form of weekly or monthly meetings. Additional on-site meetings involving the Coordinator and appropriate officials and employees shall also be held on a regular basis to review implementation efforts and to aid in the overall implementation process.

Submission of Data
The City shall continue to routinely provide the Recovery Plan Coordinator with all data pertinent to the recovery effort. For example, the annual budget shall be sent to the Act 47 Coordinator as soon as it is introduced and again upon its adoption. In addition, key management, administrative, and financial decisions made by the City, which may or may not relate directly to the Recovery Plan, shall also be promptly communicated to the Act 47 Coordinator. This is particularly important if these actions entail an abrupt change or alteration in the policies or practices of the City.

Types of Items/Data
Among the specific items which shall be regularly transmitted to the Act 47 Coordinator are:

- Council Meeting Agendas (prior to the meetings) - all regular and special meetings;
- Council Meeting Minutes - all regular and special meetings;
- Notice of any meetings involving the City and third parties on any matter relating to City finances and operations (e.g., meetings with creditors, vendors, etc.);
- Relevant communications with creditors, vendors, etc.;
- All non-privileged correspondence (in and out, internal and external) on matters relating to employee unions, collective bargaining, arbitration, grievances, etc. Privilege shall be defined as the attorney-work product doctrine, the attorney-client privilege, the doctor-patient privilege or other privilege recognized by a court interpreting the laws of this Commonwealth. The City Solicitor shall have the right to determine whether a document

is protected by attorney client or attorney work product privilege. For all other forms of privilege if, after being informed of the general contents of the document, the Coordinator determines that a document contains information which should be transmitted to the Coordinator as well as information which is privileged, the City shall transmit the information which is subject to access and withhold the information which is not subject to transmission. If the information which is not subject to transmittal is an integral part of the document and cannot be separated, the City shall redact from the document the information which is not subject to transmittal. The City shall explain why any information has been redacted;

- All proposed ordinances;
- All litigation initiated/settled;
- All personnel actions (including worker's compensation claims);
- Monthly financial reports (as of the last day of each month) and related documents;
- Major contracts awarded and grant applications made;
- All other relevant correspondence (internal and external, in and out); and
- Anything that the Act 47 Coordinator should be made aware of in regards to the operation of the City

Failure to Comply
If the City and its elected or appointed officials fail to communicate and consult with the Act 47 Coordinator on a regular basis as provided for in this Recovery Plan and/or fail to provide the information, reports or documentation requested by the Act 47 Coordinator, the City may be found to have violated the Recovery Plan which may result in sanctions by the state including the withholding of Commonwealth funding.

Initiatives

Promptly carrying out the following initiatives will be critical to ensuring successful implementation of all subsequent recommendations detailed throughout this Recovery Plan.

Plan Implementation

PI01.	**Conduct regular Recovery Plan implementation meetings**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Act 47 Coordinator

Once the Recovery Plan is adopted, the critical next step will be implementation. Much of the implementation will require significant involvement from the Mayor, City Council, City Controller, City Treasurer and other key management staff. In some instances, legislative action may be required. It is important to prioritize the initiatives included in this Plan, so that the highest priorities are addressed immediately and lesser priorities addressed later. Staying on task to implement these Recovery Plan initiatives will facilitate the City's achievement of financial and economic stability.

The Mayor (or a designee), representatives from City Council, the City Controller, the City Treasurer and key management staff (as appropriate) shall participate in regular meetings, organized by the Act 47 Coordinator, to discuss and execute implementation of the initiatives included in this Recovery Plan. Within these meetings, the participants shall discuss key Recovery Plan policy initiatives and determine how each initiative will be implemented. At the implementation meetings, other management issues may be discussed, including but not limited to City finances, human resources, economic development, general operations and intergovernmental cooperation. The Act 47 Coordinator will be responsible for preparing each meeting's agenda and will lead the meetings. These gatherings are intended for a small number of attendees to focus on priority-setting and problem-solving and may result in follow-up assignments and associated progress reports. The Act 47 Coordinator will periodically meet with the full City Council in public session to provide updates.

City administration, including the Chief of Staff/Business Administrator, shall meet weekly to review implementation progress. At a minimum, elected officials shall meet monthly to review same.

It is recognized that, with the number of initiatives included in this Recovery Plan and the City's limited management capacity, a prioritization of initiatives will be required. The Act 47 Coordinator shall provide the City with a prioritized list of initiatives and corresponding deadlines for use in Recovery Plan implementation. This prioritized implementation action plan shall serve as a road map for implementation of this Recovery Plan and shall be the basis for monitoring progress on each initiative.

PI02.	**Assemble and deploy Recovery Plan implementation teams**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Act 47 Coordinator

The Act 47 Coordinator shall organize Recovery Plan Implementation teams to address critical problem areas that currently prevent the City from functioning effectively. Team members may include: Act 47 Coordinator team subject matter experts and staff; experts from other local governments, businesses, non-profits and community groups; expert external consultants (in selected situations as available funding allows); and a representative from the Office of the Mayor and City Council.

The teams shall be small enough that they may quickly and easily convene and confer under the direction of the Act 47 Coordinator. Each team will be focused on a particular area and will be responsible for making the necessary plans for implementation of initiatives presented in this Recovery Plan, as well as recommendations from previous reports and subsequent evaluations when relevant. The teams will be responsible for developing a list of critical problems in its area of focus, as well as a work plan that includes objectives to be achieved over specific intervals (e.g., short term goals for the next three months, medium range goals over nine months, long term goals over 18 months). The Act 47 Coordinator will provide the team members' findings and work plans to the Mayor, City Council and DCED to guide and prioritize throughout Plan implementation.

PI03.	Obtain temporary management assistance for Recovery Plan implementation, as needed	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Act 47 Coordinator and Mayor

With assistance from DCED, the Act 47 Coordinator and the Mayor shall identify and request Act 47 grant funds to obtain temporary management assistance for Recovery Plan implementation, as needed (This and other recommended Act 47 Funding Requests for the City are attached to this Plan as Appendix C). In recent years, the City has lost many middle- and executive-level management staff due to expenditure reductions and change in the City's Administration. The high number of current vacancies, including the City's Chief of Staff/Business Administrator position, contributes to a critical deficit in management capacity throughout the City that, left unchecked, will surely have detrimental effects on Recovery Plan implementation. The City shall, as needed, obtain temporary management assistance by contracting with one or more local government management specialists to address the City's complex financial management issues and contribute to the timely, successful implementation of the initiatives identified in the Recovery Plan.

Governance

PI04.	Initiate procedure for adopting Home Rule charter	
	Target outcome:	Improved efficiency and accountability and cost reduction
	Five year financial impact:	Not available
	Responsible party:	City Council

The City Council shall initiate the procedure, as outlined by the Home Rule and Optional Plans Law, for adopting a Home Rule charter in the City of Harrisburg. The procedure begins with the election of a government study commission.

The Commonwealth's Home Rule law provides two alternate methods for placing the question of a government study commission creation on the ballot. The question may be initiated either by (1) an ordinance of the municipal governing body or (2) a petition of the registered voters of the municipality. Once the question is on the ballot, voters will then decide whether to create a government study commission to evaluate a possible change to a Home Rule form of government. In the same election in which the government study commission creation question is considered, the voters will also elect a group of citizens to serve on the commission upon its creation. If the majority of voters approve the creation of the commission, that commission will evaluate various forms of government and subsequently present their recommendation to the voters for a final decision through a referendum ballot question.

Throughout the government study commission's deliberative and evaluative phase, members of the commission as well as representatives of the City Council shall facilitate and encourage opportunities for citizen education on the Home Rule charter adoption process. It is important that leaders of the City's nonprofit and business communities play an active role in discussing the Home Rule charter adoption process and the impacts that this change in form of government may bring to Harrisburg. Citizen education and participation are critical to the government study commission's deliberations.

The City Council shall consider the following proposed schedule and shall make adjustments as necessary with input from the Act 47 Coordinator:

- Citizen initiative or City governmental action to authorize study commission ballot question;
- Election on approval of study commission to take place three to eight months after initiative or action;
- If approved, study commission convenes and begins work immediately following election and works for up to 9 months;
- Study commission approves a drafting of a Home Rule Charter and begins the drafting process. This will begin immediately following action by the study commission to select a Home Rule form of government and continue charter drafting process for nine to 11 months;
- Referendum on Home Rule Charter adoption to take place three to eight months after the study commission completes its work;
- If approved, Home Rule charter becomes effective at a specified date.

Based on the schedule above, the process for change in form of government to a Home Rule Charter could take up to two years, followed by an additional one to two years for transition.

Organizational Structure and Accountability

PI05.	**Develop a performance management system**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator

In order to improve the flow of reliable information throughout the City government and increase the level of trust between and among City staff and elected officials, the City shall develop and implement a comprehensive performance management system. The system will track and monitor key indicators of activity levels, productivity, cost effectiveness and other measures of City government performance. Suggested measures for each City department, bureau and office are attached to this Recovery Plan as Appendix D. These measures shall be customized and refined by staff in each department, bureau and office with guidance and input from the Act 47 Coordinator.

The Chief of Staff/Business Administrator and designated staff shall compile the performance information from each department, bureau and office and publish a quarterly performance management report that includes the monthly indicators and introductory narrative explaining important trends and changes, as well as actions taken by the City in response to those trends and changes. The Chief of Staff/Business Administrator shall provide the written Quarterly Performance Report and the Quarterly Financial Report to the Mayor, City Council, Act 47 Coordinator and Secretary of DCED within 60 days of the end of each quarter. The Chief of Staff/Business Administrator shall also post these quarterly reports to the City's website.

Intergovernmental Relations

Overview

The City of Harrisburg is one of 40 municipalities in Dauphin County. Multiple school districts reside within the County as well. While there are specific instances of cooperation between and among the City of Harrisburg, the Commonwealth of Pennsylvania, Dauphin County, the Harrisburg School District and other neighboring municipalities, there is no mechanism or body that facilitates discussion of issues of mutual interest or concern.

The City has engaged in collaborative work with a variety of intergovernmental agencies, as detailed below. However, it is imperative that the City expand these efforts as one component of its financial recovery process.

Harrisburg School District

In 2000, the Pennsylvania General Assembly passed the Education Empowerment Act to facilitate underperforming school districts' self-improvement efforts. Under this legislation, the Mayor of Harrisburg took control of the Harrisburg School District, providing budgetary and management control, as well as the appointment of School Board members. The legislation expired in 2010, at which point Harrisburg residents elected a new School Board which resumed control of the School District.

The City of Harrisburg currently shares services and/or performs services for the Harrisburg School District in a number of areas, such as:

- The City produces and distributes property tax bills on behalf of the School District and also collects the payments. Additionally, the City currently has a one-year contract in effect to collect all mercantile and amusement taxes and distribute a designated portion to the School District. The School District and the City are in the process of evaluating the possible outsourcing of this function to a third party collection service in the future.

- The School District fuels all of its vehicles, including buses, at the City's Vehicle Maintenance Center. The School District compensates the City in full.

- At present, the City collects trash at all of the District's schools and facilities, but the District is in the process of putting its refuse collection service out for competitive bidding.

- Both the City and School District purchase electrical power through an intergovernmental cooperation agreement, which the City organizes for a number of participating governmental agencies. The School District purchases most of its other commodities from state or national purchasing mechanisms available to public schools.

- Until recently, School Resource Officers (SROs) from the Harrisburg Police Bureau were regularly present in District schools. Previously funded through District grant awards, the City has paid the full cost of SROs in recent years. Due to the City's current fiscal constraints and the lack of available grant funds in the District, the SROs have been eliminated from the City's and the District's current budget.

- Since the City does not own recreation center facilities, School District buildings are available to the City at no charge for recreation programming.

- The School District's food service provides lunches at City-sponsored parks and recreation summer programming, for which the District is reimbursed through school nutrition program funds.

There is potential for the City of Harrisburg and the Harrisburg School District to collaborate and/or share services in a number of additional areas, such as:

- Youth services, including recreational sports and after-school and summer programs;
- Building, grounds and vehicle maintenance, whether sharing equipment and staff or jointly contracting with a third party service provider; and
- Computers, printers and copiers, whether through leasing, new purchases, or contracting with a third party service provider for ongoing maintenance.

Dauphin County

The City and Dauphin County most frequently collaborate in the provision of public safety services. The Harrisburg Police Bureau participates in the Dauphin County Special Weapons and Tactics Team (SWAT) and works closely with the Dauphin County District Attorney's Office in criminal investigations. In June 2011, the Dauphin County Communication Center will begin providing 911 and dispatch operations for the City of Harrisburg, at no charge to the City. The County and the City are both signatories to the multi-jurisdictional agreement that established the Pennsylvania Urban Search and Rescue Task Force One. This is a Federal Emergency Management Agency (FEMA) sponsored task force that responds in natural and man-made disaster relief efforts across the country. The County Emergency Management Agency facilitates mutual aid between all fire companies within Dauphin County, including the Harrisburg Fire Bureau.

Dauphin County, through its Department of Community and Economic Development, directly assists businesses and municipalities within the County in undertaking economic development projects. The Dauphin County Economic Development Corporation, a non-profit development entity, has partnered with the City in ongoing efforts to retain and grow existing businesses as well as attract new ones through business resource networks and calling programs. As discussed in the Economic Development chapter of this Recovery Plan, there are regional organizations that are willing to coordinate and assist with a long-term economic development strategy and plan for the City. Multiple economic and community development projects have been identified by key stakeholders associated with the City; however, a coordinated effort is needed to identify, prioritize and implement the projects. Given its current fiscal challenges, the City must look to other agencies and organizations, like Dauphin County, to partner in economic development efforts.

In addition to potential economic development partnerships, there may be opportunities for the City and Dauphin County to collaborate and/or share services in a number of additional areas, such as:

- Criminal investigations, including drug enforcement and forensics;
- Emergency management programming;
- Information technology, including equipment and services;
- Financial management systems; and
- Tax assessments, collections, and abatements.

Capitol Region Council of Governments

The Capital Region Council of Governments (CRCOG) is a voluntary association of 40 member boroughs and townships from Cumberland, Dauphin, Perry and York Counties, formed to promote intergovernmental communication and cooperation. The two primary areas of focus for the organization are regional purchasing and Uniform Construction Code (UCC) appeals. Joint purchasing through the CRCOG provides a mechanism for economies of scale, as well as reduced administrative burden for member municipalities. The UCC Joint Appeals Board consists of 16 diverse professionals in the fields of architecture, engineering, electrical, plumbing and codes, providing an established appeals process for members.

The current CRCOG bylaws limit membership to townships and boroughs, though the CRCOG leadership has indicated that a revision of the bylaws may be possible to admit the City of Harrisburg as a member. Through membership in CRCOG, the City could gain access to joint purchasing and enhanced code enforcement opportunities.

Recovery Plan Initiatives

The following table lists the specific initiatives included in this Recovery Plan to encourage increased intergovernmental cooperation and collaboration.

Chapter	Initiative Number	Initiative Title
Bureau of Police	POL06	Assign representative to the District Attorney's Office Narcotics Task Force
Bureau of Police	POL07	Participate in Dauphin County Forensic Team
Bureau of Police	POL08	Transfer prisoner booking responsibilities to Dauphin County
Bureau of Fire	FIRE08	Adopt and implement new Countywide accountability system
Bureau of Fire	FIRE11	Initiate discussions with HACC Public Safety Center regarding possible training collaboration
Department of Parks, Recreation and Enrichment	PRE01	Transfer responsibility for recreation programming to a non-profit entity
Housing	HS02	Develop a comprehensive housing strategy
Economic Development	ED02	Develop a coordinated, long-term economic development strategic plan

Initiatives

IGR01.	Identify and implement intergovernmental cooperative initiatives	
	Target outcome:	Improved cooperation and cost reduction
	Five year financial impact:	Not available
	Responsible party:	Mayor and City Council

With the assistance of the Act 47 Coordinator, the Mayor and City Council shall convene a group of leaders from the City, Dauphin County and the Harrisburg School District to discuss possible collaborative intergovernmental initiatives aimed at conserving funds and/or improving current services. These initiatives may address topics including, but not limited to: tax collection; fleet maintenance; purchasing; facilities maintenance; financial management services; and information technology. The group shall meet on a regular basis with the ultimate goal of identifying the most promising areas for future shared services, developing initiatives within these areas (along with specific implementation plans) and implementing these initiatives within each organization. The group shall analyze opportunities based on potential for cost savings, ability to improve current service delivery and/or savings on long-term capital costs for all entities involved.

IGR02.	Pursue membership in the Capital Region Council of Governments	
	Target outcome:	Improved cooperation and efficiency
	Five year financial impact:	($5,250)
	Responsible party:	Mayor

As previously stated, the current CRCOG bylaws limit membership to townships and boroughs, which precludes the City of Harrisburg from joining. However, CRCOG leadership has indicated that a revision of the bylaws may be possible to admit the City of Harrisburg as a member.

The Mayor shall contact the Executive Director of CRCOG to discuss possible bylaw revisions that would allow the City to be admitted as a member. Through membership in CRCOG, the City could gain access to joint purchasing opportunities, regional code enforcement resources and strengthened intergovernmental relationships. The financial impact information shown below reflects the annual cost to a municipality for CRCOG membership, assuming that the City joins the group within the next calendar year.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	($750)	($1,500)	($1,500)	($1,500)	($5,250)

Debt

Overview

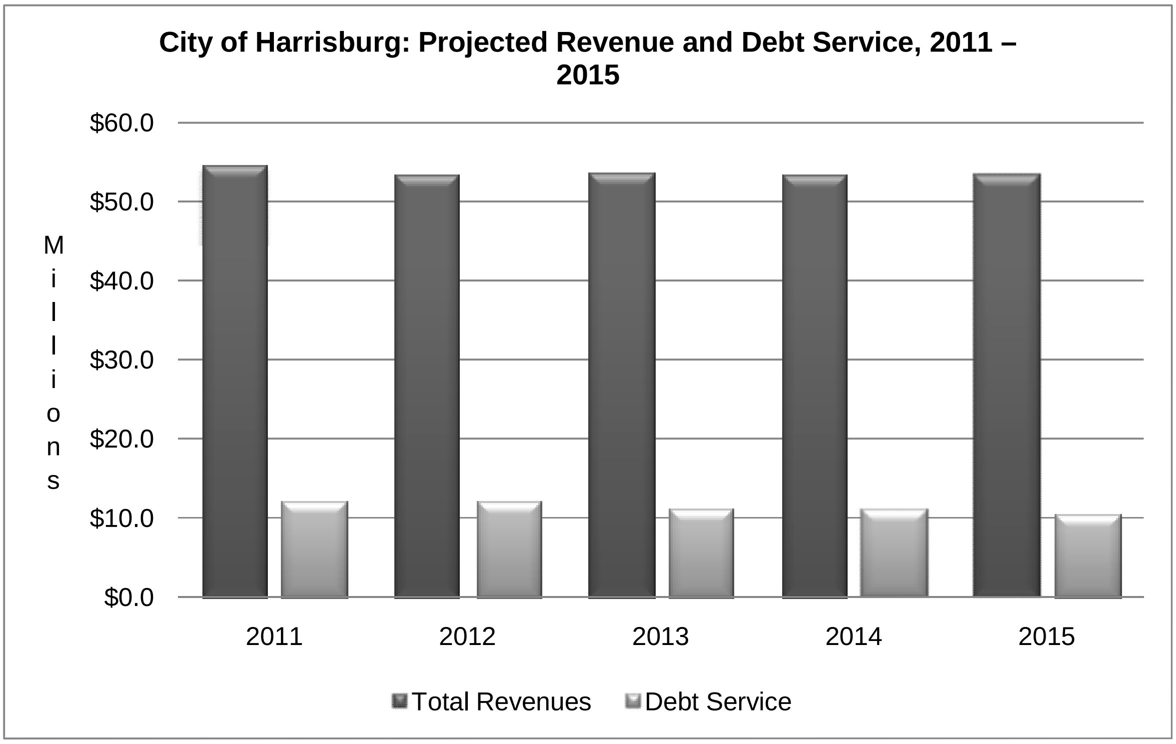
The City of Harrisburg has outstanding General Obligation (GO) debt that includes publicly issued bonds, capitalized leases and various other loans and obligations. The annual debt service requirements of the indebtedness amounted to approximately $12 million in the City's FY2011 budget, or approximately 20% of the total expenditures for the 2011 fiscal year, as evidenced in the table below. The annual debt service of the City is nearly four times greater than the annual earned income tax collection and more than two thirds of the City's annual current real estate tax revenues. When compared to other expenditures of the City, the annual debt service is greater than annual expenditures for the Fire Bureau and is three-quarters of the Police Bureau expenditures.

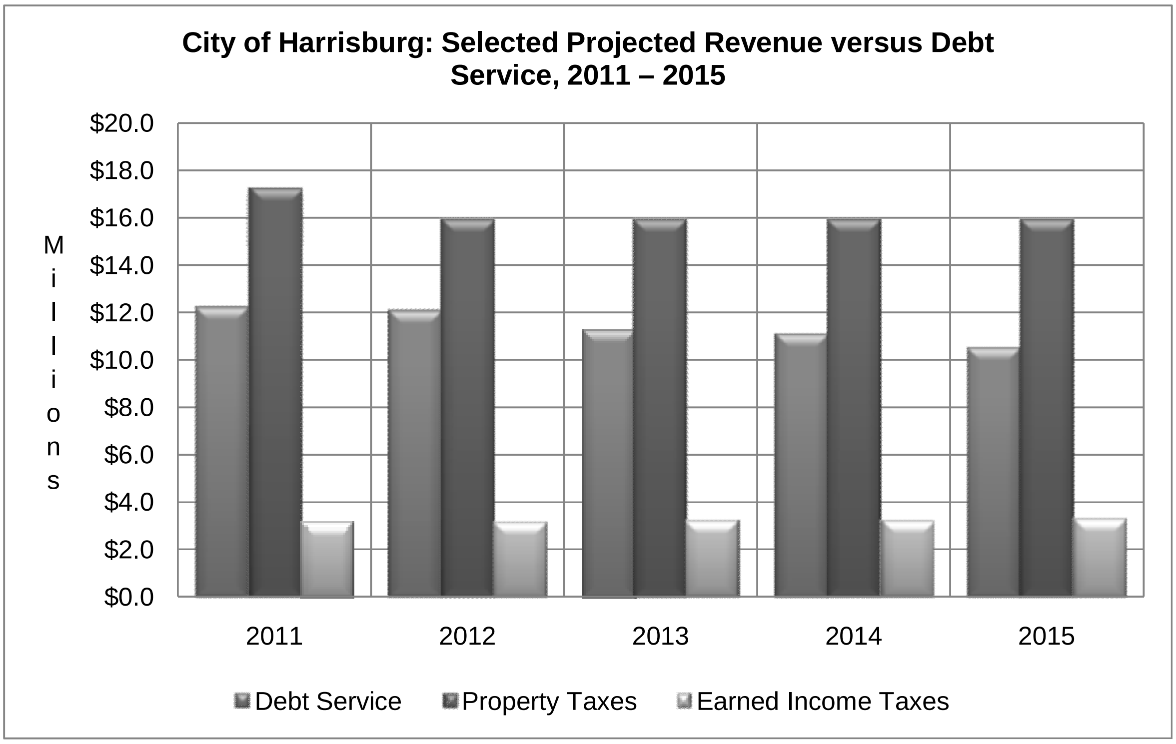
General Obligation Debt Service, 2011

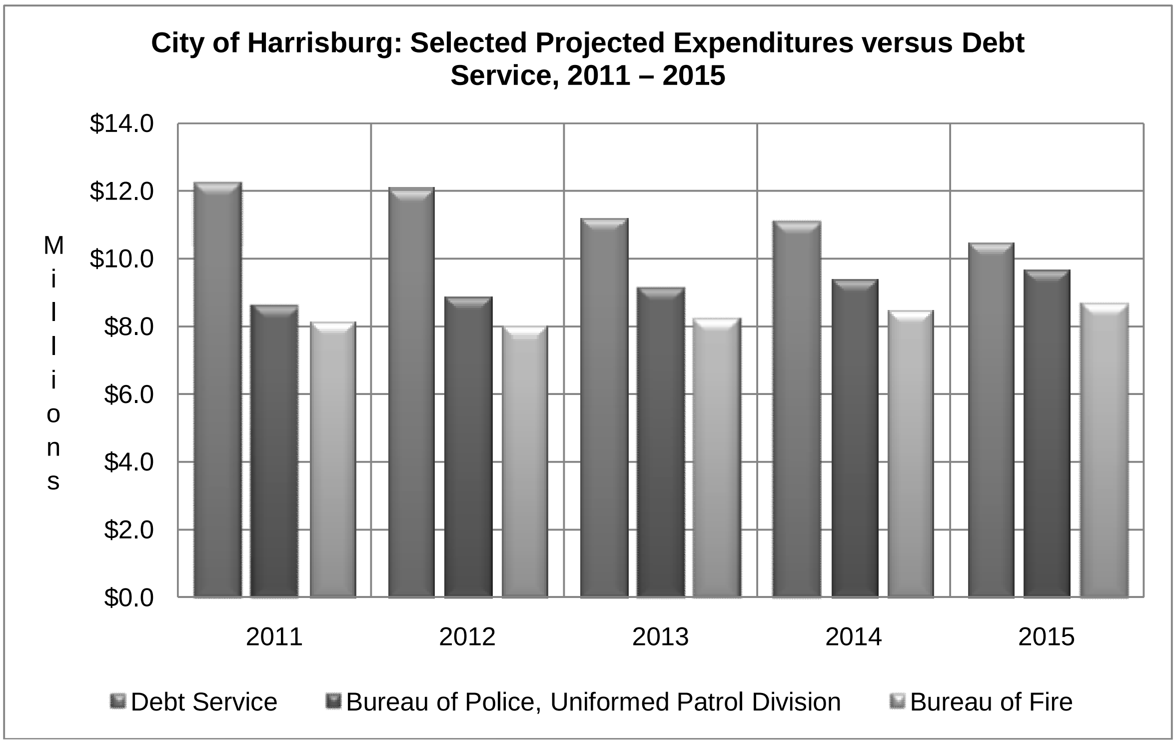
Series	FY2011 Debt Service
1997 Series D GO Bonds	$4,495,000
1997 Note Series F GO Bonds	$4,175,000
2004 A, B and C GO Notes	$70,000
2006 Guaranteed Revenue Note	$841,709
2008 GO Note	$297,742
Series A-2 2005 Stadium	$653,329
Capitalized Leases	$1,661,971
Other Loans (DCED)	$23,475
Total 2011 Debt Service	**$12,218,227**

Projected City Debt Service, 2011 - 2015

	2011	2012	2013	2014	2015
Bonds Series D 1997	$4,495,000	$4,500,000	$4,500,000	$4,495,000	$4,495,000
Note Series F 1997	$4,175,000	$4,165,000	$4,170,000	$4,175,000	$4,175,000
PIB and Infrastructure (2004/2008)	$367,742	$367,740	$367,741	$297,742	$297,743
Stadium Bonds A-2	$653,330	$656,825	$654,513	$651,518	$652,730
2006 Guar. Revenue Note	$841,709	$808,701	$775,693	$742,684	$709,676
DCED Loan	$23,475	$23,475	$23,475	$23,475	$23,475
Capital Leases	$1,661,971	$1,537,049	$730,599	$730,598	$125,962
Total	**$12,218,227**	**$12,058,790**	**$11,222,021**	**$11,116,017**	**$10,479,586**


City of Harrisburg: Projected Revenue and Debt Service, 2011 – 2015
$60.0
$50.0
$40.0
$30.0
$20.0
$10.0
$0.0
Millions
2011
2012
2013
2014
2015
Total Revenues
Debt Service


City of Harrisburg: Selected Projected Revenue versus Debt Service, 2011 – 2015
$20.0
$18.0
$16.0
$14.0
$12.0
$10.0
$8.0
$6.0
$4.0
$2.0
$0.0
Millions
2011
2012
2013
2014
2015
Debt Service
Property Taxes
Earned Income Taxes



The City has also provided, as permitted by the Local Government Unit Debt Act (LGUDA), its GO guaranty to debt issued by various component units of the City. Simply put, the City has promised to pay the debt service of obligations if the guaranteed party does not pay its debt service when due. The City's guarantees have been extended to the debt obligations of THA, HPA and HRA, as well as to selected sewer revenue debt and other obligations issued by THA. The table below includes a list of the City's guaranteed debt obligations.

Publically Issued General Obligation and Guaranteed Debt Principal Amounts Outstanding as of January 1, 2011

Guaranteed Debt	Principal Amount Outstanding
City GO Debt	$30,864,747
Guaranteed Lease Rental Debt	$3,960,982
Guaranteed Stadium Debt	$8,110,000
Guaranteed THA Resource Recovery Facility Debt - Series 1998, 2002, 2003	$220,585,000
Guaranteed Parking Authority Debt	$112,560,000
Guaranteed THA Sewer Debt	$3,460,000
Guaranteed Redevelopment Authority Debt	$83,805,000
Total Outstanding City GO and Guaranteed Debt	**$463,345,729**

The principal amount of the City's GO debt and guaranteed debt totaled over $463 million dollars for FY2011. The City's annual General Fund budget in 2011 totaled $55 million, which included approximately $12 million to service the City's current portion due on its outstanding GO debt, capitalized leases and other loans. Under the terms of LGUDA, the City's borrowing base for debt is determined by the annual revenue received and averaged over a three year period. That revenue base is then multiplied by specific percentages depending on the structure and type of proposed debt to determine the City's legal borrowing base. LGUDA does allow the City to exclude from the determination of its debt limit borrowing base any debt deemed to be self-sustaining or self-liquidating debt. Self-sustaining or self-liquidating debt is excluded because the City has submitted documentation (such as a feasibility study) to show that the debt will be paid by revenues generated from the specific project to be financed, such as parking garage fees, sewer system rates or revenue from the Resource Recovery Facility (RRF). Substantially all of the City's guaranteed debt has been originally deemed to be self-sustaining or self-liquidating and did not count against the City's legal debt limits at the time of issuance of such debt. The City's most recent borrowing base calculation, based on the 2008 Comprehensive Annual Financial Report (CAFR) and annual audit, estimates that the City has a remaining non-electoral debt capacity of $72 million. The City's remaining non-electoral and lease rental debt capacity, based on 2008 numbers, is estimated at $117 million.

The City has issued GO and guaranteed lease rental debt through a variety of structures, including fixed rate serial and term bonds and notes, variable rate bonds and notes and capital appreciation bonds (zero coupon bonds) and notes. The City and THA have also utilized Qualified Interest Rate Management Agreements (QIRMA) to enter into interest rate swap agreements to manage or "hedge" the interest rate risks of the variable rate bonds and notes. The City and THA have constructed debt portfolios that require professional management by personnel familiar with the operations of the capital markets and in particular the municipal market. These debt portfolios as constructed require consistent and vigilant oversight to protect the interests of the City and its component units. The debt portfolios, as structured, are unnecessarily complicated for a municipality of the size and with the resource capacity of the City and THA.

Assessment of the City's Default on its Guaranty

The City's Dilemma

The RRF is the major factor in the City of Harrisburg's financial problems. The City has guaranteed all of THA's outstanding RRF debt. A portion of the RRF debt is also guaranteed by Dauphin County. AGM insures all of the RRF publicly issued debt obligations.

The annual debt service obligations and the operating expenses of the RRF facility exceed the revenues of the facility. In 2008, the last year for which there is a completed independent audit, the RRF generated total revenues of $22,198,705 and operating expenses of $25,053,307 for an operating loss of $2,854,602. In addition to the operating expenses, the RRF had non-operating expenses of $14,641,609, primarily debt service payments. The total loss for the RRF adjusted for extraordinary items was $13,915,302.

Resource Recovery Facility Debt
Principal Amount Outstanding as of 1/1/11

Debt	Principal Amount Outstanding
Series 1998	$11,165,000
Series 2002A	$14,080,000
Series 2003A	$22,555,000
Series 2003B	$29,085,000
Series 2003C	$24,285,000
Series 2003D1	$31,480,000
Series 2003D2	$65,000,000
Series 2003E	$11,655,000
Series 2003F	$11,280,000
RRF Bonds Outstanding	**$220,585,000**
Covanta Loan	$23,587,500
County Working Capital	$34,685,000
Total RRF Outstanding Debt	**$278,857,500**

The debt issued by THA for the purposes of the RRF comprises the largest portion of the component unit debt guaranteed by the City. The total principal amount of the RRF bonds currently outstanding is $220,585,000. In addition to the outstanding bonds, Dauphin County refinanced the Guaranteed Resource Recovery Facility Limited Obligation Notes, Series C and D of 2007 (the 2007 Notes) in December 2010. The principal amount due on the 2007 Notes in December 2010 was $34,685,000. Covanta also has made a loan that is guaranteed by the City in the original principal amount of $25,500,000. The total principal amount of all outstanding RRF debt is $278,857,500.

The City of Harrisburg has guaranteed to pay the debt service on all publicly issued RRF debt. Dauphin County has guaranteed to pay debt service on the RRF Series 2003 D and E bonds if the City is unable to pay under its guarantee. Dauphin County and AGM have paid various debt payments on the RRF debt, and Dauphin County has paid various swap payments to avoid default on the swap obligations.

Since 2008, the RRF has been unable to generate sufficient operating income to pay the debt service on the RRF obligations. In 2009, THA was unable to make several scheduled debt service payments. Some of the debt service payments were made by Dauphin County pursuant to its guaranty. Other payments were made out of the various debt service reserve funds. By FY2010, THA had depleted various debt service reserve funds and needed to pay the 2007 Series C and D Notes due in full in December 2010. THA and the City were unable to pay and Dauphin County refinanced these Notes privately through a financial institution.

As stated, the RRF cannot generate sufficient revenue to pay its operating expenses and the current debt service obligations. The burden of making the debt service payments falls to the City of Harrisburg, Dauphin County and AGM. AGM and Dauphin County have already made several payments. Dauphin County, AGM and TD Bank (the Trustee on a portion of the RRF debt) have filed proceedings in Dauphin County Court of Common Pleas to recover the payments from the City.

The Resource Recovery Facility

The RRF began operations in 1972 as a City facility. It was sold by the City to THA in the early 1990s. THA took on debt to complete the purchase. The facility underwent a major upgrade beginning with the issuance of long-term financing in 2002 and 2003 to deal with persistent operating and pollution problems. In 2007, the THA engaged Covanta Inc., a private management contractor to operate the RRF. In addition to the RRF, THA is responsible for the operation of the City's water and sewer systems.

At full operation, the facility has the capacity to process 800 tons of waste per day. The facility is currently operating near capacity. The RRF disposed of 279,639 tons of municipal waste and 17,106 tons of residual and construction waste during FY2010. Various municipalities within Dauphin County, including the City of Harrisburg, accounted for 163,756 tons, or 59%, of the total municipal waste. Significant municipal waste tonnage came from other areas including Cumberland County (20,089 tons), Northumberland County (12,040 tons), New Jersey (63,670) and West Virginia (11,503).

The Dauphin County Flow Control Ordinance obligates all waste generated in the county (except for the City of Harrisburg, Highspire Borough and Swatara Township) to be delivered to the facility. The City of Harrisburg is not covered by the County ordinance but is required by contract to deliver waste to the RRF. Swatara Township and Highspire Borough have pre-existing contracts with another incinerator that expire in 2016. The County ordinance also sets the tipping rates for the disposal of County controlled waste. As of June 1, 2011 the County set rate was $74.29 per ton. The City currently pays $200 per ton. The facility can also take municipal waste from other sources at market rates. Market rates are currently between $40 and $65 per ton.

The 2005 upgrade was not completed on time and was over budget. THA owed $104 million before the project started and initially borrowed $125 million to pay for the upgrade. Additional debt was taken on after the project ran over budget. By the time the project was completed, THA owed $280 million. In 2008, THA sought an increase to $150 per ton rate from Dauphin County to deal with this additional debt problem. Dauphin County refused to grant the increase and following arbitration, THA received only a small increase of $1.58 per ton.

The RRF also has a planned steam unit operation that would deliver produced steam to customers. This planned operation however will need an estimated $15 to $20 million in capital expenditures to become operational. THA has recently selected a consultant to evaluate the best use of the energy output of the RRF along with potential cost savings / revenue generation opportunities.

The Harrisburg Authority Swaps

The City is the first guarantor (Dauphin County is the secondary guarantor) on three interest rate management agreements (swaps) that currently hedge certain RRF bond indebtedness. An exact amount of the payments owed by the City and the County under the outstanding swaps cannot be calculated before the periodic payments are made. This is due to the variable rate indices used under the terms of the outstanding swaps. In every outstanding swap agreement, a portion of the net payments due to or by THA are based on variable rate indices that fluctuate daily. Until the final variable rate under the terms of the specific swap agreement resets, the net swap payments due to or by THA can only be estimated. A brief description of THA's outstanding swaps is described below:

- THA executed a fixed-to-variable swap related to THA's outstanding 2003 D-2 Bonds where THA makes periodic payments to RBC (counterparty) based upon a variable rate equal to the SIFMA Index and RBC making periodic payments to THA based upon a fixed rate equal to 3.37%. The total current outstanding notional amount of the swap is $65,000,000 and terminates on December 1, 2013.

- THA executed a variable-to-fixed swap related to THA's outstanding 2003 D-1 and D-2 Bonds where THA makes periodic payments to RBC (counterparty) based upon a fixed rate equal to 3.35% and RBC making periodic payments to THA based upon a variable rate equal to 68% of the 1-Month London Interbank Offered Rate (LIBOR). The total current outstanding notional amount of the swap is $96,480,000 and terminates on June 1, 2011.

- THA executed an interest rate cap related to THA's outstanding 2003 D-1 and D-2 Bonds with RBC (counterparty). Under the terms of the cap, THA makes semi-annual fixed payments to RBC, and RBC makes incremental payments to THA based upon the spread between 68% of the 6-Month LIBOR rate and 6.00% during the periods where 68% of the 6-Month LIBOR rate is greater than 6.00%. The total current outstanding notional amount of the cap is $96,480,000 and terminates on December 1, 2033.

Resource Recovery Facility Trust Indentures

The existing RRF bond indebtedness has been issued by THA pursuant to the following four Trust Indentures:

1. Trust Indenture dated as of August 1, 1998 (1998 Indenture) between THA and Chase Manhattan Trust Company, National Association, which secures the outstanding 1998 A Bonds;
2. Trust Indenture dated as of August 15, 2002 (2002 Indenture) between THA and AllFirst Bank, which secures the outstanding 2002 A Notes;
3. Trust Indenture dated as of June 4, 2003 (2003ABC Indenture) between THA and Commerce Bank/Pennsylvania, National Association, which secures the outstanding 2003 A Bonds, the 2003 B Notes and the 2003 C Notes; and
4. Trust Indenture dated as of December 1, 2003 (2003DEF Indenture) between THA and Commerce Bank/Pennsylvania, National Association, which secures the outstanding 2003 D Bonds, the 2003 E Bonds and the 2003 F Bonds.

Under the 1998 Indenture, the 1998 A Bonds are secured by a pledge of the Receipts and Revenues of the RRF. The 1998 Indenture provides in Section 7.07 that so long as any of the 1998 A Bonds are outstanding, THA may not enter into any contract or take any action by which the rights of the Trustee or of the Registered Owners of the 1998 A Bonds might be impaired or diminished. Section 7.07 also provides for a limited sale of fixed properties having a value in excess of $100,000 by THA, but only permits such properties to be sold with the delivery of a consulting engineer's certificate that the sale is in the best interests of THA and will not impair the security of the 1998 A Bonds and that the retention of said property is not necessary for the efficient operation of the RRF. The 1998 Indenture does not contemplate or permit the sale of the entire RRF as long as the 1998 A Bonds are outstanding. Section 7.13 of the 1998 Indenture requires THA to maintain the RRF and continuously operate the same. Section 13.04 provides that no amendment or modifications may be made to the 1998 Indenture without the prior written consent of the Bond Insurer. Section 13.05 of the 1998 Indenture provides that no contract shall be entered into by THA nor any action taken by which the rights of the Bond Insurer or the security for or sources of payment of the 1998 A Bonds may be materially adversely impaired or prejudiced except upon obtaining the prior written consent of the Bond Insurer.

The substance of the provisions of Sections 7.07, 7.13, 13.04, and 13.04 described above from the 1998 Indenture are repeated in each of the 2002 Indenture, the 2003ABC Indenture and the 2003DEF Indenture.

Debt Solution

From the outset, the Act 47 Coordinator approached the debt issue with the intent of creating a regional solution to what is widely acknowledged as a regional problem: the need to satisfy the debt of the RRF and provide for its continued operation as a regional waste management facility. However, Act 47 limits the Coordinator's authority to compel actions through a Recovery Plan to the City itself. The Coordinator must present a plan for the City that, among other things:

- Satisfies judgments, past due accounts payable and past due payroll and fringe benefits;
- Eliminates deficits and deficit funds; and
- Balances the budget, avoids future deficits in funds and maintains current payments of payroll, fringe benefits and accounts through possible revenue enhancement recommendations, including tax or fee changes.

When adopted, the Recovery Plan compels the City to implement the changes to accomplish these objectives. The Act 47 Coordinator does not, however, have the ability to induce or require other entities such as the Commonwealth, Dauphin County or other third parties to participate in the solution. As such, the Recovery Plan presented by the Act 47 Coordinator cannot contain initiatives that would not be supported by these stakeholders. The Commonwealth, the County and AGM have consented in principle, however, to a plan that requires the immediate sale of assets to reduce the overall debt burden associated with the RFF and to a mechanism for refinancing stranded debt. This plan will require at least $2.5 million of additional revenue in the City's operating budget to accommodate lost revenues and repay the stranded debt. It is this plan that the Act 47 Coordinator can and has included as a solution to the crushing debt burden of the RRF.

This solution also reflects the Act 47 Coordinator's conclusion that a filing of municipal bankruptcy (Chapter 9) is not the simple and easy solution that some members of the Harrisburg community had hoped it would be and should be avoided. Chapter 9 will not solve or eliminate the overall debt issues of the City. A similar conclusion was reached in the Cravath, Swaine & Moore LLP report for City Council members dated March 31, 2011 – "Evaluation of Alternatives Available to the City of Harrisburg to Address Its Current Financial Situation."

The Harrisburg Authority Debt Guaranties

The annual debt service requirements of the outstanding RRF debt as of January 1, 2011 through 2015 are listed in the table below. These annual debt service requirements do not include the amounts not paid by the City under its guaranty of RRF debt in 2009, 2010 and to date in 2011. These annual debt service requirements also do not include the missed payments by the City on the interest rate swaps related to the 2003 bonds. The County has made all of the swap payments in 2010 and in 2011 to date. These payments do not include any principal reduction on the Series C and D Notes that were refinanced by Dauphin County in 2010. The refinanced $34,685,000 Dauphin County Notes mature on December 15, 2013.

The City's Adopted 2011 Budget did not provide for any of the above payments, including the repayment of obligations the City did not pay as required in 2009 and in 2010. As such, this Recovery Plan hinges on the willingness of Dauphin County and AGM to negotiate a settlement over time as the City clearly cannot immediately pay from current resources the annual debt service requirements detailed in the table below.

Estimated Debt Payment Schedule
Resource Recovery Facility Obligations, 2011 – 2015

		2011	2012	2013	2014	2015
Debt Obligation	Guarantors	Amount Due	Amount Due	Amount Due	Amount Due	Amount Due
Covanta Loan*	City	$637,500	$637,500	$637,500	$637,500	$637,500
1998A Bonds	City	279,125	279,125	279,125	279,125	279,125
2003A Bonds	City	647,263	647,263	647,263	647,263	647,250
2003B Bonds	City	290,850	290,850	290,850	290,850	290,850
2003C Notes	City	607,125	607,125	607,125	607,125	607,125
Covanta Loan*	City	637,500	637,500	637,500	637,500	637,500
2002A Notes	City	402,688	378,664	353,210	326,326	297,726
2003D-1 Bonds	City & County	826,350	826,350	826,350	826,350	1,625,000
2003D-2 Bonds	City & County	1,625,000	1,625,000	1,625,000	1,625,000	826,350
2003E Bonds	City & County	289,729	255,909	215,387	173,846	129,659
2003F Bonds	City	283,246	250,283	211,267	170,340	127,245
2003D Swap Cap*	City & County	284,616	284,616	284,616	284,616	284,616
2003 Swap (through 2013)*	City & County	576,578	576,578	576,578	N/A	N/A
Covanta Loan*	City	637,500	637,500	637,500	637,500	637,500
1998A Bonds	City	279,125	279,125	279,125	279,125	279,125
2003A Bonds	City	647,263	647,262	647,262	647,262	647,250
2003B Notes	City	290,850	290,850	290,850	290,850	290,850
2003C Notes	City	607,125	607,125	607,125	607,125	607,125
Covanta Loan*	City	812,722	812,722	812,722	812,722	812,722
2002A Notes	City	1,242,688	1,268,664	1,293,210	1,326,326	1,357,726
2003D-1 Bonds	City & County	826,350	826,350	826,350	826,350	1,625,000
2003D-2 Bonds	City & County	1,625,000	1,625,000	1,625,000	1,625,000	826,350
2003E Bonds	City & County	1,809,729	1,840,909	1,880,888	1,923,846	1,964,659
2003F Bonds	City	1,748,245	1,780,282	1,816,218	1,860,340	1,902,245
2003D Swap Cap*	City & County	284,616	284,616	284,616	284,616	284,616
2003 Swap (through 2013)*	City & County	**	**	**	N/A	N/A
Total		**18,198,783**	**18,197,168**	**18,192,637**	**17,626,903**	**17,625,114**

* Estimated

Note: Does not include payments made in 2009 and 2010 by Dauphin County and AGM. Does not include the principal amount due on the 2007 Series C and D Notes

In addition to the ongoing annual debt service requirements that will become due under the City's default of its guaranty of the RRF debt and swap obligations, the City has also accumulated additional debt responsibility as a result of its inability to make complete payments on the guaranty of the RRF debt in Fiscal Years 2009 and 2010. These payments are the subject of ongoing litigation involving the City and the various parties that have been required to pay under secondary guarantees or credit enhancement. The City's ability to satisfy those claims under a possible court order is not likely outside of a structure that allows the City enough time to arrange for the necessary events to occur that would enable a payment on these additional obligations.

Specifically, it will be only through negotiations and consensual arrangements with Dauphin County, AGM and other affected parties that the City can achieve a solution to meet the otherwise immediate obligation to repay the following debts and other obligations:

- $14,327,748.50 in debt service on the RRF bonds, estimated payments on the Covanta loan, interest payments on the 2007 Series C and D Notes, and estimated swaps payments;

- $9,391,503 owed to Dauphin County for payments made under the County's secondary guaranty after the City failed to pay under its guaranty on RRF bonds and on the swaps. These amounts are not included in the above table;

- $34,685,000 to repay Dauphin County for paying off the 2007 Series C and D Notes after the City did not pay or refinance the Notes when due in 2010; and

- $6,166,345 owed to AGM for payments made to bondholders, to reimburse AGM for legal fees and expenses, and penalty interest owed to AGM under the insurance policy for payments made to bondholders. These amounts are not included in the above table.

Restructuring the RRF Debt
The anticipated negotiations and consensual arrangements mentioned above will require the active participation and cooperation of the Commonwealth, Dauphin County, City of Harrisburg, the various City Authorities and the private insurer, AGM.

During the development of this Recovery Plan and to better understand the options available to the City, the Act 47 Coordinator has had multiple meetings with the Dauphin County Commissioners and Dauphin County's Counsel and Financial Advisor with respect to Dauphin County's financial obligations incurred as the secondary guarantor on a portion of the RRF debt and the swaps. According to the County Commissioners, their Counsel and Financial Advisor, Dauphin County has paid approximately $8.9 million in debt and swaps payments from 2009 through 2011 to date for its obligations under the various guaranties, due to the City's failure to make its payments as required by the City's guarantees to support the RRF debt service obligations and swaps payments. As noted above, the County also paid the Guaranteed Resource Recovery Facility Limited Obligation Notes Series C and D of 2007 in December 2010 by issuing its Series 2010 Notes in the amount of $34,685,000, and expects to be repaid for the principal amount of these Notes as well as for the interest expense. The County has expressed no interest in purchasing the RRF. The County does expect that any restructuring of the outstanding RRF obligations would immediately repay and reimburse the County for all outlays under the County's guaranty, including any legal expenses. The County would also expect that any restructuring would defease the outstanding bonds and release the County of any continuing obligation to guarantee any future RRF debt service payments.

The Act 47 Coordinator has had multiple meetings and conversations with representatives of the private insurer, AGM. These conversations were held in the context of the Coordinator's understanding of the litigation against the City; the status of AGM's outstanding claims against the City; AGM's understanding of the Act 47 process and the Coordinator's responsibility under Act 47; and the necessity for a structured solution to maintain the City as a purposeful municipal entity.

The Act 47 Coordinator also performed an independent examination of the debt instruments, including official statements for the debt and relevant other documentation. This review clarified the various obligations and options available to the City on its own, and the options available for all affected parties to develop a common framework for preparation of a plan involving the payment of past debt obligations, the defeasing of all currently outstanding debt and the elimination of the City's guaranties of outstanding debt for its component units, particularly The Harrisburg Authority and the Harrisburg Parking Authority. The Coordinator's analysis of the City's debt position was presented to the City administration, City Council, Dauphin County and AGM and formed the basis for the understanding of the debt structure among the parties.

In further conversations with officials from the Commonwealth, Dauphin County and AGM, several proposals emerged to restructure the existing debt, discharge the City from its guaranty obligations and terminate pending litigation brought by Dauphin County and AGM against the City and THA. It is the recommendation of the Act 47 Coordinator that the City's approval of these proposals under the Act 47 Recovery Plan be considered the basis for actions to be undertaken by all parties to the debt resolution. The City's adopted Act 47 Recovery Plan can be considered as its commitment to this process and to the ultimate satisfaction of the City's obligations. Accepting these terms, as painful as it will be, is ultimately what is best for the City – not from a "best practice" standpoint, but rather from the perspective that the City can provide a very basic level of service; ensure the health, safety and welfare of its residents; and avoid the uncertainty and potential risks of Chapter 9 bankruptcy.

Elements of the Restructuring Proposal

The following outlines the elements required to restructure the RRF debt, by each party.

City Requirements Under the Adopted Recovery Plan

To complete the proposed restructuring of the RRF debt under the adopted Recovery Plan the City shall cooperate with its component units of government to complete the following.

1. Assist and enable The Harrisburg Authority in THA's efforts to sell or lease the RRF.
2. Assist and enable the Harrisburg Parking Authority in the effort to sell or lease its parking assets.
3. The City shall ensure that the process for the negotiation of the sale or lease of any Authority assets be performed in a manor to maximize exposure of the opportunity to the maximum number of interested parties and that the process for establishing and soliciting those offers occurs in the most transparent and publically open process as possible under normal negotiations.
4. Under the Recovery Plan, the City shall also take all necessary steps to realize the maximum value of any assets of its Authorities, or any assets under its direct control, so that the amount of remaining non-asset debt (stranded debt) shall be reduced so as to eliminate or reduce to the minimum the City's need for additional borrowing to satisfy its obligations.

The proposed restructuring also requires the participation of the Commonwealth, Dauphin County, Lancaster Solid Waste Management Authority (LCSWMA), and AGM.

Commonwealth of Pennsylvania

1. The Commonwealth has agreed to purchase electrical generation from the RRF in a "take or pay" arrangement.
2. The Commonwealth has agreed to an $8 million Redevelopment Capital Assistant Program (RCAP) Grant to provide matching funds for necessary capital improvements to the RRF.

Dauphin County

1. Dauphin County will waive recovery of any and all accrued interest and any and all collection expenses which the City is obligated to pay under the City guaranties.
2. Dauphin County will guaranty the estimated $26 million restructuring debt to be issued by the City to ensure access to the capital market and reasonable borrowing costs. The County will waive any fees with respect to the City's restructuring debt.

3. The proposed sale of the RRF to the Lancaster County Solid Waste Management Authority (LCSWMA) will require additional actions and contributions from the County including the following:
   a. The County's tipping fee will be increased from $72 per ton to $90 per ton which will permit reduction in the City's tipping fee from $200 per ton to $90 per ton, or parity with the County fee;
   b. The County will be required to guaranty tipping fee revenues under a "put or pay" disposal agreement with LCSWMA for a term of 20 years; and
   c. The County will be responsible for all offsite ash disposal costs of approximately $2.3 million per year, with estimated yearly increases, for a term of 20 years.
4. The County will assume some of the risk of the subordinated debt to be issued by LCSWMA.
5. The Dauphin County Commissioners will support gaming fund grants to the City, subject to the City making proper application as required by this Recovery Plan and consistent with County grant procedures.
6. All litigation brought by the County against the City and THA will be terminated.

AGM

1. AGM will waive repayment of any and all legal expenses and interest on advances under insurance policies
2. All litigation brought by AGM against the City and THA will be terminated.
3. AGM will credit enhance estimated $26 million of new debt to be issued by the City and guaranteed by the County. AGM will waive all fees associated with this transaction;
4. AGM will assume the risk of approximately $1.5 million of subordinate debt to be issued by the LCSWMA in connection with its acquisition of the RRF, the proceeds of which will be used to repay the remaining amounts of RRF debt.
5. AGM will accelerate the outstanding RRF debt so that the obligations can be defeased at par.

Lancaster County Solid Waste Management Authority

1. LCSWMA will subordinate the debt associated with the Covanta loan.

The following tables outline the estimated sources and uses of funds to restructure the debt.

Estimated Sources of Funds

Source	Amount
Sale of RRF Proceeds	$124,000,000
Sale/Lease of HPA (Net of Debt Proceeds)	$120,000,000
Barlow Settlement	$3,500,000
1998 Operating Reserve	$3,613,000
1998A Debt Service Reserve Fund	$3,106,542
City General Obligation Bonds	$26,000,000
Subordinated Debt	$25,000,000
RCAP Grant from Commonwealth	$8,000,0000
Total Estimated Sources	**$313,219,542**

Estimated Uses of Funds

Use	Amount
Pay off RRF Bonds and Notes	$220,585,000
Pay off Covanta Loan	$23,587,500
Repay Dauphin County for Series 2010 Notes	$34,685,000
Repay Dauphin County (Net)	$7,485,126
Repay AGM (Net)	$4,314,573
Deposit to City Escrow Fund	$6,000,000
LCSWMA Capital Improvements to RRF	$16,000,000
Total Estimated Uses	**$312,657,199**

The "bottom line" for the City is that at least $2.5 million must be carved out of the City's General Fund (in the form of additional revenues or budget cuts) to accommodate the loss in revenue and to pay the debt service of the anticipated $26 million debt to be issued directly by the City. Additional potential budget cuts also must be identified in the event the number exceeds $2.5 million. The Coordinator has placed a priority of accomplishing this through additional revenues. If the revenues are not realized, the City will have to implement further expenditure and staffing reductions.

Debt Restructuring Summary

The impact of solving the defaults on the RRF debt is a reduction of available revenue for the City's General Fund by a minimum of $2.5 million annually. The necessary recovery of these lost revenues is accomplished through implementing the initiatives DS02 and DS03 – a combination of increased taxes and a new revenue stream.

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Net City Operating Surplus/(Deficit)	$334,352	$1,046,287	$580,285	($434,767)
Net Effect From Lease/ Sale of HPA	($2,500,000)	($2,500,000)	($2,500,000)	($2,500,000)
Additional Initiatives Required	$3,000,000	$3,000,000	$3,000,000	$3,000,000
Net City Annual Surplus/(Deficit)	**$834,352**	**$1,546,287**	**$1,080,285**	**$65,233**

If the amount of funds required to repay the $26 million stranded debt exceeds the estimate or are otherwise not made available, further expenditure reductions or revenue increases must be implemented.

Initiatives

The structural deficit in the City's operating budget can be resolved through the implementation of the initiatives contained in the various chapters of this Recovery Plan. However, the liability the City has incurred to meet debt obligations as a result of THA's defaults on debt related to the RRF creates a significant burden for the City to solve on its own.

The Act 47 Coordinator anticipates a minimum of $1.3 million in additional debt service will be required to repay the principal and interest associated with the stranded debt. Additionally, the City will lose income generated by the parking assets of at least $1.2 million per year.

DS01.	**Sell or lease assets related to the Harrisburg Parking Authority and the Resource Recovery Facility; negotiate with Dauphin County to restructure the stranded debt**	
	Target outcome:	Meet financial obligations and avoid Chapter 9
	Five year financial impact:	TBD
	Responsible party:	Mayor and City Council

The City shall enable and assist its municipal Authorities to pursue the immediate sale or lease of assets and to expose the opportunity to the maximum number of interested parties. Proceeds from the sale or lease of these assets will be used to close the short term deficit in 2011, pay down existing debt on the RRF and the existing obligations of the City related to its default on the guaranty of the RRF debt. The City shall work cooperatively with Dauphin County and AGM to structure a bond issuance for the stranded debt.

DS02.	**Apply for $2 million (annually) in gaming funds from Dauphin County**	
	Target outcome:	Increased revenue
	Five year financial impact:	$10 million (through 2016)
	Responsible party:	Mayor and City Council

Dauphin County annually distributes approximately $13 million in gaming revenues to municipalities throughout Dauphin County. Historically the City of Harrisburg has not applied for these funds. The City shall apply for these funds to create a revenue stream for 2012 through 2016. These funds will be used to limit reductions in public safety departments.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
$0	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$10,000,000

DS03.	Increase property taxes by 8%	
	Target outcome:	Increased revenue
	Five year financial impact:	$5,000,000 (through 2016)
	Responsible party:	Mayor and City Council

The City shall raise the property tax levy by approximately 8% to generate an additional $1.0 million annually beginning in 2012. This will increase the property tax bill of the average home (with a total assessed value of at $57,300) by less than $50 per year. While this Recovery Plan speaks to the concern of increasing the property tax burden for Harrisburg residents, the debt solution itself, through a reduction in tipping fees, will ultimately yield a savings to the average residential property owner that will eventually offset this tax increase.

Financial Impact

2011	2012	2013	2014	2015	2016	Total
$0	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$5,000,000

Additional Initiatives

Should additional funds be required to balance the budget, the City shall implement cost saving or revenue generating initiatives only to the degree necessary to generate the capacity to repay the debt service on the stranded debt from the THA default on the RRF debt.
Potential means of generating approximately $1 million annually could come from the following sources:

- 8% property tax increase;
- Elimination of 12 police officers;
- Elimination of 11 fire fighters; or
- Other cost saving or revenue generating initiative to be determined.

Chapter 9 and Bankruptcy: Default Alternative in the Absence of Any Alternative Financing and New Revenue Sources

In the event the Mayor and City Council are unable to reach consensus and adopt the Act 47 Coordinator's Recovery Plan, the alternative left available to the City is to seek Chapter 9 protection under the federal bankruptcy statutes. Chapter 9 is not recommended in this situation as it is the least desirable alternative and an alternative that is likely to be expensive, time consuming and under the ultimate control and direction of the bankruptcy court.

A Chapter 9 filing by the City does not immediately impact the RRF debt. The RRF debt is an obligation of THA and is only an obligation of the City under the City's Guaranty Agreement(s) relating to the RRF debt. The City has outstanding GO debt that it has continued to pay according to its terms and has also guaranteed debt of other component units of the City, including other debt issued by THA, the HPA and HRA. AGM insures the RRF debt issued by THA, and the County has a secondary guaranty on a portion of THA debt.

The Act 47 Recovery Plan would also be affected by the Chapter 9 filing. The Act has specific provisions relating to bankruptcy, although a filing by a municipality of the size and complexity of the City has not occurred in the Commonwealth.

The City has considered a possible Chapter 9 bankruptcy filing to address the issues it faces. While Chapter 9 is an option available to distressed municipalities, it has been seldom used. As a result, there is little in the way of objective evidence of its costs or benefits. However, it is generally accepted that Chapter 9 filings for municipalities the size of Harrisburg can lead to lengthy and expensive proceedings with uncertain outcomes. It is has been specifically asserted that a Harrisburg Chapter 9 filing could have serious negative consequences on borrowing costs for the Commonwealth and other Pennsylvania municipalities.

A threshold question relating to any Chapter 9 filing is eligibility. The Bankruptcy Code imposes a number of eligibility requirements. The requirements that are most likely to be tested if the City were to file are: (a) that the City be insolvent; and (b) that the City have obtained agreement to a contemplated plan of reorganization from creditors holding a majority of claims of the types the City intends to impair or, absent such agreement, the City have negotiated in good faith with creditors concerning such a plan. In order to satisfy the insolvency requirement, Harrisburg would have to prove that it was either not generally paying its debts as they come due (other than debts subject to bona fide dispute) or that it would not be able to pay its debts as they come due. Given that Harrisburg has not paid its obligations under its guaranties of the RRF debt or its reimbursement obligations to the County or AGM (none of which appears to be subject to bona fide dispute) when due, it would appear that Harrisburg would be able to satisfy the insolvency requirement. As to the second requirement, it would appear that, with proper planning, the City could satisfy the good faith negotiation requirement even if it is unable to obtain the requisite agreements from creditors who will be impaired under a plan of reorganization.

Assuming eligibility, the most significant potential Chapter 9 benefit for the City as relates to the RRF obligations is the ability, subject to satisfaction of certain conditions, to bind non-consenting creditors to a restructure of the City's obligations. In order to understand this potential benefit, some knowledge of how Chapter 9 plans are structured, and how they work, is needed.[11]

[11] It should be noted that a Chapter 9 for the City would not relieve THA of its obligations nor would it relieve the County or AGM of their respective guaranty and insurance liabilities.

A Chapter 9 plan is required to segregate claims into classes and provide the same treatment for all claims in a class. Each class must contain claims that are substantially similar and, in most cases, all substantially similar claims (for example, all unsecured claims) are placed in a single class. While THA has provided security for its obligations on the Bonds, the City has not provided any security for its obligations on the Bond guaranties or the Covanta guaranty. Further, while the outstanding indentures prioritize the Bonds and the Covanta debt as relates to the obligations of THA, it does not appear that any such prioritization exists as related to the obligations of the City under the outstanding guaranties. As a result, the guaranty claims of the Bondholders and Covanta under a Chapter 9 plan of reorganization for the City would likely be treated as unsecured and classified in a single class (the General Unsecured Class) which class would probably include all other unsecured claims against the City, other than those of the County and AGM.[12] Finally, as to the claims of the County and AGM, (a) to the extent that the County and AGM had actually paid on their guaranties, such claims would be separately classified and subordinated to the General Unsecured Class, and (b) to the extent that the County and AGM had not actually paid on their guaranties, such claims would be disallowed.

A Chapter 9 plan can propose a reduction in the debtor's obligations. For example, a Chapter 9 plan for the City could propose a reduction of the City's unsecured obligations. In order for a Chapter 9 plan to be confirmed (and become effective and binding), it must satisfy a number of requirements. For purposes of this discussion, the significant requirement is that it be accepted by all classes of impaired claims. A class of claims "accepts" a plan if, considering only those who cast votes on the plan, holders of 2/3 in dollar amount and ½ in number indicate acceptance on their ballots. Assuming all Bondholder claims and the claims of Covanta are placed in the unsecured class, and assuming the voting requirements described above and other plan confirmation requirements are met, the plan would be confirmed and would bind even those (including Bondholders and Covanta) who voted to reject the plan or who did not vote at all.[13]

Another possible Chapter 9 benefit for the City is the ability to confirm a plan of reorganization even absent the affirmative vote of all classes, provided at least 1 impaired class votes to accept the plan. A plan which is confirmed despite having been rejected by one or more classes is said to have been "crammed-down." "Cram down" may be required if, for example, the General unsecured Class accepted a plan which impaired its claims bit a separate class containing the subordinated claims of the County and AGM rejected the plan. In Chapter 9, a court will confirm a cram-down plan only if it is able to conclude that, under the circumstances, the debtor (the City, in this case) has provided the rejecting class all that can be reasonably expected, taking into account, among other things, the ability to raise taxes, sell assets and reduce costs. Given the highly subjective and fact intensive nature of the cram-down confirmation requirement, confirming a plan using the cram-down power can be difficult and expensive.

[12] It has been suggested by counsel to certain Bondholders that unsecured general obligation debt of the City (for example, debt under the Bond and Covanta guaranties) is senior in priority to unsecured obligations of the City that are not general obligations (for example, amounts owed to vendors and employees). However, counsel to the Bondholders has not cited any authority in support of that proposition and we are not aware of any such authority. In fact, the only case of which we are aware which addressed the classification of unsecured general obligation bonds held that they were general unsecured claims. However, if in what we view as the unlikely event it should be determined that unsecured general obligation debt is senior to unsecured non-general obligation debt, the City would be required to separately classify the two and, absent an affirmative vote of the class containing the general obligation debt or payment in full of the general obligation debt, the Chapter 9 plan for the City could likely not be confirmed if it provided for any distributions on account of non-general obligation debt.

[13] It is assumed that, notwithstanding the AGM insurance and the County guaranties, votes regarding the claims of the Bondholders would be cast by the Bondholders themselves. While the indentures do provide AGM with certain consent rights and certain rights to vote Bondholder claims in connection with the exercise of remedies by the indenture trustee after default by the Authority, the indentures are silent regarding voting rights on bankruptcy plans of reorganization. Given that silence, it is more likely than not that a Bankruptcy Court would find that the right to vote on a Chapter 9 plan proposed by the City belongs to the Bondholders. Further, in addition to the potential uses of Chapter 9 to restructure the RRF debt described herein, Chapter 9 provides certain other potential benefits to a debtor. For example, executory contracts (including collective bargaining agreements) can, subject to certain conditions, be rejected. In depth discussion of such other potential uses of Chapter 9 is beyond the scope of this Recovery Plan.

In the case of the City, the ability to bind all Bondholders to a Chapter 9 plan based on a vote of 2/3 in amount and ½ of number of unsecured creditors who vote or by satisfying the cram-down requirements could be very important. Such is the case because, absent the ability to service the full amount of the RRF Bonds per existing contractual requirements or pay them in full (presumably, through some combination of third party financial support, asset sales and refinance proceeds), (a) any viable non-Chapter 9 restructure would involve a reduction or, possibly, elimination of significant amounts of the City's obligations on account of the Bond guaranties, (b) the Bond indentures require consent of 100% of Bondholders to, among other things, any reduction of principal or extension of maturity, (c) the Bond indentures likely require the same 100% Bondholder consent to any release of the City's Bond guaranties or reduction of the City's exposure under the Bond guaranties and (d) the Bonds are widely held and it is highly unlikely that 100% Bondholder consent to any non-Chapter 9 restructure, regardless of its merits, can be obtained.

While approaches may exist which might arguably eliminate the need to seek 100% Bondholder consent to a non-Chapter 9 restructure, they are not without their complexities and may not be feasible. For example, it has been suggested that the City sell assets with proceeds applied to pay down the RRF debt and a refinance of the balance of the RRF debt with proceeds of a new bond issue. However, as noted above, the loss of the revenues associated with the assets to be sold may leave the City with an inability to pay for ongoing core services to its citizens.

Another approach which would eliminate the need for 100% Bondholder consent to a non-Chapter 9 restructure would involve a decision by AGM to cause the indenture trustees to accelerate the Bond debt and then exercise its right to pay and retire all of the outstanding Bonds. However, it seems unlikely that AGM would be willing to pay in excess of $220.0 million immediately in order to facilitate a non-Chapter 9 restructure, particularly since, pursuant to the Bond insurance policies, AGM has the right to pay the Bonds over time according to their original amortization schedules (which last years).

The need for 100% Bondholder consent to a non-Chapter 9 restructure might also be eliminated if the County and AGM were to agree to waive (or limit to an affordable level) their respective rights to reimbursement by the City for amounts paid by each on account of the Bonds and if Covanta were to do the same as relates to the City guaranty of the Covanta debt. If the County, AGM and Covanta were willing to provide such waivers, the Bondholders would likely be paid in full without the City ever having to make any payments (or any payments in excess of an agreed affordable level) on account of any of the guaranties. However, such arrangement would leave the City in technical default under the Bond guaranties for years to come and would expose the City again to liability if the County or AGM were to default. One possibility to eliminate the perpetual technical default and the theoretical liability in the event of a County or AGM default would be to couple the Covanta, County and AGM waivers with a Chapter 9 filed solely to implement the waivers and eliminate the City guaranties. Such a "pre-arranged" Chapter 9, because it would be filed with the active support of Covanta, the County and AGM, would likely move quickly and would not involve the same level of cost and uncertainty described above in connection with a typical Chapter 9. However, it cannot be said that such a pre-arranged Chapter 9 would eliminate all such costs and uncertainties.

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II. Workforce

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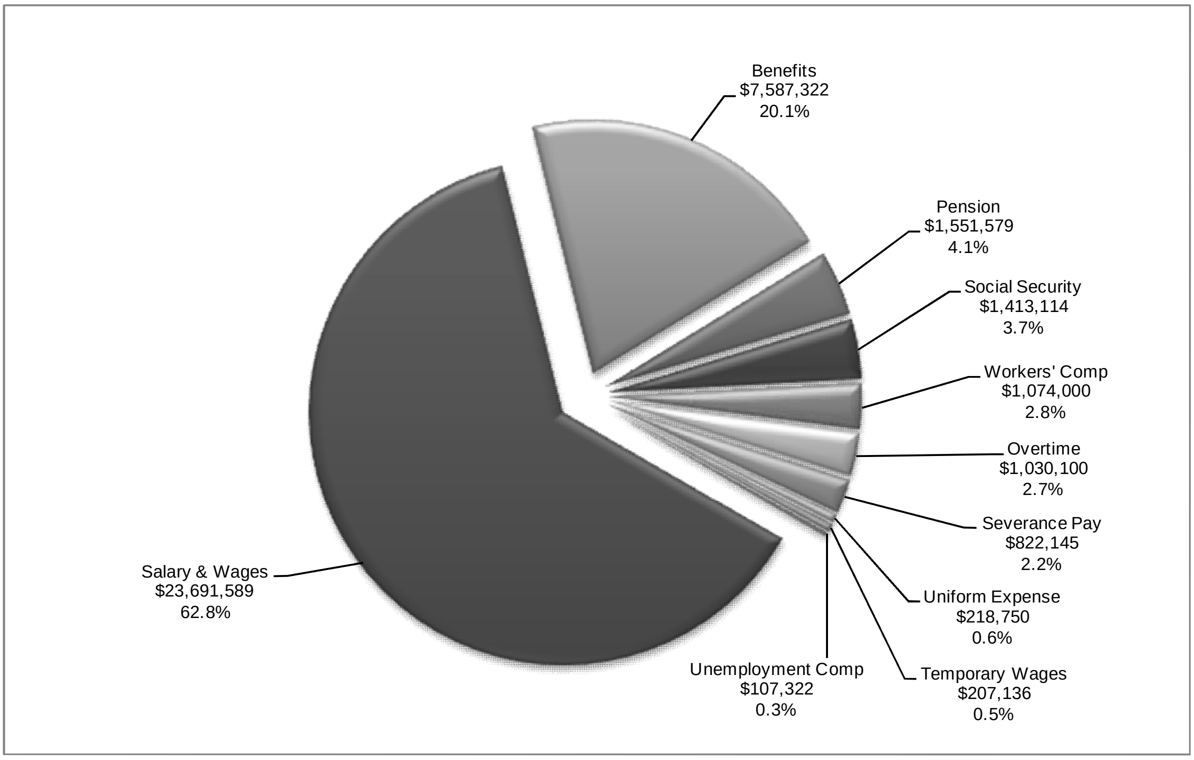
Workforce and Collective Bargaining

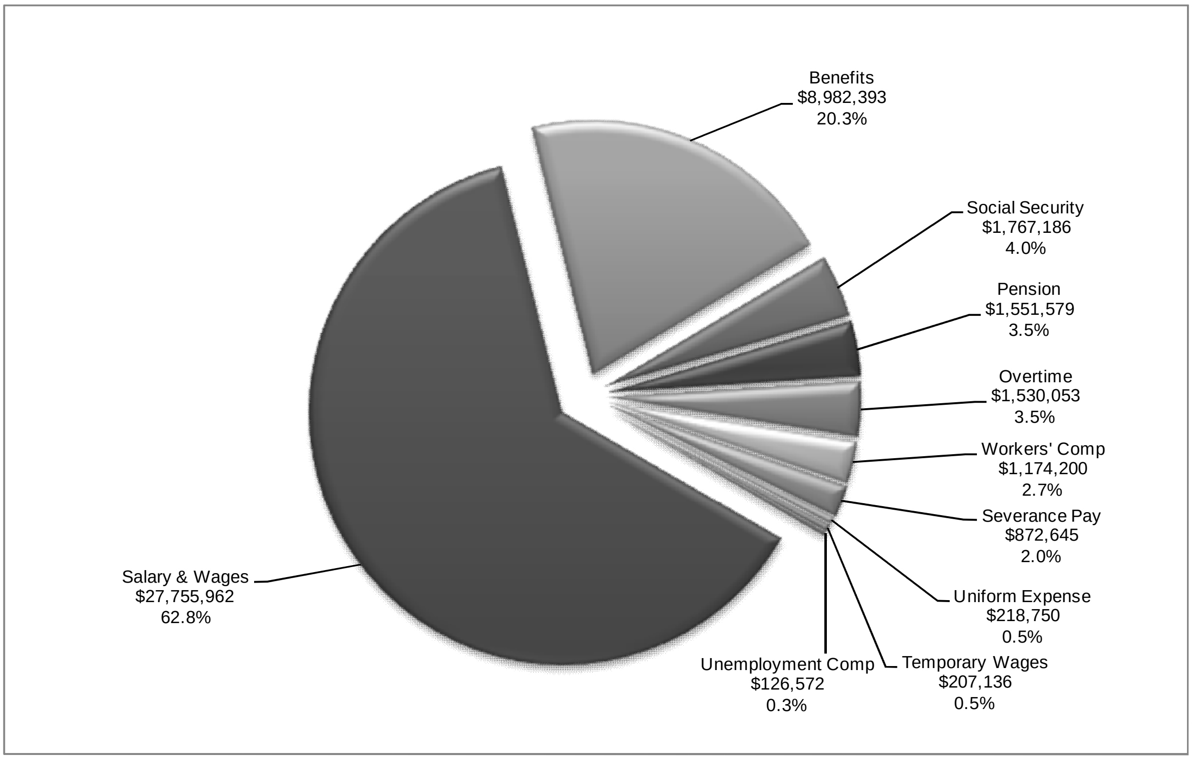
Overview

As with most local governments, the services provided by the City of Harrisburg are labor-intensive. The City requires people to maintain safe and clean streets, prevent and investigate crime, respond to fire and medical emergencies, and deliver the other important services of municipal government. As a result, employee wages and benefits account for approximately $37.7 million, or 67.3%, of the City's $56 million General Fund expenditures budgeted for FY2011. In addition to the employees paid out of the City's General Fund, 86 employees represented by AFSCME are budgeted and paid from the City's Water, Sanitation and Sewer Funds. When all of these funds are combined, employee wages and benefits account for at least $44.6 million, or 46.3%, of the City's $96.3 million in General, Water, Sanitation and Sewer Fund expenditures budgeted for FY2011. The charts below show the personnel related expenditures from the City's General Fund, as well as the personnel related expenditures from the combined City General, Water, Sanitation and Sewer Funds.

FY2011 Budgeted Expenditures
General Fund



FY2011 Budgeted Expenditures
General, Sanitation, Sewer and Water Funds



Workforce expenditures are a function of both:

- The total number of employees on payroll; and
- The cost per employee, as determined by wage and benefits levels and future growth in those items.

Given that workforce expenditures represent such a large percentage of the City's total expenses, employee compensation and numbers must be carefully managed in order to maintain the City's fiscal health. Unless personnel-related costs are maintained at affordable levels, the City's financial health will further decline to the detriment of all parties, including City employees. This chapter considers both sides of the compensation and benefits equation and then provides initiatives to control personnel-related costs for the long term benefit of all parties.

Headcount

Much of the City's workforce is represented by one of three public employee labor unions – Fraternal Order of Police, Lodge No. 12 (FOP); International Association of Fire Fighters, Local Union No. 428 (IAFF); and the American Federation of State, County and Municipal Employees, Local 521 (AFSCME) - that have the right to collectively bargain with the City for their compensation as provided under Commonwealth law.

Under the existing collective bargaining agreements and extensions, the City of Harrisburg does not have the opportunity to achieve some of the savings it needs to sustain operations, as all three collective bargaining agreements were extended for several additional years by the prior Mayor well before their original expiration dates.

The FOP collective bargaining agreement was for a seven year period, from January 1, 2004 through December 31, 2010. In November 2008, more than two years prior to its expiration, certain City and FOP officials signed a First Amendment to the Basic Labor Agreement which extended the term of the Agreement an additional five years, from January 1, 2011 through December 31, 2015. The only changes negotiated in the First Amendment were salary increases and pension benefit increases. The added salary increases were: January 1, 2011 – 4% increase; January 1, 2012 – 3% increase; January 1, 2013 – 3% increase; January 1, 2014 – 3% increase; and January 1, 2015 – 3% increase. The pension benefit increases provided that the pension benefit for those retiring effective January 2, 2009 and thereafter ranged from 50% at 20 years of service up to 80% at 27 years of service. The pension benefit increases were contingent on passage by City Council, which did not approve these increases, and which were therefore not put into effect. This matter is currently being litigated by the FOP.[14] The salary increases for 2011 were put into effect.

The IAFF collective bargaining agreement was the result of an interest arbitration award for a seven year period, from January 1, 2006 through December 31, 2012. On December 23, 2009, three years prior to its expiration, certain City and IAFF officials signed a First Amendment to the Basic Labor Agreement which extended the term of the Agreement an additional four years, from January 1, 2013 through December 31, 2016. The only changes negotiated in the First Amendment were salary increases. The added salary increases were: January 1, 2013 – 3% increase; January 1, 2014 – 3% increase; January 1, 2015 – 3% increase; and January 1, 2016 – 3% increase

The AFSCME collective bargaining agreement was for a four year period, from January 1, 2008 through December 31, 2011. On December 31, 2009, two years prior to its expiration, certain City and AFSCME officials signed a First Amendment and a Second Amendment to the Basic Labor Agreement which extended the term of the Agreement an additional three years, from January 1, 2012 through December 31, 2014. The only changes negotiated in the First Amendment were pension benefit improvements, and the only changes negotiated in the Second Amendment were salary increases. The added salary increases were: January 1, 2012 – 3% increase; January 1, 2013 – 3% increase; and January 1, 2014 – 3% increase. The pension benefit increases were contingent on passage by City Council, which did not approve these increases, and which were therefore not put into effect.

The chart below details employee headcounts by collective bargaining unit, as well as the terms of the contracts and the contract extensions.

[14] The FOP filed an unfair labor practice charge with the Pennsylvania Labor Relations Board (PLRB), challenging the City's refusal to implement the pension benefit increases. The PLRB held a hearing and issued its Final Order on January 25, 2011, dismissing the charge and finding no violation by the City. The FOP appealed to Commonwealth Court and filed its Brief on May 16, 2011. Testimony at the PLRB hearing noted that the pension enhancements would cost the City an additional $514,000 in annual contributions.

City Headcount by Bargaining Unit

Employee Group	Covered Positions	2010 Total Employees	Contract Term
Fraternal Order of Police, Lodge No. 12	All sworn Police Officers with the exception of the Chief of Police and three Captains	160	2004 – 2010 Extended 1/1/2011 – 12/31/2015
International Association of Fire Fighters, Local Union No. 428	All Fire Fighters with the exception of the Fire Chief and one Deputy Chief	79	2006 – 2012 Extended 1/1/2013 – 12/31/2016
American Federation of State, County and Municipal Employees, Local 521	All non-uniformed, non-management employees	190	2008 – 2011 Extended 1/1/2012 – 12/31/2014
Non-Represented Employees	Management and elected[15]	71	N/A
	Total Number for 2011	**500**	

Source: City Provided Data as of 6/14/11

The chart below shows the total number of budgeted positions for each of the unions as well as the non-represented employees since 2007. Since these are budgeted and not filled positions, the actual number of employees would vary. Based on this information, however, total budgeted positions have decreased by 104 or 16.4% over this period.

Budgeted Positions By Department, 2006-2011

	2006 Budget	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	% Growth
Administration	46.6	39.6	40.6	39.6	43.6	31.6	(32.2%)
General Government	50.4	48.4	48.4	46.4	39.4	28.4	(43.7%)
Building & Housing Develop.	19.8	15.3	16.3	17.3	22.3	17.3	(12.6%)
Public Safety	324.0	305.0	308.0	312.0	324.0	292.0	(9.9%)
Public Works	45.5	43.5	44.5	49.0	38.0	43.0	(5.5%)
Parks & Recreation	42.0	38.0	38.0	31.0	27.0	23.0	(45.2%)
Water	37.3	34.3	37.3	34.3	32.8	32.8	(12.1%)
Sanitation	27.5	23.5	28.5	28.5	26.5	23.5	(14.5%)
Sewer	39.3	39.3	39.3	37.8	36.3	36.8	(6.4%)
Total	**632.5**	**587.0**	**601.0**	**596.0**	**590.0**	**528.5**	**(16.4%)**

Source: City Provided Data

Compensation

Harrisburg municipal employees receive a generous compensation package that includes health, retirement and paid leave benefits superior to private sector norms and generally equal or superior to public employer standards.

[15] This does not include part-time employees, other than City Council members.

The chart below presents the City's historic General, Sewer, Sanitation and Water Funds personnel expenditures for 2006 through 2010. The category labeled "Fringe Benefits" is comprised of the City's expenditures on employee health insurance coverage.

Historic Expenditures – Workforce and Collective Bargaining

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salary & Wages	$27,901,414	$26,213,391	$27,253,015	$27,940,672	$27,971,619	0.3%
Temporary Wages	$458,059	$437,956	$416,355	$365,156	$334,416	(27.0%)
Overtime	$2,491,925	$2,711,010	$3,187,455	$3,414,708	$3,367,747	35.1%
Severance Pay	$822,649	$1,138,167	$478,733	$1,691,651	$1,439,992	75.0%
Benefits	$9,886,919	$9,300,606	$9,668,725	$9,879,551	$9,417,410	(4.7%)
Pension	$504,202	$523,803	$281,349	$275,869	$314,094	(37.7%)
Social Security	$1,146,349	$1,106,158	$1,076,954	$1,152,012	$1,314,426	14.7%
Workers' Comp	$1,077,697	$1,191,931	$1,028,915	$1,107,464	$1,268,710	17.7%
Unemployment Comp	$45,582	$226,285	$73,625	$87,330	$154,905	239.8%
Uniform Expense	$297,417	$214,380	$215,140	$252,026	$225,858	(24.1%)
Total	**$44,632,213**	**$43,063,687**	**$43,680,266**	**$46,166,439**	**$45,809,177**	**2.6%**

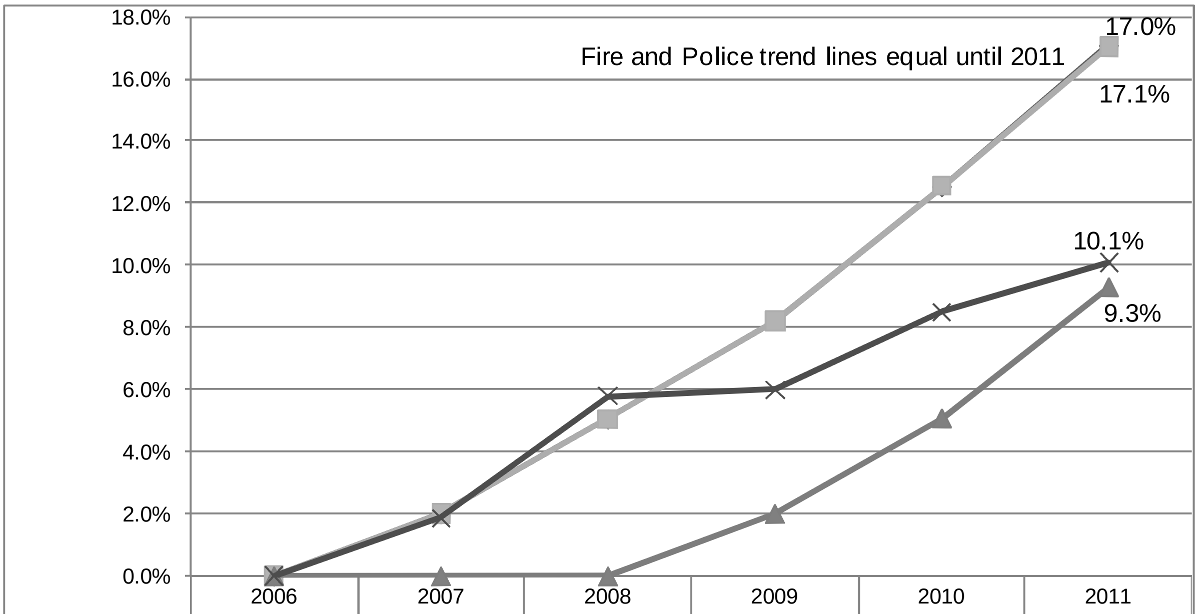
Source: Historical Data from City As Provided. Includes data from General, Sewer, Sanitation and Water Funds.

Salaries

The largest component of personnel expenditures is salaries, which accounts for $23.7 million or 42.3% of FY2011 budgeted General Fund expenditures, and $28.0 million or 29.0% of FY2011 budgeted General, Sewer, Sanitation and Water Funds expenditures. This includes salaries for seasonal workers, which are classified as "Temporary Wages" in the chart above.

The chart below shows the base wage increases that employees in the City's three unions have received since December 2005. These increases and their compounded growth over time are compared to growth in the Consumer Price Index (C-CPI-U), considered by the Federal Government's Bureau of Labor Statistics to be the best approximation for cost-of-living. Wage increases for non-represented, non-uniformed employees have been omitted from this analysis since increases are granted on a per employee basis.

Cumulative Wage Increases vs. C-CPI-U



	2006	2007	2008	2009	2010	2011
Fire	0.0%	2.0%	5.1%	8.2%	12.5%	17.1%
Police	0.0%	2.0%	5.1%	8.2%	12.5%	17.0%
AFCSME	0.0%	0.0%	0.0%	2.0%	5.1%	9.3%
C-CPI-U	0.0%	1.8%	5.8%	6.0%	8.5%	10.1%

Source: City provided contracts; C-CPI- U, U.S. city average all cities, U.S. Bureau of Labor Statistics

Over the past five years, the cost-of-living as measured by the C-CPI-U grew by 10.1%. Meanwhile, base wages for all police and fire bargaining unit employees grew every year through December 2010. In 2007 and 2008, AFSCME employees received lump sum payments, but no increase in base wage rates. For the City's bargaining group, the growth rates ranged from 9.3% for AFSCME; 17.0% for the FOP bargaining unit members; and 17.1% for the IAFF bargaining unit members.

This comparison only accounts for the growth in employees' base wages. Junior employees in all unions are often eligible to receive another annual raise through a "step increase" in addition to the across-the-board base increase shown above. For example, a police patrol officer at the Year 1 rate in January 2010 would advance to Year 2 rate after 12 months receiving both a 4.0% across the board increase and a 6.25% step increase. The total impact of the two raises is 10.5% compared to the cost-of-living growth of 2.4% over that same year. FOP and IAFF employees receive longevity increments which increase by 1% of base annual pay per year up to a maximum of 13%, adding a full percent to the increases in base pay for all employees between three and 16 years of service.

In addition to base salaries, the City provides other forms of cash compensation.

- Longevity: For Harrisburg's uniformed employees, continued service is rewarded with longevity pay. FOP and IAFF employees receive 1% of base salary for each year of service after the third year up to a maximum of 13%. AFSCME employees receive longevity pay ranging from 0.5% after five years of service up to 2% after 20 years of service.

- Shift differential: Employees in the FOP and AFSCME unions receive additional pay for hours worked on night shifts. FOP employees earn either $0.50 or $0.75 per hour, while AFSCME employees earn between $0.70 and $0.85 per hour additional.

- Holiday and personal leave pay: FOP employees receive 16 paid holidays plus three paid personal days each year. IAFF employees receive 12 paid holidays per year, plus two paid holidays for turning in gear. AFSCME employees receive 13 paid holidays plus three paid personal days each year. These holidays are paid days off. If an employee works on a holiday, they receive pay in addition to their normal daily rate.

- Unused sick leave pay: Employees are provided the option of selling back to the City unused sick leave days each year. FOP employees may sell back between 10 to 20 sick days per year at 50% of the value of the sick day. IAFF employees may sell back between 13 days (paid for three days) to 21 days (paid for 14 days) each year. AFSCME employees may sell back up to 12 sick days per year at the rate of 75% of base pay.

- Uniform pay: Harrisburg's employees receive both uniforms and clothing allowances. FOP employees receive $625 annually for purchase of clothing and other items, such as study materials. In addition, FOP employees receive $325 per year for maintenance (i.e. dry cleaning) of items. The City is required to replace items damaged or destroyed in the line of duty. IAFF employees receive all clothing and equipment, and the City is required to replace turnout gear every other year. The City also replaces all damaged items, and Fire employees are also provided a cash payment ranging from $250 to $1,000. AFSCME employees are provided all required uniforms, and in certain locations the City also pays for cleaning the uniforms. Parking Enforcement Officers receive $500 annually for clothing.

- Special assignment/premium pay: The City makes additional cash payments to employees who have special assignments or duties including:
  - Higher rank duty pay (FOP, IAFF, AFSCME);
  - Stand-by pay (FOP, IAFF);
  - Call time and reporting time (FOP, IAFF, AFSCME);
  - Incentive and college credit pay (FOP, IAFF); and
  - Court time, Off-duty schooling, Off-duty drill (FOP, IAFF).

Overtime and Premium Pay

Overtime and premium pay expenditures are a major cost driver for the City of Harrisburg, particularly for public safety functions. Leave usage, staffing levels, collective bargaining restrictions, service needs, public events and emergencies all contribute to the use of overtime and premium pay. Since 2006, average overtime and premium payments have decreased by 35.9% for FOP employees and 8.4% for AFSCME employees, but have increased by 73.9% for IAFF employees. Although Police Bureau overtime has decreased, it still cost $540,427 in 2010 or 16.0% of total overtime and premium pay in 2010. This includes overtime and premium pay related to court appearances that police officers make outside regularly scheduled work days. Fire Bureau overtime cost $1,371,925 in 2010 or 40.7% of total overtime and premium pay in 2010. Under the IAFF collective bargaining agreement, firefighters are scheduled to work a 42 hour work week and receive overtime for all hours worked over 40 in a work week, thus requiring the payment of two hours of overtime every week.

The table below shows the average overtime paid per employee and maximum amount of overtime paid to a City employee, by bargaining unit.

Overtime Growth, 2006 – 2010

	Average Overtime Per Employee				Max Overtime Paid to an Employee		
	2006	2010	% Growth		2006	2010	% Growth
FOP, Lodge No. 12	$5,733	$3,676	(35.9%)		$29,206	$22,217	(23.9%)
IAFF, Local Union No. 428	$9,173	$15,953	73.9%		$59,400	$84,048	41.5%
AFSCME, Local 521	$3,918	$3,590	(8.4%)		$29,916	$19,832	(33.7%)

Source: City Provided Data based on paid employees paid in year. May not match General Fund balances due to timing of payroll. AFSCME data includes employees paid in Sewer, Sanitation and Water Funds.

In addition to base wages, overtime and premium pay further adds to an employee's cash compensation. As the chart below demonstrates, approximately 20% of FOP members earned more than $5,000 in overtime and premium pay in 2010, and approximately 83% of IAFF members earned more than $5,000 in overtime and premium pay in 2010. In the Fire Bureau, the maximum overtime and premium pay paid to an employee in 2010 was $84,048, and 19 employees, or 21%, earned more than $20,000 in overtime and premium pay in 2010.

2010 Overtime and Premium Payments

	Police	Fire	AFSCME
Total Overtime Paid Out	$540,427	$1,371,925	$560,060
Employees Paid	147	86	156
Average OT/Employee	$3,676	$15,953	$3,590
Employees earning < $5,000	112	12	122
Employees earning $5,000 to $9,999	21	17	14
Employees earning $10,000 to $19,999	13	38	20
Employees earning $20,000 to $29,999	1	9	0
Employees earning $30,000+	0	10	0

Source: City Provided Data based on paid employees paid in year. May not match General Fund balances due to timing of payroll. AFSCME data includes employees paid in Sewer, Sanitation and Water Funds.

Paid Leave

Paid leave – the ability to take time off for vacation, personal days, sick leave or other reasons while receiving full compensation - is another important element of employee compensation. At a minimum paid leave indirectly increases government's cost of service. When employees use paid leave, governments must reduce the level of service provided or fill the resulting opening another way, either by hiring more staff on a permanent basis to compensate for the use of leave throughout the year or bringing in existing employees on a short term basis. In the latter case, employees are often paid overtime to fill the open shifts. As a result, government pays for the same service more than twice – once for the regularly scheduled employee who is on leave and again at time-and-one-half for the employee working overtime.

The chart below shows the levels of paid leave available to the City of Harrisburg employees, which is far superior to the leave provided by both private and public sector employers. Challenges related to sick leave usage, in particular, are discussed in further detail in the Police, Fire and Public Works chapters of this Recovery Plan.

Paid Leave

Employee Group	Holidays and Personal Days	Sick Leave	Vacation Leave Time – Years of Service (YOS) 1 YOS	5 YOS	10 YOS	20 YOS
Harrisburg Police Employees	19 days	104 hours	80 hours	128 hours	152 hours	200 hours
Harrisburg Fire Employees	12 days (160 hours)	21 days (210 hours)	12 days (120 hours)	16 days (160 hours)	16 days (160 hours)	20 days (200 hours)
Harrisburg Non-Uniformed Employees	16 days (128 hours)	12 days (96 hours)	60 or 64 hours	127 or 136 hours	180 or 192 hours	225 or 240 hours
Non-represented and management employees	16 days (128 hours)	12 days (96 hours)	15 or 18 days (120 or 144 hours)	18 or 24 days (144 or 192 hours)	25 or 27 days (200 or 216 hours)	30 or 32 days (240 or 256 hours)
Private Sector	8 days (64 hours)	48 hours	80 hours	120 hours	120 hours	160 hours
State and Local Governments	11 days (88 hours)	96 hours	96 hours	120 hours	144 hours	176 hours
Commonwealth of PA	11 days (88 hours)	104 hours	80 hours	120 hours	120 hours	160 hours

Note: Non union and non-represented management employees calculated on 8 hour day. Some employees work 7.5 hours in a day. Additional Note on Holidays: Harrisburg Fire Employees E-Platoon receives one personal day per year. Additional Note on Vacation Leave Time: The different agreements and plans provide vacation leave time according to different schedules. The above chart was constructed in an effort to provide some comparability. Specific provisions are as follows: (a) Harrisburg Police Employees vacation is 80 hours at one year of service, 128 hours at two to five years of service, 152 hours at six to ten years of service, 176 hours eleven to fifteen years of service, 200 hours at sixteen to twenty years of service, and 240 hours at twenty-one plus years of service; (b) Harrisburg Fire Employees with less than five years of service receive 12 days (120 hours); with five to fifteen years of service receive 16 days (160 hours); and with fifteen to twenty years of service receive 20 days (200 hours)

Separation Pay

When employees terminate employment with the City, they often receive significant cash payouts. In certain units they are allowed to first exhaust unused paid leave, while still receiving paid benefits including health insurance and continuing accruals of vacation, sick and other paid leave. Employees are also permitted to carry over and accumulate significant amounts of paid leave. Although payment of accumulated vacation leave and personal days is not unusual, it is unusual to allow employees to “run out” sick leave prior to retirement, when the employee is not otherwise eligible to use such leave.

FOP: FOP employees may carryover 30 days of vacation and receive full payment upon termination for any reason. Sick leave is paid at 100% upon retirement or reduction in force, up to 220 days. However, employees are allowed to “take” leave so that the employee continues to receive all fringe benefits during this time, and without applying the 220 days maximum. For employees hired after January 1, 1987, sick leave is paid at 30% upon retirement or reduction in force up to 220 days.

AFSCME: AFSCME employees may carryover 45 days of vacation and receive full payment upon termination for any reason. Sick leave is paid at 50% up to 120 days upon termination with at least 10 years of service for any reason at the hourly wage earned as of December 31 of the year in which the days were accrued up to a maximum of 60 days except when termination is for just cause (no payment of sick leave at separation for just cause) or the employee may convert 100% of sick leave to pension credits. Sick leave is paid at 25% up to 120 days with at least five years of service at the hourly wage earned as of December 31 of the year in which the days were accrued up to a maximum of 60 days except when termination is for just cause (no payment of sick leave at separation for just cause) or the employee may convert 100% of sick leave to pension credits.

IAFF: IAFF employees receive full payment for vacations and holidays upon termination for any reason based on a ten hour day. Sick leave is paid to retiring employees and those separated except for just cause at the rate of 50% based on a ten hour day up to a maximum of 200 days.

Non-union and management: The separation payouts owed since 2009 total approximately $1,691,651. Due to budget constraints, the City limited annual payouts per person to $75,000 for non-represented management employees, spreading several high payouts – some more than $200,000 - over several budget years.

Health Benefits
The City of Harrisburg provides health benefits through a variety of plans, covering medical, prescription, dental and vision benefits. The medical and basic health plans are self-funded and managed through a third party administrator, Highmark Blue Shield. Dental coverage is provided by United Concordia, and Vision coverage is provided by National Vision Administrators. There are different plans, rather than one plan for all City employees, and the coverage and plans also vary by bargaining unit. The PPO Blue 100 program has a $100 individual and $250 family deductible on certain services, and most physician office visits and preventive care visits require a $20 co-payment per visit. Emergency room services require a $50 co-payment which is waived if admitted. Dental coverage is 100% for most services, other than prosthetics, crowns and inlays which are paid at 75%, 85% or 100%; orthodontics which are paid at 75%, 85% or 100% with a $1,300 or $2,500 lifetime maximum; and periodontics which are paid at 75% or 100%.

Across private and public sector organizations, employees share the cost of their health insurance in two ways. First, they contribute to the monthly premium costs. In Harrisburg the total monthly premiums range from $579.86 to $784.24 for single coverage and $1,222.75 to $1,875.64 for family coverage, depending on the plan chosen and the employee's bargaining unit status. This includes primary care, dental, vision and prescription coverage.

The chart below shows the portion of that monthly premium that is paid by employees by bargaining unit, while also comparing City employee contribution rates against private sector norms and state and local governments generally.

Health Benefits Cost Sharing

	Employee Cost Sharing ($)		Employee Cost Sharing (%)	
	Individual Coverage	Family Coverage	Individual Coverage	Family Coverage
Harrisburg FOP, Lodge No. 12	$0	$0	0%	0%
Harrisburg IAFF, Local Union No. 428	$0	$0	0%	0%
Harrisburg AFSCME, Local 521 Employees hired before 9/1/2007	$0	$0	0%	0%
Harrisburg AFSCME, Local 521 Employees hired on or after 9/1/2007	$52.51 - $68.93	$105.02- $176.83	2% of base salary	4%, 5% or 6% of base salary
Harrisburg Non-Represented Employees Hired before 2/1/2008	$0	$0	0%	0%

	Employee Cost Sharing ($)		Employee Cost Sharing (%)	
	Individual Coverage	Family Coverage	Individual Coverage	Family Coverage
Harrisburg Non-Represented Employees Hired on or after 2/1/2008	$58.43 - $120.00	$141.50- $355.30	2% of base salary	4%, 5% or 6% of base salary
Private Sector Average[16]	$75.00	$333.00	20.0% of premium	30.0% of premium
State and Local Governments[17]	$85.18	$354.66	11.0% of premium	27.0% of premium

All groups of Harrisburg employees contribute less to their health care coverage than the private and public sector national averages for both individual and family coverage. The vast majority of Harrisburg employees contribute zero toward health benefits premium costs. Only those employees hired after 9/1/2007 represented by AFSCME and the non-represented employees hired on or after 2/1/2008 contribute between 0% and 2% of their base salary for individual coverage and 0% and 6% of their base salary for family coverage. The National Compensation Survey, published by the U.S. Bureau of Labor Statistics, shows that state and local government employees on average contribute 11% of premium costs for individual coverage and 30% of premium costs for family coverage. As such, contribution levels in Harrisburg are significantly out of line with national trends and constitute a generous benefit to City employees compared to public and private sector averages.

A second way that employees share the cost of their health benefits is by making payment when they receive service through a copayment, deductible, coinsurance or some other mechanism. The chart below shows copayments for office and specialist visits. The last column shows prescription drug copayments at the generic, formulary brand and non-formulary brand levels in that order.

Health Benefits Copayments

	Office Visit Copay	Specialist Copay	Rx Copay (Retail)
Harrisburg FOP, Lodge No. 12	$15, $20	$15, $20	$10, $25, $30
Harrisburg IAFF, Local Union No. 428	$15, $20	$15, $20	$7, $20, $25
Harrisburg AFSCME, Local 521	$20	$20	$0, $25, $30
Non-Represented Employees	$20	$20	$0, $25, $30
Private Sector Average[18]	$22	$31	$11, $28, $49
Commonwealth of PA	$15	$25	$10, $18, $36
State and Local Governments	*Data unavailable*	*Data unavailable*	*Data unavailable*

Nationally and regionally governments are moving toward implementing cost sharing for employees who do not have it or making it more significant for those who do:

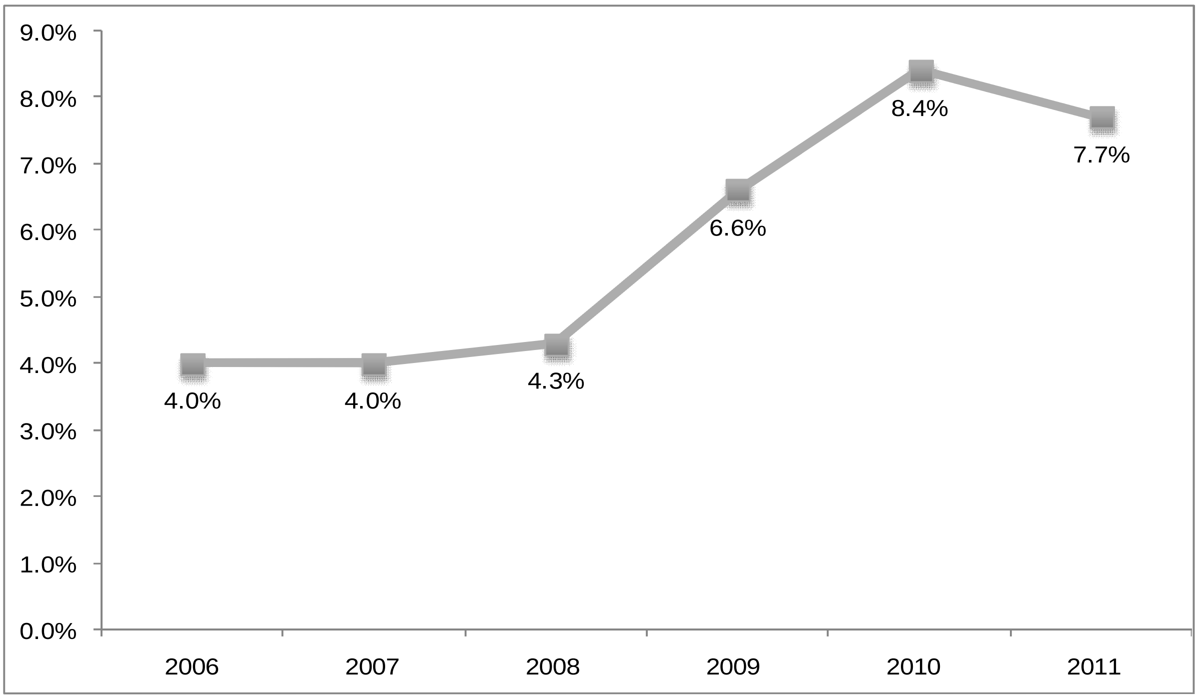
[16] Kaiser Family Foundation and Health Research & Educational Trust, Employer Health Benefits: 2010 Annual Survey.
[17] U.S. Bureau of Labor Statistics, "National Compensation Survey: Employee Benefits in the United States, March 2010."
[18] Kaiser Family Foundation and Health Research & Educational Trust, Employer Health Benefits: 2010 Annual Survey.

- In a January 2007 agreement, the largest Pennsylvania state employee unions agreed to incrementally raise member contributions to health care premiums from 1.0% of gross pay to 3.0% by 2011. Employees participating in health management initiatives may qualify for discounts. Since 2003, the health plans for these employees have been redesigned to control costs by increasing deductibles and copays.
    - Prescription drug copays increased from two tiers ($6, $25) to three tiers ($10, $18, $36).
    - Increases to out-of-network deductibles (from $250 to $400), coinsurance (now 30 percent) and out-of-pocket maximums (from $1,000 to $1,500/$3,000)
    - Emergency room co-pays increased from $25 to $50.
- Wilkes-Barre firefighters agreed to establish health premium contributions in their last contract.
- Bethlehem firefighter premium contributions increased from $20 in 2007 to $40 in 2009 while office visit copays increased from $20 to $25 and prescription drug copays increased from $10/$15 to $15/$25 in 2009.
- As negotiated in the contract ending June 30, 2009, Baltimore has increased premium cost sharing incrementally from 15% to 20% of premium for its PPO. Baltimore's emergency room visit copays also increased from $25 to $50 during the 2009 plan year.
- The Boston Police Patrolman's contract, effective January 1, 2009, increased employee contributions to health premiums for HMOs from 12.5% to 15% of premium, while contributions for Point of Service (POS) coverage rose from 17.5% to 20% of premium.
- Chicago firefighter premium contributions as a percentage of salary increased on July 1, 2006 from approximately 1.0% for individual, 1.6% for individual plus one and 2.0% for family to 1.3% for individual, 2.0% for individual plus one and 2.5% for family.
- Active police officers and firefighters in Pittsburgh now contribute to the cost of health care at approximately 15% of premium. Prior to 2005, no employee contributions were required.

Additional Context

A full view of the compensation provided to City employees requires a broader context. As an employer, the City of Harrisburg competes with other governments and private businesses to hire and retain its employees. While the labor market will vary greatly across individual jobs, the general labor market in Harrisburg had rising unemployment from 2007 to 2010, with a slight decrease in 2011, with almost one in 77 workers now unemployed.

Harrisburg-Carlisle Unemployment Rates, Not Seasonally Adjusted January 2006 – January 2010



Source: Bureau of Labor Statistics

An even more important piece of the broader context surrounding employee compensation is the City's ability to pay. Demographically, Harrisburg trails other Pennsylvania cities of the Third Class in key indicators of financial health. As discussed in the Introduction chapter of this Recovery Plan, the median home value in Harrisburg ($75,200) is only ahead of Reading ($61,900) and is lower than six other cities. The percent of vacant housing (20.9%) is well above all of the other cities. The median household income in Harrisburg ($31,521) is only ahead of York ($27,640) and Reading ($28,776) and 37.7% below the median value for that group of eight cities. Similarly, the City of Harrisburg has a higher poverty rate (28.4%) than all other cities except York (35.4%) and Reading (32.9%). Since property values and earned income are the base for the City's two largest sources of revenue, the City's ability to compensate its employees is even more limited than for other Commonwealth cities.

From a practical perspective, employee compensation costs must be kept in line with the City's revenues, and Harrisburg's revenue performance has not supported recent salary and benefits growth. The City's total compensation costs grew by 2.6% from $44.6 million in 2006 to $45.8

million in 2010 despite a decrease in budgeted employees of 104 or 16.4%. This trend is a good indicator of the City's growing structural deficit.

Assessment

While the compensation provided to City employees will vary greatly by individual, the overall view of employee compensation presents a very clear conclusion – the City must control its costs to sustain operations. As with many municipal governments, personnel costs represent the majority of the City's General Fund expenses. Those expenses have risen with annual base salary increases provided to most employees in most years, even during the recession. Additionally, in the case of Police and Fire salaries have risen well in excess of the increase in the cost-of-living. Layered on top of the base salary growth are more opportunities for cash compensation through longevity, premium payments and overtime compensation; a health plan with a higher level of coverage and lower cost to the employee than found in private or some public sector employers; and a guaranteed level of retirement benefits that will cost the City approximately $644,364 more in 2011 than in 2010 despite a decrease in budgeted employees of 61.5. This level of compensation is offered within the context of the City and region's high unemployment, the City's weak tax base and the stagnant (if not declining) growth in major revenues absent tax increases.

Absent corrective action, employee compensation will consume a growing portion of the City's limited resources. The chart below shows the projected personnel expenditures for Harrisburg through FY2015. Salaries are projected to grow at 0% each year for non-represented employees. FOP employees will receive increases of 3% per year through 2015, plus an extra 1% increase in base salary for all employees after three years and up to 16 years of service. IAFF employees will receive an additional 2% increase in July 2011, a 4% increase for 2012 and 3% increases per year from 2013 through 2016, plus an extra 1% increase in base salary for all employees after 3 years and up to 16 years of service. AFSCME employees will receive increases of 3% per year through 2014. These increases are factored into these projections. Fringe benefits are projected to grow at 12.0% per year to reflect the rising cost of health care that has repeatedly outpaced inflation. Pension will jump from $314,094 in 2010 to $1.6 million in 2011 and then remain at that level. In all, personnel expenses are anticipated to grow by 14.7% during the projected timeframe.

Projected Expenditures – Workforce and Collective Bargaining

Category	2011 Budget	2011 Estimate	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salary & Wages	$27,755,962	$27,756,333	$28,617,335	$29,377,250	$30,159,718	$30,918,365	11.4%
Temporary Wages	$207,136	$207,136	$207,136	$207,136	$207,136	$207,136	0.0%
Overtime	$1,530,053	$2,880,053	$2,966,892	$3,038,375	$3,112,004	$3,180,033	107.8%
Severance Pay	$872,645	$1,319,847	$125,500	$125,500	$125,500	$125,500	(85.6%)
Benefits	$8,982,393	$9,632,393	$10,745,553	$11,992,285	$13,388,663	$14,940,610	66.3%
Pension	$1,551,579	$1,551,579	$1,551,579	$1,551,579	$1,551,579	$1,551,579	0.0%
Social Security	$1,767,186	$1,276,483	$1,308,066	$1,335,733	$1,364,226	$1,389,356	(21.4%)
Workers' Comp	$1,174,200	$1,269,110	$1,269,110	$1,269,110	$1,269,110	$1,269,110	8.1%
Unemployment Compensation	$126,572	$126,572	$126,572	$126,572	$126,572	$126,572	0.0%
Uniform Expense	$218,750	$218,750	$218,750	$218,750	$218,750	$218,750	0.0%
Total	**$44,186,476**	**$46,238,255**	**$47,136,493**	**$49,242,290**	**$51,523,258**	**$53,927,011**	**22.0%**

Source: 2011 City Adopted Budget. Includes data from General, Sewer, Sanitation and Water Funds;
2011 – 2015 PEL Estimated/Projected

Workforce cost control is essential to the City of Harrisburg's survival. Without it, the City will eventually have to make dramatic workforce reductions that will limit its ability to provide the most basic municipal services. In the recent past, the City of Harrisburg has resorted to layoffs because it cannot affect other components of compensation. While this Recovery Plan identifies further areas where the City can reduce headcount, the City cannot survive without restructuring its compensation packages so that employee compensation and workforce cost growth more closely track the achievable level of revenue for the City.

Therefore, the initiatives outlined below are intended to move the City toward a structurally balanced budget so that it can focus its attention on improving City services, instead of merely sustaining them, and pursuing financial recovery and growth, instead of merely surviving as a municipal entity. While such workforce changes can be difficult in the short-run, long-term spending must become aligned with revenue to ensure Harrisburg's survival in the short term and stability in the long term. A financially insolvent city benefits no one, including City employees.

It is the intention of the Act 47 Coordinator that the City negotiate with the bargaining unit representatives of its employees in good faith to incorporate these cost containment provisions and any others throughout this Recovery Plan that may require changes to the collective bargaining agreements into those agreements. However, to the extent that the City is unable to reach agreement with any of its unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the Act 47 Coordinator and the City that the implementation of these cost containment provisions and any others throughout this Recovery Plan is mandatory. All cost containment provisions must be addressed.

Wherever reference is made to parameters for all bargaining units, employee groups or collective bargaining agreements, such provision shall also apply fully to non-represented personnel unless expressly stated otherwise. Further, wherever reference is made to parameters for provisions in collective bargaining agreements, such provisions shall also fully apply to any side agreements, memoranda of understanding, interest arbitration awards, grievance arbitration awards, settlement agreements or any other documents. Further, no past practices shall in any manner interfere with any of the initiatives in this Recovery Plan.

It is the specific intent of the Act 47 Coordinator that no provisions of any collective bargaining agreements, memoranda of understanding, side agreements, interest arbitration awards, grievance arbitration awards, settlement agreements, nor any other documents nor past practices may be interpreted or applied, nor may any new provisions be added to any such agreements or documents, which would have the effect of additional costs to the City for the implementation of any of these initiatives or of any of the initiatives in this Recovery Plan. This includes by way of illustration but not limitation, severance pay, overtime, premium pay and additional hours of work.

Initiatives

General

WF01.	Explore and pursue legal action concerning void nature of extensions of collective bargaining agreements	
	Target outcome:	Cost reduction and improved efficiency
	Five year financial impact:	See below
	Responsible party:	Mayor and City Council
	Impacted employee group:	All employee groups except non-represented employees

The City shall retain experienced public employment labor counsel to explore and institute legal action to void the extensions of the FOP, IAFF and AFSCME collective bargaining agreements, specifically the First Amendment to the Basic Labor Agreement with the FOP, the First Amendment to the Basic Labor Agreement with the IAFF and the First and Second Amendments to the Basic Labor Agreement with AFSCME.

These amendments unnecessarily extended all three collective bargaining agreements well beyond their already lengthy terms. These unnecessary extensions, entered into by the prior Mayor at the end of his term of office and years prior to the expiration of the agreements, prevent the City from implementing most of the Workforce initiatives in this chapter, as well as many initiatives in other chapters of this Recovery Plan. An initial review indicates that the contracts are either void ab initio or at the very least voidable. If the contract extensions continue in effect, there will be zero financial impact and zero cost savings from the initiatives in this chapter as well as other initiatives in this Recovery Plan, since none of these initiatives can be implemented under the existing collective bargaining agreements.

The FOP agreement was extended through December 31, 2015, the IAFF agreement was extended through December 31, 2016, and the AFSCME agreement was extended through December 31, 2014. The financial impacts shown below and throughout this chapter are based on implementing the salary and other initiatives in this Recovery Plan, based on the original contract expiration dates, with the exception of the FOP contract which is assumed to continue through December 31, 2011. Thus, assuming that the contract extensions are void or voidable, the financial impacts are calculated based on continuing the existing contracts through the following dates: for the FOP through December 31, 2011; for the IAFF through December 31, 2012; and for AFSCME through December 31, 2011.

Without the contract extensions in effect, the City should collectively bargain with the FOP, the IAFF and AFSCME to negotiate new collective bargaining agreements. These new collective bargaining agreements would be effective as of the original expiration dates of the contracts (January 1, 2013 for the IAFF and January 1, 2012 for AFSCME), or in the case of the FOP effective January 1, 2012. The requirements and procedures of Act 195 with respect to the AFSCME agreement and of Act 111 with respect to the FOP and IAFF agreements would apply. Any arbitration awards would be effective the same dates.

Financial Impact

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	Initiative	2011	2012	2013	2014	2015	Total
WF06	Implement a three year wage and step freeze	$0	$529,922	$1,231,679	$1,898,453	$1,370,907	$5,030,961
WF07	Implement a new pay scale for new police officers	$0	$17,078	$33,602	$45,984	$52,178	$148,842
WF08	Implement a new pay scale for new firefighters	$0	$0	$29,212	$40,644	$46,354	$116,210
WF09	Freeze longevity pay and eligibility	$0	$46,777	$115,575	$192,239	$190,973	$545,564
WF10	Reduce paid holidays and personal leave to 10 days annually	$0	$537,431	$583,858	$583,858	$583,858	$2,289,005
WF11	Adjust overtime eligibility thresholds to reflect hours actually worked	$-	$-	$-	$-	$-	TBD
WF12	Adjust minimum overtime provisions	$-	$-	$-	$-	$-	TBD
WF13	Reduce vacation leave	$0	$440,093	$494,142	$474,617	490,823	$1,899,675
WF14	Reduce sick leave allotments	$-	$-	$-	$-	$-	TBD
WF15	Implement a court-related overtime reduction strategy	$0	$40,519	$40,519	$40,519	$40,519	$162,076
WF16	Redesign employee health care	$0	$1,327,251	$1,486,522	$1,664,904	$1,864,693	$6,343,370
WF17	Contain Post Retirement Healthcare Costs	$	$-	$-	$-	$-	TBD
WF18	Enhance light duty program	$-	$-	$-	$-	$-	TBD
WF19	Retain flexibility to fill vacant positions after six months	$-	$-	$-	$-	$-	TBD
WF20	Provide management right to limit bumping rights within departments or similar positions	$-	$-	$-	$-	$-	TBD
WF21	Limit compensatory time	$-	$-	$-	$-	$-	TBD
RET01	Prospectively reduce the level of benefits	$-	$-	$-	$-	$-	TBD
RET02	Freeze benefit levels for all plans	$-	$-	$-	$-	$-	TBD
RET08	Amend Non-Uniformed collective bargaining agreement	$-	$-	$-	$-	$-	TBD
POL01	Restructure the Patrol Duty Schedule	$0	$26,250	$26,250	$26,250	$26,250	$105,000
POL03	Review and revise stipend for newly promoted investigators	$0	$3,920	$2,714	$1,418	$29	$8,081
POL05	Increase compliment of vice unit	($3,446)	($13,784)	($13,784)	($13,784)	($13,784)	($58,582)
POL13	Implement a new schedule for Parking Enforcement Officers	$-	$-	$-	$-	$-	TBD
POL16	Enhance leave supervision	$9,415	$37,663	$37,663	$37,663	$37,663	$160,067
FIRE01	Change current shift schedule	$0	$0	$323,210	$323,210	$323,210	$969,630
FIRE02	Eliminate premium pay	$0	$0	$297,000	$297,000	$297,000	$891,000
FIRE12	Revise turnout gear replacement practices in current collective bargaining agreement	$0	$0	$41,500	$1,500	$1,500	$44,500
FIRE13	Revise IAFF collective bargaining agreement to allow more efficient and effective use of resources	$-	$-	$-	$-	$-	TBD
Total		**$5,969**	**$2,993,120**	**$4,729,662**	**$5,614,475**	**$5,312,173**	**$18,655,399**

WF02.	Use professional assistance for labor negotiations	
	Target outcome:	Improved management capacity
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator
	Impacted employee group:	All employee groups except non-represented employees

The City shall retain experienced public employment labor counsel for its labor relations activities beginning at the adoption of the Act 47 Recovery Plan. The City has previously negotiated without professional labor counsel. The City shall select and use qualified counsel for all contract negotiations and interest arbitrations. In addition to using the counsel for support in collective bargaining, the City shall also use the counsel to review past practices that unnecessarily increase the cost of operations and are permissive subjects of bargaining. The City shall provide a list of such practices to the Act 47 Coordinator at the beginning of collective bargaining negotiations with each union.

Since the City is a member of the Pennsylvania League of Cities and Municipalities, it has access to reduced hourly rates provided through the League's Public Employer Labor Relations Advisory Service (PELRAS). With the support of its labor counsel, the City shall make every good faith effort to achieve negotiated labor agreements consistent with this Recovery Plan.

WF03.	Establish a labor/management committee for all employee groups	
	Target outcome:	Improved labor-management relations, improved efficiency and potential service improvements
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

The City shall establish a labor/management committee that will use the Area Labor Management Committee (ALMC) structure as a resource. The Office of Labor-Management Cooperation in the Pennsylvania Department of Labor and Industry promotes labor-management collaboration by supporting and coordinating with ALMCs. ALMCs are neutral non-profits comprised of representatives from labor and industry, management and government who work cooperatively to retain jobs and promote economic growth. Services provided by ALMCs include third-party mediation, consulting, training and educational programming.

WF04.	Limit new contract enhancements	
	Target outcome:	Cost reduction and improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

Unless, and only to the extent that, applicable law requires a change in any of the wages, benefits, terms, provisions or conditions enumerated herein, all new collective bargaining agreements (which phrase shall include but not be limited to new agreements, extensions, amendments, side agreements, memoranda of understanding and settlements) between the City and the unions representing its employees (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 as applicable or otherwise) covering calendar years 2011 through 2015 and subsequent years (or any portion thereof) **must not** contain, require or provide for any of the following:

a) Any new overtime or premium pay benefits or requirements;
b) Any increase in existing overtime or premium pay benefits or requirements, nor the continuation of existing overtime and premium pay benefits and requirements which are modified by this Recovery Plan;
c) Any increase in pay or benefits associated with new duties, changes in duties, cross training or activities required by this Recovery Plan;
d) Any new benefits or improvements in existing benefits, nor the continuation of existing benefits which are modified by this Recovery Plan;
e) Any new paid or unpaid leave;
f) Any improvements to existing paid or unpaid leaves, nor the continuation of existing paid and unpaid leaves which are modified by this Recovery Plan;
g) Any additional pay for time not worked;
h) Any improvements in existing pay for time not worked, nor the continuation of existing pay for time not worked which is modified by this Recovery Plan;
i) Any new designations that time not worked counts as time worked for the purpose of computing overtime or premium pay or increases in existing designations of same, nor the continuation of designations that time not worked counts as time worked for the purpose of computing overtime or premium pay which are modified by this Recovery Plan;
j) Any new benefits for retirees or other inactive employees (e.g., those in layoff or disability status);
k) Any improvements in existing benefits for retirees or other inactive employees, nor the continuation of existing benefits that are modified by this Recovery Plan;
l) Any other term or provision which continues any existing restrictions or which adds any new or additional restrictions on the City's Management Rights;[19]

[19]The term "Management Rights," as used herein, includes, without limitation, the rights to: promulgate and enforce work rules, policies and procedures; select, hire, promote, transfer, assign, determine the duties of, evaluate, layoff, recall, reprimand, suspend, discharge and otherwise discipline employees; establish, eliminate and redefine positions in accordance with the City's needs; determine the qualifications and establish performance standards for jobs and assignments; determine the methods, processes and means of performance, where and when work shall be performed, and the equipment to be used; determine the composition of the work force; create, abolish and change jobs and job duties; determine employees' hours and days of work, work schedules, shifts and reporting stations; determine whether to assign overtime and the amount required; require employees to work overtime; determine when a job vacancy exists, and select the best qualified

m) Any provision which impairs or restricts the City's ability to engage qualified contractors to perform services for the City, including services currently provided by bargaining unit personnel;
n) Any provision which impairs or restricts the City's ability to transfer service provision to another entity, including services currently provided by bargaining unit personnel;
o) Any provision which restricts or impairs the City's ability to effect a layoff or other reduction in its workforce, including those that require all part-time employees be laid off regardless of assignment or duties before any reductions in full-time staff can be made;
p) Any provision which expands any arbitrator's authority to grant relief in any arbitration proceeding;
q) Any provision which obligates the City to permit bumping of any employee on the basis of seniority, rather than on the basis of qualifications and performance, except to the extent that preference is accorded to the most senior of those employees having relatively equal qualifications and performance histories;
r) Any provision requiring the City to pay bargaining unit employees to attend any trial, hearing or other legal proceeding, except to the extent that such employee attends any such proceeding at the request of the City[20];
s) Any provision which restricts the City's ability to require an employee to work a "light duty" position within that employee's medical restrictions, and in any department or bargaining unit within the City;
t) Any provision obligating the City to provide "light duty" to any employee who is unable to perform the essential functions of his or her job, with or without reasonable accommodation and without posing a direct threat to the health or safety of the employee or others;
u) Any provision which expands the bargaining unit employees' rights to present grievances to the City or to appeal grievances to arbitration;
v) Any provision which provides any pay or other compensation to any employee for: 1) any exercise by the City of any of the above rights; or 2) the inclusion of any of the above provisions in any collective bargaining agreement; or 3) the implementation of any of the above provisions; or 4) the implementation of any of the initiatives in this Recovery Plan; or
w) Any requirement for the City to provide wages, benefits or other terms of employment to any bargaining unit based on the provisions of such wages, benefits, or other terms of employment to another bargaining unit.

WF05.	**Ensure future collective bargaining agreements remain compliant with Recovery Plan**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

No person or entity, including (without limitation) the City, any union representing City employees and any arbitrator appointed pursuant to Act 111 or otherwise, shall continue in effect past the stated

candidate to fill it; take necessary actions in emergency situations; extend, curtail or change City operations and otherwise manage the City, its operations and its employees in its discretion.

[20] This provision is not intended to eliminate pay for routine police court appearances pursuant to subpoenas regarding matters handled by an officer while on duty. Rather, this provision shall provide clear management discretion to avoid automatic City pay and/or guaranteed minimum rates for attendance at grievance proceedings and other internal hearings, court appearances regarding personal affairs, etc.

expiration date of any current labor agreement the wages, benefits or other terms and conditions of the existing labor agreement if such wages, benefits or other terms or conditions are inconsistent with the initiatives made in this Recovery Plan.

If any existing collective bargaining agreements and/or amendments or extensions are void or voidable, no person or entity, including (without limitation) the City, any union representing City employees and any arbitrator appointed pursuant to Act 111 or otherwise, shall continue in effect past the stated original expiration date of the prior collective bargaining agreement the wages, benefits or other terms and conditions of the prior existing labor agreement if such wages, benefits or other terms or conditions are inconsistent with the initiatives made in this Recovery Plan.

All collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Recovery Plan must be effective at the earliest possible date, and no later than the expiration of the then current and legally binding collective bargaining agreements and interest arbitration awards. This shall apply even if the agreement is entered into or the arbitration award is executed subsequent to the effective dates, thus requiring that the agreements or awards be retroactive. No collective bargaining agreements, interest arbitration awards, settlements, memoranda and agreements of any kind issued or entered into after the adoption of the Recovery Plan may extend the current expiration dates of the existing agreements and awards, nor the expiration dates of the prior unextended and unamended agreements and awards if such extensions are void or voidable. Specifically, these dates are as follows:

Employee Group	Covered Positions	Original Contract Term	Extended Contract Term
Fraternal Order of Police, Lodge No. 12	All sworn Police Officers with the exception of the Chief of Police and three Captains	2004 - 2010	Extended 1/1/2011 – 12/31/2015
International Association of Fire Fighters, Local Union No. 428	All Fire Fighters with the exception of the Fire Chief and the two Deputy Chiefs	2006 - 2012	Extended 1/1/2013 – 12/31/2016
American Federation of State, County and Municipal Employees, Local 521	All non-uniformed, non-management employees	2008 - 2011	Extended 1/1/2012 – 12/31/2014

The City shall take steps to promptly bargain all new collective bargaining agreements and shall follow all time limits for interest arbitration so that any interest arbitration award shall be issued prior to the expiration of the collective bargaining agreement. This shall also equally apply if any or all of the existing amendments to the collective bargaining agreements are void or voidable. The timelines contained in Act 111 shall be adhered to strictly and may not be waived. If an arbitration award is not issued prior to the expiration of the collective bargaining agreement then the City shall implement all of the provisions and initiatives of the Recovery Plan to the maximum extent legally consistent with Act 47.

If this Recovery Plan is extended to cover any period of time subsequent to its initial term, then, unless and until the initiatives made in this Recovery Plan are revised, any labor agreement between the City and any union representing City employees (whether resulting from collective bargaining, interest arbitration pursuant to Act 111 or otherwise) covering such subsequent period shall comply with the Initiatives made herein without regard to the period of agreement specified in any such Initiative.

Cash Compensation

WF06.	Implement a three year wage and step freeze	
	Target outcome:	Cost reduction
	Five year financial impact:	$5,030,961
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups, including management employees and full time elected officials

There shall be a base wage and step freeze for the first three years of each new collective bargaining agreement negotiated or arbitration award received after the adoption of this Recovery Plan. Base wage increases in subsequent years shall be no more than 2.0%. When step increases resume in the fourth year of the contract or award, they shall do so from the frozen level, except where explicitly stated otherwise, rather than being accelerated to "catch up" to the step that would have been reached without the freeze. This base wage and step freeze shall also apply to all non-bargaining unit employees, including management employees, and full-time elected officials.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contracts extensions do not continue in effect, the projected savings associated with the base wage increase pattern described are $529,922 in 2012, once the new agreements with Police and AFSCME are in effect. The IAFF original contract (before extension) is in effect through 2012. Through 2015, there are $5 million in projected savings in all funds from which salaries are paid.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$529,922	$1,231,679	$1,898,453	$1,370,907	$5,030,961

Note: pursuant to Section 252 of Act 47: "a collective bargaining agreement or arbitration settlement executed after the adoption of a plan shall not in any manner violate, expand or diminish its provisions."

WF07.	Implement a new pay scale for new police officers	
	Target outcome:	Cost reduction
	Five year financial impact:	$148,842
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	FOP

The current pay scale for FOP employees begins with the relatively high starting salary of $54,539 for Police Patrol Officer Year 1. This is quite different from what other urban police officers in the region are paid. The chart below compares the starting salary for a Harrisburg police officer with the starting salary for police officers in five other Pennsylvania cities of the Third Class as of January 1 of the years shown. The Harrisburg FOP pay scale is also compressed in that Police Patrol Officers Year 1 earn 91.5% of the top step ($59,571), which is reached in Year 3.

Jurisdiction	Minimum Salary
Harrisburg	$54,539 (2011)
Reading	$44,743 (2012)
Bethlehem	$45,308 (2010)
Allentown	$43,321 (2010)
York	$40,452 (2010)
Lancaster	$39,862 (2010)

The City shall adjust the police officer pay scale so it has a five step progression with a trainee step and four non-probationary steps for all employees hired on or after January 1, 2012. Entry level rates will be adjusted to approximately 75% of top step and each step will increase by a proportionate amount each year, resulting in the base wage scale shown below. The previously described three year base wage freeze for 2012 through 2014 shall also apply to officers hired on this pay scale. However, police officers hired on or after January 1, 2012 shall be eligible for the step increase in all years. Pay scales for the ranks of Corporal, Sergeant and Lieutenant shall be similarly adjusted.

FOP Pay Scale: Employees hired on or after January 1, 2012

	1/1/2012	1/1/2013	1/1/2014	1/1/2015
Police Officer IV	$60,672	$60,672	$60,672	$61,885
Police Officer III	$57,070	$57,070	$57,070	$58,211
Police Officer II	$53,380	$53,380	$53,380	$54,448
Police Officer I	$49,690	$49,690	$49,690	$50,684
Police Officer Trainee	$46,000	$46,000	$46,000	$46,920

While police officers hired after on or after January 1, 2012 (i.e., those on the new pay scale) will receive step increases in 2013 and 2014 and police officers hired before January 1, 2012 (i.e., those on the current pay scale) will not, the scales have been calibrated so that no employee on the new pay scale has a higher base wage than an employee on the current pay scale, including looking forward to future years when wage increases are limited to 2% per year.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the exact savings achieved under this new pay scale will depend on how many employees are hired and when. The calculation below assumes a replacement rate of two officers per year.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$17,078	$33,602	$45,984	$52,178	$148,842

WF08.	Implement a new pay scale for new firefighters	
	Target outcome:	Cost reduction
	Five year financial impact:	$116,210
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	IAFF

The current pay scale for IAFF employees begins with a relatively high starting salary of $48,509 at Firefighter I. The chart below compares the starting salary for a Harrisburg firefighter with the starting salary for firefighters in five other Pennsylvania cities of the Third Class as of January 1 of the year shown. As with the Harrisburg FOP pay scale, the IAFF pay scale is compressed in that a Firefighter I earns 93.6% of the top D/O step ($51,834). Further, the collective bargaining agreement provides for an additional 2% base salary increase effective July 1, 2011, to $49,478 for FF1 and $52,871 for D/O.

Jurisdiction	Minimum Salary
Harrisburg	$48,509 (1/1/2011) $49,478 (7/1/2011)
Reading	$39,980 (2011)
York	$39,971 (2010)
Bethlehem	$39,726 (2010)
Allentown	$39,721 (2010)
Lancaster	$40,573 (2011)

The City shall adjust the IAFF pay scale so it has a five step progression beginning with a new trainee step (a probationary step lasting 12 months) and four non-probationary steps for all employees hired on or after January 1, 2013. Entry level rates will be adjusted to approximately 75% of top step and each step will increase proportionately each year resulting in the base wage scale shown below. The previously described three year base wage freeze for the first three years shall also apply to firefighters hired on this pay scale. However, firefighters hired on or after January

1, 2013 shall be eligible for the step increase in all years. Pay scales for the ranks of Lieutenant, Captain and Battalion Chief shall be similarly adjusted.

IAFF Pay Scale: Employees hired on or after January 1, 2013

	1/1/2013	1/1/2014	1/1/2015
Firefighter IV	$56,085	$56,085	$57,207
Firefighter III	$52,680	$52,680	$53,734
Firefighter II	$49,270	$49,270	$50,255
Firefighter I	$45,860	$45,860	$46,777
Firefighter Trainee	$42,450	$42,450	$43,299

While firefighters hired on or after January 1, 2013 (i.e., those on the new pay scale) will receive step increases in 2014 and firefighters hired before January 1, 2013 (i.e., those on the current pay scale) will not, the scales have been calibrated so that no employee on the new pay scale has a higher base wage than an employee on the current pay scale, including looking forward to future years when wage increases are limited to 2% per year.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the exact savings achieved under this new pay scale will depend on how many employees are hired and when. The calculation below assumes a replacement rate of two firefighters per year.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$0	$29,212	$40,644	$46,354	$116,210

WF09.	Freeze longevity pay and eligibility	
	Target outcome:	Cost reduction
	Five year financial impact:	$545,564
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

Employees who are currently eligible and receiving such pay shall have their longevity payment frozen at the current rate for the duration of this Recovery Plan. Longevity pay shall not be provided to employees hired after the date of adoption of this Plan or to current employees who do not reach eligibility for the payment before the expiration of their collective bargaining agreement. The savings projected below reflect the application of this initiative to the uniformed employees who receive longevity payments, though some non-uniformed employees also receive longevity pay.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contracts extensions do not continue in effect, the savings projected below reflect the application of this initiative to the uniformed employees who receive longevity payments, though some non-uniformed employees also receive longevity pay.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$46,777	$115,575	$192,239	$190,973	$545,564

WF10.	Reduce paid holidays and personal leave to 10 days annually	
	Target outcome:	Cost reduction and increased productivity
	Five year financial impact:	$2,289,006
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

All current and future employees shall be limited to ten holidays annually, including personal days. Each holiday shall be paid at the employee's regular base hourly rate of pay for the number of hours usually worked by that employee on his or her regular work shift or by the average hours usually worked by that employee on his or her regular work shifts. Under initiative POL01 "Restructure the patrol duty schedule," the revised duty schedules for FOP employees provide for fewer scheduled tours of duty per year and have already incorporated the ten holidays, so police employees will not receive any holidays outside of these schedules.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$537,431	$583,858	$583,858	$583,858	$2,289,006

Overtime

Because overtime usage is driven by several factors, this Plan includes several initiatives to help the City control the growth in this form of compensation. The initiatives in this section focus on collective bargaining agreement provisions that drive overtime costs. Initiatives in other chapters, particularly Police and Fire, recommend operational changes to reduce the City's overtime costs. When taken together, they will enable the City to control overtime costs.

WF11.	**Adjust overtime eligibility thresholds to reflect hours actually worked**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

The City's collective bargaining agreements have overly lenient definitions of what time can be counted toward an employee's eligibility for overtime. For example, if an employee represented by the FOP misses a scheduled work day on sick leave, those hours are counted toward the 40 necessary to qualify for overtime. The City shall change the calculation of overtime eligibility such that only hours actually worked, paid vacation leave, paid holidays, paid personal leave, paid bereavement leave and paid jury duty shall be counted toward the computation of overtime. Paid sick leave, paid compensatory time and other paid or unpaid leaves shall not be counted toward the computation of overtime. To the extent that overtime eligibility for any group does not currently include paid vacation leave, paid holidays, paid personal leave, paid bereavement leave or paid jury duty leave, no adjustment shall be made to count such hours as hours worked for overtime eligibility purposes.

WF12.	**Adjust minimum overtime provisions**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator, Director of Human Resources and Department Heads
	Impacted employee group:	All employee groups

The FOP, IAFF and AFSCME collective bargaining agreements include a number of provisions that provide for payments of a minimum number of hours at overtime if an employee is recalled to duty. Certain of these provisions have been interpreted to apply to additional work before and after the employee's regular shift. These provisions shall be changed so that: 1) they will only apply when an employee is called in from home to return to work at a time not before or after the employee's regular shift; and 2) the employee shall be paid a minimum of four hours at straight time (the employee's normal base hourly rate).

WF13.	Reduce vacation leave	
	Target outcome:	Cost reduction and enhanced staffing
	Five year financial impact:	$1,899,675
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

Employees shall earn annual vacation leave according to the schedule below.

Years of Service Completed	Non-Uniform	Police	Fire[21]
After 1 year of continuous full-time employment	60 or 64 hours	80 hours	140 hours
After 5 years of continuous full-time employment	120 hours	120 hours	140 hours
After 10 years of continuous full-time employment	120 hours	120 hours	140 hours
After 15 years of continuous full-time employment	160 hours	160 hours	160 hours

For positions with mandatory shift coverage, such as police patrol, this will reduce the number of vacancies that must be filled using other employees on overtime. For other positions, this will reduce the pressure to use overtime to address a backlog of work that can be partially created by employee vacations. In either case, reducing the amount of overtime will increase the number of hours worked by each employee, which builds the City's staffing levels without incurring the costs associated with hiring and training more employees. For example, 37 police officers who currently receive 19 days of vacation because they have at least five years of service will now receive 15 days vacation. That will provide 1,184 more hours of coverage, which is the equivalent of 0.6 additional officers.

Management shall also have the right to determine the maximum number of employees from each platoon, shift, department or other organizational unit who can take vacation simultaneously and to set different thresholds throughout the year. This will help the City reduce overtime associated with several employees taking vacation at the same time.

Employees who work less than 75% of their scheduled hours per month shall not earn vacation leave for that month. The 75% shall be calculated by including hours actually worked, plus hours paid as vacation leave, compensatory time, personal leave, holidays, jury duty leave and bereavement leave.

[21] Fire vacation at 10 hours per day, current at 12 hours per day.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below.

This initiative shall also be implemented for management and other non-bargaining unit employees.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$440,093	$494,142	$474,617	$490,823	$1,899,675

WF14.	Reduce sick leave allotments	
	Target outcome:	Cost reduction and enhanced staffing
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

Like any kind of paid leave, sick leave can drive overtime expenses higher by creating vacancies that must be filled or work backlogs that must be reduced by employees working overtime. That potential is especially high with sick leave since the employee absences are unplanned and management has less time to adjust staff schedules to compensate for the absence. As described earlier in this chapter, the City's sick leave allotments are far beyond the levels seen in many private businesses or state and local governments. The City shall reduce its annual sick leave allocation for all employees to 12 days per year. Sick leave allocated to firefighters and police officers shall be reduced to the minimum required by state statute or 12 days per year if no minimum applies. Employees shall be allowed no more than three days per year for illnesses related to family.

Employees who work less than 75% of their scheduled hours per month shall not earn sick leave for that month. The 75% shall be calculated by including hours actually worked, plus hours paid as vacation leave, compensatory time, personal leave, holidays, jury duty leave and bereavement leave.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero.

WF15.	Implement a court-related overtime reduction strategy	
	Target outcome:	Cost reduction and improved regional cooperation
	Five year financial impact:	$162,076
	Responsible party:	Chief of Staff/Business Administrator, Director of Human Resources and Department Heads
	Impacted employee group:	FOP, AFSCME

In recent years, the Police Bureau has made approximately 4,000 – 5,000 arrests per year. Since officers work steady shifts, all personnel assigned to the midnight shift, the 7:00 P.M. to 3:00 A.M. shift and, in many cases, the early evening shift attend court hearings and trials associated with those arrests outside their regularly scheduled shift and are paid overtime to do so. The collective bargaining agreement provides that an officer will receive a minimum of two hours for any court appearance that is not within the officer's shift.

Because arrests and the subsequent court appearances are an integral part of police work, it is not unusual for a collective bargaining agreement to permit management to reschedule an officer's tours to align with court appearances. The collective bargaining agreement shall be revised to permit the rescheduling of an employee's tour for the purpose of appearing in court. Officers' days off would not be changed for the purpose of avoiding overtime, but their eight hour shift would be adjusted within a scheduled workday.

The City shall engage other participants in the court process to determine what changes can be made that will still provide officers for testimony but do so at a lower cost to the City. The City's review shall include department management and representatives from the FOP, Capital City Lodge No. 12. Some municipalities have established coordinating councils that bring together members of local law enforcement departments, courts and the District Attorney to address court-related overtime and other concerns of joint interest. Possible areas for discussion include how many officers are called to testify, when they are called to do so and identifying cases that can be resolved more quickly with fewer officer appearances. In 2005, Nassau County, New York established an Early Case Assessment Bureau (ECAB) between its County Police Department and the District Attorney to identify which cases should be pursued more vigorously and which weak cases could be dropped.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below. The savings target for changing collective bargaining provisions and procedures related to court overtime is 25% of the 2010 spending level or $40,519.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$40,519	$40,519	$40,519	$40,519	$162,076

WF16.	Redesign employee health care	
	Target outcome:	Cost reduction
	Five year financial impact:	$6,343,370
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

As in other cities, managing the cost and containing the growth in the cost of employee health care coverage is critical to the City of Harrisburg's financial recovery. The City shall require employee contributions, based on both 1) the employee's base salary, and 2) increases in the cost of health care coverage after a maximum City monthly contribution.

The minimum employee contributions shall be 2% of base salary for single coverage, 4% of base salary for two person coverage, 5% of base salary for three person coverage and 6% of base salary for four or more person coverage. In addition, employees shall share in increased costs in the monthly contributions as follows: 1) the City's increase in its share of the costs of monthly contributions shall be limited to 6% per year (that is, the City shall be limited to paying a maximum of 106% of the amount it paid toward the monthly cost of coverage for an employee for the same tier of coverage during the prior plan year); 2) employees shall pay any increases in costs of monthly contributions over the 6% increase up to 12%; and 3) the City and employees shall split equally any increases in the costs of monthly contributions over 12% per year.

For purposes of calculating increases in costs, the COBRA rates established by the third party administrator shall be used, and the annual increase shall be determined based on the effective date of the plan year. The increases in cost shall be determined and paid by employees based on the type (tier) of coverage they are enrolled in – single, two person, three person or four or more persons. Further, in calculating the 6% and 12% increases, the percentages shall be based on the amount paid by the City and shall not include employee contributions.

If the annual increase in monthly costs will exceed 6% for any tier or tiers of coverage, the respective unions may notify the City that if they want to meet to negotiate changes in the plans and benefits in order to contain and limit costs to 6%. If the parties are unable to negotiate such changes prior to the effective date of the increase, then the employees shall pay increased contributions as set forth above.

The City and unions should reduce healthcare expenditures by bringing plan design features in line with market norms. At a minimum, the following features should be addressed each year, to adjust and evaluate these and other cost-sharing mechanisms with periodic upward adjustments for inflation and / or changing market conditions:

- Increased copays for primary physician, specialist, and emergency room visits;
- Increased deductibles and out-of-pocket maximums;
- Increased coinsurance;
- Increase prescription copays;
- Eliminate waiver bonuses for employees who waive receipt of City's benefits;
- Mandate use of automatic mail order (home delivery for maintenance prescriptions, with opt-out); and

- Eliminate reimbursement for Medicare Part B coverage for retired firefighters and their spouses who are Medicare-eligible.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the projected impact is described below.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$1,327,251	$1,486,522	$1,664,904	$1,864,693	$6,343,370

WF17.	**Contain post-retirement healthcare cost**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available; long-term savings
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources
	Impacted employee group:	All employee groups

The City of Harrisburg provides post-retirement health benefits to all of its employees. The City pays 100% of the cost for retired firefighters and police employees. For AFSCME retirees, the City pays 100% of the cost of health insurance for employees retiring after June 1, 2007, age 60 and twenty years of service, and 60% of the cost of health insurance for employees retiring after January 1, 2002, with twenty years of service or at least fifteen years of service and age 65. This coverage does not include prescription drug, dental or vision coverage. For non-represented employees, the City pays 100% of the costs for health care and prescription for employees retiring after August 5, 2002. Management employees hired on or after February 1, 2008 receive 100% of the health insurance in effect at the time of their retirement. This coverage does not include the spouse, and does not include vision, dental, or prescription drug coverage.

To contain costs associated with these benefits, the following modifications shall be made:

- The City shall no longer provide retiree healthcare to employees hired following the date of adoption of this Recovery Plan. For employees covered by existing collective bargaining agreements, this shall apply to employees hired on or after January 1 immediately following the expiration of the applicable existing valid collective bargaining agreement. (This shall either be the existing contract extension date, or if the contract extension(s) is void or voided, then the following applicable date: 12/31/11 for FOP bargaining unit employees, 12/31/11 for AFSCME bargaining unit employees, and 12/31/12 for IAFF bargaining unit employees.)
- For all employees retiring after the date of adoption of this Plan (or following the expiration of the existing collective bargaining agreements as noted above), the retiree may be enrolled in the same basic health plan as provided to the City's then current employees. The City shall pay for a portion of the cost of the retired employee only. The portion paid by the City shall be equal to the amount which the City pays for single employee coverage for the City's then current employees. The retired employee shall

pay the balance of the cost of coverage. Costs of coverage shall be determined using the COBRA rates established by the third party administrator. There shall be no duplication of health care coverage, that is, a retiree who is eligible to participate in another health plan (for example, through other employment, through a spouse or through Medicare) shall not be eligible to participate in the City's plan.
- The City shall maintain the level of benefits provided to existing retirees but shall retain the right to change the provider. The healthcare, pension or other benefits currently provided to existing retirees and vested employees shall not be increased.

The primary impact of this initiative will be to improve the City's long-term fiscal position, particularly in view of the City's current and future liability for post-employment benefits.

Workers' Compensation

WF18.	**Enhance light duty program**	
	Target outcome:	Cost reduction and enhanced staffing
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator, Director of Human Resources and Department Heads
	Impacted employee group:	All employee groups

The City shall establish a light duty program that is administered consistently across all injured employees, regardless of bargaining unit status. The program shall give City management flexibility to assign employees to light duty positions anywhere within City government, provided that the position is temporary and within the medical limitations as set forth by the employee's treating physician. The injured worker shall keep the benefits and emollients of his or her original bargaining unit, regardless of the temporary assignment.

As noted above, light duty programs reduce the costs associated with worker injuries and increase the likelihood that an employee will return to work. They also give the City a structured opportunity to use the skills of its injured workers to improve service delivery.

WF19.	**Retain flexibility to fill vacant positions after six months**	
	Target outcome:	Cost reduction and enhanced staffing
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator, Director of Human Resources and Department Heads
	Impacted employee group:	All employee groups

The City reportedly cannot fill an employee's position as long as they are receiving Worker's Compensation or out on other leave. Instead, the City must reduce its level of service or use another employee to fill the vacancy, potentially on overtime, while still compensating the original injured employee, and while still paying benefits. It is appropriate and fair to compensate an employee during recovery, but that should not limit the City's ability to provide critical services or force the City to pay additional costs for an extended period. Further, the City should be able to terminate employment after extended periods of leave. Therefore, the City shall have the right to terminate any employee after a total of twelve months of leave within any two year period.

WF20.	**Provide management right to limit bumping rights within departments or similar positions**	
	Target outcome:	Cost reduction and enhanced staffing
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator, Director of Human Resources and Department Heads
	Impacted employee group:	All employee groups

The City is reportedly required in certain instances to allow employees from different departments and positions to bump or bid into positions for which they are not then qualified to perform effectively and efficiently. This creates performance issues and is highly inefficient. The City must retain its management right to select and direct personnel so that the most qualified employees are placed in appropriate positions, and so that the City may ensure sufficient experience in each department and on each shift. The City shall have the right to deny an employee's request to bump or bid into a position for which the employee is not at that time sufficiently experienced or qualified to perform, as determined by the City. Existing provisions in collective bargaining agreements shall be modified accordingly. The City shall have the right to fill vacant positions based on its determination of an employee's experience and qualifications.

WF21.	**Limit compensatory time**	
	Target outcome:	Cost reduction and enhanced staffing
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator, Director of Human Resources and Department Heads
	Impacted employee group:	All employee groups

Compensatory time in lieu of paying overtime can lead to inefficiency, increased overtime and pyramiding of overtime if not properly limited. To prevent these unnecessary costs, compensatory time shall be subject to the following restrictions:

- Compensatory time shall only be granted if approved by the City, and the City shall retain its right and discretion to grant or deny compensatory time, and the City's discretion cannot be limited;
- Compensatory time may not be accumulated beyond 40 hours;

- There shall be no duplication or pyramiding of hours; and
- Compensatory time shall not be counted as hours worked for purposes of computing overtime.

Other Initiatives

As referenced above, there are initiatives located in other chapters of this Recovery Plan that may require changes to the City's collective bargaining agreements. Although those initiatives are discussed elsewhere, it is the express intention of the Act 47 Coordinator and the City that the implementation of these initiatives is mandatory, and that all necessary amendments be made to the labor agreements between the City and any of its bargaining units entered into after the adoption date of this Recovery Plan.[22]

[22] In some cases, recommendations may represent reaffirmation or clarification of existing management rights. Although most recommendations would require changes to collective bargaining agreements for union-represented personnel, inclusion of any specific recommendation herein should not automatically be interpreted to imply that the practice is currently constrained.

Retirement Benefits

Overview

Like other municipalities within the Commonwealth of Pennsylvania, the City of Harrisburg, a City of the Third Class which has adopted an optional third-class city charter, provides its eligible employees with a defined benefit pension plan as the principal vehicle for providing retirement income upon attainment of normal retirement age. These plans are identified in the following table.

City of Harrisburg Retirement Benefits Plans

Employees Covered	Primary Retirement Plan	Plan Name
Police Employees	Defined Benefit (DB) Plan	City of Harrisburg Police Pension Plan (the Police Plan)
Fire Employees	Defined Benefit (DB) Plan	City of Harrisburg Firefighters' Pension Plan (the Firefighters' Plan)
Non-Uniformed Employees	Defined Benefit (DB) Plan	City of Harrisburg Municipal Employees' Pension Plan (the Non-Uniformed Plan)

The Police Plan is a single employer defined benefit pension plan controlled by the provisions of Chapter 2-707 of the Codified Ordinances of the City of Harrisburg, as amended. The plan is also affected by the provisions of collective bargaining agreements between the City and its police officers as described more fully in the Workforce chapter of this Recovery Plan. The Police Plan is administered by the Police Pension Board (the Police Board), the members of which serve without compensation.

The Firefighters' Plan is a defined benefit pension plan that participates in the multiple employer Pennsylvania Municipal Retirement System (PMRS) pursuant to the terms of the City of Harrisburg Firefighters' Pension Plan Agreement (the Firefighters' PMRS Agreement) dated May 17, 2002 by and between the City and the Pennsylvania Municipal Retirement Board (PMRB). The Firefighters' Plan is also controlled by the provisions of Chapter 2-709 of the Codified Ordinances of the City of Harrisburg, as amended and is also affected by the provisions of collective bargaining agreements between the City and its firefighters as described more fully in the Workforce chapter of this Recovery Plan. The Firefighters' Plan is administered through PMRS.

The Non-Uniformed Plan is a defined benefit pension plan that participates in PMRS pursuant to the terms of the City of Harrisburg Municipal Employees' Pension Plan Agreement (the Non-Uniformed PMRS Agreement) dated December 16, 2003 by and between the City and PMRB. The Non-Uniformed Plan is also controlled by the provisions of Chapters 2-705 of the Codified Ordinances of the City of Harrisburg, as amended, and is also affected by the provisions of collective bargaining agreements between the City and its non-uniformed employees as described more fully in the Workforce chapter of this Recovery Plan. The Non-Uniformed Plan is also administered through PMRS.

Assessment

In the defined benefit type of retirement plan, the benefits are determined based upon a formula, and the monthly benefits are guaranteed for life after vesting in the benefit has occurred. The benefit is generally based upon a percentage of final average pay using earnings history and years of service rather than contributions by the participant and market performance to provide an amount of retirement income. Therefore, the burden of funding the benefit generally falls almost completely on the employer except under those circumstances where the plan requires mandatory employee contributions.

Defined benefit pension plans were historically the principal vehicle for providing retirement income to employees in the U.S. prior to Internal Revenue Service (IRS) approval, in the 1970s, of the 401(k) defined contribution type of retirement plan. Now, in the U.S., the defined contribution retirement plan has replaced the defined benefit retirement plan as the principal vehicle for providing retirement income for employees in the private sector. Governmental employers are limited, under applicable federal U.S. tax law, from offering certain types of defined contribution plans to its employees and, coupled with a strong collective bargaining preference for defined benefit plans, the defined benefit plan continues to be the principal source of retirement income for employees of most municipalities in the Commonwealth. The City of Harrisburg is not unique among Pennsylvania municipalities with respect to utilization of defined benefit pension plans as the primary form of retirement income.

Pennsylvania municipalities are required, under the applicable governing Pennsylvania statutes, to make annual contributions to their employee pension benefit plans. As described more fully below, governmental defined benefit pension plans are exempt from many, but not all, of the provisions of the Internal Revenue Code of 1986, as amended (the Code) as well as the provisions of the Employee Retirement Income Security Act (ERISA) of 1974, as amended. Therefore, state law controls most of a governmental plan's operations. The Municipal Pension Funding Standard and Recovery Act (Act 205) is the primary source of the rules governing state aid to municipal retirement plans. The annual contributions required under Pennsylvania law are defined as the minimum municipal obligation (MMO). A municipality's MMO is funded from aid received by the municipality from the Commonwealth, employee contributions (if required under the terms of the plan), investment gain, if any, earned by the investment of prior years' contributions, as well as from the general assets of the municipality (subject to certain limitations in the governing statutes).

The Commonwealth's portion of the funding obligation, in the form of state aid, is provided from a 2% foreign casualty insurance tax, a portion of the foreign fire insurance tax premium and any invested income earned on the collection of these taxes. Generally, municipal pension plans established prior to December 18, 1984 are eligible for state aid. If a municipal pension plan is established after that date, the sponsoring municipality must fully fund the plan for three plan years before it becomes eligible for state aid. In accordance with Act 205, a municipality's annual state aid allocation cannot exceed its actual pension costs. In addition to Act 205, the City of Harrisburg's Police Plan, Firefighters' Plan and Non-Uniformed Plan are governed by implementing regulations adopted by the Public Employee Retirement Commission (PERC) published at Title 16, Part IV of the Pennsylvania Code and applicable provisions of various other state statutes including, but not limited to the following:

- Act 147 – Special Ad Hoc Municipal Police And Firefighter Post Retirement Adjustment Act;
- Act 317 – The Third Class City Code, Act of June 23, 1931, as amended;
- Act 362 – The Third Class City Code, Act of May 23, 1945;
- Act 399 – Optional Third Class City Charter Law; and

- Act 600 - The Municipal Police Pension Law as amended by Act 30 and Act 51.

With respect to each of the three retirement plans, City officials are responsible for establishing and maintaining an internal control structure to provide reasonable assurances that such retirement plans are administered in accordance with applicable state and federal laws, regulations, contracts, administrative procedures and local ordinances and policies. As required by the provisions of Act 205, the Auditor General of the Commonwealth is required to conduct, at prescribed intervals, an audit of each plan of every municipality which receives general municipal pension system state aid and of every municipal pension plan and fund in which general municipal pension system state aid is deposited. In addition, each municipality receiving state pension aid is required to make annual reports to the Auditor General and is required to submit biennial reports to Pennsylvania's PERC.

As required by Act 205, the City submitted the last biennial report to PERC in March 2010 for the period beginning January 1, 2009. These filings contain, among other things, a report showing the actuarial funded status of the plan, which is summarized as follows:

- The Police Plan – The Police Plan had an unfunded actuarial accrued liability of $1,992,366 because the plan's actuarial accrued liability ($65,951,752) exceeded the plan's actuarial value of assets ($63,959,386) by this amount. This required an MMO of $285,274. The Police Plan's actuarial value of assets ($63,959,386) exceeded the plan's market value of assets ($49,199,527) by $14,759,859.

- The Firefighters' Plan – The Firefighters' Plan did not have an unfunded actuarial accrued liability. In fact, the plan's actuarial value of assets ($65,332,550) exceeded the plan's actuarial accrued liability ($53,322,794) by $12,009,756. This means that an MMO was not required. The actuarial value of assets and market value of assets were identical ($65,332,550).

- The Non-Uniformed Plan – The Non-Uniformed Plan did not have an unfunded actuarial accrued liability. In fact, the plan's actuarial value of assets ($72,842,581) exceeded the plan's actuarial accrued liability ($537,645,888) by $19,077,693. This means that an MMO was not required. The actuarial value of assets and the market value of assets were identical ($72,842,581).

It should be noted that the above-described Police Plan filing was submitted prior to the effective date of significant enhancements to the Police Plan. These enhancements have the potential to significantly negatively affect the actuarial funded status of the Police Plan.

As required by Act 205, the staff of the Auditor General of the Commonwealth most recently audited each of the three pension plans maintained by the City for the period January 1, 2007 through December 31, 2008. The Auditor General issued its report to the City in January, 2010. The summary of findings for each of the three plans is as follows:

- The Police Plan - In all significant respects the Police Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures and local ordinances and policies.

- The Firefighters' Plan - In all significant respects, the Firefighters' Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures and local ordinances and policies.

- The Non-Uniformed Plan - The City provided incorrect data to the Commonwealth pursuant to Form AG 385, which resulted in an overpayment of state aid in the amount of $22,302. The City agreed to remedy this failure by returning the overpayment, plus lost earnings, to the Commonwealth.

It should further be noted that the above-described audits were conducted prior to the effective date of certain amendments to the plans. Based upon the Act 47 Coordinator's review of these amendments, the Auditor General may find, in the next audit, that certain of these amendments, described more fully below, violate applicable provisions of Pennsylvania law.

The retirement benefits currently provided by the City under its three defined pension benefit plans are described in the chart below.

City of Harrisburg Retirement Benefits Summary

	Police	Fire	Non-Uniformed[23]
Pension Eligibility – Full Retirement	Age 50 with 20 years of service (YOS)	Age 50 with 20 YOS	Age 65
Benefit Formula	50% of final average salary (minimum of $4,000/year)	50% of final average salary	2.00% of final average salary times YOS (capped at 75% of final average salary)
Service Increases	55% at 21 YOS 59% at 22 YOS 63% at 23 YOS 67% at 24 YOS 72% at 25 YOS 76% at 26 YOS 80% at 27 YOS	Additional 1.25% of final average salary per YOS (e.g., 51.25% at 21 YOS and 52.5% at 22 YOS) - no cap	None
Final Average Salary	The greater of (i) annualized basic compensation rate including longevity or (ii) average of basic compensation received including longevity for last 5 years	The greater of (i) annualized basic compensation rate, including longevity, rank differential pay, incentive pay and premium pay or (ii) highest average during 5 consecutive YOS of the 10 YOS prior to retirement	Average compensation, including longevity, overtime and shift differential payments earned during any 3 consecutive YOS
Early Retirement (Vesting)	20 YOS - eligible to begin receiving at Age 50 with no reduction	10 YOS – eligible to begin receiving at age 50 with no reduction	Age 55 with 10 YOS with actuarial reduction for each month prior to age 65
Contributions	5.0% of eligible compensation plus $1 per month	5.0% of eligible compensation plus $1 per month	5.0% of eligible compensation
Disability	50% of final average salary offset by workers' compensation benefits received if injured in line of duty	Full retirement if 20 YOS, even if not aged 50 50% of final average salary if 4 YOS or more All payments offset by	50% of final average salary offset by workers' compensation benefits received if injured in line of duty

[23] This outlines current benefits for members under the Non-Uniformed Plan. There are grandfathered members under the Former Plan A, which has different benefits that are not applicable to this discussion.

	Police	Fire	Non-Uniformed[23]
	Full retirement if 20 YOS, even if not aged 50 50% of final average salary if 4 YOS or more	workers' compensation	Grandfathered provisions for former Plan B members – 30% of final average salary if 10 YOS
Death Benefits	If dies while employed in Bureau of Police or after payments begin, 50% pension to spouse or children If dies after termination of employment but prior to payments beginning, (i) lump-sum present value if age 50 or more or (ii) payment of accumulated contributions if under age 50	If dies while employed in Bureau of Fire or after payments begin, 100% pension to spouse or children If dies after termination of employment but prior to payments beginning, (i) lump-sum present value if age 50 or more or (ii) payment of accumulated contributions if under age 50	If dies in line of duty, 50% pension to spouse If dies while employed, estate is entitled to receive full value of retirement benefit even if not married If dies after termination of employment or before eligibility for other benefit, payment of accumulated contributions
Purchasing Years	Can purchase YOS for intervening military service (only member contribution) Can purchase up to 5 years of non-intervening military service after 5 YOS (member and City contribution) Can repurchase YOS after a return to employment if withdrew accumulated contributions	Can purchase YOS for intervening military service (only member contribution) Can purchase up to 5 years of non-intervening military service after 5 YOS (member and City contribution) Can repurchase YOS after a return to employment if withdrew accumulated contributions	Can purchase YOS for intervening military service (only member contribution) Can purchase up to 5 years of non-intervening military service after 5 YOS (member and City contribution) Can repurchase YOS after a return to employment if withdrew accumulated contributions
DROP	None	None	None
Involuntary Termination	No provisions	No provisions	No provisions
Automatic Increases	No automatic increases	An annual increase equal to ½ of the percent increases in salaries of active firefighters (capped at 10% in total)	No automatic increases

As previously discussed, the provision of retirement benefits for employees of a Third Class city is governed by the provisions of the applicable Pennsylvania statutes. In addition to these statutes, the plans maintained by the City are subject to the provisions of the Code. Although governmental plans, as defined in ERISA, are generally exempt from many of the Code and ERISA requirements applicable to plans maintained by for-profit entities, a governmental plan is still subject to several provisions of the Code, including the requirements for "tax qualification" under Code Section 401(a). Unlike the for-profit sector, the failure of a governmental plan to meet the applicable requirements of the Code generally affects only plan participants and not the employer. For example, if a governmental plan is not maintained in accordance with the applicable provisions of the Code, a participant is prohibited from utilizing certain favorable federal income tax applications, including the ability to roll over amounts received from such governmental plan to an Individual Retirement Account or another for-profit or government employer's plan. In addition, the benefits may be considered to be constructively received, and subject to immediate taxation, as contributions are made and benefits are accrued instead of being taxable only upon distribution. The following provisions of the Code are generally applicable to governmental plans:

- The Code's provisions on taxation of distributions;
- The Code's requirement for a formal plan document;
- The formal plan document must provide that all assets are used exclusively for the benefit of participants and their beneficiaries;
- Pre-ERISA minimum vesting standards;
- The written plan must provide that forfeitures are not used to increase plan benefits;
- Required minimum distribution rules;
- Code Section 415 limits on maximum benefits and the plan must so state;
- Annual compensation limits contained in the Code for purpose of determining benefit amounts and the plan must so state;
- The plan document must provide and state the actuarial assumptions in order to preclude employer discretion and provide for definitely determinable benefits; and
- The provisions of Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA) with respect to participants who perform military service.

Initiatives

Recent generous enhancements to the retirement plans, particularly the Police Plan, have the potential to significantly increase the City's required contributions. The percentage of income replacement under the City's three retirement plans exceeds normal-average benefit levels for municipal retirement plans (and greatly exceeds the benefit levels provided to employees in the private sector) and should be prospectively reduced. In addition, there are several problems with the three retirement plans that have the potential to lead to possible governmental sanctions and confusion as to the current level of benefits. The following initiatives are intended to address these issues.

RET01.	**Prospectively reduce the level of benefits**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available; will require actuarial study to make a determination
	Responsible party:	City Council and City Solicitor

The City shall explore the viability of prospectively replacing its pension plans with a defined contribution plan under Code Section 457 for future service. Federal tax law prohibits the use of a 401(k) plan for governmental employees, but a Code Section 457 plan, while not identical, can deliver a similar type of defined contribution retirement benefit as a 401(k) plan.

If the City concludes that a Code Section 457 plan is not a viable option, the City shall complete an actuarial study to determine if any of the following prospective changes to the City's retirement plans will reduce the amount of MMOs the City is required to contribute. If the actuarial study concludes that the change will have a positive impact on the City's MMOs, then the City shall implement the change on a prospective basis.

If the City does not replace the pension plans with Code Section 457 plans, then all of the recommended cost reductions for the existing pension plans should be implemented, not just the cap on service increments. In addition to the 60% service increment cap on the Police and

Firefighters' Pension Plans, this includes eliminating automatic increases under the Firefighters' Plan, reducing the surviving spouse pension under the Firefighters' Plan, reducing the cap on benefits under the Non-Uniformed Plan to 60% and revising the definition of compensation under the Non-Uniformed Plan.

Police Plan – Prospectively cap service increments at 60%: Recent collective bargaining enhancements provide service increments well beyond what is customary for municipal pension plans. For a mere seven years of additional service, retirees are provided an additional 30% of income replacement for a total of 80% of final average salary. As recently as 2003, service increments under the Police Plan were capped at 62.5% of final average salary, a much more reasonable and customary cap. The Police Plan shall be amended to reduce the service increment cap to 60% for all future service.

Firefighters' Plan – Prospectively cap service increments at 60%: The Firefighters' Plan does not currently have a cap on the amount of benefits that can be attained through additional years of service beyond 20. Theoretically, a firefighter will not likely exceed 30 total years of service, which would provide a benefit of 62.5% of final average salary. But there is no theoretical limit under the Firefighters' Plan to how high the benefit can go. A cap of around 60% of final average salary should be implemented for all future service.

Firefighters' Plan – Prospectively eliminate automatic increases: The Firefighters' Plan currently provides that retirees automatically receive an increase in their pension when there is an increase in the salaries of active firefighters. This is not customary practice in defined benefit pension plans and is a back door for retired employees to continue receiving benefits correlated to being actively employed. This automatic increase should be eliminated. If a cost of living increase is still desired, an increase correlated to a standard measure of inflation would be more appropriate, with a cap on how large the increase can be.

Firefighters' Plan – Reduce surviving spouse pension: The Firefighters' Plan provides a 100% surviving spouse benefit when the firefighter dies while employed by the Bureau of Fire. It is customary for municipal pension plans to provide a 50%, rather than 100%, surviving spouse benefit. In addition, the Commonwealth, through Act 51 of 2009, provides a 100% benefit for firefighters killed in the line of duty and so the 100% benefit provided by the Firefighters' Plan is redundant. The Firefighters' Plan shall be amended to reduce the surviving spouse benefit to 50%.

Non-Uniformed Plan – Prospectively reduce cap on benefits to 60%: The Non-Uniformed Plan currently provides for a benefit as large as 75% of final average salary (depending upon the member's years of service). This percentage of income replacement is well beyond what is customary for governmental defined benefit plans and shall be reduced to 60% of final average salary for all future service.

Non-Uniformed Plan – Prospectively revise compensation definition: The Non-Uniformed Plan currently provides that a member's final average salary is the average of the highest three consecutive years of service. This shall be revised to be the average of the last three years of service.

RET02.	Freeze benefit levels for all plans	
	Target outcome:	Cost containment
	Five year financial impact:	Not available; will require actuarial study to make a determination
	Responsible party:	General Counsel

The City shall not consider any further pension benefit enhancements in the collective bargaining process or otherwise. Any potential increases in the salary base used for pension benefit calculations, including base pay, wages, longevity pay and other automatic, seniority-based pay increases shall be reviewed and applied to the applicable provisions in the retirement plan in order to determine their true cost.

RET03.	Consolidate administration of the City's three retirement plans	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available; will require benefit study to make a determination
	Responsible party:	General Counsel

The Police Plan is administered by the Police Board. Although the Police Board serves without compensation, outside vendors (such as actuaries, investment consultants, trustees, investment managers and legal counsel) receive compensation for performing various services. Information with respect to the costs associated with utilizing these outside vendors is not available in the City's records. The Firefighters' Plan and Non-Uniformed Plan, on the other hand, are administered through PMRS, which receives an annual administrative fee of $20 per active member and $20 per annuitant or beneficiary receiving benefits. In addition to providing day-to-day administration, PMRS also relieves these plans from the expenses of other outside vendors (e.g., actuaries, investment consultants, trustees, investment managers and legal counsel).

The City shall conduct a study comparing the total cost of administering the Police Plan (using the Police Board in conjunction with outside vendors) to the costs of administering the Firefighters' and Non-Uniformed Plans (using PMRS without additional vendors) to see which model is most cost-effective. That model should then be used for all three plans. All assets from the three plans shall be consolidated into one master trust, with one set of service providers. This consolidated structure may result in significant cost efficiencies.

RET04.	Seek IRS determination letter for Police Plan	
	Target outcome:	Minimize disqualification and sanction risk to Police Plan
	Five year financial impact:	Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
	Responsible party:	General counsel

The City has previously received a determination from the IRS that the terms of the Non-Uniformed Plan meet the applicable qualification provisions of the Code. PMRB has informed the Act 47 Coordinator that it filed an application for determination with the IRS in January 2011 seeking tax qualification for all plans that it administers, including the Firefighters' Plan and the Non-Uniformed Plan. It appears that the City has not directly sought a determination from the IRS that the Police Plan is qualified under the applicable provisions of the Code based upon the assumption that the plan is not required to be tax-qualified. This is incorrect. As discussed above, governmental plans, while subject to different tax-qualification rules than private employer plans, are still subject to numerous Code requirements. Therefore, the City shall seek a favorable determination letter for the Police Plan. Depending upon the timeliness of certain amendments in the past, it may be necessary for the City to utilize the IRS' Employee Plan Compliance Resolution System for Governmental Plans in order to correct any defects in plan compliance prior to seeking an IRS determination. In light of the IRS' active audit program of governmental plans, this will minimize the potential for significant penalties at a later date.

This initiative needs review by its Law Bureau, and such review shall be completed as soon as possible.

RET05.	Update Police Plan governing documents based upon results of actuarial study	
	Target outcome:	Ensure compliance and consistency
	Five year financial impact:	Not available
	Responsible party:	General Counsel

Since the primary Police Plan ordinance was adopted by Ordinance 5 of 2001, two amendments to the collective bargaining agreement (one effective January 2, 2007 and the other effective January 2, 2009) have greatly expanded the cap on pension benefits under the Police Plan. Based upon Police Plan ordinances provided by the City prior to the preparation of this analysis, Chapter 2-207 of the Codified Ordinances (specifically, Section 2-707.16) has not been amended to reflect the amendment that increased the cap for service increments. The City shall remedy this discrepancy. The remedy depends upon the results of the actuarial cost study required under Act 205, evidence of which was not submitted by the City to the Act 47 Coordinator. If the actuarial cost study concludes that these enhancements are not actuarially sound, the enhancements in the collective bargaining agreement shall be rescinded. On the other hand, if the actuarial cost study concludes that these enhancements are actuarially sound, then the Police Plan ordinances shall be updated to reflect the collective bargaining amendments.

If an actuarial cost study was not completed for these enhancements, a direct violation of Act 205 has occurred and it could jeopardize the effectiveness of the collective bargaining amendment as well as the state aid provided under Act 205 if discovered during the next audit of the plan by the Auditor General. The applicable provisions of the Third Class City Code (which are applicable to a city that has adopted an optional Third Class city charter) provide that normal retirement benefits cannot exceed 50% of final average salary except if a plan provided a normal retirement benefit in excess of 50% of final average salary prior to June 19, 2002. There is a difference of opinion among benefit practitioners as to the effect of this limitation in the Third Class City Code for plans that exceeded 50% of final average salary prior to June 19, 2002. The Act 47 Coordinator interprets this provision as not giving the municipality the discretion to further increase the benefit above the benefit percentage that existed as of June 19, 2002. However, the Act 47 Coordinator understands that several municipalities have taken the position that the municipality can continue to increase the percentage, in its discretion, subject to Act 205's funding study requirements described above. The Auditor General has inconsistently applied this provision in audits.

This initiative needs review by its Law Bureau, and such review shall be completed as soon as possible.

RET06.	**Update PMRS Agreement to reflect recent changes in the Firefighters' Plan**	
	Target outcome:	Ensure compliance and consistency
	Five year financial impact:	Not available
	Responsible party:	General Counsel

Since the effective date of the Firefighters' PMRS Agreement, the City amended the Firefighters' Plan by Ordinance 12 of 2008, which amended Section 2-709.21(a) of the Codified Ordinances. Based upon information provided by the City, it does not appear that the Firefighters' PMRS Agreement was likewise amended even though PMRS has indicated that they have provided the City with a proposed, updated Agreement. Since PMRS administers the Firefighters' Plan pursuant to the terms of the Firefighters' PMRS Agreement, the City shall update this Agreement to reflect the current terms of the Firefighters' Plan. This should be remedied as soon as possible.

RET07.	**Resolve discrepancies between the Non-Uniformed Plan and the Non-Uniformed PMRS Agreement**	
	Target outcome:	Ensure compliance and consistency
	Five year financial impact:	Not available
	Responsible party:	General Counsel

The City provided documents that indicate that the Non-Uniformed Plan was amended by Ordinance 35 of 2003, which also approved the adoption of an amended Non-Uniformed PMRS Agreement. Upon review, the Act 47 Coordinator identified certain inconsistencies between the Non-Uniformed Plan, as amended, and the new Non-Uniformed PMRS Agreement. For example, Ordinance 35 of 2003 amends section 2-705.13(c) of the Codified Ordinances to state that mandatory member contributions “shall be treated as the member’s contribution in determining tax treatment under the United Stated [sic] Internal Revenue Code for federal tax purposes.” The Non-Uniformed PMRS Agreement, on the other hand, states that mandatory member contributions “shall be treated as the employer’s contributions in determining tax treatment under the United States Internal Revenue Code for federal tax purposes.” The City shall resolve these inconsistencies.

RET08.	**Amend Non-Uniformed collective bargaining agreement**	
	Target outcome:	Ensure compliance and consistency
	Five year financial impact:	Not available
	Responsible party:	General Counsel

Since the primary Non-Uniformed Plan ordinance was adopted by Ordinance 35 of 2003, one amendment to the collective bargaining agreement (effective January 2, 2009) (i) significantly reduced the eligibility requirements for full retirement, (ii) increased the multiplier to determine normal retirement benefits and (iii) modified the provisions for death benefits. Based upon Non-Uniformed Plan ordinances provided by the City prior to the preparation of this analysis, as well as the Non-Uniformed PMRS Agreement, the City has not amended the Non-Uniformed Plan to reflect these changes. The Act 47 Coordinator discussed these inconsistencies with representatives of PMRS, who indicated that these amendments were not formally effective since they were conditioned upon a satisfactory result of an actuarial study. As a result of the unsatisfactory conclusions of the study, PMRS continues to administer the plan in accordance with all prior Ordinances. Because of this, the City shall take action to formally revoke the amendment.

Insurance and Risk Management

Overview

Until 2006, the City had an Insurance Risk Management Department that was a part of City Administration; it reported directly to the Chief of Staff/Business Administrator. The Department was staffed as follows:

- Risk Manager: In 2004, the position was eliminated; a consultant was then hired to assist the City with the procurement of insurance and to serve as a liaison between the City's insurance brokers and the City.
- Loss Control/Safety Representative: In 2006, the position was eliminated. This position/function is now being addressed on an ad hoc basis.
- Administrative Assistant: In 2006, the position was eliminated from being within the Insurance and Risk Management Department and the person that had assumed this position was transferred as a Special Assistant to the Deputy, Business Administration Department where this function was handled from 2007-2009. In 2009, the person responsible for this function was transferred to the Bureau of Human Resources as an HR Generalist. The job duties of this position are to work closely with the City's Finance Director, Solicitor, Insurance Consultant and Insurance Brokers. The HR Generalist is also responsible for the oversight of City's Workers' Compensation and Property Claims reporting and recovery.

Having eliminated the Risk Management Department, the City retained a consultant to assist with its insurance and risk management program; this self-employed consultant is the City's former Insurance Manager. The consultant serves as a general resource to the City with regard to insurance questions and issues. The consultant's defined responsibility is to manage the procurement of insurance. This includes the following:

- Developing coverage specifications for each line of coverage being renewed;
- Developing renewal goals and objectives;
- Developing a renewal time line;
- Providing assistance to City personnel and the insurance brokers representing the City;
- Evaluating renewal offerings; and
- Setting forth objective recommendations in the best interest of the City.

Because the City's in force insurance program is not written through direct writers, the City must utilize the services of an intermediary to access and to place the coverage with insurers that comprise the world insurance market.

The City currently utilizes the services of two intermediaries or brokers: Marsh USA, Inc. (Marsh) and American Insurance Administrators, Inc. (AIA). Marsh had been the City's insurance broker prior to 2008. In mid-2008, the City elected to change its insurance broker and gave a Broker of Record Letter to AIA, which in effect transferred responsibility for managing the City's insurance program from Marsh to AIA. AIA managed the City's insurance program for the 2008-2009 and 2009-2010 terms (i.e., October 1-September 30).

In mid-2010, the City developed through its consultant a Request for Proposal (RFP). The RFP was presented to three competing brokerage firms: Marsh, Wells Fargo and Arthur J. Gallagher. The competing firms were all assigned specific markets they would be allowed to approach to solicit an insurance offering for the City in connection with the 2010-2011 term. According to the consultant, the City was facing the real possibility of not receiving a renewal offering that could result in the loss of insurance coverage. Therefore, the consultant recommended brokers that had significant experience in the public sector market and who could therefore leverage their relationships to the benefit of the City.

Assessment

There were four contracts that were not included within the RFP, such as the Excess Workers' Compensation policy, the Flood Policies that were issued through the National Flood Insurance Program, the Fiduciary Liability policy issued for the Police Pension Fund and the Employee Dishonesty Bond issued for the aforementioned pension fund in compliance with Employee Retirement Income Security Act (ERISA) requirements. It is the Act 47 Coordinator's understanding from speaking with the City's consultant that the City made a conscious decision to allow AIA to continue to manage these contracts as opposed to transferring all contracts to Marsh.

From an administrative perspective, it would be more efficient to have these contracts managed by the same broker managing the balance of the City's insurance program. For example, AIA places the Excess Workers' Compensation policy, while Marsh places the City's Umbrella Liability policy, which must list the Excess Workers' Compensation policy as an underlying primary policy since the Umbrella policy provides coverage in excess of the Employers' Liability coverage that the Excess Workers' Compensation policy provides. As another example, Marsh provides the City with its property insurance needs and yet AIA places the Flood Insurance. Typically, the same broker provides both types of coverage because frequently the property program provides flood coverage in excess of any available flood coverage provided through the National Flood Insurance Program (NFIP). In order for Marsh to properly negotiate flood coverage under the property policy, they must have a complete understanding of what properties have been provided with flood coverage and what the limits are as provided through the NFIP.

There is no specific number of brokers the City should use that would be considered optimal. The number of brokers a city utilizes is dependent upon the expertise, cost and experience of the account service team(s) the broker has on staff and has assigned to service the city's insurance program. It certainly is possible for a single broker to possess the requisite skills, experience and understanding to service all of a city's insurance needs. Other cities have relied on two brokers in which one manages the city's first party property insurance needs while a second broker manages the city's third party liability or casualty insurance needs.

Appointed broker(s) must operate under an executed Brokerage Engagement Letter that clearly sets forth roles and responsibilities, service level expectations, termination criteria, indemnity requirements and others. The City has executed an Engagement Letter (Letter) with Marsh, effective October 1, 2010 for a one year term. There is no Engagement Letter in place between the City and AIA.

Several sections of the Marsh Letter should be amended at renewal if Marsh is to be reappointed. They are as follows:

- Section 1. Services – Services related to Marsh placements, Paragraph (o) – The paragraph makes reference to Marsh's minimum financial guidelines. The minimum financial guidelines must be stated and no insurer that is participating in underwriting the City insurance program should have a rating that falls below an A.M. Best rating of A- (XII). Under the sub-heading "Pre Marketing Services" a paragraph (d) must be inserted that sets forth a requirement for a

Renewal Time Line to be provided. A paragraph (e) should be inserted that sets forth a requirement to develop renewal goals and objectives.

- Section 2. Compensation – This section states that "any commissions collected by Marsh or its affiliates shall be considered fully earned at the time of placement." If [the City were] to terminate its policy before it expires, Marsh would retain the commission it has collected except that, if Marsh places the replacement policy, Marsh will return any unearned commission." This section must be amended such that if a policy is terminated prior to the expiration of the policy, any unearned commission will be returned to the City based on a pro rata formula.

- Section 4. Taxes and Fees – The Letter must be amended to state that Marsh will always specifically identify the applicable taxes and fees for which the City will be liable as part of their insurance offerings, directly below the insurer's premium. Further, whenever summarizing insurance costs, taxes and fees must be included as a separate line item in order for the City to obtain a complete summary of its insurance costs and related taxes and fees.

- Section 7. Disclaimers; Limitation of Liability – Marsh limits its liability to $10 million. It is reasonable to assume that the Insurance Agent & Brokers Professional Liability insurance program being maintained by Marsh is significantly higher. Hence, the section should be amended such that the limitation is either $10 million or the total limit Marsh maintains with regard to the Insurance Agent & Brokers Professional Liability insurance program it maintains, whichever is greater.

Brokerage Compensation

There are several ways in which brokers can be compensated. One way is traditional commission, or percentage basis, in which the broker receives a percentage of the policy's gross annual premium, with commissions ranging from 5% to 7% on Workers' Compensation policies and 10% to 30% on all other lines of coverage. A commission or percentage based compensation arrangement places any insurance broker in a perceived conflict of interest position, since the lower the insurance premium, the lower the commission earned. Such a compensation methodology also fails to equate time spent in delivering client service to compensation earned. The alternative to commission compensation is to negotiate a fee for service in lieu of commission. A fixed fee provides the broker with a fair, negotiated level of compensation for work performed. Therefore, the lower the insurance premiums, the higher the ratio the insurance broker has earned for a fee. It also allows for separating the cost of risk transfer from the cost of placement and follow-up service. In separating the expense, the City can establish a fee that is commensurate with the time and value of the service being provided. Often on large placements, the negotiated fee is less than what the commission would have been, hence reducing placement expense.

In Section 2 – Compensation of the March Letter, Marsh receives commission income on all lines of coverage placed on the City's behalf. When questioned about the commission rates being received on the lines of coverage they place on the City's behalf, Marsh had negotiated with Travelers' to accept a lower commission rate (i.e., 10% vs. 15% or 12.5%) in exchange for more favorable terms to be provided to the City. The following table is an accounting of Marsh's compensation based on their representation that they are receiving 10% on all lines.

Line	Premium October 1, 2010 - 2011	Commission Percentage	Brokerage Compensation
Commercial Property	$228,622	10%	$22,862
Fine Arts	$17,858	10%	$1,786
Inland Marine	$13,824	10%	$1,382
Crime	$4,769	10%	$477
General Liability	$166,600	10%	$16,660
Liquor Liability	$736	10%	$74
Employee Benefit Plan Liability	$428	10%	$43
Automobile Liability	$188,171	10%	$18,817
Auto Physical Damage	$43,367	10%	$4,337
Cyber Liability	$3,241	10%	$324
Umbrella Liability	$67,310	10%	$6,731
Law Enforcement Liability	$285,091	10%	$28,509
Public Entity Management Liability	$19,803	10%	$1,980
Public Entity Employment Practices Liability	$110,670	10%	$11,067
Totals:	**$1,150,490**		**$115,049**[24]

Marsh's Insurance Program is as follows:

Line	Insurer	Limit	Retention	Premium
Property	Travelers	$231,409,420	$25,000	$228,622
Inland Marine	Travelers	Varies	Varies	$13,824
Fine Arts	Ace American	$25,000,000	N/A	$17,858
General Liability	Travelers	$1,000,000	$0	$166,600
Crime	Travelers	Varies	Varies	$4,769
Liquor Liability	Travelers	$1,000,000	N/A	$736
Employee Benefit Plan Liability	Travelers	$1,000,000	N/A	$428
Law Enforcement Liability	Travelers	$1,000,000	$0	$285,091
Public Entity Management Liability	Travelers	$1,000,000	N/A	$19,803
Public Entity Employment Practices Liability	Travelers	$2,000,000	N/A	$110,670
Automobile Liability	Travelers	$1,000,000		$188,171
Automobile Physical Damage	Travelers	Actual Cash Value	$1,000 (except Fire Trucks = $3,000)	$43,367
Cyber Liability	Travelers	$1,000,000		$3,241
Umbrella Liability	Travelers	$5,000,000		$67,310
Aggregate Annual Insurance Premium Expense				**$1,150,490**

AIA's compensation is also based on the traditional percentage commission means of compensation. A projection of AIA's annual compensation is shown in the table below.

[24] Subject to the City's approval, should the City request Marsh to provide Flood Zone Determinations, Marsh has the right as per the terms of the Letter to charge an additional fee of $8.75 per Determination. However, Marsh has agreed to waive this fee for the current term only (i.e., October 1, 2010-September 30, 2011) for any Determinations delivered by Marsh as requested by the City.

Line	Premium January 1, 2011 - 2012	Commission Percentage	Brokerage Compensation
Police Pension Bond	$5,595	15%	$839
Fiduciary Liability	$25,500	15%	$3,825
Excess Workers Compensation	$73,972	15%	$11,096
National Flood	$115,155	15%	$17,273
Totals:	**$220,222**		**$33,033**

Costs of AIA's insurance program are shown in the table below.

Line	Insurer	Limit	Retention	Premium
ERISA Bond	Travelers	$5,000,000	$50,000	$5,595
Fiduciary Liability	Chubb	$5,000,000	$5,000	$25,500
Excess Workers Compensation	Safety National	Statutory	$500,000 Self Insured Retainer	$73,972
Flood	National Flood Insurance Program	Varies	Varies	$115,155
Aggregate Annual Insurance Premium Expense				**$220,222**

To market the City's program, multiple markets were approached by Marsh and the other two brokers that participated in the RFP process. One can reasonably assume that the program that is in force is the most competitive offering presented. The Act 47 Coordinator has been informed, however, that while Travelers may have had the most competitive offering, the market is concerned that with the City being in financial distress, claims management and loss control/safety programs will be abandoned that could cause an increase in general liability and automobile liability incidents. Further, if City employees continue to be laid off, there may be a spike in Workers' Compensation claims.

AIA attempted to remarket the Excess Workers' Compensation policy and had approached multiple markets. However, the only offer received was from Safety National, the incumbent.

Set forth in the sections below are the lines of coverage in which there are opportunities for improvement and/or items that impact cost in which the City either has or does not have the ability to control.

Workers' Compensation and Employer's Liability

Details of the City's Worker's Compensation program are as follows:

- Primary: Qualified Self-Insurer
- Retention: $500,000 All Employees
- Excess: Safety National Group
- A.M. Best Rating: A (X)
- Excess Coverage Term: January 1, 2011 - 2012

Financing

The City is a qualified self-insurer for Workers' Compensation benefits and has received approval from the Department of Labor and Industry, Bureau of Workers' Compensation for the Commonwealth of Pennsylvania to be exempt from the necessity of insuring its liability to pay compensation as provided under the Workers' Compensation Act; such exemption is commonly referred to as becoming a qualified self-insurer.

As required by 24 PA. Code, Chapter 125, excess insurance covering self-insurance liability is required for granting self-insurance status. The City has purchased an Excess Workers' Compensation policy underwritten by Safety National.

Prior to the 2011 policy term, the City had a retention of $450,000 per claim for all City employees, except police officers where the retention was $500,000 per claim. At renewal, the City was offered two options: to maintain the expiring retention levels or increase the retention to $500,000, applicable to all City employees. The option that was selected was the latter, which increased the retention to $500,000 per claim for all City employees. The cost difference between the two options was $9,352 (i.e., $93,519 vs. $84,167).

Further, the City is required to maintain a trust fund in which a balance is maintained that equates to the City's ultimate financial liability in connection with all open claims and those that have been "incurred but not reported," commonly referred to as IBNR. The amount of this liability is determined annually by the Department of Labor and Industry, Bureau of Workers' Compensation for the Commonwealth based on an actuarial analysis of the City's loss experience. Based on the information provided, the Bureau, using staff casualty actuaries, estimated the outstanding liability for claims incurred; the City was required to make a deposit to its Workers' Compensation Security Fund based on this analysis. As of January 31, 2011, the City maintained a balance of $1,157,424 that is on deposit with Wells Fargo.

Heart and Lung Act
Like any City employee, when police officers and fire fighters suffer an injury, they too are entitled to Workers' Compensation benefits. However, before benefits are paid under Workers' Compensation, wage loss benefits are first paid under the Heart and Lung Act (the Act).

The Act covers temporary injuries suffered by a police officer or firefighter while in the act of performing their job duties. Fractures, broken bones, burns and injuries inflicted by suspects or prisoners are among the injuries covered, if they are of a temporary nature. Injuries resulting in permanent disability are covered by the Workers' Compensation system. There is no defined benefit period. The Act dictates benefits are to be paid for as long as the employee is found to be temporality disabled. Only when the disability is determined to be permanent can wage benefits under the Act be terminated in accordance with due process; in that instance, wage loss handled under Workers' Compensation. The disabled employee under the Act is entitled to 100% of their wage, unlike under Workers' Compensation where the weekly benefit is subject to 66.66% of the employee's average weekly wage from the preceding 12 months. While the benefits under the Act bring a significant higher cost to the City than what the Workers' Compensation benefit may have been, there is nothing the City can do as the Act governs how injured police officers and firefighters are to be paid in the event of a work related disability.

Claims Management

The City has contracted with Inservco Insurance Services (Inservco) as a third party claims administrator to process its self-insured Workers' Compensation claims. Inservco has been the City's Claims Administrator since 2000.

As the City sought to solicit competitive bids for the 2011 term, Inservco agreed to extend the expiration date of their contract from December 31, 2010 to March 1, 2011 in order to allow the City time to develop an RFP and to solicit competing bids. The City only received competitive bids from two firms.They were PMA and Inservco. The most competitive bid was from Inservco. As a result of the competitive process, the renewal rates offered by Inservco were reduced. As the City sought to maintain a calendar year contract, Inservco's current contract was written for the term March 1, 2011 through December 31, 2011. Set forth below is a comparative analysis of the Inservco rates in 2010 and the rates for 2011 as a result of the competitive bidding.

	Min Fee	Max Fee	Medical Only Fee	Indemnity Fee
2010	$31,195	$40,989	$129.10	$647.73
2011	$20,000	$35,000	$125.00	$595.00
Difference	($11,195)	($5,989)	($4.10)	($52.73)

Clearly the competitive bidding process has allowed the City to reduce its Workers' Compensation claims management expense. The City was also presented with another option to consider (Option II). That was a Cost per Claim (regardless of Type) expense option in which the cost would be $230 per claim. As for which option was the more cost effective option, claim count data by claim type for each of the past three years (i.e., 2008, 2009 and 2010) follows:

Year	Claim Type	No. of Claims	2011 Rates	Cost
2008				
Option I	Medical Only	90	$125	$11,250
	Indemnity	30	$595	$17,850
	Total	**120**		**$29,100**
Option II	**Total**	**120**	**$230**	**$27,600**
2009				
Option I	Medical Only	110	$125	$13,750
	Indemnity	19	$595	$11,305
	Total	**129**		**$25,055**
Option II	**Total**	**129**	**$230**	**$29,670**
2010				
Option I	Medical Only	80	$125	$10,000
	Indemnity	26	$595	$15,470
	Total	**106**		**$25,470**
Option II	**Total**	**106**	**$230**	**$23,380**
Three Year Average				
Option I	Medical Only	93.3	$125	$11,663
	Indemnity	25	$595	$14,875
	Total	**118.3**		**$26,538**
Option II	**Total**	**118.3**	**$230**	**$27,209**

It would appear that based upon the City's claim history over the last three years, there is no one option that is substantially better than the other from a cost perspective. Hence, either alternative at this time would appear equally viable from a cost containment perspective.

Large / Problem Claim Notification - Management
The City manages its claims through an ad hoc committee that meets every other month. The committee is comprised of two representatives from the City's Bureau of Human Resources (one of which is the Director of Human Resources), the City Solicitor and outside legal counsel. When cases involve Police or Fire Bureau personnel, the Chiefs of these departments are invited to attend the meetings. It appears the City manages claims that have the potential to be problematic or have a large case reserve. The City, like any employer, from time to time is presented with a large claim. However, the City has been fortunate that problematic or large cases are the exception as opposed to the norm.

In regard to the manner in which the City is managing its Workers' Compensation claims, it would appear that the City takes an aggressive approach to investigate and manage these claims. The challenge the City faces, as does any employer, is that once the employee files a claim and it is accepted, the system tends to be employee friendly in regard to the termination of a claim. Based on the information examined, the City and its Claims Administrator are aggressively managing their respective responsibilities.

Light Duty Program
One primary tool to minimize loss experience is to return injured employees to work as soon as possible by offering light duty or modified duty assignments if they cannot return to full duty work. A light duty or modified duty job must be approved in writing by the employee's doctor before the light duty job offer is made. Light duty, modified duty and transitional work are all similar in that the goals of each are the same – return the injured employee to work as soon as possible. The earlier a person returns to work, the lower the claim costs.

The City's use of Light Duty is as follows:

- **Firefighters**: According to staff, their collective bargaining agreement (CBA) requires that five positions in the department must be used for Light Duty assignments for injured firefighters who are medically able to assume Light Duty assignments. Further, the CBA does not permit injured firefighters to be assigned to a Light Duty position anywhere else within City government, hence injured firefighters can only be employed within the Fire Bureau.

  When asked what would happen if the five positions were occupied and additional firefighters were injured and eligible for Light Duty, staff indicated that in all likelihood the newly injured workers would not return to work, as the CBA only requires five positions to be used for Light Duty assignments.

  While the Department has agreed to Light Duty assignments, it is recommended that a specific number of agreed upon positions should be eliminated. Further, if the Fire Department does not have a light duty position that can accommodate an injured firefighter, then as an employee of the City, the firefighter should be permitted to be assigned anywhere else in City government where a need exists that takes into account the injured firefighter's medical limitations.

- **Police**: According to staff, the CBA does not make any reference to the participation in a Light Duty program. The support and cooperation given by the Police Bureau to place disabled police officers in Light Duty positions is positive and the Police Chief is to be commended for his tenacious support of Light Duty assignments. In 2009, the Police Bureau incurred approximately $200,000 annually in Injured on Duty costs. By bringing back injured police officers and placing them in open Light Duty positions, in 2010 the annual cost was reduced to $110,000.

- **Non-Uniform or AFSCME Workers:** A Light Duty program is practiced with success as it relates to non-uniform employees of City government. The City aggressively employs such a program.

Automobile Liability and Physical Damage
Details of the City's program are as follows:

- Insurer: Travelers Companies, Inc.
- A.M. Best Rating: A+(XV)
- Limit: 1,000,000
- Retention (Liability): $0
- Deductible (Phys. Damage)
    - All Vehicles $1,000
    - Fire Trucks $3,000

The City owns approximately 320 vehicles, plus 43 trailers, licensed for road use, all of which are insured under a policy provided by Travelers Insurance Company. There is no deductible as it relates to third party liability claims, while the deductible for Physical Damage (i.e., collision and comprehensive) claims involving City owned vehicles is $1,000 per accident with the exception of fire trucks where the deductible is $3,000 per accident.

Fleet Safety
The City should undertake Fleet Management and Fleet Safety programs. There are no formal guidelines developed to deal with employees who have at fault accidents or moving violations.

Physical Damage Self Funding
The policy provides coverage for physical damage (i.e., collision and comprehensive) to the City's entire fleet of vehicles. This typically is one area that an organization with a large fleet of vehicles will find more cost effective to self-insure (depending upon the number of vehicles, physical damage premium and loss experience). While the Act 47 Coordinator is not aware as to the premium applicable to physical damage coverage, with 320 vehicles and 43 trailers making up the City's fleet, it would appear to be economically viable to self-insure the physical damage exposure.

Physical Damage Subrogation
A $1,000 deductible is applicable to all physical damage losses to a City vehicle, with a deductible of $3,000 for fire trucks. Where a City vehicle is damaged and the repair costs are less than the deductible, the City, through its Purchasing Department, pursues recovery against the responsible third party or their insurer. If the City elects to self-insure its physical damage exposure, this is one area that will need to be aggressively managed in terms of fairly and accurately appraising the cost of repairs to a damaged vehicle and the need to pursue subrogation against the responsible third party or their insurer.

Underinsured (1) and Uninsured (2) Motorist Coverage
The limit applicable to Underinsured Motorist Coverage is $1 million and the limit applicable to Uninsured Motorist Coverage is also $1 million. Each is described below:

(1) An "Underinsured Motorist Clause" provides coverage to a party for property damage and bodily injury caused by another motorist whose coverage is insufficient to cover the damages that they caused. The clause allows the policy to compensate the

injured party for the difference between the injury suffered and the liability covered by the insurance of the driver at fault.
(2) An "Uninsured Motorist Clause" provides for a driver to receive damages for any injury they receive from an uninsured, negligent driver.

The Commonwealth of Pennsylvania requires that all commercial vehicles maintain a minimum limit of $35,000. While it is not uncommon to carry limits greater than the statutory minimum, it comes at a cost.

Property Insurance
The City's property insurance program is as follows:

- Insurer: Travelers Companies, Inc.
- A.M. Best Rating: A+ (XV)
- Limit: $231,409,420
- Deductible: $25,000

The City insures its property with the Travelers Insurance Company. The projected aggregate replacement cost for all City facilities and contents is $231,409,420. The policy is subject to a $25,000 deductible. At issue is potential damage done to City property by third parties in which the repair cost is less than $25,000. As with auto physical damage subrogation, it appears that recovery is pursued, hence, the City, through its Bureau of Human Resources, is recovering incurred costs.

Law Enforcement Liability
The City's law enforcement liability coverage is as follows:

- Insurer: Travelers Indemnity Insurance Company
- A.M. Best Rating: A+ (XV)
- Limit: $1,000,000
- Retention: Nil

The City insures against third party liability arising from Law Enforcement Liability through a policy underwritten by Travelers Indemnity Insurance Company.

Umbrella Excess Liability
The City's umbrella excess liability coverage is as follows:

- Insurer: Travelers
- A.M. Best Rating: A+ (XV)
- Limit: $5,000,000 in excess of underlying primary General Liability, Automobile Liability and Employers Liability

The Excess Liability policy captioned above is designed to provide catastrophe protection in excess of the primary casualty policies in force such as the General Liability, Automobile Liability and Employers Liability. As the first two each provide a limit of $1 million per occurrence, the City has an aggregate level of protection in connection with general liability or tort claims and automobile liability claims of $5 million.

While the City is protected by governmental immunity by statute, claims can still be made against the City for gross negligence in tort and claims involving auto liability.

Initiatives

IRM01.	Fund Risk Management Services	
	Target outcome:	Improved risk management
	Five year financial impact:	($116,483)
	Responsible party:	Chief of Staff/Business Administrator and Director of Financial Management

The City shall employ a full time Risk Manager or contract for these services. A full time Risk Manager will not only assume all of the current consultant's responsibilities, but will be responsible for all claim reporting, management and implementation of a City-wide Safety Program. With the implementation of a proactive Safety Program, the added cost to fund a full time Risk Manager position will more than be offset by the benefits associated with a proactive safety program and proactive claims management. If the hiring of a full time Risk Manager is not financially viable at this time, then it is recommended that the City solicit competing offers for the services the consultant currently provides. The annual fee of $54,900 that the City has been paying its consultant can be reduced through the competitive bidding process, perhaps by as much as half the cost, which would be a savings of $27,450.

Financial Impact

2011	2012	2013	2014	2015	Total
($6,683)	($27,450)	($27,450)	($27,450)	($27,450)	($116,483)

IRM02.	Revise terms of brokerage service agreement	
	Target outcome:	Cost reduction
	Five year financial impact:	$87,474
	Responsible party:	Risk Manager and Director of Financial Management

At time of renewal the City shall move away from the traditional commission methodology of brokerage compensation and establish a negotiated fee for service, resulting in all paid premiums at renewal being net of commission.

A formal RFP process shall be undertaken for brokerage services. Firms that are well known in the government sector should be invited to present their qualifications, experience and proposed service offering. Further, brokerage compensation shall be based on a negotiated fee; all participating brokers should be informed that premiums must be net of commission and that they are to set forth their fee expectations for the 2011-2012, 2012-2013 and 2013-2014 terms. The reason for a three-year term is that any broker assuming an account will typically invest significant time getting to know the account in the first year. A multi-year relationship allows the participating brokers to set their fee requirements at levels that may be less than the aggregate $127,500 that should be paid to the two incumbent brokers if they were to be transitioned to a negotiated fee.

The City shall develop a comprehensive Brokerage Services Agreement to be agreed to and executed by the broker appointed to represent the City. Such an agreement shall clearly set forth the brokers' roles and responsibilities, the City's service level expectations, broker compensation, termination criteria, indemnification and insurance requirements to be imposed on the broker and other terms.

The projected $115,049 in annual commission compensation received by Marsh for the services to be provided as outlined in the Engagement Letter is slightly outside the range of a reasonable fee. An annual fee should be in the range of $100,000. The City could realize a savings of $15,049 annually in placement related expenses. AIA's compensation should be based on a negotiated annual fee. An annual fee in the range of $27,500 should be negotiated in which the City would realize an annual savings of $5,533. All insurance contracts that are placed by either Marsh or AIA should be placed by one broker.

Financial Impact

2011	2012	2013	2014	2015	Total
$5,146	$20,582	$20,582	$20,582	$20,582	$87,474

IRM03.	**Remarket all lines of insurance**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available
	Responsible party:	Risk Manager and Director of Financial Management

The City shall remarket its entire insurance program this year. Subsequently, the City shall remarket all the lines of insurance every two to three years. Competition can either lower premium costs or control premium increases. As the market for distressed governmental entities appears to be limited, by appointing one broker and giving that broker access to the entire market, the City will be able to leverage not only one market against another, but will also be able to package lines of coverage that are less likely to have claims with those that have claim frequency with the net result to lower the aggregate cost of insurance. It is estimated that the City would achieve savings of $37,500 to $50,000 over the next five years.

IRM04.	**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**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Risk Manager and Director of Financial Management

The City shall engage an actuarial firm to perform a calculation independent of the Bureau of Workers' Compensation for the Commonwealth of Pennsylvania to determine the appropriateness of the Bureau's assumptions and calculations. Further, actuaries will typically use industry development factors in their calculations. Given that the City has been a qualified self-insurer for at least 10 years, the development factors can be calculated using the City's own loss experience, which will result in calculations that have greater credibility.

IRM05.	**Seek competitive bids for Workers' Compensation Claims Management Services**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available; subject to competitive bidding
	Responsible party:	Risk Manager and Director of Financial Management

The City shall seek competitive bids for Workers' Compensation Claims Management Services. The City shall allow bidders who do not maintain a presence within the City to offer competing proposals. Increased competition tends to drive down costs.

IRM06.	**Revise collective bargaining agreements to allow for flexible Light Duty Program**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available
	Responsible party:	Risk Manager, Director of Financial Management and City Solicitor

The City shall negotiate changes to its CBAs to allow for the formal implementation of a Light Duty Program in both the Police and Fire Bureaus.

Any such program shall be aggressively and consistently applied in instances in which a City employee is disabled with regard to their assigned position, but is able to return to work subject to medical limitations. If a City employee is disabled, regardless if the benefits are being paid under Heart and Lung or Workers' Compensation, in order to maximize the effectiveness of the program, employees shall be permitted to be placed anywhere within City government where the City could realize a benefit, if the position is temporary, and is within the medical limitations as set forth by the employee's treating physician. Savings can be realized in having such a program.

In the event an AFSCME worker is collecting Workers' Compensation benefits, his/her position must remain open for 18 months at which time if the employee is not able to return to work, the position can be filled. Keeping a position open this long has an impact on City services, overtime and incurs costs associated with pension accruals and employee benefit costs that continue to be provided to the injured employee at the City's expense. The City must have the right to fill the injured employee's position and, if necessary, terminate employment.

Injured police officers and firefighters are reclassified from being temporarily disabled to permanently disabled, at which point the employee is then given a disability retirement. After six months of continued disability, the City should be given the right to fill the injured employee's position.

IRM07.	**Create a Safety Program to manage risk of vehicle liabilities**	
	Target outcome:	Cost and risk reduction
	Five year financial impact:	Not available
	Responsible party:	Risk Manager and Director of Financial Management

The City shall create a Safety Program to manage the City's liability risk. Not having a formal safety program and allowing employees to continue to operate a City vehicle exposes the City to extraordinary risk of loss in connection with more frequent automobile liability claims and damage to City owned vehicles. Further, policies and procedures need to be developed with regard to an ongoing review of the motor vehicle records of current City employees along with a review of all accidents involving City owned vehicles and what number of preventable accidents and/or moving violations or any combination thereof will be cause for termination or revocation of the privilege to operate a City vehicle. These guidelines shall be uniformly and consistently applied throughout City government, inclusive of the Police and Fire Bureaus. Apparently disciplinary or remedial actions that are taken vary from one department supervisor to another. This lends itself to discriminatory practices within City government.

IRM08.	**Conduct a cost-benefit analysis of self-insurance versus purchasing insurance for physical damage coverage**	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available
	Responsible party:	Risk Manager and Director of Financial Management

The City shall undertake an analysis to confirm that self-insuring the physical damage exposure is more cost effective then purchasing physical damage coverage under its current policy.

IRM09.	Conduct a cost-benefit analysis to determine adequate Umbrella Excess Liability coverage	
	Target outcome:	Cost and risk reduction
	Five year financial impact:	Not available
	Responsible party:	Risk Manager and Director of Financial Management

The City is underinsured in connection with its Umbrella Excess Liability coverage. Therefore, the City shall conduct a cost benefit analysis associated with increasing the Excess Liability limit to $10 million. The City's greatest exposure results from automobile liability. Without a Safety Management Program in place, along with juries' propensity to award high dollar verdicts when the defendant is a municipality, it would be prudent to increase the limit under Excess Liability.

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III. Elected and Executive Officials

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Mayor and City Council

Overview

Office of the Mayor

The City of Harrisburg operates under the Mayor-Council form of government. The Mayor is elected at-large and is the full-time Chief Executive of the City that heads the Executive branch of City government. As the Chief Executive, the Mayor is responsible for enforcing the laws of the Commonwealth and ordinances of the City.

The Mayor serves on a variety of outside public or quasi-public boards, including the Tri-County Planning Commission (TCPC), Harrisburg Area Transportation Study Group and the Capital Region Economic Development Corporation (CREDC). Appointments to the City's 24 boards and commissions are made primarily by the Mayor and confirmed by the City Council. Department head and management positions are also appointed by the Mayor and confirmed by the City Council. The Mayor manages City operations through the Chief of Staff/Business Administrator and department heads and oversees all employees through the administration of the City's personnel system, policies and three collective bargaining agreements.

The functions within the Office of the Mayor include communications, constituent relations and general support for the Office. The Office can play a significant intergovernmental role through the public bodies on which the Mayor serves and through interactions with the County, Commonwealth and Congressional representatives.

Staffing head count in the Office of the Mayor is listed in the table below; these numbers include a Communication Director, Ombudsman, Assistant to the Mayor and Special Assistant to the Mayor. The Ombudsman works directly with the public to provide requests for services and to resolve concerns and complaints. The Communication Director manages all aspects of the City's communications, marketing and public and media relations. The Assistant to the Mayor and Special Assistant to the Mayor support the Mayor, coordinate with department heads, manage the Mayor's calendar and provide assistance to the public.

With the turnover of the Communication Director position and the loss of the Chief of Staff position, the Ombudsman has taken over additional functions. The Chief of Staff was the Mayor's senior advisor on policy issues and assisted with intergovernmental affairs. While the Chief of Staff provided support to the Mayor on policy issues, the City is not in a position to fund this level of staffing in the Mayor's office.

A summary of the Office of Mayor's staffing and expenditure history is provided in the following tables.

Office of the Mayor - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	5	5	5	5	4	5
Filled	5	5	5	5	4	4

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Office of the Mayor
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$337,863	$305,848	$300,130	$280,839	$231,316	(31.5%)
Temporary	$0	$0	$0	$3,000	$500	0.0%
Overtime	$0	$0	$0	$0	$0	0.0%
Social Security	$25,847	$23,397	$22,960	$21,676	$17,734	(31.4%)
Benefits	$49,598	$65,603	$74,019	$0	$0	(100.0%)
Legal/Contract Services	$295	$25,013	$0	$0	$0	(100.0%)
Travel/Conferences/ Memberships	$0	$0	$1,164	$608	$3,013	0.0%
Lease Purchase	$4,504	$4,778	$0	$3,273	$4,467	(0.8%)
Other Miscellaneous	$29,695	$28,219	$10,771	$23,153	$12,577	(57.6%)
Total	**$447,802**	**$452,858**	**$409,044**	**$332,549**	**$269,607**	**(39.8%)**

Source: Historical data from City as provided

Office of the Mayor
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$413,307	$394,848	$397,109	$305,515	$249,550	(39.6%)
Non Personnel Expenditures	$34,494	$58,010	$11,934	$27,034	$20,057	(41.9%)
Total	**$447,802**	**$452,858**	**$409,044**	**$332,549**	**$269,607**	**(39.8%)**

Source: Historical data from City as provided

Office of the City Council

The City Council serves as the Legislative branch of the City. The City Council consists of seven City Council members, elected at-large to four-year, staggered terms and is responsible for approving all ordinances, including adopting an annual budget. Council members elect a Council President, who presides at its meetings. A Vice President is also elected to preside in place of the Council President in his/her absence. Legislative session is held at least twice a month, and study committees are utilized to conduct City business. The committees are: Administration; Budget and Finance; Building and Housing; Community and Economic Development; Children and Youth; Parks and Recreation; Public Safety; and Public Works.

The City Council is supported by the City Clerk and Assistant City Clerk. This staff is responsible for producing, recording and posting notices for the City Council agenda and all public meetings; attesting to official City documents; maintaining the City's records; and keeping City laws codified. The City Clerk's Office also provides general support to the members of the City Council.

The City Council budget is made up primarily of salaries of the seven City Council members, City Clerk and Assistant City Clerk. Staffing for this Office was reduced by one position in FY 2011.

A summary of the Office of the City Council's staffing and expenditure history is provided in the following tables. The significant amount in Legal/Contract expenses in 2007 was due to legal costs incurred by the City Council. Decreases in the budget are primarily from the Miscellaneous category.

Office of the City Council - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	10	10	10	10	10	9
Filled	10	10	10	10	9	9

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Office of the City Council
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$213,704	$263,916	$240,954	$285,262	$285,169	33.4%
Temporary	$0	$0	$0	$0	$0	0.0%
Overtime	$764	$967	$61	$0	$0	0.0%
Social Security	$16,407	$21,087	$19,110	$21,823	$21,815	33.0%
Benefits	$64,214	$81,200	$65,525	$0	$0	0.0%
Legal/Contract Services	$10,027	$275,582	$11,099	$1,186	$356	(96.4%)
Travel/Conferences/ Memberships	$9,568	$18,219	$11,770	$13,588	$11,414	19.3%
Other Miscellaneous	$32,935	$11,552	$33,593	$46,447	$15,985	(51.5%)
Total	**$347,619**	**$672,523**	**$382,112**	**$368,306**	**$334,739**	**(3.7%)**

Source: Historical Data from City As Provided

Office of the City Council
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$295,089	$367,170	$325,650	$307,085	$306,985	4.0%
Non Personnel Expenditures	$52,530	$305,353	$56,462	$61,221	$27,755	(47.2%)
Total	**$347,619**	**$672,523**	**$382,112**	**$368,306**	**$334,739**	**(3.7%)**

Source: Historical Data from City As Provided

Assessment

Office of the Mayor

The current Mayor was elected in 2009 and took office in 2010. The prior Mayor had served for 28 years. With the change in administration, a number of long-tenured departmental staff left the City at the end of 2009. Therefore, the new Mayor has had a significant number of department heads and Mayor's Office staff to recruit and hire since taking office in 2010.

Currently, the Chief of Staff/Business Administrator position is vacant; it has not been consistently staffed since December 2009. In January 2010, the Mayor appointed an interim Chief of Staff/Business Administrator and then hired a Chief of Staff; both subsequently left. The Mayor is currently recruiting for the Chief of Staff/Business Administrator position, which will play an important role in the implementation of this Recovery Plan. A Chief of Staff/Business Administrator will be critical in providing management and oversight of all City departments and developing a work plan for accomplishing key organizational and financial goals that will return the City to fiscal sustainability. However, the salary range for the Chief of Staff/Business Administrator position, which is low compared to the market, has created a significant recruitment challenge. The Chief of Staff/Business Administrator position is addressed further in the Administration chapter of this report.

Leadership from the Mayor will also be an important to implementing this Recovery Plan. It will be critical that the Mayor and Administration work closely and collaboratively with the City Council, City Controller and City Treasurer to monitor revenues, expenses and the progress toward implementing the Recovery Plan initiatives. This effort will require significant attention and resources from the Office of the Mayor.

The table below details the projected expenditures for the Office of the Mayor using the assumptions detailed in the Introduction chapter.

Office of the Mayor
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$312,000	$312,000	$312,000	$312,000	$312,000	$312,000	0.0%
Temporary	$0	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$23,869	$23,868	$23,868	$23,868	$23,868	$23,868	0.0%
Benefits	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$450	$450	$456	$463	$471	$481	6.9%
Travel/Conferences/ Memberships	$12,465	$12,465	$12,627	$12,829	$13,060	$13,321	6.9%
Lease Purchase	$5,000	$5,000	$5,066	$5,139	$5,233	$5,343	6.9%
Other Miscellaneous	$8,840	$8,840	$8,887	$8,944	$9,011	$9,089	2.8%
Total	**$362,624**	**$362,623**	**$362,904**	**$363,243**	**$363,644**	**$364,102**	**0.4%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Office of the Mayor
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$335,869	$335,868	$335,868	$335,868	$335,868	$335,868	0.0%
Non Personnel Expenditures	$26,755	$26,755	$27,036	$27,375	$27,776	$28,234	5.5%
Total	**$362,624**	**$362,623**	**$362,904**	**$363,243**	**$363,644**	**$364,102**	**0.4%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Office of the City Council

Upon completion, the City Council will receive the Act 47 Financial Recovery Plan for review. Following a public comment period and public hearing, the City Council will then vote on the enactment of the Recovery Plan. Once the Plan has been approved by the City Council and signed by the Mayor, Administration will have primary responsibility for implementation; the City Council will also play an active role in monitoring and supporting this implementation.

The table below details the projected expenditures for the Office of the City Council using the assumptions detailed in the Introduction chapter.

Office of the City Council
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$259,500	$259,500	$259,500	$259,500	$259,500	$259,500	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$19,852	$19,852	$19,852	$19,852	$19,852	$19,852	0.0%
Benefits	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$20,225	$20,225	$20,690	$21,215	$21,898	$22,704	12.3%
Travel/Conferences/ Memberships	$12,380	$12,380	$12,512	$12,676	$12,864	$13,076	5.6%
Other Miscellaneous	$16,400	$16,400	$16,518	$16,660	$16,828	$17,020	3.8%
Total	**$283,577**	**$328,357**	**$329,072**	**$329,902**	**$330,942**	**$332,152**	**1.2%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Office of the City Council
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Employee Expenditures	$279,352	$279,352	$279,352	$279,352	$279,352	$279,352	0.0%
Nonemployee Expenditures	$49,005	$61,385	$62,232	$63,226	$64,453	$52,800	7.7%
Total	**$328,357**	**$328,357**	**$329,072**	**$329,902**	**$330,942**	**$332,152**	**1.2%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Staffing in the Elected Officials' Offices
As noted previously, the City of Harrisburg has an elected Mayor, City Council, Treasurer and Controller. All four of these offices have their own individual staffs, functions and budgets. The table below shows the non-elected staffing levels for elected offices in Harrisburg and three other Pennsylvania Third Class cities.

Non-Elected Staff in Selected Pennsylvania Cities

City	Mayor	City Council	Controller/ Auditor	Treasurer
Harrisburg	4	2	2	8.4
Lancaster	2	1	0	0
Reading	3	3	1	4
Scranton	1	6	4	7

Staffing in the Harrisburg Mayor's Office is higher than in the cities of Lancaster, Reading and Scranton. Lancaster has the lowest staffing in the offices of elected officials, and Harrisburg and Scranton have the highest in terms of overall staffing.

The Office of the Treasurer chapter of this Recovery Plan includes an initiative to significantly alter staffing patterns (see Initiative TR03 "Transfer the Deputy Treasurer, Assistant Deputy Treasurer, Lead Cashier, Cashier II (2) and Accounting Clerk II positions from the Office of the City Treasurer to the Bureau of Financial Management under the Director of Financial Management"). Based on the higher staffing levels and the need to find ongoing savings and to provide support for all elected officials, the City of Harrisburg must create a new staffing model that requires shared support staff, central budgeting for combined needs and compulsory collaboration.

Initiatives

MCC01.	**Review progress on financial Recovery Plan implementation monthly and quarterly**	
	Target outcome:	Improved financial sustainability and accountability
	Five year financial impact:	Not available
	Responsible party:	Mayor and Council President

To implement the Recovery Plan and monitor the financial situation of the City, increased communication between the Mayor, City Council, City Treasurer, City Controller and Chief of Staff/Business Administrator shall occur. The City shall convene regular meetings (at least monthly) with the Finance and Budget Committee Chairperson, Mayor, Chief of Staff/Business Administrator and City Controller to review progress on the Recovery Plan, cash flow, revenues and expenditures (budgeted to actual) and any operational issues that may be impacted.

Additionally, the City shall monitor the implementation of the Recovery Plan by conducting quarterly financial reviews. Once completed by Administration, the quarterly reports shall be reviewed by the Act 47 Coordinator who shall provide comments on them to the City's elected officials. This information shall be reported quarterly at City Council meetings and provided on the City's website so that all residents, businesses and interested parties can track the progress of the Recovery Plan and the City's financial situation.

The Offices of the City Council, Mayor and Controller have not always worked collaboratively. It is imperative that all elected officials work together to restore the City's financial footing. Each office plays a critical role in the City's financial recovery. Regardless of the history, the future of the City of Harrisburg depends on the collaboration between all elected officials to keep the City on a path to financial recovery.

MCC02.	**Amend and pass City ordinances, fees and taxes as outlined in the Recovery Plan**	
	Target outcome:	Improved financial stability
	Five year financial impact:	Not available
	Responsible party:	City Council

The Recovery Plan will require some new and amended ordinances to implement all the provisions contained therein. The City Council will be critical in making sure this legislation is implemented in a timely fashion so that the fiscal impact of these initiatives can be fully realized. The City Clerk and Chief of Staff/Business Administrator shall meet to plan when items need to be presented to committees and in Legislative sessions of the City Council. Additional committee and Legislative sessions will need to be scheduled to keep the process moving expeditiously.

The Office of the Mayor and Chief of Staff/Business Administrator will also be critical in executing the Recovery Plan provisions, including ensuring changes in operations, policies and practices, drafting new ordinances for the City Council to consider, as well as managing the overall implementation and communicating progress on the Recovery Plan.

Office of the City Controller

Overview

The Office of the City Controller's mission is to ensure the fiscal health of the City of Harrisburg by advising the general public, City Council and Mayor of the City's financial condition.

The City Controller is elected at-large and is an independent office established to provide financial oversight to the City. By Commonwealth law, the City Controller reviews and approves all expenditures of the City. Additionally, the Office of the Controller is responsible for reviewing purchase orders, warrants and all other City expenditures to ensure budget authority and compliance with Commonwealth law and City Code.

The City Controller may examine, audit and settle accounts and shall annually (or more frequently) audit the collection and disbursement of public money and report findings to the City Council. An annual report to the City Council is required at its first meeting in March of each year. Monthly financial statements are issued to the Mayor, City Council and Treasurer that include analysis of revenues and expenditures. Additional ad hoc reports are prepared and presented as needed. The Controller may exercise financial control functions, which include requiring written warrants prior to fund disbursement.

The Office consists of the City Controller, Chief Deputy Controller and an Auditor. A summary of the Office of City Controller's staffing history is provided in the following table. As indicated in the table, staffing was reduced by one from 2010 to 2011.

Office of the City Controller - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	4	4	4	4	4	3
Filled	4	4	4	4	3	3

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Finances

The expenditures of the Office of the Controller are almost exclusively salary and benefit related. A summary of the Office of City Controller's expenditure history is provided in the following tables. The increases in the 2010 actual expenses in the Legal/Contract Services area were due to legal expenses.

Office of the City Controller
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$175,512	$177,390	$177,864	$170,147	$132,183	(24.7%)
Temporary	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	0.0%
Social Security	$13,427	$13,570	$13,607	$13,055	$10,112	(24.7%)
Benefits	$38,366	$42,108	$39,976	$0	$0	0.0%
Legal/Contract Services	$0	$0	$0	$0	$15,797	100.0%
Other Miscellaneous	$5,569	$4,273	$3,709	$2,613	$3,250	(41.6%)
Total	**$232,874**	**$237,341**	**$235,156**	**$185,815**	**$161,342**	**(30.7%)**

Source: Historical data from City as provided

Office of the City Controller
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$227,305	$233,068	$231,447	$183,202	$142,295	(37.4%)
Non Personnel Expenditures	$5,569	$4,273	$3,709	$2,613	$19,047	242.0%
Total	**$232,874**	**$237,341**	**$235,156**	**$185,815**	**$161,342**	**(30.7%)**

Source: Historical data from City as provided

Assessment

The City Controller, newly elected in 2010, provides a number of reports to the Mayor, City Council and Treasurer on the City's financial condition, including monthly reports. The monthly financial reports are also accessible to the public on the City Controller's website, which is helpful in ensuring transparency of the City's financial condition.

Commonwealth and City Code explicitly outline the roles and responsibilities of the City's departments and offices. After many years with the same office holders in both the Mayor and Controller's offices, there are now two new individuals in those positions. With the election of new office holders, there have been changes to past practices and in a few cases this has led to inefficiencies that need to be addressed. The current Controller has implemented changes in the Office's practices regarding review of payroll checks to ensure budget approval which, while in compliance with City Code and Commonwealth law, are changes from past procedures. One unintended consequence of the Controller's review prior to payment to employees has been that direct deposit through the City's payroll provider was stopped. While the Code requires that both the Treasurer and Controller authorize all checks and vouchers prior to payment, ending direct deposit is not an effective long-term solution. Negotiations with a new payroll vendor that can accommodate this revised practice while still providing direct deposit were underway and should be implemented immediately as noted in the initiative section.

Additionally, the City Code was amended by the City Council in 2010 requiring that, prior to authorization of any individual budgetary transfer from one department to another greater than

$20,000 within the most restrictive category set forth in the budget ordinance, or any transfer from any Personnel Services allocation, the Chief of Staff/Business Administrator must obtain City Council approval.[25]

These practices are a marked change from the City's past practices, and staff are still in an adjustment period that has included some confusion and inefficiency as internal processes and procedures are updated.

At present, the only area in which current practice is not supported by City Code language is the mandatory competitive bidding of professional services. This practice is currently enforced by the Office of the City Controller. While it is advisable to seek competitive proposals for professional services, a formal bidding process is not required by City Code. Therefore, it is beyond the purview of the Office of the City Controller to mandate.

The City is required by the Commonwealth and its own Code to conduct annual audits at the close of each fiscal year. The last audit was completed for FY2008. The 2009 and 2010 audits have not been completed because the preparation work has not been fulfilled by the City Finance Bureau staff. The City Council has recently authorized funding (through a grant from DCED) to hire an outside accounting firm to prepare the documents for the outside auditor. While the responsibility for getting documents prepared for the outside auditor lies with the Finance Bureau, the Controller's Office has staff capable of assisting in this effort. Although the Coordinator attempted to bring about a cooperative approach between the offices to move the audit process forward, the effort was not successful. Staff resources should be shared to expedite this process to the greatest extent possible. Sharing staff capacity during a time of extreme financial hardship would better serve the City and improve the strength of the City's financial condition.

The projected expenditures for the Office of the City Controller will continue to be driven primarily by personnel related costs. The table below details the projected expenditures for the Office using the assumptions detailed in the Introduction chapter.

Office of the City Controller
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$137,159	$137,159	$138,469	$139,818	$141,207	$142,162	3.6%
Temporary	$0	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$10,494	$10,493	$10,593	$10,696	$10,802	$10,875	3.6%
Benefits	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$7,100	$7,100	$7,264	$7,449	$7,690	$7,975	12.3%
Other Miscellaneous	$1,667	$1,667	$1,689	$1,716	$1,747	$1,784	7.0%
Total	**$156,420**	**$156,419**	**$158,015**	**$159,678**	**$161,447**	**$162,795**	**4.1%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

[25] Harrisburg City Code, Chapter 2-307.4(b).

Office of the City Controller
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	Growth %
Personnel Expenditures	$147,653	$147,652	$149,062	$150,514	$152,010	$153,037	3.6%
Non Personnel Expenditures	$8,767	$8,767	$8,953	$9,164	$9,437	$9,758	11.3%
Total	**$156,420**	**$156,419**	**$158,015**	**$159,678**	**$161,447**	**$162,795**	**4.1%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Initiatives

The Office of the City Controller is a critical link in the financial operations of the City. It is imperative that this Office work in close collaboration with the City Treasurer and Finance Bureau to efficiently safeguard the City's finances and execute this Recovery Plan in a timely manner.

CON01.	**Support Recovery Plan implementation as related to financial process improvements**	
	Target outcome:	Improved efficiency and improved accountability
	Five year financial impact:	Not available
	Responsible party:	City Controller

There are a number of initiatives outlined in this Recovery Plan which will require support of the City Controller's Office to implement. The City's financial recovery depends on full and timely implementation of this plan. The City Controller shall work collaboratively with the Act 47 Coordinator to ensure implementation of initiatives related to financial process improvements.

CON02.	**Communicate and collaborate with Mayor, City Council, City Treasurer and Department of Administration**	
	Target outcome:	Improved efficiency and improved accountability
	Five year financial impact:	Not available
	Responsible party:	City Controller

To implement the Recovery Plan and monitor the financial situation of the City, increased communication between the City Controller, Mayor, City Council, City Treasurer and Chief of Staff/Business Administrator must be implemented. The Finance and Budget Committee Chairperson, Mayor, City Controller and Chief of Staff/Business Administrator shall meet at least monthly to review cash flow, revenues and expenditures (budgeted to actual) and any related operational issues. The City Treasurer shall attend these meetings as necessary.

CON03.	Use code and statutory authority to ensure sound financial practices	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	City Controller

Authority granted to each unit of City government is explicitly outlined by Commonwealth law and City Code. The Office of the City Controller is exercising authority that is greater than was exercised by previous Offices of the Controller. With a change in office holders, the changes in practices caused some confusion among staff.

The Office of the Controller, Treasurer and Administration shall cooperate fully to ensure that direct deposit is restored for City employees. Currently, employees are able to receive payment through an ACH process set up with the Controller and Treasurer's Office but only approximately 30 employees are utilizing it. However, a contract with a new payroll provider will go into effect in July and should eliminate the need for this additional step. Paying employees through direct deposit eliminates the need for paper checks, which are still being issued. It is a best practice and a less expensive way to pay employees that needs to be reinstituted immediately.

Office of the City Treasurer

Overview

The City Treasurer is an elected office established to collect, hold safe and invest all City revenues including taxes, fees and fines. The City Treasurer receives and disburses all City funds in accordance with warrants signed by the City Controller. The Office of the City Treasurer also coordinates all electronic fund transfers and receipts and receives all taxes, fines, fees and other funds paid to the City from public and private sources. According to Pennsylvania Third Class City Code, the Office of the City Treasurer is the "collector of city, county, school and institution district taxes assessed or levied in the city." Additionally, the City Treasurer is tasked with depositing funds in a bank within the City and may make investments, subject to certain limitations. Investments are made to optimize interest earnings and retain cash available for operations.

The Harrisburg School District pays approximately one third of the Office of the City Treasurer's cost for the services it provides to bill, collect and process tax payments for the district.

In addition to the City Treasurer, staffing in the Office includes the following positions: Deputy Treasurer; Assistant Deputy Treasurer; Lead Cashier; two Cashier II positions; and Accounting Clerk II. The Office of the City Treasurer also funds two positions housed in the Bureau of Information Technology – a Computer Programmer and a System Programmer. A summary of staffing history is provided in the following tables.

Office of the City Treasurer - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	11.4	11.4	11.4	10.4	10.4	8.4
Filled	11.4	11.4	11.4	10.4	8.4	7.4

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Finances

A summary of the Office of the City Treasurer's expenditure history is provided in the following tables. Staffing has been reduced over the last three years due to budget cuts and the introduction of the scanning technology to improve the Office's productivity. The lease/purchase increase in 2009 and 2010 was due to the new scanner system.

Office of the City Treasurer
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$401,948	$405,752	$382,262	$428,846	$403,597	0.4%
Temporary	$30,619	$2,466	$5,756	$11,603	$0	(100.0%)
Overtime	$2,160	$851	$4,388	$0	$21	(99.0%)
Social Security	$33,257	$31,294	$29,579	$32,807	$30,877	(7.2%)
Benefits	$87,002	$93,669	$87,275	$0	$8,424	(90.3%)
Legal/Contract Services	$7,027	$0	$200	$812	$4,106	(41.6%)
Software	$28,239	$24,932	$15,249	$15,238	$15,693	(44.4%)
Maintenance/Service Contracts	$29,695	$46,896	$35,229	$30,159	$37,221	25.3%
Lease Purchase	$0	$0	$0	$41,818	$41,018	0.0%
Disaster Recovery System	$9,470	$9,584	$9,584	$9,584	$9,584	1.2%
Other Miscellaneous	$19,986	$14,729	$10,932	$11,562	$10,103	(49.5%)
Total	**$649,403**	**$630,173**	**$580,454**	**$582,429**	**$560,644**	**(13.7%)**

Source: Historical data from City as Provided

Office of the City Treasurer
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$554,986	$534,033	$509,260	$473,256	$442,919	(20.2%)
Non Personnel Expenditures	$94,417	$96,140	$71,194	$109,172	$117,725	24.7%
Total	**$649,403**	**$630,173**	**$580,454**	**$582,429**	**$560,644**	**(13.7%)**

Source: Historical data from City as Provided

Assessment

The Deputy Treasurer provides a daily Treasurer's Report to the Bureau of Financial Management noting all receipts. The daily Treasurer's Report aids the Bureau of Financial Management in monitoring the City's cash flow; the data is entered into the Pentamation system. Another responsibility of the Treasurer is to make investments on behalf of the City. However, because of the low cash flow balance, there has been little investment opportunities except money market type options to retain liquidity.

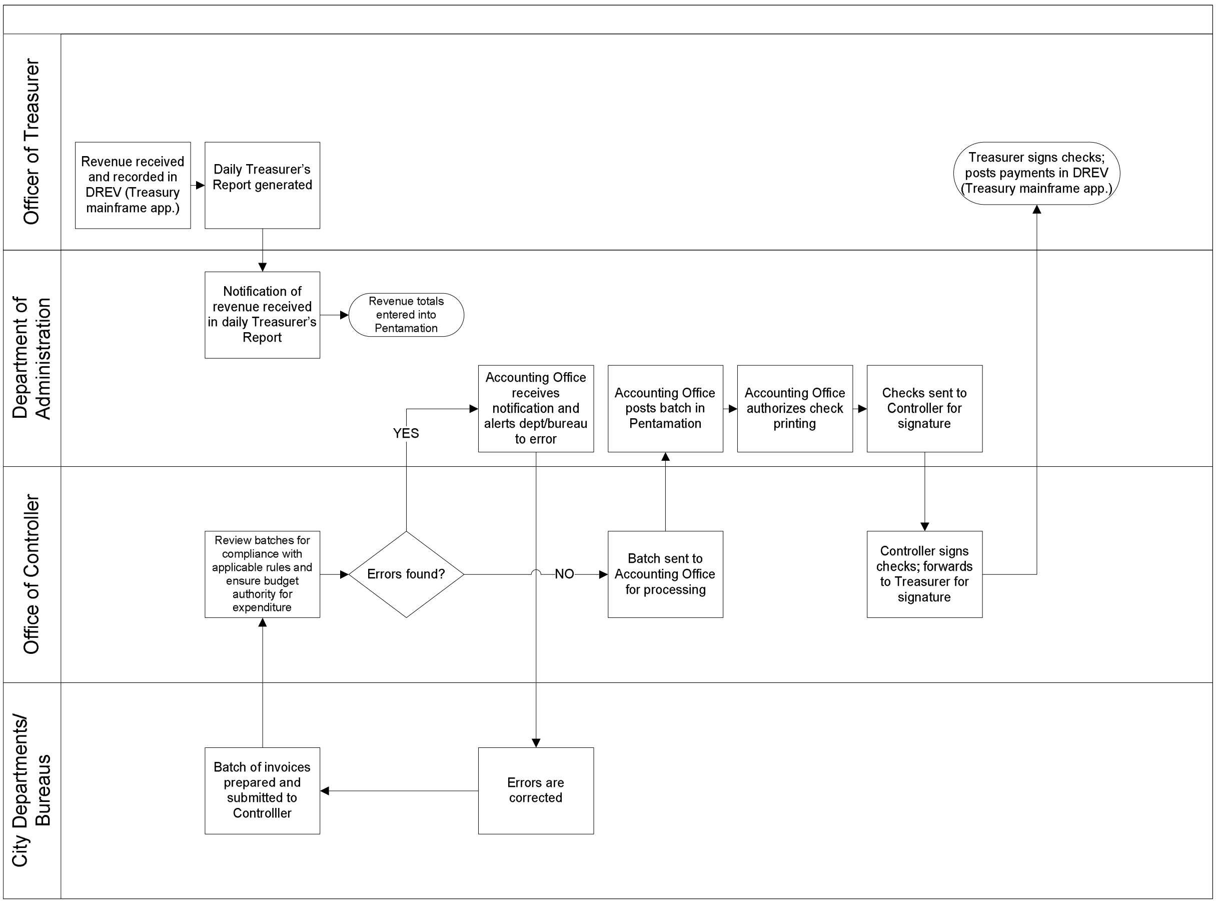
In 2009, the Office of the City Treasurer implemented new optical scanning technology that opens and scans the mail containing checks for all types of funds owed to the City, including taxes, fines and fees. The software uses barcodes and optical character recognition to classify documents, searches for a match in the system and provides a report of discrepancies which are reviewed by staff. This has eliminated a significant amount of manual sorting and data entry by Treasurer's Office employees. The total number of staff has been reduced by one position, as a result of the introduction of this new, more efficient technology.

Even though the Office of the City Treasurer generates the electronic report that is used by the Bureau of Financial Management daily, there is limited personal interaction between the two offices. For example, the Office of the Treasurer is not involved in developing revenue projections for the budget, even though all revenue is received in this office. No formal meetings occur among staff to discuss financial matters. Staff in the City Treasurer's Office has knowledge of the data available in the mainframe system which would be beneficial to the Bureau of Financial Management.

General frustration regarding lack of communication and reliable information about the City's operations has generated some confusion within City government regarding roles and responsibilities, particularly among the Department of Administration and the Offices of the City Controller and Treasurer.

The following figure is illustrative of the responsibility shared by the Department of Administration and the Offices of the City Treasurer and City Controller for the City's financial management functions, such as receiving revenue and processing vendor payments.

Financial Management Processes in Department of Administration and Offices of the City Treasurer and City Controller



All applicable Commonwealth and City Code language explicitly outlines the roles and responsibilities of the Department of Administration and the Offices of the City Treasurer and City Controller. Some of the City's past administrative practices have recently been changed, however, with the election of the new City Controller and Mayor, and City staff is still in an adjustment period that has included some confusion and inefficiency as internal processes and procedures are updated.

Though current operations within the Department of Administration and the Offices of the City Controller and Treasurer are in accordance with the City's ordinances, these operations are not occurring as efficiently as possible. With this in mind, the City is well advised to consider the consolidation of financial management responsibilities in the Department of Administration, with the Office of the City Controller retaining oversight and auditing responsibilities.

It is common practice in many municipalities across the country for financial operations to be housed completely in a single office or department. This includes all financial functions, such as receiving revenue, disbursing funds, assigning funds to individual departments and operating units and ensuring compliance with all fiscal regulations. In Harrisburg, these financial functions are currently split between the Bureau of Financial Management and the offices of two separate elected officials, City Treasurer and City Controller. This level of complexity is unnecessary for sound financial management, adds unnecessary steps to financial operation, and leads to a higher number of total staff.

The figure above illustrates one example of the flow of funds through the Department of Administration and the Offices of the City Controller and Treasurer, particularly the current complexity of financial reviews and approvals. In this City, with limited resources for basic administrative operations, those staff members with financial skills and experience are currently working in three separate units. Under the current leadership, there is no opportunity for increased efficiency, which might be gained by grouping these staff members together, so that they may be cross-trained to offer back-up assistance to one another. Because of the history of dysfunction between and among the City's elected officials, staff with financial management responsibilities do not work across departments and offices or offer any back-up assistance at present.

With the current low staffing level in the Bureau of Financial Management, even the most basic financial functions are not being successfully performed. Considering the critical nature of this staffing shortage, the City is well-advised to consider possible scenarios by which staff in the Bureau of Financial Management and the Office of the City Treasurer may be combined under one bureau or office. This will facilitate communication among financial staff and allow for cross-training opportunities, particularly between staff in the Bureau's Budget and Accounting work units and the Office of the City Treasurer. Combining staff should also increase the City's overall financial capacity by simplifying financial processes.

As the Office of the Treasurer implements online credit card payments and the number of online transactions increases, there will be a decreasing need for teller staffing. Combining staffing between the Bureau of Financial Management and Office of the City Treasurer also provides better opportunities for backup during busy times. To ensure success, the merging of staff will require cross-training for all incumbents. While the City's elected Treasurer position will remain unchanged, the current staff within the Office of the City Treasurer would be housed in and supervised under the Bureau of Financial Management in the Department of Administration.

Projections

The table below details the projected expenditures for the Office of the City Treasurer using the assumptions detailed in the Introduction chapter.

Office of the City Treasurer
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$377,889	$377,889	$384,925	$389,597	$394,409	$397,713	5.2%
Temporary	$0	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$28,908	$28,909	$29,447	$29,804	$30,172	$30,425	5.2%
Benefits	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$5,000	$5,000	$5,116	$5,246	$5,416	$5,616	12.3%
Software	$15,350	$15,350	$15,550	$15,798	$16,083	$16,404	6.9%
Maintenance/Service Contracts	$47,160	$47,160	$47,773	$48,537	$49,411	$50,399	6.9%
Lease Purchase	$41,020	$41,020	$41,558	$42,158	$42,933	$43,835	6.9%
Disaster Recovery System	$11,101	$11,101	$11,101	$11,101	$11,101	$11,101	0.0%
Other Miscellaneous	$12,581	$12,581	$12,699	$12,831	$13,000	$13,196	4.9%
Total	**$539,009**	**$539,010**	**$548,169**	**$555,072**	**$562,525**	**$568,689**	**5.5%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Office of the City Treasurer
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$406,797	$406,798	$414,372	$419,401	$424,581	$428,138	5.2%
Non Personnel Expenditures	$132,212	$132,212	$133,797	$135,671	$137,944	$140,552	6.3%
Total	**$539,009**	**$539,010**	**$548,168**	**$555,073**	**$562,525**	**$568,689**	**5.5%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Initiatives

Like the Office of the City Controller, the Office of the City Treasurer is a critical link in the financial operations of the City and must work collaboratively with the City Controller and Finance Bureau to efficiently safeguard the City's finances and execute this Recovery Plan.

TR01.	Communicate and collaborate with the Mayor, City Council, Administration and City Controller on major financial issues, including cash flow and Recovery Plan implementation	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	City Treasurer

To implement the Recovery Plan and monitor the financial situation of the City, increased communication between the City Treasurer, Mayor, City Council, Chief of Staff/Business Administrator and City Controller shall be implemented. As outlined in Initiative CON02 "Communicate and collaborate with Mayor, City Council, City Treasurer, and Department of Administration," the Finance and Budget Committee chairperson, Mayor, Chief of Staff/Business Administrator and City Controller shall meet at least monthly to review financial and operational issues. The City Treasurer shall attend those meetings, as necessary.

TR02.	Implement online credit card payments in 2011	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	City Treasurer

Customers are accustomed to having convenient options on how to pay their bills, including the use of online credit or debit card transactions. The City currently does not offer any online credit card payment options.

There is one project currently under development that will improve the efficiency of operations and increase the convenience of paying for City services: allowing online payments using credit cards. Credit card payments are currently accepted through in-person transactions in several City offices, including the Office of the Treasurer and the Recreation Bureau. The Treasurer's Office is developing recommended convenience fees for all credit card use, which would include payment of all fines, fees and taxes owed to the City. This will make payments simpler for residents and allow for more timely receipt of payments by the City. Online credit card payments for fines, fees and taxes also eliminate some of the manual work currently being completed by the City staff (or the optical scanner) since the customer inputs much of this data online.

The City shall establish convenience fees and implement online credit card transactions as soon as possible in 2011. Within six months of implementation of online payments, the City shall assess the impact on workload in the Office of the City Treasurer to determine if reduction in staffing levels is warranted.

TR03.	**Transfer the Deputy Treasurer, Assistant Deputy Treasurer, Lead Cashier, Cashier II (2) and Accounting Clerk II positions from the Office of the City Treasurer to the Bureau of Financial Management under the Director of Financial Management**	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator and Director of Human Resources

The staff of the Treasurer's Office who collect and disburse City funds must work more closely with the Bureau of Financial Management and the City Controller to ensure that the City's financial transactions are executed in a timely, cost efficient manner. The current system is cumbersome and does not provide adequate financial capacity in its current structure. Therefore, the City shall transfer financial resources into the Bureau of Financial Management to enable additional capacity during the heaviest tax collection time and shift some of the staffing to budget review, analysis and audit preparation during other times of the year. Cross training of staff in the Office of the City Treasurer and the Bureau of Financial Management shall occur, and job descriptions shall be revised as needed based on changes in major job duties.

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IV. Administration and Professional Services

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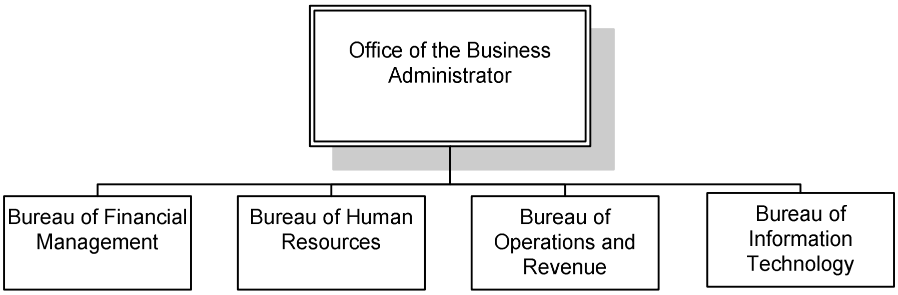
Department of Administration

Overview

The Department of Administration provides the central administrative functions of the City of Harrisburg, including central financial functions in conjunction with the Office of the City Treasurer and the Office of the City Controller. The Department consists of the Office of the Chief of Staff/Business Administrator; the Bureau of Financial Management; the Bureau of Human Resources; the Bureau of Operations and Revenue; and the Bureau of Information Technology. The Chief of Staff/Chief of Staff/Business Administrator is the head of the Department of Administration and reports directly to the Mayor. The organizational structure of the Department is shown in the figure below.



The **Office of the Business Administrator** oversees all operations within the Department of Administration. The Chief of Staff/Business Administrator serves as the Chief Financial Officer of the City and is also responsible for labor relations and contract negotiations with the City's three bargaining units. The Chief of Staff/Business Administrator is a Cabinet-level position, appointed by the Mayor and confirmed by the City Council. The incumbent has the authority to oversee the direct management of all City departments which are under the administrative jurisdiction of the Mayor. In addition to the Chief of Staff/Business Administrator, the Office is also staffed with a Special Assistant to the Chief of Staff/Business Administrator, as included in the FY2011 Adopted Budget.

The **Bureau of Financial Management** houses the accounting, budgeting, grants management, purchasing and insurance claims and collections functions for the City. The Bureau is led by the Director of Financial Management, who reports to the Chief of Staff/Business Administrator. The Director of Financial Management is responsible for overall policy formulation and the management of Bureau activities related to fund accounting, auditing, budgeting, financial reporting (including the City's Comprehensive Annual Financial Report), revenue administration, debt and investment management, pension administration and purchasing activities throughout the City.

The Office of Accounting manages the cash flow and accounts payable functions for the City in conjunction with the Offices of the Treasurer and Controller. The Office is staffed with the Accounting Manager and an Auditor. In conjunction with the Budget Manager, the Accounting Manager is responsible for updates to the City-wide financial management system (i.e., Pentamation). The Accounting Manager also contributes to the development of the City's CAFR.

The Office of Budget and Analysis is responsible for the preparation, development and distribution of the City's annual budget documents, including the annual Mid-Year Fiscal Report. The Office is staffed with the Budget Manager. In conjunction with the Accounting Manager, the Budget Manager is responsible for updates to Pentamation, as well as the overall management of the system. Along with the Accounting Manager, the Budget Manager also contributes to the development of the City's CAFR.

The Office of Grants Management is responsible for the development and management of grant funding for City operations, primarily from Commonwealth and Federal government sources. The Office is staffed with the Grants Manager. The Grants Manager monitors the receipt and expenditure of all City grant funds, with the exception of funds received from the U.S. Department of Housing and Urban Development (HUD), which are managed in the City’s Department of Building and Housing Development (DBHD). Additional detail about HUD funds can be found in the Building and Housing Development chapter of this Recovery Plan. The Grants Manager, in conjunction with the Budget Manager and the accounting staff within the Office of the City Treasurer, is responsible for ensuring that City grant funds are appropriately reflected in the City's financial management systems and is also responsible for state and federal financial reporting on expenditure of the City's grant funds.

The Office of Purchasing and Insurance Claims/Collections is responsible for overseeing the procurement of most City materials, supplies and services, as well as the processing of insurance claims for damages caused by the City and collection of insurance monies resulting from damages to the City's property. The Office is staffed with the Purchasing and Insurance Claims/Collections Manager who is responsible for ensuring the fair and equitable distribution of City contracts and agreements for goods and services, including the preparation and advertising of public bids and the awarding of those contracts. The Purchasing and Insurance Claims/Collections Manager works closely with the Offices of the City Solicitor and City Controller in the enforcement of City Code regulations related to purchasing and contract execution.

The **Bureau of Human Resources** oversees and administers a wide range of centralized personnel services for City government. The Bureau is led by the Director of Human Resources who reports to the Chief of Staff/Business Administrator.

The Bureau's responsibilities include, but are not limited to: recruitment; hiring; enforcing civil service rules and regulations; and administration of promotional processes, where applicable, for the Harrisburg Police, Fire and Non-Uniform Civil Service Commission. The Bureau is also responsible for unemployment compensation, management of health care and leave benefits for City employees, worker's compensation and administration of the federal Family and Medical Leave Act (FMLA) and the Americans with Disabilities Act (ADA).

In conjunction with the City's department heads, the Bureau maintains all City job descriptions for management and bargaining unit positions. The Bureau is also responsible for processing the City's bi-weekly payroll, maintaining payroll records and ensuring the accuracy of federal, state and local tax deductions as well as other mandatory payroll deductions and voluntary contributions. The Bureau ensures that all withholding reporting requirements are met and, when applicable, that scheduled salary increases for bargaining unit employees and merit pay increases based on performance evaluations for management personnel are implemented.

The Bureau is the primary point of contact within the City for questions related to employee discipline. In conjunction with the Office of the Business Administrator, the Bureau also participates in the grievance process and plays a critical role in labor relations within the City.

The Bureau is responsible for the management of risk and the acquisition of insurance coverage for the City government. The Bureau manages the worker's compensation self-insured program and all litigation cases, in conjunction with the City Solicitor's Office. The Bureau is currently assisted in these duties by a risk management consultant, though funding for this contract was eliminated in the

FY2011 Adopted Budget. Additional information regarding the City's insurance program can be found in the Insurance and Risk Management chapter of this Recovery Plan.

In addition to the Director of Human Resources, the Bureau is staffed with: a Personnel Officer II who is responsible for payroll data entry and coordination with the City's third party payroll processing vendor; an Affirmative Action Officer, which is a newly created position; a Benefits Administrator; a Human Resources Generalist, who performs risk management and insurance-related duties; and a Confidential Secretary.

The **Bureau of Operations and Revenue** provides utility billing and delinquent collections, tax billing, auditing and enforcement and other administrative support functions for the City, which includes the support and management of the City's telephone system. The Bureau is led by the Director of Operations and Revenue, who reports directly to the Chief of Staff/Business Administrator.

The Credit and Collection Unit bills utility payments on behalf of the City and THA. The Office of the Treasurer is primarily responsible for receiving utility payments, with the exception of delinquent payments, which are received by the Credit and Collection Unit. The Unit bills City residents and businesses as well as utility customers in six outlying municipalities including Susquehanna Township, Lower Paxton Township, Swatara Township, Penbrook Borough, Steelton Borough and Paxtang Borough. Services billed include water, sewer and trash services. The Unit establishes accounts, produces and distributes monthly billing statements, establishes customer payment plans (as necessary), pursues collections for delinquent payments and terminates water service when there is chronic payment delinquency on an account. The Unit also initiates legal action on customer accounts if collection efforts are not successful. The Unit is staffed with three Customer Service Representatives/Account Specialists, an Administrative Assistant and a Posting Specialist.

The Tax and Enforcement Unit bills and collects mercantile, business privilege & mercantile, parking and amusement taxes as well as various license fees on behalf of the City and the Harrisburg School District. This unit also administers the dog licensing program and manages all billing activities associated with the City's burglar and fire alarm monitoring and responses. A civil collection program is in place to collect all delinquent taxes. The unit is staffed with a Tax and Enforcement Administrator, a Paralegal, a Secretary II and a Clerk Typist/Data Entry Operator.

The City's Duplication Center, Mail Room and Central Office Supply are also housed within the Bureau. They are staffed with a Central Support Assistant II and a Reproduction Technician II. The Building Maintenance Work Unit was moved to the Department of Public Works (DPW) in the FY2011 Adopted Budget.

The **Bureau of Information Technology** is addressed in detail in the next chapter of this Recovery Plan.

The table below depicts the Department's historic and current staffing levels, which have remained relatively constant in recent years. The exception to this trend is the decrease in budgeted positions from 2010 to 2011, which is attributable to the transfer of the Building Maintenance Work Unit to the Department of Public Works. Staffing levels for the Bureau of Information Technology are not included below (see the Bureau of Information Technology chapter for more details).

Department of Administration - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	35.0	30.0	31.0	31.0	35.0	25.0
Filled	31.0	30.0	30.0	30.0	30.0	21.0

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Other Resources

The Department of Administration utilizes Pentamation, the City's financial management system and the City's mainframe system to perform daily functions in all of its bureaus and offices.

The City has historically contracted with a third party provider for insurance and risk management services. The annual funding for this contract was eliminated in the City Council's FY2011 Adopted Budget, and it is currently unclear how this contractual service will be funded in the future or how these services might be performed in-house with existing staff. The Department of Administration also contracts with third party vendors for risk and safety-related training sessions for City employees. Additionally, the City contracts with a third party provider for payroll processing services. As previously noted, additional information can be found in the Insurance and Risk Management chapter of this Recovery Plan.

Finances

The tables below show historical expenditures for the Department of Administration across all Bureaus with the exception of Information Technology for the period 2006 through 2010. The tables include data associated with the Bureau of Labor Relations, which was eliminated in 2006. Functions previously performed by the Bureau of Labor Relations were then assumed by the other work units within the Department of Administration.

Unusual growth in expenditures occurred between 2009 and 2010 in the Bureau of Operations and Revenue's Office of the Director due to revised expenditure classification methods beginning in 2010. Additionally, in mid-2009, the then-Director of Building Maintenance was awarded the position of Director of Operations and Revenue. At that time, the Bureau of Building Maintenance was merged into the Bureau of Operations and Revenue, with the new director responsible for both bureaus' operations as a cost-cutting measure. The actual historical expenditures for 2010, shown in the tables below, reflect this change.

As previously noted, Building Maintenance was then transferred to the Department of Public Works in the City's 2011 Adopted Budget. This transfer was the result of the appointment of another new Director of Operations and Revenue and the subsequent division of the two previously-merged bureaus.

Department of Administration
Historical Expenditures by Function

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Office of Business Administrator	$274,562	$213,612	$311,412	$201,324	$169,905	(38.1%)
Bureau of Financial Management	$769,558	$638,131	$589,916	$502,142	$395,549	(48.6%)
Bureau of Human Resources	$445,323	$423,921	$432,509	$327,813	$309,483	(30.5%)
Labor Relations	$132,219	$39	$0	$0	$0	(100.0%)
Operations and Revenue (Office of the Director)	$137,783	$121,173	$135,346	$110,799	$1,676,254	n/a
Collections	$490,583	$437,977	$420,126	$336,179	$0	(100.0%)
Tax and Enforcement	$162,082	$160,747	$159,277	$144,292	$0	(100.0%)
	$2,412,109	**$1,995,601**	**$2,048,585**	**$1,622,549**	**$2,551,191**	**5.8%**

Source: Historical Data from City As Provided

Department of Administration
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$1,600,371	$1,215,822	$1,276,763	$1,224,979	$1,332,793	(16.7%)
Temporary	$6,388	$10,471	$1,759	$1,970	$37,822	492.1%
Overtime	$1,337	$2,680	$1,700	$190	$7,173	436.4%
Social Security	$122,717	$94,027	$97,836	$93,876	$102,060	(16.8%)
Unemployment Compensation	$0	$0	$0	$0	$15,674	0.0%
Benefits	$351,704	$310,157	$324,906	$0	$0	(100.0%)
Legal/Contract Services	$146,807	$161,481	$137,277	$110,115	$92,547	(37.0%)
Audit	$86,877	$69,300	$70,890	$74,100	$6,800	(92.2%)
Software	$62	$251	$1,161	$443	$50	(19.0%)
Postage	$25,473	$27,590	$32,767	$29,766	$122,331	380.2%
Duplicating	$0	$0	$0	$0	$28,281	0.0%
Maintenance Service Contracts	$4,541	$6,740	$24,244	$25,286	$178,269	3825.7%
Lease Purchase	$0	$0	$0	$0	$46,620	0.0%
Utilities	$0	$0	$0	$0	$427,009	0.0%
Rentals	$0	$0	$0	$0	$40,229	0.0%
Custodial	$0	$0	$0	$0	$25,515	0.0%
Other Miscellaneous	$65,832	$97,081	$79,283	$61,824	$88,019	33.7%
Total	**$2,412,109**	**$1,995,601**	**$2,048,585**	**$1,622,549**	**$2,551,191**	**5.8%**

Source: Historical data from City as provided

Department of Administration
Historical Expenditures – Personnel and Non-Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$2,082,517	$1,633,157	$1,702,963	$1,321,015	$1,495,521	(28.2%)
Non Personnel Expenditures	$329,592	$362,444	$345,621	$301,534	$1,055,670	220.3%
Total	**$2,412,109**	**$1,995,601**	**$2,048,585**	**$1,622,549**	**$2,551,191**	**5.8%**

Source: Historical data from City as provided

Assessment

The Department of Administration performs many critical internal operations, which include financial management responsibilities that are shared with the Offices of the City Treasurer and the City Controller. The complexities of the financial management responsibilities of the Department of Administration and the Offices of the City Treasurer and the City Controller are discussed in greater detail in the Office of the City Treasurer chapter of this Recovery Plan.

As previously stated, the Department of Administration utilizes Pentamation, the City's financial management system, to perform daily functions in all of its bureaus and offices. The City uses Pentamation to track and monitor all City funds and transactions. Detailed monthly and year-end cash flow analysis and reporting are performed by a stand-alone report writer application, which interfaces with Pentamation. Pentamation is not used to generate interim financial statements, since the City currently creates financial statements on an annual basis only. All utility billing, real estate tax billing and miscellaneous invoicing is monitored and processed outside Pentamation in City mainframe applications. The City does utilize Pentamation for processing all payments, with the exception of wire transfers, and schedules for accounts payable (A/P) are readily available in the system. The City contracts with a third party provider to perform an annual indirect cost allocation plan; Pentamation is not utilized in this effort. Contingent liabilities are not tracked in Pentamation. Recommended changes and improvements to the City's financial management practices which will necessitate changes in current usage of Pentamation are included in the Initiatives section of this chapter.

Internal Control and Management Capacity

In general, there is a need for more formal internal control throughout the Department of Administration and the City as a whole, both in terms of financial management as well as management of staff through consistent, effective supervision. Implementing greater internal control should not just be about checking items off a standard approval checklist, but rather it should be about cultivating an overall culture of accountability in day-to-day operations throughout the organization. Internal control is also about clearly communicating individual responsibilities and expectations to staff. The Chief of Staff/Business Administrator and bureau directors must hold staff members accountable for meeting stated expectations and must also motivate people to meet them. Internal control is a cornerstone of the City's overall financial management system. It is both reactive and proactive - reactive in the sense that internal control involves monitoring operations and taking action to correct problems - proactive in the sense that establishing controls and setting expectations that those controls are to be consistently followed will decrease instances of problematic activities.

The City's most recent comprehensive annual financial audit, completed for FY2008, did not identify any weaknesses in the City's internal controls. However, the City's financial health has significantly changed since 2008. Since the management discussion and analysis typically included in an annual audit has not been prepared for 2009 and 2010, any recommended corrective actions that would likely be outlined therein are unavailable. As noted in the City Controller chapter of this Recovery Plan, the City Council has recently authorized funding (through a grant from DCED) to hire an outside accounting firm to prepare the documents needed for the outside auditor to complete the audits. This preparatory work is expected to be completed by early summer 2011, at which time, external auditors will begin their review.

There is currently no professional accounting support for the Director of Financial Management. This deficiency of professional staff coupled with turnover and/or vacancies in key positions has decreased the Bureau of Financial Management's ability to perform key financial functions, as described below. In times of financial strain, additional capacity in this area is crucial.

The Bureau of Financial Management has recently been unable to perform critical financial management tasks, including the reconciliation of accounts, closing of books and preparation for and completion of comprehensive annual audits. According to staff in the Department of Administration, the City's payroll account, which should be reconciled monthly, has not been reconciled since November 2009. The City's most recent CAFR was completed for FY2008.

The City's fiscal year ends December 31. For at least the past two years, however, the books for the new fiscal year were not opened until early February. Prior to the close of the previous year's books and the opening of the new year's books, no bills may be paid and no new purchase orders may be entered into the City's financial system. Therefore, the daily operations of the City's departments and bureaus run a very high risk of interruption, sometimes critical in nature.

It is uncommon for a municipal government to allow books to be open for more than 30 days into the new year. In Harrisburg, however, there has been no urgency to open the new year's books earlier, since the first tax revenue for the new year is not generally received until early March, and therefore, little funds are available for expenditures at the beginning of the new year. In the future, the Bureau of Financial Management should use the 13th month function within Pentamation to keep both the prior and current year's books open. At present, the Bureau uses the 13th month for accruals only. The 13th month, a common feature in financial management systems, should be used to complete all outstanding transactions in the prior year, while allowing the new year's books to open in late December or the first week of January. Once all transactions from the prior year are completed, the 13th month should be closed. This closure should occur no later than 90 days after January 1.

There is no available fund balance to ease the City's current cash flow shortage. In prior years, a tax and revenue anticipation note (TRAN) carried the City from the end of one fiscal year until the new year's tax revenue was received. In 2011, a TRAN was unavailable due to the City's inability to incur new debt. Without this influx of revenue from short-term debt, the City is without available cash to pay outstanding bills and make new purchases. Should the City adopt this Recovery Plan, the City's ability to obtain a TRAN for 2012 will significantly improve, as creditors will likely view the Plan as a positive step forward in addressing the City's financial issues. If the City adopts this Plan, City staff should begin contacting lending institutions in August 2011 to inquire about the issuance of a TRAN prior to the start of 2012.

Financial Reporting

Routine cash flow monitoring not only ensures the availability of adequate short-term funding, but also provides insight into patterns that impact long-term financial sustainability. At present, the Bureau of Financial Management reviews the City's cash receipts via a daily report generated by the

Office of the City Treasurer. Prior to the weekly check runs and bi-weekly payroll processing, funding sheets are prepared by the Office of the City Treasurer to ensure adequate cash balances for the expenditure totals.

While the City's cash is monitored closely at present, there is a need for this monitoring to become more detailed and strategic in the future. In addition to formal cash flow analysis to examine income and outflow of cash in the context of the City's ability to meet its obligations, the Bureau of Financial Management should also undertake routine variance analyses to evaluate budgeted to actual revenue and expenditures.[26] Both analyses, particularly when done on a monthly or quarterly basis, can alert City staff and elected officials to problematic trends or impending shortfalls while allowing time to take corrective action.

Under the Pennsylvania Third Class City Code, Home Rule Charter and Optional Plan Law (Executive-Council Plan A), the Department of Administration is currently required to make an annual financial report of all accounts and trusts in the City's care, which must be accompanied by a concise financial statement. The Department is also required make an annual report of the financial condition of the City within 90 days after the close of the fiscal year signed by the Director of Financial Management and approved by the City Controller. This report is to be filed with DCED. According to staff in the Office of the City Controller, the most recent report filed by the City in accordance with these requirements was the 2008 Municipal Annual Audit and Financial Report. No reports for FY2009 and FY2010 have been completed or filed. This status was also verified with DCED and, based on DCED policy, this reporting delinquency jeopardizes future DCED funding for the City.

Under the Harrisburg City Code, the Department is also required to issue a report to the Mayor, City Council, City Controller and the City Treasurer no later than 45 days after June 30, including actual receipts and expenditures (including encumbrances) of the various budget funds for the preceding six month period ended June 30, as well as projections of all such receipts and expenditures. This report is termed the "Mid-Year Fiscal Report" and is produced annually by the Bureau of Financial Management.

In addition to these required financial reports, the Department of Administration is well-advised to consider producing a quarterly financial report that addresses revenues (e.g., amount collected year-to-date, budget-to-actual, comparisons to prior year and explanations for any projected variances), expenditures (e.g., amount spent year-to-date, budget-to-actual, comparisons to prior year, explanations for any projected variances), staffing (e.g., vacancies and leave usage by department/bureau) and progress on implementation of this Recovery Plan.

Budget Development

The Department of Administration, as part of its codified responsibilities, coordinates the City's annual budget development process. Ideally, this process should include ongoing dialogue between staff in the Bureau of Financial Management and the City's department and bureau directors regarding projected revenue and expenditures.

The most recent development process, for the City's FY2011 budget, occurred in a compressed timeframe that did not allow for such dialogue. In the fall of calendar year 2010, the City's department heads and bureau directors presented their proposed FY2011 budgets to the Acting Director of Financial Management and the Budget Manager. The directors were not asked to incorporate any expenditure reductions into their initial proposals. Once all department proposals were received, the Acting Director of Financial Management and the Budget Manager began

[26] Government Finance Officers Association (GFOA), "Tactical Financial Management: Cash Flow and Budgetary Variance Analysis."

developing the Administration's proposed FY2011 budget, which eventually included a 10% reduction across the board, as well as numerous line item reductions. These reductions were made without consulting the City's department heads and bureau managers, primarily because of the compressed timeframe in which the final budget development activities occurred. In the final hours of assembling the Administration's proposed budget, a typographic error was made that resulted in a $4 million shortfall in the final budget plan. The lack of ongoing dialogue with City leadership, the lack of adequate time for budget development and the concentration of budget development responsibility with only two staff members (the Acting Director of Financial Management and the Budget Manager) likely contributed to the difficulties the City experienced in approving the FY2011 budget in a timely fashion.

The City's fiscal year officially starts on January 1; however, the budget process itself should be a continuum which involves both the current year budget and the next fiscal year's budget. Changes to the current year's budget are often made in City Council reviews and approvals of budgetary transfers, and the City's Mid-Year Fiscal Report gives elected officials and City staff the opportunity to examine actual revenues and expenditures for the first half of the fiscal year and adjust plans for the latter half of the year as needed.

At the start of the current fiscal year, City staff should already be considering plans for the next fiscal year's budget. The addition of the Pentamation system's budget module in 2010 improved individual City departments' and bureaus' capacity to develop comprehensive forward-looking budget proposals and should be used to its fullest potential. City departments and bureaus should be asked to present proposals that reflect the most conservative expenditures possible as well as the greatest possible maximization of all available revenue. Any cuts to department and bureau budgets should be made in close collaboration between City Administration, the Bureau of Financial Management and the City's department and bureau leadership.

Staffing

As previously noted, a major challenge for the Department of Administration is the current shortage of professional staff in the Bureau of Financial Management. At present, one incumbent is the Acting Director of Financial Management and Acting Chief of Staff/Business Administrator, which limits the amount of time available to perform the numerous, critical functions associated with both positions. The Acting Accounting Manager is currently one of two active employees in the Accounting Office, and the incumbent's prior work experience is limited to accounts payable and receivable processing functions. At the time interviews were being conducted with Bureau staff, the other Accounting Office employee, the incumbent in the Auditor position, had recently been bumped by another bargaining unit employee with greater seniority, but limited accounting experience. The current Budget Manager is the only employee in the Budget Office, and the incumbent provides significant assistance to the Acting Accounting Manager in performing Accounting Office functions. This limits the incumbent's capacity to provide strategic budget management and analysis for the City. At the time interviews were being conducted with Bureau staff, the current Grants Manager had just tendered his resignation. Subsequently, a new Grant Manager was hired in May.

Currently, the Office of the City Controller is performing a centralized review and authorization function for budget authority on all City expenditures, as well as position control monitoring as it relates to payroll processing. With adequate staffing in the Bureau of Financial Management and the establishment of new budget development and monitoring, as well as position control systems, the review function can be performed in the Department of Administration, with authorization granted by the Office of the City Controller. As detailed under Initiative TR03 “Transfer the Deputy Treasurer, Assistant Deputy Treasurer, Lead Cashier, Cashier II (2) and Accounting Clerk II positions from the Office of the City Treasurer to the Bureau of Financial Management under the Director of Financial Management,” transferring employees currently located within the Office of the City Treasurer to the

Bureau of Financial Management is recommended to address the Bureau's staffing shortage and enhance capacity for its fiscal monitoring functions.

The Grants Manager position within the Bureau of Financial Management plays an important role in both revenue generation as well as quality assurance in the monitoring and reporting of City expenditures related to Commonwealth and federal grant funds. The City's Early Intervention Program (EIP) Report addressed a lack of strategic direction in grants management, which the incumbent (recently resigned) agreed needed to be addressed in the future. This single position may be inadequate to provide the City with both grant development, which should be done in conjunction with liaisons from every City department and bureau, and grant monitoring and reporting. In the process of developing this Recovery Plan, lapses in required grant reporting have been identified. This breach threatens the availability of present and future Commonwealth and federal grant funds for the City. It is important that this function be adequately staffed. In order for monitoring and reporting to be seamless and to prevent all knowledge of the City's available grant funding from residing with one individual, this function cannot be performed using side systems (e.g., Microsoft Word or Excel). The City's available financial systems should be the central information storage repository for all grant-related information. It is recommended that City departments and bureaus take responsibility for their own grant development and applications. However, all applications should be routed through the Bureau of Financial Management for fiscal impact evaluation prior to grant submission. The Bureau of Financial Management should retain responsibility for grant monitoring and reporting, as well as processing draw downs and recognizing any other revenue received.

The City's insurance functions are currently split between the Purchasing Manager (claims/collections) in the Bureau of Financial Management and the Human Resources Generalist (monitoring and liaison function) in the Bureau of Human Resources. Additionally, the City has historically contracted with a third party provider for risk management and insurance services, but funding for this contract was eliminated in the City's FY2011 Adopted Budget. It is unclear how this function will be performed in the future. Current staffing levels in the Department of Administration would not support the successful performance of this function in-house. With the Purchasing Manager's centralized procurement management responsibilities, the incumbent is not able to devote significant time to collections, which is a revenue generating function for the City. The City is well-advised to consider bringing its insurance functions back together in a single bureau, and also to clarify how these functions will be performed in the future if outsourcing is no longer an option.

Labor relations activities, particularly those dealing with disciplinary actions, grievances and administrative procedures associated with prolonged leave (e.g., injured-on-duty, worker's compensation) are reportedly very time consuming for the Director of Human Resources and other Bureau of Human Resources staff. Without a qualified labor attorney on staff within the City, these issues are not addressed proactively and often consume more time than is necessary. The City must reevaluate its current labor management practices, particularly with regard to staffing of this function. Recommendations for improving this function are included in the Workforce chapter of this Recovery Plan.

As noted in the EIP Report, the City's employee wage and classification system, particularly for non-bargaining unit positions, should be updated in the near future. The updated system will be a critical factor in recruiting and retaining qualified employees, particularly for the Department's previously noted vacancies.

Projections

The tables below show the Department's budgeted expenses for 2011 and projected expenses through 2015 excluding those for the Bureau of Information Technology, which are presented in their own chapter. The projections are based on the assumptions detailed in the Introduction chapter.

Department of Administration
Projected Expenditures by Function

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Office of Business Administrator	$128,225	$128,224	$128,245	$128,270	$128,300	$128,335	0.1%
Bureau of Financial Management	$435,234	$439,665	$441,606	$443,687	$445,964	$447,922	1.9%
Bureau of Human Resources	$370,712	$370,711	$370,999	$371,319	$371,730	$372,204	0.4%
Labor Relations	$0	$0	$0	$0	$0	$0	0.0%
Operations and Revenue (Office of the Director)	$774,981	$774,982	$790,317	$806,436	$823,670	$837,232	8.0%
Collections	$0	$0	$0	$0	$0	$0	0.0%
Tax and Enforcement	$0	$0	$0	$0	$0	$0	0.0%
Total	**$1,709,152**	**$1,713,581**	**$1,731,167**	**$1,749,712**	**$1,769,664**	**$1,785,692**	**4.2%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Department of Administration
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$1,251,455	$1,251,455	$1,264,548	$1,278,034	$1,291,924	$1,301,462	4.0%
Temporary	$0	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$91,307	$95,736	$97,350	$98,382	$99,444	$99,562	4.0%
Unemployment Compensation	$0	$0	$0	$0	$0	$0	0.0%
Benefits	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$47,450	$47,450	$47,830	$48,258	$48,800	$49,424	4.2%
Audit	$71,100	$71,100	$71,367	$71,661	$72,037	$72,469	1.9%
Software	$210	$210	$213	$216	$220	$224	6.9%
Postage	$117,740	$117,740	$119,433	$121,321	$123,763	$126,609	7.5%
Duplicating	$28,800	$28,800	$28,926	$29,065	$29,243	$29,448	2.2%
Maintenance Service Contracts	$71,165	$71,165	$72,090	$73,244	$74,562	$76,053	6.9%
Lease Purchase	$0	$0	$0	$0	$0	$0	0.0%
Utilities	$0	$0	$0	$0	$0	$0	0.0%
Rentals	$0	$0	$0	$0	$0	$0	0.0%
Custodial	$0	$0	$0	$0	$0	$0	0.0%

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Other Miscellaneous	$29,925	$29,925	$30,023	$30,143	$30,282	$30,440	1.7%
Total	**$1,709,152**	**$1,713,581**	**$1,731,167**	**$1,749,712**	**$1,769,664**	**$1,785,692**	**4.2%**

Department of Administration
Projected Expenditures – Personnel and Non-Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$1,342,762	$1,347,191	$1,369,898	$1,384,415	$1,399,369	$1,401,024	4.0%
Non Personnel Expenditures	$366,390	$366,390	$369,881	$373,908	$378,907	$384,668	5.0%
Total	**$1,709,152**	**$1,713,581**	**$1,731,167**	**$1,749,712**	**$1,769,664**	**$1,785,692**	**4.2%**

Initiatives

While many recommendations have been made throughout this chapter related to the effective operations of the Department of Administration, the following initiatives reflect those changes that can yield reductions in expenditures or increases in revenue, as well as those that have a significant impact on the efficiency of the Department. The Department's greatest needs are those for adequate staffing, strengthened financial controls and proactive financial management.

ADMIN01.	**Implement quarterly financial reporting and associated review process**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator

The Bureau of Financial Management shall produce quarterly financial reports within 45 days of the end of the quarter for review by City department and bureau managers as well as the City's elected officials. As recommended by the Government Financial Officers Association (GFOA), "a government should undertake a process at least quarterly to ensure the ongoing completeness and accuracy of the financial data it collects. This process should include appropriate reconciliations to identify needed adjustments, as well as financial analysis of interim management reports to identify anomalous or incomplete data that may need to be corrected."[27]

The City shall make budget amendments as needed during the second and third quarter financial report reviews. GFOA recommends, in times of fiscal of distress, that municipalities should "try to

[27] Government Finance Officers Association (GFOA) Best Practice, Improving the Timeliness of Financial Reports

avoid formal adjustments unless the budget reduction is large, likely permanent, and/or in an earmarked source of revenue."[28]

Rather than specific line item review and approval, the City Council shall have accurate and timely data on the City's financial condition - and the opportunity to question and analyze the specifics of that condition - through the established quarterly financial review process. As noted by GFOA, "usually, controls at a very low level of the chart of accounts (e.g., line-item level) will cost more to administer and manage than they will bring in benefits. Instead, consider setting controls for major areas of expenditure like operations and maintenance of assets or salaries. More detailed controls focused on specific problem areas, like overtime, might also be helpful."[29]

The City's quarterly reports, produced by the Bureau of Financial Management, will highlight any variances through the comparison of budgeted to actual totals. The reports will include specific details on budgeted versus filled positions and total salary expenditures in each City department and bureau. The quarterly reports will also show the prior quarters' revenue and expenditure totals as well as year over year comparisons (e.g., first quarter of 2011 as compared with first quarter of 2010). Once completed, the quarterly reports should be reviewed by the Coordinator who shall provide comments and recommendations on them to the City's elected officials. If a variation from the adopted plan of greater than 1% has been determined by the Coordinator in accordance with GAAP, the Mayor shall provide the Coordinator with reports describing the actual or current estimates of revenues and expenditures compared to budgeted revenues and expenditures for such period reflected in its cash flow forecast. Each quarterly report shall indicate any variance between actual or current estimates and budgeted revenues, expenditures or cash for the period along with any correct actions deemed necessary. The report shall also include information on debt service requirements and payments made thereon during the period.

ADMIN02.	**Develop comprehensive City-wide financial policies**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator

With guidance and support from the Act 47 Coordinator, the City shall establish formal financial policies. These policies shall address a number of functional areas that shall include, but are not limited to:

- Operating budget;
- Revenues and expenditures;
- Reserves;
- Capital improvements;
- Grants administration;
- Debt management;
- Investments; and

[28] Government Finance Officers Association (GFOA), Process for Recovering from Financial Distress
[29] Government Finance Officers Association (GFOA), Process for Recovering from Financial Distress

- Accounting, auditing and financial reporting.

These policies shall be developed in accordance with GFOA best practices. Specific policies that shall be developed include, but are not limited to:

- Process for Annual Closing of Books - As discussed previously in the Assessment section of this chapter, the City shall use the 13th month function within Pentamation to keep both the prior and current year's books open. The 13th month shall be used to complete all outstanding transactions in the prior year, while allowing the new year's books to open in late December or the first week of January. Once all transactions from the prior year are completed, the 13th month should be closed. This closure should occur no later than 90 days after January 1.

- Cash Flow Management and Monitoring - The City shall undertake routine variance analyses to evaluate budgeted to actual revenue and expenditures, in addition to continuing formal cash flow analyses to examine income and outflow of cash in the context of the City's ability to meet its obligations.

- Fund Balance - The City shall establish a fund balance policy that identifies the appropriate size of unreserved fund balance, the process by which resources are set aside for unreserved fund balance and the methods by which unreserved fund balance resources may be utilized.

- Process for Departmental Budget Charge Backs - The City shall establish a policy to identify internal operations that necessitate departmental charge backs (e.g., the Bureau of Information Technology charging City departments and bureaus for network administration services) and create an internal service fund structure within the chart of accounts in order to document and monitor chargebacks as needed.

- Process for Preparation, Coordination and Response to Comprehensive Annual Financial Audits - The City shall formally establish a policy outlining the necessary preparations for the annual audit, the roles and responsibilities of City staff in coordinating the completion of the annual audit, and the process by which the City will respond to any corrective actions outlined in the external audit upon its completion.

ADMIN03.	**Implement a standard budget development calendar**	
	Target outcome:	Improved efficiency and accountability
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator

The City's official budget development process shall begin much earlier than the current schedule allows. In the future, the City's overall budget development process shall begin with the Bureau of Financial Management's development of City-wide revenue estimates, analysis of required debt and operating expenses (both contractual and mandated expenditures) and identification of reductions required to develop a balanced budget. Identified targets for revenue and expenditure shall be provided by the Bureau of Financial Management to City departments and bureaus prior to the development of their initial proposals. Department and bureau's initial budget proposals for the next fiscal year shall be submitted to the Bureau of Financial Management no later than late summer/early fall of the current fiscal year. This will allow adequate time for the necessary dialogue described in the Assessment section of this chapter. If multiple reduction scenarios are needed, it is critical to engage City department heads and bureau directors in conversation as early as possible. When final reductions are determined, clear communication outlining the process by which the reductions were made shall be provided in writing so that department and bureau directors, City Administration and all City elected officials understand considerations that were made in developing the proposed budget plan.

Therefore, the City shall adopt and implement the following budget calendar:

- July to August - Bureau of Financial Management develops revenue and expenditure projections using first six months of actuals for current fiscal year; provides projections and budget targets to departments and bureaus
- August to September - Using projections and targets provided, departments and bureaus complete annual budget proposals and submit to Bureau of Financial Management; Bureau of Financial Management and City departments and bureaus review and refine proposals through ongoing, collaborative discussion
- September to October - Administration's Proposed Budget is finalized by the Mayor
- October to November - City Council reviews budget; public hearings held
- November - Budget is adopted

The proposed budget document shall be widely available (e.g., posted on the City's website, in hard-copy by request) and shall include: a table of contents; a budget message that articulates priorities and issues for the upcoming year and also explains any significant changes in priorities; an overview of significant budgetary items and trends; an organization chart for the City; a summary of major revenues and expenditures, as well as other financing sources and uses; summaries of expenditures and revenues and other financing sources; projected changes in fund balances for appropriated governmental funds included in the budget; descriptions of major revenue sources; an explanation of the underlying assumptions for revenue estimates; a discussion of significant revenue trends; all budgeted capital expenditures; financial data on current debt obligations; a schedule or summary of personnel or position counts for prior, current and budgeted years; and descriptions of activities, services or functions carried out by organizational units in the City.[30]

ADMIN04.	**Establish standard position control system**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator

At present, the City's position control tracking tool is the FY2011 budget ordinance. The Department of Administration and the Office of the City Controller share responsibility for the position control function. The Office of the City Controller retains the authority to approve pay for only those positions listed in the FY2011 budget.

[30] Government Finance Officers Association (GFOA), Distinguished Budget Presentation Awards Program, Detailed Criteria Location Guide, 2011.

A comprehensive, City-wide position control system shall be established - one that is part of the City's mainframe system (or any replacement for that system) as well as Pentamation. Position control systems are intended to track approved full and part time positions, funding sources and the amount budgeted for each position in every City department and bureau. An effective position control function ensures that only budgeted and approved positions are filled. Assigning each position, rather than employee, a number and then tracking it allows the City to monitor the history of a position over time.

Position control shall be incorporated into the City's budget documents and financial reporting. The Bureaus of Financial Management and Human Resources shall then implement a City-wide position control review process to evaluate and approve all position changes, including changes in wages and classification.

ADMIN05.	**Conduct comprehensive review of City purchasing policies**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator

Purchasing practices within the City are currently governed by the City's Purchasing Manual, which is enforced by the Purchasing and Insurance Claims/Collections Manager as well as the City Controller. While the existence of formal purchasing policies is a positive sign, it is advisable that these policies undergo a comprehensive review in order to identify any areas requiring updates or revisions.

With guidance and support from the Act 47 Coordinator, the City shall conduct a comprehensive review of all City purchasing policies. The review shall include an evaluation of current policies against established GFOA best practices regarding:

- Assignment of authority (duties of all staff associated with purchasing);
- Full and open competition (particularly competitive bidding);
- Ethics (such as prohibitions on gratuities or nepotism);
- Preferences (such as preferences for minority or women owned businesses); and
- Registrations/certifications (such as equal opportunity employer registration).

The review shall also evaluate the appropriateness of cost thresholds currently mandated in the City's purchasing policies, as well as any potential to increase joint purchasing with other governmental organizations.

ADMIN06.	Modify existing chart of accounts to track Commonwealth and Federal grant program funds on an individual basis	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Director of Financial Management

At present, the City's chart of accounts, financial management system (Pentamation) and treasury mainframe application (DREV) do not offer the flexibility to account for Commonwealth and Federal grant funds in individual accounts. This structure makes it difficult to properly account for grant funds received and expended and also complicates reporting required to relevant authorities. Therefore, the City shall modify its chart of accounts to allow for grant-specific revenue and expenditure monitoring.

ADMIN07.	Eliminate the bulk copy service in the City's Duplication Center; eliminate one position	
	Target outcome:	Cost reduction
	Five year financial impact:	$167,811
	Responsible party:	Chief of Staff/Business Administrator

The Duplication Center and Central Office Supply are not used consistently by all City departments. The use of these services is not mandated City-wide, and departments manage their own duplication needs and routinely purchase goods and services outside of the centralized functions. While the Duplication Center provides a valued service in the City, it is a service that can be procured elsewhere at less cost to the City.

The City shall eliminate the bulk copying services provided in the Duplication Center and eliminate the Reproductive Technician II position. The savings shown below are attributable solely to the elimination of this position.[31] The remaining position, Central Support Assistant II, shall be responsible for the remaining services provided in the Duplication Center (e.g., printing of tax and utility bills and preparations for mailing, mail room management and central office supply). The Central Support Assistant II shall be assisted in printing of tax and utility bills and preparations for mailing as needed by the Customer Service Representatives in the Bureau of Operations and Revenue. The Representatives will provide rotating support during bill printing and mailing periods as directed by the Director of Operations and Revenue.

Financial Impact

2011	2012	2013	2014	2015	Total
$9,871	$39,485	$39,485	$39,485	$39,485	$167,811

[31] Salary information drawn from Harrisburg City Council Ordinance No. 20 of Session 2010.

ADMIN08.	Revise job description and increase the salary range for Chief of Staff/Business Administrator position	
	Target outcome:	Improved operations and accountability
	Five year financial impact:	($178,500)
	Responsible party:	Mayor and Director of Human Resources

With supervision and direction from the Mayor, the Chief of Staff/Business Administrator shall oversee the internal operations of the City, develop the City's annual operating and capital budgets and coordinate interdepartmental cooperation and communication between all department and bureau management staff.

The City shall also increase the salary range for the Chief of Staff/Business Administrator position to $86,000 to $125,000. This increased salary range is based on comparative compensation data for chief administrative officers in other similarly-sized jurisdictions in the Northeast region. In order to attract an experienced, talented incumbent for this position, particularly an incumbent well-equipped to facilitate the implementation of this Recovery Plan, the City must offer a competitive compensation package.

The financial impact information shown below reflects the estimated annual cost to the City associated with increasing the salary range for the position.

Financial Impact

2011	2012	2013	2014	2015	Total
($10,500)	($42,000)	($42,000)	($42,000)	($42,000)	($178,500)

ADMIN09.	Eliminate manual data entry processes in the Bureau of Financial Management	
	Target outcome:	Improved efficiency and accountability
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator

Staff within the Bureau of Financial Management are currently performing manual entry in the Pentamation system, because a link does not currently exist between Pentamation and DREV, the Office of the Treasurer's mainframe application. The daily Treasury report is run from DREV and provided to Bureau of Financial Management staff. The Budget Manager or Accounting Manager then manually enters the data into Pentamation. The Bureau of Information Technology (IT) has developed a script to eliminate this manual procedure, but it has not been utilized due to coding errors; IT is working to resolve these errors. Payroll rates are also manually entered into Pentamation by the Budget Manager every two weeks; a process that staff estimates takes 45 minutes to perform.

These manual data entry processes within the Bureau of Financial Management shall be eliminated. It is unnecessary work, and any manual entry is an opportunity for a mistake. The daily Treasury report provides critical cash balance data and must be accurately and quickly incorporated into Pentamation. Elimination of manual data entry will save time daily and ensure that the number of hand-keyed entries is minimized. The Bureau of Financial Management shall seek assistance from IT staff in implementing the existing script for the daily Treasury report and developing a script for uploading payroll data into Pentamation.

ADMIN10.	**Add a Senior Accountant position to the Bureau of Financial Management**	
	Target outcome:	Improved financial compliance and accountability
	Five year financial impact:	($233,750)
	Responsible party:	Director of Financial Management

The Bureau of Financial Management needs a Certified Professional Accountant (CPA) to help prepare and evaluate critical financial documents, prepare for annual audits, ensure compliance with granting agencies and initiate and update financial policies. This position shall be responsible for the preparation of audit documents, ensuring financial compliance with Federal and Commonwealth grants, instituting and/or updating financial and purchasing policies and performing other key financial management tasks, as appropriate. Adding professional financial management capacity will provide a continuation of the financial operations support services funded by the Commonwealth's EIP grant in 2011. Funding for this position is being requested through DCED's Act 47 grant awards.

Financial Impact

2011	2012	2013	2014	2015	Total
($13,750)	($55,000)	($55,000)	($55,000)	($55,000)	($233,750)

Bureau of Information Technology

Overview

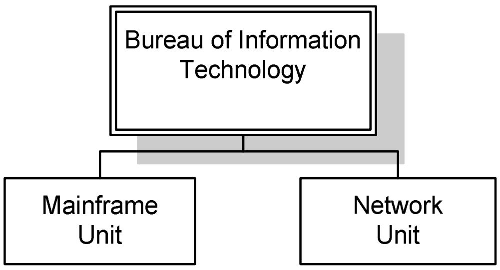
The City's Bureau of Information Technology (IT) is housed within the Department of Administration. IT is responsible for maintaining and improving technology for the City's users, including all software and mainframe applications, computers and mobile data terminals, phone system and internet and network connectivity. The Bureau supports all City departments and bureaus as well as multiple outside agencies.

The Bureau provides business applications through an IBM Z class mainframe. The system was replaced in 2007, and the City leased a new mainframe for five years. The mainframe has the following applications:

- METRO – Multi-jurisdictional police system that includes dispatch, reports, and parking tickets;
- DCIT – A City-wide set of applications that include code enforcement, property systems, property taxes, utilities and treasury;
- DPER – Personnel system that houses all employee records, including leave, pay, applicants and grievances; and
- DREV – Water utility billing system.

In addition to mainframe services, the IT Bureau provides help desk and network services through an online help desk database system that tracks requests. Recently, responsibility for the City's telephone system was transferred to the Bureau.

The organizational structure of the IT Bureau is shown in the figure below.



The Bureau's Director of IT reports to the Chief of Staff/Business Administrator. The Bureau Director supervises staff in two units. The Mainframe Unit is comprised of mainframe programmers that work on one or more of the mainframe applications. Currently, two programmers devote most of their time to METRO, the police application. In the Network Unit, a network administrator oversees the entire network and supervises one help desk operator.

Staffing in the IT Bureau has been reduced in the last five years. Specifically, IT lost a Help Desk position and a programmer through attrition from FY2010 to FY2011. The loss of the help desk staff has made it difficult to provide adequate service to the City's internal and external users.

There are three IT positions that are housed in the IT Bureau, but are allocated to other areas. Water and Sewer Bureaus each have .5 FTE (Computer Programmer III) for a total of 1.0 FTE. The Office of the City Treasurer has 1.0 FTE Computer Programmer and .4 FTE Systems Programmer. This leaves 6.6 FTEs for the IT Bureau, as depicted in the table below.

Bureau of Information Technology - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	11.6	9.6	9.6	8.6	8.6	6.6
Filled	11.6	9.6	9.6	8.6	7.6	6.6

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*

Finances

Operational funding has been reduced which has led to the inability to fund most replacement personal computers (PCs) for staff unless grant funds have been available. For example, a grant allowed for the purchase of laptops in the Police Bureau. Software upgrades and new software purchases have been all but eliminated with the funding decreases over the years. The tables below show historical expenditures for the Bureau of IT.

Bureau of Information Technology
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$626,142	$527,692	$526,563	$523,796	$523,006	(16.5%)
Temporary	$0	$0	$485	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	0.0%
Social Security	$47,900	$40,368	$40,319	$40,070	$40,010	(16.5%)
Benefits	$130,651	$122,169	$115,387	$0	$0	(100.0%)
Legal/Contract Services	$4,240	$24,894	$21,600	$23,520	$25,790	508.3%
Maintenance/Service Contracts	$71,697	$120,803	$93,866	$100,420	$81,461	13.6%
Software	$34,507	$40,812	$31,295	$17,054	$23,577	(31.7%)
Data Processing	$5,662	$7,001	$11,146	$10,694	$11,956	111.2%
Lease Purchase	$207,239	$147,821	$128,015	$125,019	$61,878	(70.1%)
Other Miscellaneous	$19,167	$9,095	$48,249	$12,724	$7,041	(63.3%)
Total	**$1,147,204**	**$1,040,656**	**$1,016,926**	**$853,296**	**$774,720**	**(32.5%)**

Source: Historical Data from City As Provided

Bureau of Information Technology
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$804,692	$690,229	$682,754	$563,866	$563,016	(30.0%)
Non Personnel Expenditures	$342,512	$350,427	$334,172	$289,430	$211,704	(38.8%)
Total	**$1,147,204**	**$1,040,656**	**$1,016,926**	**$853,296**	**$774,720**	**(32.5%)**

Source: Historical Data from City As Provided

Assessment

The IT Bureau's work is primarily driven by its mainframe applications, user requests and changes needed to these internal systems. In 2010, over 62,000,000 mainframe transactions were recorded. A transaction is any keystroke accessing the mainframe from a terminal by one of the users and includes data entry as well as inquiries.

METRO accounted for over 86% of these transactions. The Police Bureau is IT's largest customer as METRO drives the use of the mainframe system in Harrisburg. METRO is also the most utilized of all the mainframe applications. If the Police Bureau ever moved to a different records management system, the City would need to consider a different platform to deliver business applications. The number of staff needed in IT is primarily driven by the use of the METRO system by both City and non-City users.

Thirty outside agencies also use METRO to some extent, but the Harrisburg Police Bureau remains the heaviest user; one of the other heavy users is Dauphin County. Nine County agencies utilize the system, including Juvenile Probation, the District Attorney's Office, the Criminal Investigations Division, the Sherriff's Office and Adult Probation. Nineteen outside police agencies also access the system, including other township police departments, the Pennsylvania Capitol Police, Constables and Harrisburg School District.

A recent attempt to replace METRO with a new records management system was unsuccessful due to the elimination of funding for the project. However, with the transfer of Harrisburg's 911 and dispatch functions to the Dauphin County Communications Center currently scheduled for June 2011, this issue should be raised again. The data in METRO will no longer be part of the dispatch system once the transfer to the County system is implemented. The current plan stated by the Police Bureau is to begin doing manual entry to maintain the historical data. Obviously, adding a manual dual entry process will consume significant Police resources. The City has had discussions with the County to hire a consultant to help automate this manual process, but the $90,000 estimate by a vendor was deemed too costly for the City.

Relying on mainframe applications means that City staff and outside agencies are heavily reliant on IT staff for extracting data from the system and running ad hoc reports. Mainframe systems are text-based and not as user friendly as Windows or web-based systems, but are extremely fast for an experienced user. There is a wealth of historical data and information stored in the mainframe, but it requires significant knowledge of both the data and the application to extract it as needed. Two programmers have been with the City in excess of 15 years, and they have significant knowledge of both the data and the application. IT investigated the use of a web front-end for some of these applications, but decided against purchasing the software due to funding constraints.

The City's network is composed of a Microsoft Active Directory network with a total of 12 servers and a virtual server environment with an additional 18 virtual servers. The City relies on Cisco for network switches with the core switch composed of a Cisco Catalyst 4006, which is beyond its "end-of-life" time span as defined by Cisco. The core switch is what ties the City's network together. The mainframe, network servers and all PCs rely on this core switch to function properly for data access and communications. If it were to fail, none of the systems could function.

The Network Unit currently consists of two staff members. This staffing level impacts the City's ability to provide help desk and network services. Network administration is done by one person who also provides help desk assistance and back up. The City has 122 laptops and 316 PCs. Most of these computers are seven to nine years old, with some greater than 10 years. Optimally, laptops and PCs should be replaced every three years. All of the users of this equipment are supported by the IT help desk. The help desk also fields calls and provides service to 470 City users and 130 external accounts, which include other police agencies, constables and vendors.

Virtually all printing is performed by City staff on personal ink jet printers, and nearly all printers and copiers are not networked. This is not efficient in terms of use of City funding for printers and copiers. There is no requirement that printers or copiers be routed through the IT Bureau prior to purchase, and the IT Bureau has not had funding available to network the existing printers and copiers.

The City's financial system is handled by the server-based SunGard Pentamation application. The IT Bureau does not provide support for this application; it is administered by the Bureau of Financial Management. The IT Bureau's Network Administrator adds users as needed. Currently Pentamation is not linked to DCIT, the Office of the Treasurer's mainframe application. As outlined in the Department of Administration chapter, this non-connectivity requires Financial Management staff to manually enter data daily from the Treasury system into Pentamation. An interface is needed between Pentamation and the mainframe to eliminate manual data entry. This will allow for more effective use of Financial Management staff and reduce the opportunity for human error. An IT best practice is an Enterprise Resource Planning (ERP) solution, which would eliminate the need for the mainframe by integrating all data and information throughout the organization into one system. However, this option may be cost prohibitive, given the City's current and expected financial and staffing constraints.

The IT Bureau was recently given responsibility for the telephone system, and there is no maintenance contract for it. Some of the equipment in the City's telephone system is more than 20 years old. Some bureaus that are located outside of downtown Harrisburg have their own phone system for their remote sites. Replacement parts for the main system are becoming scarce. Users are also experiencing operational challenges with the old system. For example, some police officers and field staff in operational departments do not have voice mail. This inhibits the ability for residents to contact them directly. Other departments and bureaus expressed a desire for a phone system with newer equipment, less down time and reliable voice mail.

As evidenced by the issues raised above, the City has had limited funds to maintain and expand its IT infrastructure. However, cities that do not invest in technology fall significantly behind and limit their ability to improve services, manual processes and stay current with the needs and expectations of their users and citizens.

The tables below show the IT Bureau's budgeted expenses for 2011 and projected expenses through 2015, based on the assumptions detailed in the Introduction chapter.

Bureau of Information Technology – Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$413,649	$413,649	$414,971	$416,332	$417,734	$418,697	1.2%
Temporary	$0	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$31,645	$31,644	$31,745	$31,849	$31,957	$32,030	1.2%
Benefits	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$23,952	$23,952	$24,147	$24,362	$24,640	$24,960	4.2%
Maintenance/ Service Contracts	$87,626	$87,626	$88,765	$90,185	$91,809	$93,645	6.9%
Software	$45,000	$45,000	$45,585	$46,314	$47,148	$48,091	6.9%
Data Processing	$13,900	$13,900	$13,917	$13,937	$13,961	$13,989	0.6%
Lease Purchase	$36,300	$36,300	$36,776	$37,307	$37,993	$38,791	6.9%
Other Miscellaneous	$11,250	$11,250	$11,236	$11,221	$11,204	$11,185	(0.6%)
Total	**$663,322**	**$663,321**	**$667,142**	**$671,509**	**$676,445**	**$681,388**	**2.7%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Bureau of Information Technology Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$445,294	$445,293	$446,716	$448,181	$449,691	$450,727	1.2%
Non Personnel Expenditures	$218,028	$218,028	$220,426	$223,327	$226,754	$230,661	5.8%
Total	**$663,322**	**$663,321**	**$667,142**	**$671,509**	**$676,445**	**$681,388**	**2.7%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Initiatives

The City's IT infrastructure is antiquated and some of its key components are beyond their lifecycle. Replacement for some critical network components – such as the City's core Cisco Catalyst 4000 switch – must be replaced to avoid the significant risk of prolonged system-wide outages. Given the City's current fiscal situation, the immediate, short-term strategy for IT is to replace mission critical end-of-life equipment with minimal investments and to work with Dauphin County to purchase equipment and cost effectively contract with them for services. A longer term strategy is outlined in the last initiative of this chapter which addresses a more holistic view of critical hardware, software and network capacity.

IT01.	**Replace mission critical IT components**	
	Target outcome:	Improved system reliability
	Five year financial impact:	Not available
	Responsible party:	Director of Information Technology

The City's core switch is the critical infrastructure that allows all of the City's computing operations to function, including critical applications (tax administration, utility billing, METRO police system, personnel and payroll), PCs, servers and all other network devices. The core switch and a portion of ancillary Cisco switches are out of date and no longer supported by Cisco. In order to prevent system interruptions or failure, the City shall replace the core switch and ancillary Cisco switches.

Additionally, the air conditioning in the City Government Center data center failed recently, representing another single point of failure in the City's infrastructure. When the air conditioning failed, the room reached over 98 degrees and could have damaged or caused a complete failure of vital hardware systems housed in the data center. The City shall repair or replace the temperature monitoring device in the data center to provide an alert to the Communications Center when the room is approaching a dangerous temperature and/or when there is an electrical power outage. This equipment could save significant amounts of money by avoiding additional overheating events and related damage to multiple systems.

This initiative is estimated to cost $66,000 based on vendor estimates provided to the City's IT staff. If the temperature monitoring device cannot be repaired, the estimated replacement cost for the data center is $1,500. These are one-time costs and should be programmed in the first year. The City and Act 47 Coordinator are pursuing funding for this initiative through a Commonwealth EIP grant.

IT02.	Discontinue vendor contract for disaster recovery	
	Target outcome:	Cost reduction
	Five year financial impact:	$180,000
	Responsible party:	Director of Information Technology

The City's has a $45,000 annual disaster recovery contract for its mainframe computer system with IBM. While it is generally advisable to have a disaster recovery contract, the savings should be used to replace significantly outdated PCs and other critical IT equipment.

Under the City's contract with its current disaster recovery vendor, the vendor agrees to give priority to the City if a regional event occurred which impacted other organizations. The contract also includes an annual test of the system at the vendor's disaster recovery site in New York, but this testing provision has only been used once in the last five years due to the cost of staff travel to get to the site.

If a natural or manmade disaster occurred, the City could procure disaster recovery services from its current vendor for a one-time fee. However, priority would be given to the vendor's clients under contract. If the current vendor was unavailable, the City could look to other vendors to provide this service.

Therefore, the City shall cancel its current disaster recovery contract at a cost savings of $45,000 each year from 2012-2015. The 2011-2015 savings are estimated at $180,000. As funding becomes available, this contract should be reinstated.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$45,000	$45,000	$45,000	$45,000	$180,000

IT03.	Replace outdated personal computers	
	Target outcome:	Improved efficiency and reliability
	Five year financial impact:	($60,000)
	Responsible party:	Network Administrator

Well over half of the desktop and laptop computers in the City are more than seven years old, and many are more than nine years old. This leads to performance issues and equipment breakages, which makes support difficult and equipment unproductive and costly to maintain. The software on this equipment is old, with many computers running Microsoft Office 2000 or one of several different versions of Windows Operating Systems and other outdated software. According to feedback from

City staff, users are routinely frustrated with the speed and reliability of these machines, which are long overdue for replacement.

Dauphin County has a three-year replacement cycle for personal computers (PCs), which is consistent with industry best practices. The County currently leases their PCs. After they are replaced, they are sent back to the service provider. The County is willing to consider changing its leasing agreement and investigating a buy-back option or some other provision that would allow the City of Harrisburg to purchase the PCs for a very low cost. Preliminary discussions with the County put this estimate at $200 per PC. Although a three-year replacement cycle is the best practice in PC replacement, this is not a standard that the City can currently afford. By purchasing inexpensive, used equipment annually from the County, the City can replace the oldest PCs that are out of warranty with minimal cost. As additional funds are available, the City could use the County's contract and purchase new PCs at a lower cost. This would ensure standardization of equipment and software and improve the efficiency of help desk service. The County may also allow the City to purchase software through the County at a reduced rate through a volume licensing agreement it has established with Microsoft.

The cost of this initiative is $20,000 per year based on replacing 100 PCs annually in 2011, 2012 and 2013. This cost does not include software. The total cost to the City is anticipated to be $60,000 over the next three years.

Financial Impact

2011	2012	2013	2014	2015	Total
($20,000)	($20,000)	($20,000)	$0	$0	($60,000)

IT04.	Eliminate all personal printers and maintenance on printers	
	Target outcome:	Cost reduction
	Five year financial impact:	Not available
	Responsible party:	Network Administrator

Throughout the City, staff use individual personal inkjet printers. With the exception of a few printers, City-wide network printers are not used, and most printers are more than seven years old and out of warranty. In order to reduce costs and improve the efficiency, the City shall eliminate all individual printers.

In addition to the printers, there are five large copiers. The leases for these non-networked printers expire in June 2011. Upon expiration, these leases and maintenance contracts for the current machines shall not be renewed. When new leases are bid they should be for digital, networked copiers with printing capabilities.

Any savings from the elimination of printer and copier contracts shall be used to purchase network printers as funds become available. The advantage of networked printers is the ability for multiple users to access the same printer and send items to the networked copiers to print. Furthermore, eliminating stand-alone inkjet printers will help reduce expenditures on consumables, including inkjet cartridges.

A cost effective way to deploy network printing throughout the City is to only lease copiers that have network printing capabilities. The City shall require that all copiers and printers be purchased by IT to ensure they are networked and purchased/leased on larger contract-riding vehicle for savings.

IT05.	**Develop custom interface between County dispatch system and METRO**	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Director of Information Technology and Police Chief

The IT Bureau has explored building a custom interface between the County dispatch system and METRO. The Bureau received a quote of over $90,000 to link these two systems. As mentioned earlier, without an interface between the two systems, Police Bureau staff will have to manually enter dispatch data into METRO. Manual entry is not an effective or efficient use of resources. Therefore, the City shall develop a custom interface between the County dispatch system and METRO.

The $90,000 investment to build the custom interface will pay for itself in improved efficiency and reduce staffing costs from Police personnel that would have been dedicated to manually enter data into METRO. This initiative has a one-time cost of $90,000 in the first year and is based on a quote received by IT from a software vendor. Assuming that one clerk/typist were added to provide data entry for all police data, at a cost of approximately $35,000 in salary, then the return on investment for this interface would be paid back in less than three years. The City and Act 47 Coordinator are pursuing funding for this initiative through a Commonwealth EIP grant.

IT06.	**Eliminate manual entry between Pentamation and mainframe applications**	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Director of Information Technology

Bureau of Financial Management staff are currently performing manual entry into the Pentamation system. The daily Treasurer's report is run from DCIT (a mainframe application). It is then provided to Financial Management where the Accounting Manager then manually enters this data into Pentamation daily. A year ago, the IT Bureau developed a script to eliminate this procedure. However, the Financial Management Bureau was not using it because some of the account codes did not match. As a result, information had to be entered manually. More frequent communication between these two bureaus would eliminate some of this unnecessary work. The IT Bureau is currently working to solve this problem. Manual data entry shall be eliminated as it wastes valuable staff time and is an opportunity for a hand-keying mistake. The daily Treasurer's report provides critical cash balance data and must be accurately and quickly provided.

A second process that is being hand-keyed into Pentamation is payroll. The Budget Manager is currently hand-keying the pay rates from ADP every two weeks. Staff performing this work estimates it takes approximately 45 minutes every two weeks to perform this manual entry. Financial Management shall seek assistance from the IT Bureau to develop a script to upload payroll data into Pentamation to eliminate this unnecessary duplicate entry.

Financial Management staff shall review these and any other manual entries into Pentamation with IT to determine how to eliminate this duplicate work.

IT07.	**Conduct a needs assessment for an Enterprise Resource Planning system**	
	Target outcome:	Improved efficiency
	Five year financial impact:	($80,000)
	Responsible party:	Director of Information Technology and Director of Finance

The City shall hire a consultant with expertise in evaluating and implementing government Enterprise Resource Planning (ERP) systems to assess the current Sungard Pentamation ERP system and the major mainframe applications. Part of this project shall also include a needs assessment based on input from all City departments, as well as THA. One of the major deliverables would be a detailed study, including specific recommendations as to how the City would either replace or enhance the Sungard Pentamation system and major mainframe applications with an emphasis toward process improvement and enhanced service delivery for all City services.

The consultant shall also explore a shared services model with the County or another government entity similar to the arrangement that Allegheny County and the City of Pittsburgh have in place. This could offer substantial cost savings for the City. Dauphin County uses the GEMS ERP system and Microsoft Dynamics for some functions. Based on initial discussions with Dauphin County, there are reservations on the part of County staff to enter into shared services with Harrisburg. Therefore, these issues would have to be explored thoroughly before implementation. The IT requirements of the City's authorities shall also be explored as part of this process.

While the City's mainframe applications perform well and offer outstanding reliability, it is certainly not a best practice solution for cities the size and complexity of Harrisburg. It will take time to convert or replace mainframe applications with server-based systems and to move all essential applications off the mainframe to a server-based platform or cloud-hosted environment. While the City's IT mainframe support is good, a server-based environment would make it easier to find skilled IT workers and provide a much improved end user experience.

DCED Act 47 grant funding is being sought to offset the cost of this initiative.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	($80,000)	$0	$0	$0	($80,000)

IT08.	Complete a needs assessment and audit of existing phone system and components	
	Target outcome:	Cost reduction
	Five year financial impact:	($50,000)
	Responsible party:	Director of Information Technology

The City's NORTEL phone system uses technology that is more than 20 years old. While some parts of it have been replaced, some parts of it are nearly 30 years old. Any failure of the phone system could result in prolonged outages, which would affect all City functions, including public safety. IT recently assumed responsibility for the system from the Operations and Revenue Bureau and discovered that no maintenance contract exists for the telephone system.

The City shall hire a consultant to perform a needs assessment and audit of existing phone lines used at City facilities. The consultant shall be contracted to:

1. Analyze existing telephone bills and reconcile them with the actual lines installed at City facilities. This will likely reduce the City's phone bills since unused lines can be removed and any over charges by Verizon can be identified. The consultant shall also identify changes in the types of lines used at the City and possibly replace traditional trunk lines with flat-rate Primary Rate Interface (PRI) lines which offer considerable savings.
2. Conduct a needs assessment and explore other cost saving opportunities.
3. Write the specifications for an RFP that would include the purchase of a new phone and voice mail system that shall cover all City facilities and staff.
4. Develop a needs summary so that any future phone system purchases shall address user needs.

Based on an informal quote received from a vendor, this work is expected to cost approximately $35,000 in 2011. It has a one-time cost, and the City could see some cost savings if the audit of phone lines includes some that can be eliminated or are being billed to the City erroneously. DCED Act 47 grant funding is being sought to offset the cost of this initiative.

Financial Impact

2011	2012	2013	2014	2015	Total
($50,000)	$0	$0	$0	$0	($50,000)

IT09.	**Pursue long-term strategic IT initiatives**	
	Target outcome:	Improved efficiency and reliability
	Five year financial impact:	Not available
	Responsible party:	Director of Information Technology

There are several technological improvements that have the potential to greatly improve the City's IT infrastructure and service delivery. Due to the time and expense required to effectively implement these improvements, they are not recommended as initiatives for this Recovery Plan. As the City's fiscal condition improves, these items shall be evaluated for implementation.

Voice Over Internet Protocol (VOIP)
One area the City shall consider after having an assessment of telecommunications needs by a consultant is to prepare for a VOIP telephone system replacement. In preparation for this future transfer, the City shall be proactive with all future wiring. Any new cable drops shall be Cat 6e which will provide the reliability and bandwidth to accommodate future growth.

Other Departmental Needs
A number of other departmental needs were noted by the Act 47 Coordinator and shall be explored by the IT Bureau. Geographic information services (GIS) at the City have been virtually nonexistent after the last dedicated GIS employee left the City in 2005. Since then, a private engineering firm has been providing limited assistance. There is a need for GIS services to help departments and bureaus better manage and access information to do their jobs. This was mentioned as a need by three separate bureaus. For GIS to be an effective management tool, in-house capacity shall be developed and work shall be completed to bring layers up to date and add new layers.

Additionally, upgrades in the parking ticket handheld devices, mobile data computers in fire vehicles and training for all City staff were mentioned as needs. There is also a need for connectivity between each offsite office.

Law Bureau

Overview

The City Solicitor[32] and staff of the Law Bureau perform a myriad of duties, encompassing all facets of trial practice including courtroom litigation, administrative hearings, grievance hearings, appellate argument and minor criminal prosecutions. The Law Bureau drafts legislation, contracts and other agreements for the various City departments and reviews those generated by individuals and companies seeking to do business with the City. The City Solicitor responds to requests for formal opinions from elected officials and department heads. The Law Bureau keeps a record of all tort claims filed against the City and litigation and administrative proceedings to which the City is a party. The City Solicitor or a designee attends all legislative and non-legislative meetings of City Council as well as committee meetings upon request.

Additional routine activities of the Law Bureau include:

- Assisting the Bureau of Human Resources to assure compliance with FMLA, ADA, the City's Pension plans, 457 Deferred Compensation plans, commercial driver's license (CDL) policy, Workplace Violence and Anti-Harassment/Non-discrimination policies;
- Assisting the Bureau of Human Resources to review correspondence sent to Civil Service Commission candidates;
- Participating in labor/management meetings and drafting/reviewing Memoranda of Understanding between management and unions;
- Representing the Police Pension Board which meets monthly and involves assignments outside of those meetings;
- Reviewing and/or drafting contracts which involve making substantive and non-substantive changes to the contract language and negotiating with the contracting party;
- Reviewing Workers' Compensation and Heart and Lung claims;
- Drafting legislation on a biweekly basis;
- Reviewing subpoenas issued to the City for compliance;
- Attending depositions of City officials and employees subpoenaed in civil cases;
- Drafting official documents for the Mayor and other City officials;
- Attending legislative sessions of the City Council as the Parliamentarian;
- Attending committee meetings of the City Council to advise them in regards to proposed legislation;
- Reviewing and filing liens;
- Assisting the Right to Know Officer; and
- Assisting all departments in compliance with federal and state law and reviewing and/or drafting correspondence with county, state or federal officials.

Currently the Law Bureau is responsible for several significant projects which impact workload, including the following:

- Assisting the Police Pension Board with Act 44 mandates compliance;
- Revising the City's ADA and Workers' Compensation policies (Note: the Acting Solicitor has suspended action on this work due to other priorities);

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[32] City of Harrisburg Code [Adopted by the City Council of the City of Harrisburg by Ord. No. 10-1971. Amendments noted where applicable.]:
§2-303.1. Appointment. The City Solicitor shall be appointed by the Mayor with the advice and consent of Council.
§2-303.2. Duties. The City Solicitor shall have such duties and responsibilities as are set forth in general law.
§2-303.3. Assistants. One or more assistant City Solicitors may be appointed by the Mayor with the advice and consent of Council.

- Representing the City on the Urban Search and Rescue Task Force 1 which is in the process of migrating from Sponsoring Agency to Participating Agency, including coordination with the FEMA/ Pennsylvania Emergency Management Agency (PEMA); and
- Working with outside counsel to respond to the Security and Exchange Commission's subpoenas and discovery in addition to compliance with disclosure requirements.

In April 2011, the Law Bureau staff includes the Acting City Solicitor, a Legal Secretary and a Paralegal. The City is advertising for and is seeking to hire a City Solicitor. The table below shows the Bureau's budgeted and filled staffing for years 2006-2011.

Bureau of Law - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	5	4	4	4	5	3
Filled	5	4	4	4	3	3

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Litigation

The City is currently involved with a variety of litigation, both recurring and current cases, which has strained the Law Bureau's limited resources. A summary of the City's recurring cases is described below.

Codes Violations

The Law Bureau is responsible for the prosecution of City codes violations. There are approximately 25 code cases appealed to the Court in Dauphin County annually.

Civil Claims – City as Plaintiff

The Law Bureau is responsible for filing and litigating civil claims against those who have damaged City property and who are either uninsured, underinsured or whose insurance companies deny coverage. Approximately six cases require Law Bureau representation in court annually. The Acting Solicitor has suspended any action on these cases due to other priorities.

Defense of Small Civil Claims

The Law Bureau represents the City at the Magisterial District Judges to defend against small claims suits brought by parties against the City.

Investigations

The Law Bureau performs investigations into violations of City's Workplace Violence and Anti-harassment/Non-discrimination policies.

Land Use Cases

The Law Bureau represents the City's interests before the City Council as well as appeals to Dauphin County Court of Common Pleas. There are three current cases, as of April 2011.

Civil Service Commission Appeals
The Law Bureau defends the City in the appeals.

Zoning Hearing Board
The Law Bureau attends hearings before the Zoning Hearing Board if the Zoning Officer recommends denial of a zoning application.

Housing Code Board of Appeals
The Law Bureau represents the Codes Bureau in appeals before this Board.

Assessment Appeals
The Law Bureau represents the City in appeals of City properties that are taxed by the Dauphin County Tax Claims Bureau. The Law Bureau works with the Board of Assessment Appeals to contest the appeals by property owners dissatisfied by the determinations of the Board.

Tax Enforcement Cases
The Law Bureau represents the Tax Enforcement Office in civil claims against business owners for the collection of Business Privilege & Mercantile Taxes and in appeals before the Tax Enforcement Board of Appeals when the Tax Enforcement Office suspends a Mercantile License.

Unearned Leave Repayments
The Law Bureau handles collection efforts and civil complaints against City employees who resign or are terminated with negative leave balances. The Acting Solicitor has suspended any action on these cases due to other priorities.

Actions in Equity Against Owners of Blighted Properties
The Law Bureau brings actions against landowners who fail to abate unsafe and/or unsanitary conditions on their City properties. The Acting Solicitor has suspended any action on these cases due to other priorities.

Resource Recovery Facility Debt Litigation
There are seven current cases in connection with the RRF:

- TD Bank, N.A. and M&T Trust Company, and Assured Guaranty Municipal Corporation v. Harrisburg Authority, City of Harrisburg, and Paul Wambach, Treasurer, No. 2010-CV-11737, filed on 9-13-2010.
- TD Bank, N.A. v. Paul Wambach, Treasurer; City of Harrisburg; and Harrisburg Authority. No. 2010-CV-11738. Filed 9-13-2010.
- County of Dauphin v. Harrisburg Authority, City of Harrisburg; Mayor Stephen Reed, Paul Wambach, Treasurer; James McCarthy, Jr., Controller; Linda Thompson, President City Council; Daniel Miller, Susan Brown Wilson, Brad Koplinski, Wanda Williams, Gloria Martin Roberts, Patty Kim, City Council Members. No. 2009-CV-09271. Filed 7-22-09.
- County of Dauphin v. City of Harrisburg; Mayor Stephen Reed; Paul Wambach, Treasurer; James McCarthy, Controller; Linda Thompson, President City Council; Daniel Miller, Susan Brown Wilson, Brad Koplinski, Wanda Williams, Gloria Martin Roberts, Patty Kim, City Council Members. No. 2009-CV-14921. Filed 11-9-2009.
- County of Dauphin v. Harrisburg Authority and City of Harrisburg, No. 2010-CV-14071. Filed 10-26-2010
- Covanta Harrisburg, Inc. v. City of Harrisburg and Paul Wambach, Treasurer of City, No. 2010-13120, filed on 10-5-2010.
- County of Dauphin v. Harrisburg Authority and City of Harrisburg, No. 2011-CV-1618, filed on 2-15-2011.

DCED and the Act 47 Coordinator have moved to intervene in two of the seven RRF-related cases. DCED intervened in one case in which AGM, TD Bank and M&T Bank are plaintiffs and in a second case in which TD Bank is the only plaintiff. In both cases, the City, the City Treasurer, and THA are defendants. The plaintiffs in both cases are seeking first dollar relief, among other things, against the City to compel the City Treasurer to pay all tax revenues as received to the plaintiffs up to the amount of the sums owed on the bonds and revenue notes sued upon. DCED intervened in both cases solely to join in the City's motion to stay the proceedings so that the Act 47 process could proceed. DCED did not intervene generally to assume the defense of those proceedings. The merits of the RRF related cases are not addressed herein.

In addition to the recurring cases, the City is currently a party to the following litigation:

- The Law Bureau is representing the City in three cases at the PLRB and in Pennsylvania appellate courts.
- The Law Bureau handles the day-to-day labor law work for the City, including internal grievance hearings. The Law Bureau averages two internal grievances a month. Currently there are seven arbitration cases. The City is behind schedule on hearing internal grievances due to a shortage of attorneys. Arbitrations require significant preparation by the Law Bureau. Current arbitrations include:

    1. Arbitration regarding suspension of direct deposit filed by the IAFF;
    2. Arbitration regarding termination of a Police Officer;
    3. Arbitrations regarding the Heart and Lung benefits of two Firefighters;
    4. IAFF arbitration regarding Fire Apparatus repairs;
    5. IAFF arbitration regarding a retirement;
    6. IAFF arbitration regarding the Vehicle Maintenance Center; and
    7. Arbitration regarding a Heart and Lung benefits claim of a police officer.

Litigation in Dauphin County Court includes:

- *Handwerk vs. City of Harrisburg* – This is a contract dispute alleging the City owes approximately $250,000 plus interest and costs.
- *Enos, et al. vs. City of Harrisburg* – Plaintiffs filed action regarding the City's announced plan to enforce overtime metered parking in permit parking areas.

Litigation in Federal Court includes:

- City police officers have sued the City under the Fair Labor Standards Act (FLSA) for late paychecks.
- *Ascalon vs. Dept. of Parks and Recreation for City of Harrisburg, et al.* This case was filed against the Jewish Federation of Greater Harrisburg and the City for an alleged violation of the rights of the artist who designed the Holocaust Memorial Statue in Riverfront Park. A settlement has been entered into that does not involve any financial loss to the City.

Other litigation includes:

- *Beal vs. Officer Grynkowitz, et al.* – The Law Bureau is assisting Insurance Counsel for the City of Pittsburgh in the defense of several Harrisburg police officers sued in connection with an incident at the G-20 summit in Pittsburgh to which Harrisburg sent police officers.
- The Law Bureau assists outside insurance counsel in lawsuits against police and occasionally other departments alleging misconduct and civil rights violations. This sometimes involves acting as a go-between between the litigation attorneys and City officials.

- The Law Bureau assists outside counsel acting as primary litigation counsel in seven cases related to The Harrisburg Authority incinerator debt and guaranty.
- There are four Pennsylvania Human Relations Commission cases in which the Law Bureau is participating with the insurance lead counsel.

Finances

The tables below show historical expenditures for the Bureau of Law for the period 2006 through 2010.

Bureau of Law
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$255,799	$219,292	$229,474	$205,598	$192,766	(24.6%)
Temporary	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	0.0%
Social Security	$19,569	$16,776	$17,555	$15,728	$14,747	(24.6%)
Benefits	$57,060	$69,151	$64,368	$0	$0	(100.0%)
Legal/Contract Services	$27,238	$4,108	$36,169	$20,289	$133,671	390.7%
Subscriptions	$14,505	$15,066	$14,624	$19,623	$19,360	33.5%
Other Miscellaneous	$7,029	$8,224	$4,963	$8,214	$2,818	(59.9%)
Total	**$381,200**	**$332,617**	**$367,153**	**$269,453**	**$363,362**	**(4.7%)**

Source: Historical Data from City As Provided

Bureau of Law
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$332,428	$305,219	$311,397	$221,326	$207,512	(37.6%)
Non Personnel Expenditures	$48,772	$27,398	$55,756	$48,126	$155,850	219.5%
Total	**$381,200**	**$332,617**	**$367,153**	**$269,453**	**$363,362**	**(4.7%)**

Source: Historical Data from City As Provided

Assessment

The Law Bureau is currently staffed with one attorney, the Acting Solicitor. The caseload described previously in this chapter cannot be handled efficiently, effectively or in a timely manner by one attorney. The Acting Solicitor admits the caseload is overwhelming. This exposes the City to potential financial loss both in delayed pursuit of potential financial gain and in defending claims against the City. Data is not available to calculate and quantify either delayed gains or potential losses. Demand on the Law Bureau increased with debt litigation cases being added to the caseload. With support from DCED, the City has engaged experienced, outside litigation counsel to represent it in connection with THA RRF Debt litigation cases. While the addition of such litigation counsel is clearly a benefit, the balance of the Law Bureau's caseload remains unmanageable.

The Law Bureau has made technological advances. For example, the Law Bureau utilizes internet-based programs to assist in the efficient retrieval of research materials, information and data without leaving the office. These are as follows: (1) Public Access to Court Electronic Records (PACER) is utilized to research bankruptcy information including reports of new bankruptcy cases filed and cases dismissed and discharged; (2) Electronic Case Filing (ECF) for the Middle District Court of Pennsylvania allows the City to file documents electronically and check the docket report for cases; and (3) the Law Bureau has been working with the City's IT Bureau to develop a case management program. This program will allow the City to maintain the status of litigation and non-litigation cases electronically for efficient access and updating.

Despite these limited successes, the Law Bureau faces significant challenges. For example, basic access to organized legal information is challenging. The Code of the City of Harrisburg is updated through Ordinance No. 20-1997. Ordinances adopted subsequent to Ordinance 20-1997 are not codified, but are appended thereto. According to the Acting Solicitor, in 2009, a third party vendor worked with the City Clerk on recodification. At that time, the recodification information was sent to all City department heads for comment. Between 2009 to date, additional amendments to the City Code have been enacted by ordinance. Upon receipt by the City Clerk of the cumulative recodification information and the aforesaid amendments, the Acting Solicitor can present the complete recodification to City Council for action. Although the Code is currently in the process of being recodified, there is no completion date. Upon completion, the new Code will include all of the Ordinances adopted since 1997, but since they are not codified, it is an extremely difficult task to determine to what sections of the Code those ordinances pertain. One essentially must go through and "do your own codification" (per the Acting Solicitor) by referring between and among the ordinances and the original Code provisions, or perform searches of the recently adopted ordinances (if one knows exactly what one is looking for). This is very tedious and inefficient. There are bound volumes in the Law Bureau of the proposed codification. That is probably the most up-to-date version of all of the ordinances, but it is unofficial, as Council has not passed a Codification Ordinance.

The tables below show the Bureau's budgeted expenses for 2011 and projected expenses through 2015 using the assumptions detailed in the Introduction chapter.

Bureau of Law
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$184,860	$184,860	$184,860	$184,860	$184,860	$184,860	0.0%
Temporary	$0	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$14,143	$14,142	$14,142	$14,142	$14,142	$14,142	0.0%
Benefits[33]	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$180,750	$180,750	$184,919	$189,610	$195,733	$202,956	12.3%
Subscriptions	$29,925	$29,925	$29,925	$29,925	$29,925	$29,925	0.0%
Other Miscellaneous	$6,480	$6,480	$6,546	$6,627	$6,721	$6,829	5.4%
Total	**$416,158**	**$416,157**	**$420,392**	**$425,164**	**$431,381**	**$438,712**	**5.4%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Bureau of Law
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$199,003	$199,002	$199,002	$199,002	$199,002	$199,002	0.0%
Non Personnel Expenditures	$217,155	$217,155	$221,390	$226,162	$232,379	$239,710	10.4%
Total	**$416,158**	**$416,157**	**$420,392**	**$425,164**	**$431,381**	**$438,712**	**5.4%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

[33] Beginning in 2009, all costs for medical, dental, vision and group life insurance are recorded in General Expenses, not in the individual departments

Initiatives

The Law Bureau's inadequate staffing of experienced attorneys has a very significant impact on the proper handling of the City's legal affairs with potential, serious, adverse financial ramifications.

LAW01.	Use professional assistance for labor relations activities	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	City Solicitor

The City shall retain experienced public-sector employment labor counsel for its labor relations activities beginning with negotiations of new collective bargaining agreements. The City shall also seek professional legal assistance, either through the Law Bureau or outside counsel, for other labor relations issues. The Pennsylvania League of Cities and Municipalities offers a Public Employer Labor Relations Advisory service which the City shall utilize. This service also provides access to wage and benefit data as well as assistance on a variety of labor law issues.

Budgeted funds are available to cover the costs of $110,000 for additional outside assistance.

LAW02.	Increase the number of staff attorneys from one to three	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	City Solicitor

The City shall hire two additional staff attorneys, each with skill sets to handle the most frequently experienced cases. The City shall fill the currently budgeted but vacant Attorney position. This will have no additional impact on the General Fund. The City shall also shift $75,000 per year from funds budgeted for outside legal counsel to employee expenditures to cover the costs of an additional Assistant Solicitor. There is no budget impact. This will also leave approximately $110,000 for outside counsel as indicated in Initiative LAW01 "Use professional assistance for labor relations activities."

LAW03.	Complete, recodify and enact the Code of the City of Harrisburg	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	City Solicitor and City Council

Under Commonwealth law, the City of Harrisburg is a City of the Third Class which has adopted the Mayor-Council Plan A under the Home Rule Charter and Optional Plans Law. As such, the City does not have a charter, as it would if the City were a home rule municipality.

In municipalities under home rule, it is a best practice to develop and maintain an administrative code that, at the outset, provides a detailed explanation of the roles and responsibilities of the City's elected officials. This introductory section of the code also outlines the overall organization of the City, including the management structure of all departments, bureaus and offices. This introduction is followed by the ordinances of the City, with any applicable updates incorporated into the code on an annual basis.

At present, the City has not incorporated updates into its code through a recodification process in many years. The City of Harrisburg is a complex and multi-faceted local government unit. Governing tools set forth in the City Code shall not continue to be randomly located, unorganized and ineffectively managed and used by the City and the public. An updated codification of City ordinances will greatly improve the efficiency of City personnel in enforcement proceedings. Therefore, the City shall complete, recodify and enact its Code.

The City shall also develop and incorporate into its Code an introductory section on organizational structure. The details of administrative organization and procedures, the precise number of departments, bureaus and offices reporting to the Mayor and/or the Chief of Staff/Business Administrator, the allocation of functions among the City's departments, bureaus and offices and the internal organization of departments shall all be outlined in this introduction. The introduction can be amended as needed by the City Council through legislative ordinance.

V. Public Safety

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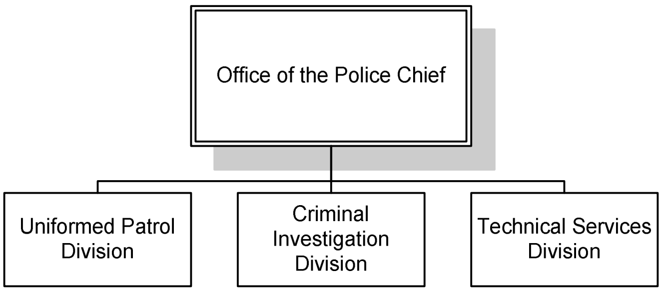
Bureau of Police

Overview

The Bureau of Police provides law enforcement and crime prevention services within the City of Harrisburg. The Bureau is currently accredited by the Commission on Accreditation of Law Enforcement Agencies (CALEA).

The commanding officer of the Bureau is the Chief of Police. The **Office of the Police Chief** is responsible for the management of available resources to ensure that the Bureau's mission, goals and objectives are achieved. Functions/units operating within the Office of the Chief include Community Policing, Animal Control, Weed and Seed, Foot Patrol and Internal Affairs.

The Police Chief oversees all operations of the Bureau with assistance from three Captains, each commanding one of the Bureau's three primary divisions: Uniformed Patrol; Criminal Investigation; and Technical Services. The following figure depicts the Bureau's structure.



The **Uniformed Patrol Division** is primarily comprised of three platoons of uniformed patrol officers. These officers respond directly to calls for service and conduct routine patrols within the City's seven police districts. Patrol officers also staff the City's booking and detention center 24 hours a day. In addition to the three platoons, the Street Crimes, Special Services, Abandoned Vehicle, Traffic Safety, K-9 and Public Housing Units operate within the Uniformed Patrol Division.

The **Criminal Investigation Division** is charged with investigating and resolving crimes referred by officers in the Uniformed Patrol Division. The Division is staffed by detectives and investigators who operate within the following units: Adult Offenders; Juvenile Offenders; Vice/Organized Crime; Arson; Special Operations; and Forensics. The units within the Criminal Investigation Division frequently collaborate with regional and state partners, particularly the Dauphin County District Attorney's Office, in ongoing criminal investigations and prosecutions.

The **Technical Services Division** provides a wide variety of administrative and operational support functions for the Bureau. The Division is staffed by uniformed and civilian personnel who operate within the following units: Training; Property Management; Court Liaison/Special Events; Background Investigations; and Accreditation/Crime Analysis. The Captain of the Technical Services Division also manages the Bureau's Parking Enforcement Office, Records Management Center and Communication Center.

The City is currently in the process of transferring its 911 and dispatch operations to the Dauphin County Communication Center. The transfer is scheduled to occur in late June 2011. Following the transfer, the Communications Center staff, which will be significantly reduced, will continue to answer calls to the City's non-emergency line and perform report-writing and data entry functions for the Bureau.

As a result of this transfer, the City's 12 existing Telecommunicator positions will be eliminated. In their place, Police Data Technician I and Police Data Technician II positions will be established, with four FTE AFSCME bargaining unit positions retained in total. These changes will result in the elimination of 8.0 FTE AFSCME bargaining unit positions, 2.0 FTE management positions and 6.0 part-time equivalent (PTE) management positions, with potential annual salary savings of $600,000. The anticipated savings have already been incorporated into the current fiscal year's operating budget.

The table below depicts the Police Bureau's historic and current staffing levels. As shown in the table, the Bureau has experienced a gradual reduction in the total number of budgeted positions, which is attributable to a decrease in available funding City-wide. Beginning in 2008, the Bureau saw an increase in vacant positions, primarily attributable to retirements and voluntary separations, which has continued into the current year.

Bureau of Police - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	226	212	216	219	230	209
Filled	226	212	212	216	226	200

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

The table below shows the number of Harrisburg officers per 1,000 residents. Although these statistics indicate that Harrisburg's number of police officers per 1,000 residents is unusually high – 3.8 officers per thousand, compared with an average of 2.2 in other Pennsylvania cities of the Third Class - it is likely that published statistics, which show the ratio at 3.8 since 2005, do not accurately reflect the Bureau's current headcount. This error is likely due to inaccurate reporting of the Bureau's total headcount in the Federal Bureau of Investigation's (FBI) Uniform Crime Reports in recent years. Using the Bureau's staffing level as reported in the table above, it is estimated that the City's ratio of officers per 1,000 residents is actually 3.23 at this time.

Police Officers per 1,000 Residents

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	% Change
Lancaster	2.9	2.8	2.8	2.7	2.9	3.1	3.2	3.1	2.9	2.9	0.08%
Reading	2.5	2.4	2.5	2.6	2.5	2.6	2.5	2.5	2.5	2.4	(2.51%)
Bethlehem	2	2	2	1.9	2	1.9	2	2.1	2.1	2.2	9.88%
Scranton	2	1.8	2.2	2	2	2	2	2.1	2.1	2.1	4.39%
Allentown	2.1	1.9	2.1	2.3	2.1	1.6	1.8	1.8	1.9	1.9	(9.93%)
Erie	1.9	2	2	2	2.1	1.7	1.7	1.6	1.5	1.6	(14.85%)
Average	2.2	2.2	2.3	2.3	2.3	2.2	2.2	2.2	2.2	2.2	(2.16%)
Harrisburg	3.6	3.7	3.6	3.7	3.7	3.8	3.8	3.8	3.8	3.8	5.34%

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2009. At the time of publication, only data through 2009 was available.

Although the ratio of police officers per 1,000 residents is frequently used as a convenient measure of a Police Department's staffing level, it is important to remember that it is only one factor in determining whether a department is appropriately staffed. Statistics like density of population, crime rates and daytime population are equally pertinent metrics that must be considered in conjunction with the police officer to resident ratio. For example, as will be discussed later in this chapter, Harrisburg's violent crime rate and daytime population are considerably higher than those of other Third Class cities typically used for comparison.[34] If Harrisburg's daytime population is used as a basis, the ratio of officers to 1,000 residents drops to 1.87, approximately the same level as Allentown and just above that of Erie, both of which have substantially less reported crime than Harrisburg (Allentown's crime rate is approximately 39% of Harrisburg's; Erie's is approximately 26%).

Other Resources

In addition to Police Headquarters at the City Government Center, the Bureau maintains three community policing stations throughout the City. These stations are not regularly staffed by Bureau employees, but rather opened by patrol officers on a rolling, as-needed basis. One community policing station is partially staffed at present by civilian volunteers.

Funding for one of the community policing stations, located in the South Allison Hill Community, is largely provided by the Weed and Seed Program. This location has handled an average of 1,800 to 2,000 calls and visits from residents annually. Weed and Seed is a comprehensive strategy to create partnerships to assist communities to design strategies to deter crime, promote growth and improve the quality of life for residents. Between 2002 and 2010, $2,231,634 was provided to the City and its community partners by the Commonwealth of Pennsylvania Weed and Seed Program to support three funding streams: Quality of Life; Delinquency Prevention; and Micro-Enterprise. During the 2010-2011 grant period, the Bureau anticipates using approximately $149,000 to fund expenses associated with the South Allison Hill community policing station, one Community Police Liaison position, overtime foot and bicycle patrols and gun safety and youth violence prevention programs.

The Bureau's fleet currently consists of 108 vehicles of which 52 are marked and 56 are unmarked, including special service vehicles such as prisoner transport vans, K-9 vehicles, forensic vehicles and motorcycles.

[34] Harrisburg's residential population is 48,950, but its daytime population is estimated at 84,560.

Finances

The tables below show historical expenditures for the Police Bureau for the period 2006 through 2010. These expenditures reflect the aforementioned reduction in positions, particularly within the Office of the Police Chief and the Technical Services Division. The unusual growth in sick leave buy back-related expenditures between 2006 and 2010 reflects the unpredictable nature of these payments. At present, employees are provided the option of selling back to the City unused sick leave days each year. Bargaining unit employees within the Bureau may sell back between 10 to 20 sick days per year at 50% of the value of the sick day. Yearly expenditures in this category are dependent upon employees' annual requests for sick leave buy backs and are difficult to accurately project. Beginning in 2009, the City began budgeting and recording all costs for medical, dental, vision, and group life insurance in General Expenses, rather than in individual departments, bureaus and offices. The historical expenditures shown below reflect this change.

Bureau of Police
Historical Expenditures by Function

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Parking Enforcement Office	$470,021	$569,203	$552,100	$442,120	$436,094	(7.2%)
Office of the Police Chief	$4,147,359	$3,965,838	$3,757,371	$2,334,683	$2,493,727	(39.9%)
Uniformed Patrol	$8,703,990	$8,354,350	$8,804,602	$7,707,382	$8,221,857	(5.5%)
Technical Services	$2,458,801	$2,538,579	$2,441,047	$1,886,653	$1,877,999	(23.6%)
Criminal Investigation	$2,673,461	$2,535,890	$2,958,969	$2,629,789	$2,502,739	(6.4%)
Total	**$18,453,632**	**$17,963,861**	**$18,514,088**	**$15,000,627**	**$15,532,416**	**(15.8%)**

Source: Historical data from City as provided

Bureau of Police
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$8,014,090	$10,611,565	$10,953,945	$11,675,358	$12,242,505	52.8%
Salaries/Wages-Extra Duty	$161	$5,885	$23,747	($1,148)	$303,799	N/A
Temporary	$40,302	$88,713	$89,402	$0	$0	(100.0%)
Overtime	$1,111,755	$981,344	$1,093,669	$1,225,921	$855,323	(23.1%)
Sick Leave Buy Back	$1,175	$13,654	$14,483	$0	$12,993	1,005.5%
Severance Pay	$182,684	$129,553	$81,252	$143,116	$348,207	90.6%
Social Security	$150,408	$142,104	$135,438	$148,751	$304,695	102.6%
Clothing Allowance/Maintenance	$166,644	$156,561	$147,287	$193,056	$160,399	(3.7%)
Loss Time & Medical	$454,900	$295,876	$444,236	$479,809	$324,880	(28.6%)
Police Pension Plan	$512,593	$523,803	$281,349	$275,869	$314,094	(38.7%)
College Credits	$8,100	$9,100	$8,700	$10,000	$0	(100.0%)
Benefits	$7,010,045	$4,100,608	$4,531,182	$94	$1,157	(100.0%)
Legal/Contract Services	$74,843	$77,141	$122,692	$127,039	$138,319	84.8%

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Maintenance Service Contracts	$67,759	$66,601	$84,162	$126,629	$34,297	(49.4%)
Telephone	$74,172	$71,817	$68,629	$65,037	$62,901	(15.2%)
Auto Deductible	$8,400	$30,659	$9,095	$33,693	$41,464	393.6%
Police Prof Premium	$210,475	$193,366	$159,449	$171,370	$183,974	(12.6%)
Police Prof Deductible	$92,698	$196,747	$40,672	$48,628	$27,350	(70.5%)
Other Miscellaneous	$272,427	$268,764	$224,700	$277,404	$176,061	(35.4%)
Total	**$18,453,632**	**$17,963,861**	**$18,514,088**	**$15,000,627**	**$15,532,416**	**(15.8%)**

Source: Historical data from City as provided

Bureau of Police
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$17,652,857	$17,058,766	$17,804,690	$14,150,826	$14,868,051	(15.8%)
Non Personnel Expenditures	$800,775	$905,095	$709,399	$849,801	$664,365	(17.0%)
Total	**$18,453,632**	**$17,963,861**	**$18,514,088**	**$15,000,627**	**$15,532,416**	**(15.8%)**

Source: Historical data from City as provided

Assessment

There are many measures of a police department's effectiveness and, whatever standards are applied, a city's crime rate is one of the most critical. Public safety – and perhaps equally, the public's perception of how safe a city is – is not only an important factor in an assessment of a police department, it is a key factor in a city's economic success. Economic recovery is largely dependent on crime reduction, since public perception of safety is a factor in personal and business decisions regarding where to live or base business operations. Although the crime rate is driven by many factors, including social issues, population changes, unemployment, poverty levels and economic conditions, crime reduction is at the core of most any police department's mission.

While the Harrisburg Police Bureau has seen some success in reducing crime, the overall level of crime in the City remains unacceptably high.

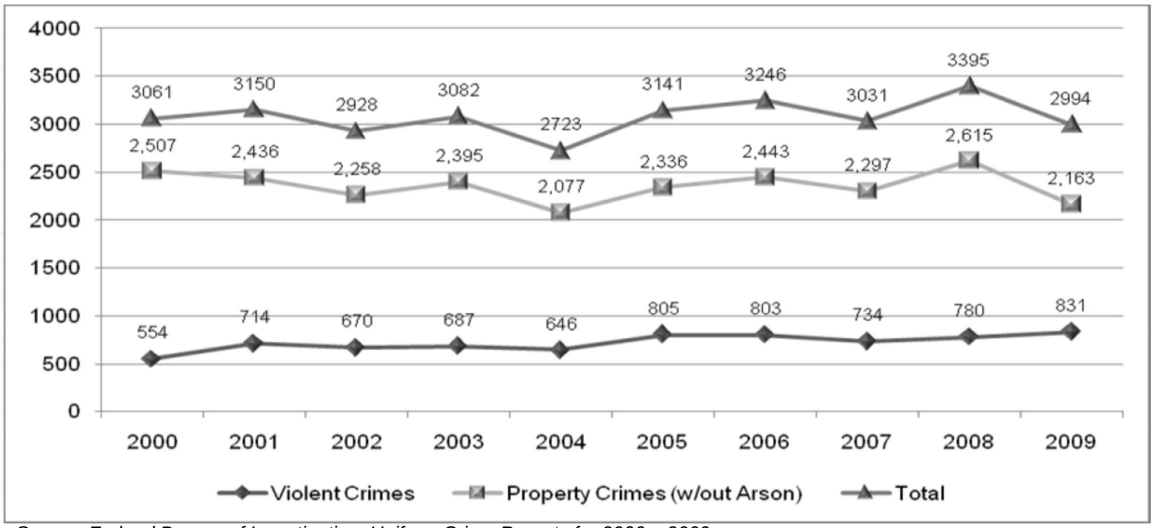
Overall crime and property crime decreased in 2009 after reaching peak levels during 2008; however, in the same year violent crime reached its highest level since 2000. Part I[35] crimes in 2009 reflected decreases of 4.68% since 2005 and 2.19% since 2000. Property crimes fell 7.41% since 2005 and 13.72% since 2000. Violent crime, however, showed an increase of 3.23% since 2005 and 50% since 2000. In 2000, 554 violent crimes were reported in Harrisburg; 805 in 2005; and 831 in 2009.

[35] In the Federal Bureau of Investigation's Uniform Crime Reports, Part I crimes are classified in two categories: violent and property crimes. Aggravated assault, forcible rape, murder, and robbery are classified as violent while arson, burglary, larceny-theft and motor vehicle theft are classified as property crimes.

Harrisburg's crime statistics do not reflect nationwide trends, which show reductions in violent crime of 5.2% since 2005 and 7.5% since 2000 and reductions in property crime of 11.5% since 2005 and 16.1% since 2000.

The following figure depicts historic trends in Harrisburg's Part I crimes by category, as reported to the FBI in Harrisburg's annual Uniform Crime Report submission.

Part I Crimes in Harrisburg, 2000 – 2009



Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2009.

Of the Part I crime categories, only burglary and theft showed consistent decreases. Murder, robbery and arson have increased since both the 2005 and 2000 benchmarks. Rape and aggravated assault have decreased since 2005, but remain above 2000 levels. Motor vehicle theft has increased 15.03% since 2005, but still shows a decrease of 27.87% since 2000.

Murder and robbery, two crimes that can have considerable impact on public perception, have shown significant increases. Murder is 33.33% above the 2005 level and 60% above 2000. Robbery showed only a 6.26% increase from 2005, but remains 80.21% above 2000 levels.

Most of the preliminary crime statistics from the Bureau for 2010 are positive: there was one fewer murder (16 in 2010 versus 17 in 2009); assaults dropped by 4%; robberies with weapons decreased by nearly 20%; and strong-arm robberies decreased by 15%. The only violent crime showing an increase in preliminary reports for 2010 was rape, up approximately 20% from 2009. However, violent crime continues to be well above levels of a decade ago.

The following table depicts historic trends in Harrisburg's Part I crimes by type, as reported to the FBI in Harrisburg's annual Uniform Crime Report submission.

Part I Crimes in Harrisburg, By Type, 2000 - 2009

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Change since 2000	Change since 2005
Murder	10	9	12	6	11	12	10	12	9	16	60.00%	33.33%
Rape	34	42	40	29	51	52	51	52	46	50	47.06%	-3.85%
Robbery	283	379	345	375	343	480	461	443	483	510	80.21%	6.25%
Aggravated Assault	227	284	273	277	241	261	281	227	242	255	12.33%	(2.30%)
Violent crimes	**554**	**714**	**670**	**687**	**646**	**805**	**803**	**734**	**780**	**831**	**50.00%**	**3.23%**
Burglary	604	558	577	543	487	600	629	576	743	474	(21.52%)	(21.00%)
Theft	1,659	1,711	1,575	1,698	1,457	1,583	1,655	1,556	1,637	1,513	(8.80%)	(4.42%)
Motor Vehicle Theft	244	167	106	154	133	153	159	165	235	176	(27.87%)	15.03%
Arson	12	10	29	26	20	22	32	40	31	25	108.33%	13.64%
Property crimes (without arson)	**2,507**	**2,436**	**2,258**	**2,395**	**2,077**	**2,336**	**2,443**	**2,297**	**2,615**	**2,163**	**(13.72%)**	**(7.41%)**
Total	**3,061**	**3,150**	**2,928**	**3,082**	**2,723**	**3,141**	**3,246**	**3,031**	**3,395**	**2,994**	**(2.19%)**	**(4.68%)**

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2009.

When compared with other Pennsylvania cities of the Third Class, Harrisburg has not shown the reduction in violent crime experienced in other areas of the Commonwealth. The following tables show crime rates for Harrisburg and six other cities as incidents per 100,000 residents to adjust for differences in population.[36] Only one other city, Erie, showed small increases against both the 2005 and 2000 benchmarks (0.3% increase since 2005; 1.1% increase since 2000). Lancaster showed an increase of 11.5% over 2005, but remains 25% below 2000 levels. All other cities listed show decreases since 2005. The average, excluding Harrisburg, is a 12.1% decrease since 2005 and an 8.5% decrease since 2000. Harrisburg showed overall increases of 4.9% since 2005 and 58% since 2000. Its crime rate was the highest of the group in all years except 2000, when it ranked third behind Reading and Lancaster.

[36] The population figures used to compute these rates are from the Federal Bureau of Investigation's Uniform Crime Reports for 2000 – 2009.

Violent Crimes per 100,000 Residents, 2000 - 2009

	2000	2005	2006	2007	2008	2009	Change since 2000	Change since 2005
Harrisburg	1,119.8	1,686.7	1,690.0	1,564.2	1,655.4	1,769.6	58.0%	4.9%
Reading	1,187.4	1,157.3	1,236.9	926.5	1,073.5	952.5	(19.8%)	(17.7%)
Lancaster	1,128.3	759.7	970.7	943.9	978.1	846.8	(25.0%)	11.5%
Allentown	670.8	807.0	1,009.5	809.1	750.0	697.9	4.0%	(13.5%)
Erie	449.5	453.3	539.4	533.3	621.9	454.6	1.1%	0.3%
Scranton	N/A	610.3	456.4	313.3	329.4	395.3	N/A	(35.2%)
Bethlehem	311.9	369.3	407.1	370.3	310.2	302.7	(2.9%)	(18.0%)
Average (without Harrisburg)	**749.58**	**692.8**	**770.0**	**649.4**	**677.2**	**608.3**	**(8.5%)**	**(12.1%)**

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2009. The 2000 figure for Harrisburg and 2006 figure for Bethlehem come from the Commonwealth's Uniform Crime Report in those years.

Harrisburg's rate of property crime is considerably lower than that of violent crime, ranking fourth among the group of comparable cities of the Third Class. Its reduction of 5.9% since 2005 is slightly better than the group average of 5.8%.

Property Crimes per 100,000 Residents, 2000 - 2009

	2000	2005	2006	2007	2008	2009	Change since 2000	Change since 2005
Lancaster	5,988.2	5,471.5	5,773.2	5,960.2	5,632.4	5,249.7	(12.3%)	(4.1%)
Allentown	4,707.6	5,396.8	5,658.0	4,965.7	5,266.7	4,910.3	4.3%	(9.0%)
Reading	6,613.4	6,297.1	5,729.9	4,703.8	5,204.1	4,710.4	(28.8%)	(25.2%)
Harrisburg	5,067.6	4,894.7	5,141.6	4,895.1	5,549.9	4,605.9	(9.1%)	(5.9%)
Scranton	N/A	3,201.2	3,476.1	3,123.8	3,638.9	3,649.6	N/A	14.0%
Erie	3,243.4	2,753.6	2,908.4	3,013.4	3,421.2	2,906.5	(10.4%)	5.6%
Bethlehem	3,127.5	3,170.4	3,056.5	3,138.2	3,339.0	2,670.4	(14.6%)	(15.8%)
Average (without Harrisburg)	**4,791.3**	**4,455.0**	**4,534.8**	**4,257.2**	**4,578.9**	**4,100.4**	**(11.8%)**	**(5.8%)**

Source: Federal Bureau of Investigation, Uniform Crime Reports for 2000 – 2009.

It is important to note, when comparing crime rates, that Harrisburg has an unusually high daytime population increase. Although the 2000 United States Census lists the City's population as 48,950, the daytime population is estimated at 84,560. Commuters, averaging 35,610, increase the City's population by 72.7%.[37] Although most cities experience some increase in daytime population, the table below shows that the disparity in Harrisburg is extraordinarily high.

[37] *United States Census, 2000: Estimated Daytime Population and Employment-Residence Ratios (Table 3: Selected Places by State)*

Residential Population vs. Daytime Population, 2000

City	Residential Population	Daytime Population	Daytime change/ Number	Daytime change/ Percent
Allentown	106,632	116,909	10,277	9.65%
Bethlehem	71,329	73,648	2,319	3.3%
Erie	103,717	116,688	12,971	12.5%
Harrisburg	48,950	84,560	35,610	72.7%
Lancaster	53,348	73,378	17,350	31.1%
Reading	81,207	91,826	10,619	13.1%
Scranton	76,415	86,151	9,736	12.7%

Source: United States Census, 2000: Estimated Daytime Population and Employment-Residence Ratios

In addition to the increased daytime population, the City's "Restaurant Row" dining and entertainment district draws large evening crowds. Bureau staff reports that, on a summer night, as many as 4,000-5,000 people may gather in this relatively confined area.

Although it is difficult to draw exact conclusions regarding the impact of the increased daytime population, it is clear that the influx has an impact on the need for police services and must be kept in mind in any analysis of the City's crime rate or staffing levels.

In light of the City's fiscal condition, the Bureau faces a number of significant challenges, including the following, which are described in detail below:

- Crime analysis and reduction;
- Transfer of 911 and dispatch operations;
- Vehicle and equipment deficiencies; and
- Overtime.

Crime Analysis and Reduction Efforts

As discussed previously, the total number of violent crimes within the City is currently 50% higher than in 2000 and is still slightly higher than the City's 2005 total. Crime reduction initiatives implemented by the Bureau in 2010 appear to be having some positive effect. In March 2010, a Walking Unit was created, deploying 12 police officers and a corporal to foot patrol. In May, a Street Crimes unit, consisting of a corporal and six police officers, was created. This unit works a flexible schedule in modified uniforms and plainclothes, using unmarked vehicles to target crime hot-spots. They work jointly with Dauphin County Probation Officers and, in this collaboration, have found added value to their work from the Probation Officers' ability to rescind offenders' probation status if violations are discovered.

Despite these new initiatives, however, the Bureau remains largely reactive in its approach to crime. There are currently no full-time staff assigned exclusively to strategic crime analysis duty. Although the Bureau's records management system, METRO, is an aging, DOS-based database, it still contains a comprehensive wealth of information. This data, however, is not being mined. Patrol officers, through a feature known as "Brooks Looks," are able to retrieve useful information about crimes and other conditions in their areas of responsibility, but this information is not routinely made available to them and they are not required to review it. The Bureau does not currently have capabilities for crime mapping. A project is currently underway with Penn State University to develop a GIS-based crime mapping tool, but has yet to be completed. In short, the Bureau has not taken a strategic, proactive approach to crime analysis.

As noted in the City's EIP report, many cities have adopted and found success with the Compstat model. Compstat relies on four basic principles:

- Timely and accurate intelligence;
- Effective tactics;
- Rapid and effective deployment; and
- Relentless follow-up and assessment.

The implementation of Compstat differs somewhat in each jurisdiction, but the basic components of the process are the same: efficient collection and analysis of crime statistics; transmittal of relevant information to supervisors and line personnel to form the basis for personnel deployment and enforcement initiatives; and assessment, often in the form of command-level meetings that ensure that appropriate information has been shared, that all units within the agency are coordinating their efforts and providing necessary support and that all members of the agency are actively engaged in its mission.

Compstat is not a “one size fits all” solution; it must be adapted to the needs and operating practices of each agency, and may not be an appropriate tool for all. However, based on the size of the Harrisburg Police Bureau and the scope of the crime issues it faces, particularly in light of the need to work as efficiently and strategically as possible with diminishing resources, it is necessary for the Bureau to take a proactive, information-based approach to crime reduction. The Bureau's participation in City code enforcement teams, as recommended in Initiative BH04 “Assemble and systematically deploy code enforcement teams” of the Department of Building and Housing Development chapter of this Recovery Plan, is one example of coordinated, strategic crime reduction through partnerships across City departments and bureaus, maximizing available resources to the fullest extent possible.

Transfer of 911 and Dispatch to Dauphin County Communications Center

The Bureau currently plans to transfer its 911 and dispatch functions to the Dauphin County Communications Center on or about June 26, 2011. Although the transfer is expected to result in considerable savings, both in personnel costs and in avoiding the expense of replacing aging communications equipment, a number of issues must still be resolved, including:

- The Dauphin County Communications Center and public safety agencies for which it dispatches use a dispatch program called I-Mobile, which is not compatible with Harrisburg’s METRO System. Harrisburg’s police vehicles have been equipped with I-Mobile. Unless and until the systems can be linked or the METRO system can be replaced, all information entered into I-Mobile will subsequently have to be re-entered into METRO. If dual entries are not made, the years of valuable data stored in METRO will not be available, and officers and investigators will have to query both systems for complete information.

- Recent incidents have created a need to enhance building security of the City Government Center, which adjoins Police Headquarters. Current building security is limited, and transfer of the Communications Center will eliminate the only 24 hour a day presence for public reception in the building. The Bureau is currently seeking to convert existing civilian titles within the Communication Center to Police Data Technician and consolidate records maintenance functions in the area of the former Communications Center. In addition to other duties, the incumbents will provide a public contact point for visitors to the building, at least during business hours.

- The Communications Center formerly served as the answering point for the Bureau’s non-emergency telephone system. This function is important in terms of intra-department communication, since all uniformed patrol officers share three computers and telephone lines and there is no Bureau-wide email or voice mail system. Options for continuing the non-emergency call-taking function are being explored by the Bureau.

- Administrative duties handled by the Communications Center, such as notifications to ranking officers, callouts of off-duty personnel and administrative dispatching for the Fire Department will not be handled by the County. Options for continuing these functions are being explored by the Bureau.

- The County has indicated that it will not “stack calls” (i.e., if a call for service is received and no patrol units are available, it will not hold the call for assignment once a resource becomes available). It is expected that calls will be forwarded to the Tour Supervisor, who will effectively have to serve as a secondary dispatcher. Resolutions for this issue are under discussion between the Bureau and the County.

Vehicle and Equipment Deficiencies
The Bureau does not have a vehicle replacement plan. The entire Uniformed Patrol and Criminal Investigation Division fleet was purchased in 2008, replacing a dilapidated fleet of vehicles from circa 1992. Currently, 52 vehicles are 2008 models, 21 are 2000 to 2008 models and 31 are pre-2000. Bureau staff reports that the 2008 vehicles have experienced numerous electrical issues, attributable to wiring deficiencies. Management of the Bureau's vehicle fleet will be discussed further in the Initiatives section of this chapter.

Overtime
The Police Bureau has achieved significant reductions in overtime expenditures over the past five years, particularly within the Uniformed Patrol and Criminal Investigation Divisions. This reduction is attributable to proactive monitoring and management of overtime usage by Bureau management. Specifically, a Court Liaison Officer position was established to decrease the instances of required court overtime; the Bureau's specialized units, rather than patrol officers on overtime details, staff special events throughout the City; and any requests for additional personnel on any given shift are carefully considered by Bureau leadership. The growth in overtime expenditures within the Office of the Chief between 2009 and 2010, as seen below, is attributable to revised overtime expenditure classification methods for the Bureau's specialized units.

Police Bureau Historic Overtime Expenditures

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Parking Enforcement	$0	$0	$159	$49	$246	100.0%
Office of the Police Chief	$1,000	$6,042	$9,124	$3,516	$15,461	1,445.5%
Uniformed Patrol	$521,082	$478,034	$543,438	$605,263	$408,787	(21.6%)
Technical Services	$298,013	$290,793	$262,305	$254,856	$255,929	(14.1%)
Criminal Investigation	$291,660	$206,475	$278,644	$362,237	$174,901	(40.0%)
Total	**$1,111,755**	**$981,344**	**$1,093,669**	**$1,225,921**	**$855,323**	**(23.1%)**

Projections
The tables below show the Police Bureau's budgeted expenses for 2011 and projected expenses through 2015, based on the assumptions detailed in the Introduction chapter.

Bureau of Police
Projected Expenditures by Function

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Parking Enforcement	$0	$0	$0	$0	$0	$0	0.0%
Office of the Police Chief	$3,393,243	$3,518,638	$3,201,576	$3,222,897	$3,245,904	$3,260,494	(7.3%)
Uniformed Patrol	$9,003,536	$8,635,418	$8,879,842	$9,131,598	$9,390,907	$9,657,995	11.8%
Technical Services	$1,453,784	$1,451,112	$1,494,425	$1,539,036	$1,584,987	$1,632,315	12.5%
Criminal Investigation	$2,457,188	$2,506,644	$2,576,219	$2,647,881	$2,721,693	$2,797,720	11.6%
Total	**$16,307,751**	**$16,111,812**	**$16,152,062**	**$16,541,413**	**$16,943,491**	**$17,348,525**	**7.7%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Bureau of Police
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$12,078,116	$12,078,116	$12,433,798	$12,800,149	$13,177,492	$13,566,155	12.3%
Salaries/Wage-Extra Duty	$280,000	$280,000	$288,400	$297,052	$305,964	$305,964	9.3%
Temporary	$0	$0	$0	$0	$0	$0	0.0%
Overtime	$375,000	$525,000	$525,000	$525,000	$525,000	$525,000	0.0%
Sick Leave Buy Back	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	0.0%
Severance Pay	$197,145	$337,145	$0	$0	$0	$0	(100.0%)
Social Security	$791,022	$305,083	$313,746	$322,668	$331,858	$340,622	11.6%
Clothing Allowance/ Maintenance	$142,750	$142,750	$142,750	$142,750	$142,750	$142,750	0.0%
Loss Time & Medical	$244,000	$244,000	$244,000	$244,000	$244,000	$244,000	0.0%
Police Pension Plan	$1,551,579	$1,551,579	$1,551,579	$1,551,579	$1,551,579	$1,551,579	0.0%
College Credits	$6,100	$6,100	$6,226	$6,367	$6,551	$6,767	10.9%
Benefits	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$79,000	$79,000	$80,008	$81,259	$82,695	$84,320	6.7%
Maintenance Service Contracts	$31,165	$31,165	$31,570	$32,075	$32,653	$33,306	6.9%
Telephone	$52,775	$52,775	$52,676	$52,567	$52,429	$52,272	(1.0%)
Auto	$45,000	$45,000	$45,366	$45,771	$46,292	$46,894	4.2%

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Deductible							
Police Prof Premium	$257,674	$257,674	$259,123	$260,727	$262,780	$265,145	2.9%
Police Prof Deductible	$45,000	$45,000	$45,253	$45,533	$45,892	$46,305	2.9%
Other Miscellaneous	$125,425	$125,425	$126,568	$127,915	$129,557	$131,448	4.8%
Total	**$16,307,751**	**$16,111,812**	**$16,152,062**	**$16,541,413**	**$16,943,491**	**$17,348,525**	**7.7%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Bureau of Police
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$15,671,712	$15,475,773	$15,511,498	$15,895,566	$16,291,194	$16,688,836	7.8%
Non Personnel Expenditures	$636,039	$636,039	$640,564	$645,847	$652,297	$659,689	3.7%
Total	**$16,307,751**	**$16,111,812**	**$16,152,062**	**$16,541,413**	**$16,943,491**	**$17,348,525**	**7.7%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Initiatives

A number of cost-saving initiatives have been recently implemented or are in progress within the Police Bureau, either as a result of prior studies or on the Bureau's own initiative. They include:

- Transfer of the 911 and dispatch functions to the Dauphin County Communications Center;
- Implementation of telephone reporting of crime complaints;
- Billing for false alarm calls;
- Adjustment of Parking Enforcement Officers' hours of duty;
- Amendment of records retention policies and conversion to digital records; and
- Elimination of School Resource Officer positions not funded by the School District.

In addition to these, a number of initiatives to reduce expenses and/or improve operational efficiency are outlined below.

It is the intention of the Act 47 Coordinator that the City negotiate with the bargaining unit representatives of its employees in good faith to incorporate these cost containment provisions and any others throughout this Recovery Plan that may require changes to the collective bargaining agreements into those agreements. However, to the extent that the City is unable to reach agreement with any of its unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the Act 47 Coordinator and the City that the implementation of these cost containment provisions and any others throughout this Recovery Plan is mandatory. All cost containment provisions must be addressed.

Wherever reference is made to parameters for all bargaining units, employee groups or collective bargaining agreements, such provision shall also apply fully to non-represented personnel unless expressly stated otherwise. Further, wherever reference is made to parameters for provisions in collective bargaining agreements, such provisions shall also fully apply to any side agreements, memoranda of understanding, interest arbitration awards, grievance arbitration awards, settlement agreements, or any other documents. Further, no past practices shall in any manner interfere with any of the initiatives in this Recovery Plan.

It is the specific intent of the Act 47 Coordinator that no provisions of any collective bargaining agreements, memoranda of understanding, side agreements, interest arbitration awards, grievance arbitration awards, settlement agreements, nor any other documents nor past practices may be interpreted or applied, nor may any new provisions be added to any such agreements or documents, which would have the effect of additional costs to the City for the implementation of any of these initiatives, or of any of the initiatives in this Recovery Plan. This includes by way of illustration but not limitation, severance pay, overtime, premium pay and additional hours of work.

POL01.	**Restructure the patrol duty schedule**	
	Target outcome:	Improved efficiency and enhanced flexibility in deployment
	Five year financial impact:	$105,000
	Responsible party:	Police Chief

Members of the Harrisburg Police Bureau assigned to uniformed patrol perform steady tours of either 7:00 a.m. to 3:00 p.m., 3:00 p.m. to 11:00 p.m. or 11:00 p.m. to 7:00 a.m., with steady days off. Effective January 1 of every year, employees select tours by seniority, with the exception of the Bureau's specialized units, such as the Walking Unit or the Street Crimes Unit. With the exception of the specialized units, tours cannot be rescheduled, and schedules are set for the year. Regular days off are also selected by seniority, with a certain number of officers and supervisors assigned to sets of two days: Saturday/Sunday, Sunday/Monday, Monday/Tuesday, etc.

Although a steady tour schedule provides a welcome measure of regularity for the workforce, the existing arrangement creates a number of disadvantages for management, such as:

- Management flexibility to reallocate personnel as needed to address conditions is reduced or eliminated.
- The distribution of experience throughout the platoons is not balanced. Police Bureau staff reports that experienced officers gravitate toward the day and midnight shifts, leaving the 3:00 p.m. to 11:00 p.m. evening shift – the busiest and most demanding of the three platoons – staffed largely by younger, less experienced officers.
- There is no opportunity to distribute officers with special skills, such as foreign language ability, among the platoons.
- The opportunity for junior officers to interact with senior officers and learn from their experiences is limited.

In addition, many members of the Bureau reported staffing shortages on the patrol platoons. Despite the fact that 23 to 24 officers are assigned to each platoon and expected to fill 13 positions per tour, the Bureau complains of chronic personnel shortages.

Therefore, the Bureau shall restructure the current duty schedule to increase flexibility for reallocation of personnel and to absorb some specialized units into the patrol platoons.

The staffing goal for each tour is:

7 District cars[38]
2 Backup cars
2 Transport vans
2 Booking Officers[39]
= 13 officers per tour (excluding supervisors).

Thirteen officers are needed for each shift, 365 days per year, for a total of 4,745 shifts for each of the three platoons. Since the average officer is available for a net of 208 shifts per year,[40] a minimum of 23 officers (22.81 FTE) are needed to staff each platoon. At present, that is the approximate total number assigned to each platoon,[41] with the lowest number on the Second Platoon. Therefore, staffing should be sufficient to provide adequate coverage. However, police shift scheduling is influenced by several other factors. For example, additional absences can result from illness, injury on duty (IOD), or family/medical leave. These absences are unpredictable and are often not evenly distributed.

In the best interest of the Harrisburg Police Bureau, a rotating duty schedule shall be implemented for the patrol platoons.

A rotating schedule provides for more even allocation of days off; unity of supervision, as supervisors can be assigned to supervise individual officers with whom they work all scheduled shifts; more even distribution of officers with particular skill sets; better balancing of experienced and newer officers on each of the platoons; more comprehensive knowledge of crime conditions by officers who will come in contact with conditions beyond the single slice of the day to which they are limited by steady tours; and greater incentive for officers to compete for specialized assignments that may entail more regular hours. A rotating duty chart also provides for better management of time off, since there is potential to build additional days off into the chart, rather than allowing them to be used at an officer's discretion, as is largely the case with holidays under the current system.

There is considerable room for creativity in scheduling, and the individual needs of a police department and a community must be assessed to determine the right fit. An illustrative example is shown in the two figures below. This example combines a rotating second and third platoon schedule with a steady first platoon overlay, using a five-day on/two-day off/five day on/two day off/five-day on/three-day off rotation. It provides equal coverage by police officers and supervisors on all shifts, and includes two days in each twenty-nine day cycle when two squads overlap, providing an opportunity to assign personnel to training, enforcement initiatives, or other functions without payment of overtime.

[38] The City is divided into seven patrol districts; one officer is assigned to each district
[39] Two police officers are required to be assigned to the City's booking and detention center on all tours
[40] Police officers are scheduled to work 261 eight hour tours (5 days in each 7 day period). They receive 22 vacation days (representing the mid-range of the contractual vacation allotment); are excused for 3 personal days and 16 holidays; use an average of 10 sick days (based on average usage, 2006 to 2010); and are assigned to at least 2 days of training when they are not available for patrol (representing a minimum training commitment). The result is a net of approximately 208 days per year available for patrol.
[41] As of February, 2011, 24 police officers were assigned to the First Platoon, 23 to the Third Platoon, and 20 to the Second Platoon.

Rotating Second and Third Platoon Duty Schedule Example

Day	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Squad 1	2	2	2	2	2	X	X	3	3	3	3	3	X	X	2	2	2	2	2	X	X	X	3	3	3	3	3	X	X
Squad 2	3	3	X	X	X	2	2	2	2	2	X	X	3	3	3	3	3	X	X	2	2	2	2	2	X	X	3	3	3
Squad 3	X	X	3	3	3	3	3	X	X	X	2	2	2	2	2	X	X	3	3	3	3	3	X	X	2	2	2	2	2

Steady First Platoon Duty Schedule Example

Day	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Squad 1	1	1	1	1	1	X	X	1	1	1	1	1	X	X	1	1	1	1	1	X	X	X	1	1	1	1	1	X	X
Squad 2	1	1	X	X	X	1	1	1	1	1	X	X	1	1	1	1	1	X	X	1	1	1	1	1	X	X	1	1	1
Squad 3	X	X	1	1	1	1	1	X	X	X	1	1	1	1	1	X	X	1	1	1	1	1	X	X	1	1	1	1	1

Legend

1 =First Platoon (2300 x 0700 hours)
2= Second Platoon (0700 x 1500 hours)
3= Third Platoon (1500 x 2300 hours)
X= Regular Day Off

Under the Bureau's existing steady tour duty schedule, officers are scheduled to work 261 eight-hour tours of duty per year. Officers assigned to either of the sample schedules illustrated above would be scheduled to work 249 annual tours, which results in 12 fewer workdays. Currently, police officers are excused for 16 paid holidays per year. Ten of those days must be granted within one month of the holiday, and six may be used contingent on approval.[42] Although limits are set on the number of officers who can be excused on a given day, the current holiday policy results in a high level of unscheduled time off and, ultimately, in uneven coverage and staffing shortages. The duty schedule example shown above is based on a reduction of the number of annual paid holidays from 16 to 10,

[42] Section 4 of the current collective bargaining agreement reads: *"Each employee shall be entitled to sixteen (16) holidays during the term of this Agreement. If an employee in the bargaining unit is required to work on New Year's Day, Martin Luther King Day, Washington's Birthday, Easter, Memorial Day, July Fourth, Labor Day, Columbus Day, Thanksgiving Day, or Christmas Day, the employee shall be entitled to one (1) compensatory day off to be taken sometime during the calendar month in which the holiday falls, or the employee shall, at the employee's option, be entitled to double pay for the hours worked. This option must he exercised at the time that monthly days off are selected. The remaining six (6) holidays shall be considered as "H" days and shall be taken on a first come first served basis, regardless of seniority, and may not be revoked by management. "H" days may only be selected after vacation selection is completed and is subject to manpower needs as determined by management. Method of selection for Martin Luther King Day shall be either double pay for hours worked or a compensatory day which may be used anytime during the calendar year, however, it must be selected by September 30th, otherwise the day will be assigned by management. Each employee in the Bargaining Unit during the term of this Agreement shall be entitled to three (3) personal days with said days to be taken at the employee's discretion during the year, subject to management's responsibility to maintain an efficient operation. If management determines that it is necessary to limit the number of employees on personal leave at the same time, the employee first requesting such leave shall be given a choice of personal leave in the event of any conflict in selection."*

as outlined in Initiative WF10 “Reduce paid holidays and personal leave to 10 days annually” in the Workforce chapter of this Plan.

To ensure that officers work the requisite number of days per year, the current practice of 16 holiday excusals shall be discontinued and replaced with an allotment of 10 annual paid holidays, which are built into the sample duty schedule outlined above. Additionally, officers shall perform two additional shifts, at the discretion of the Bureau, as training days. These changes will increase patrol staffing by four tours per officer per year - an average of 96 annual tours per platoon - which is a total of 288 additional tours per year when compared with current platoon staffing. These changes can also be stated as resulting in a net increase of approximately 1.18 FTE.

The Chief of Police shall determine the appropriate level of staffing for each platoon, and shall have the unilateral right to assign members of the Bureau to squads within the duty schedule. A process for voluntary assignment to a steady midnight schedule by seniority shall be established, with reasonable standards for assignment and removal. Additionally, the implementation of a rotating duty schedule should not in any way diminish the authority of the Chief of Police to assign personnel to steady tours outside of the patrol duty schedule when appropriate.

The sample schedule shown above would enhance supervision through assignment of 9.0 FTE supervisory positions to both rotating and steady platoon duty schedules. Currently, three supervisors are assigned to each platoon. All have steady days off and, as a result, only one supervisor is routinely scheduled to work on some tours. Under the proposed configuration, three squads will be assigned to work rotating second and third platoon shifts. Two of the six supervisors currently assigned to those two platoons will be assigned to each squad. Consequently, two supervisors will routinely be assigned to each platoon daily, with the exception of supervisors' vacation, sick leave, or other excusals. In addition to more stable supervisory coverage, supervisors will work with the same squad of police officers. The resulting unity of command provides for long-term benefits in performance evaluation, training, and mentoring. Similarly, the three supervisors assigned to steady first platoon tours will each be assigned to a squad, with two squads working each shift, producing the same benefits.
Under an ideal staffing structure, two sergeants or corporals are assigned to each patrol squad, and a lieutenant is assigned separately as a Platoon Commander with overall responsibility for platoon operations. In light of the City’s fiscal condition, the increase in supervisory headcount that would be necessary to staff such an arrangement is not feasible at this time. However, the need for an increase in supervisory positions, particularly at the lieutenant level, shall be considered in the course of implementing a new duty schedule and redesigning specialized units. An increase in supervisory positions shall be implemented only if a determination is made to eliminate specialized assignments and return sergeants or corporals to patrol.[43]

Effective scheduling requires analysis of operational and financial efficiencies, the unique needs of the Bureau and the community, and the impact of the schedule on the agency’s employees. The example proposed here is one of many possible alternatives, and it is an efficient use of resources that will enhance police service without creating undue stress on the members of the Police Bureau. It is important that, as a new duty schedule is implemented, an in-depth study be conducted to ensure that the nuances of the Bureau are explored and addressed. Therefore, a committee consisting of the Chief of Police and/or designees, representative(s) of the Fraternal Order of Police, and the Act 47 Coordinator shall be created to implement this initiative and make the final determination on a new schedule that meets the operational needs of the Bureau, enhances efficiency and reduces expense to the greatest degree possible.

[43] Lieutenants could be scheduled in various ways, including assignment to steady shifts with overall responsibility for crime reduction initiatives during that platoon.

In addition to more efficient allocation of personnel resources and the managerial benefits discussed above, there are cost savings to be gained from the implementation of a rotating duty schedule. Because of the random nature of holiday excusals and backfill for staffing shortages in the Bureau's current schedule, it is difficult to accurately project overtime savings that will be achieved through the implementation of this initiative. However, a potential reduction of 5% in annual overtime expenditures is a reasonable estimate for possible savings associated with the implementation of the rotating duty schedule examples outlined above. In any new duty schedule implementation, the goal of reducing annual overtime expenditures by 5%, which is a reasonable and achievable goal, shall be set by the Bureau.

The sample schedule discussed in this initiative does not reduce the number of police officers needed to staff the patrol platoons at this time. However, this schedule is a more efficient use of resources and will improve daily staffing levels. Staffing levels of specialized units, which also require evaluation, are discussed further under Initiative POL15 “Evaluate the consolidation of Specialized Units.” While specialized assignments are necessary to accomplish certain aspects of a police department’s mission – particularly for the furtherance of proactive crime reduction strategies – their continued existence must be viewed in light of the City’s fiscal condition and the primary importance of effective basic patrol services. As an initial measure, sufficient personnel from specialized assignments shall be reassigned to patrol platoons as needed to ensure adequate staffing levels.

If the existing contract extension continues in effect through 12/31/2015, the implementation of this initiative may not be possible.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$26,250	$26,250	$26,250	$26,250	$105,000

POL02.	Implement a vehicle replacement policy	
	Target outcome:	Cost reduction and improved efficiency
	Five year financial impact:	($1,004,040)
	Responsible party:	Police Chief, Director of Public Works and Director of Financial Management

As described earlier in this chapter, the Bureau does not currently have a vehicle replacement plan. The entire Uniformed Patrol and Criminal Investigation Division fleet was purchased in 2008, and Bureau staff reports that the 2008 vehicles have experienced numerous electrical issues attributable to wiring deficiencies.

Police vehicles are subjected to unusually hard use; they often run 24 hours a day, stay idle for lengthy periods and are operated by multiple drivers. Typically, after approximately 75,000 miles, maintenance costs and out of service time begin to outweigh the replacement cost. Most importantly, it is indisputable that vehicles are essential tools; the job cannot be done without them.

If the City chose to follow its previous pattern and replace the bulk of the fleet at one time, it would face a potential obligation in excess of $1,740,000.[44] Rather, the City shall establish lifecycle guidelines for both marked and unmarked vehicles. Since unmarked staff or investigative vehicles are typically used less and by fewer operators, they have a longer useful lifespan. Older vehicles would be moved into other assignments, such as administrative units or Parking Enforcement, where some 1990 and 1992 vehicles are still in service.

There are currently 41 vehicles assigned to the Uniformed Patrol Division and Special Services Section. Twenty-three vehicles are assigned to the Criminal Investigation Division, and an additional five are assigned to other units, excluding Parking Enforcement.[45] The purchase of four marked vehicles per year would replace the patrol fleet within 10 years. This is not an optimum replacement cycle, but a significant improvement over the current practice and one which recognizes the City's financial limitations – at a cost of approximately $133,872 per year. The purchase of two (unmarked) vehicles for the Criminal Investigation Division and staff units would replace those units' vehicles within approximately 14 years at an annual cost of $66,936. Again, this is not an optimal replacement cycle, but an improvement over the current practice.

In the City's particular situation, leasing of vehicles for the Police Bureau will not be cost effective. The replacement cycles proposed in the preceding paragraph (ten years for marked patrol vehicles and 14 years for unmarked investigative vehicles), while sensitive to the City's current fiscal constraints, are beyond optimal lifecycles for police vehicles and well beyond traditional vehicle leasing periods. The unusual wear and tear on police vehicles, and the increased likelihood of vehicle loss due to mechanical failure or accident, results in an usually high risk of lease payment obligations that may outlive the vehicles.

As illustrated in the financial impact table shown below, the estimated annual vehicle replacement cost would be $200,808. The total expense over a five year period would be $1,004,040, compared with the one-time replacement cost of $2,275,824 for the same number of vehicles, not including the associated debt service, as well as the repair expense and additional out of service time prevented by more timely replacement of vehicles.

Financial Impact

2011	2012	2013	2014	2015	Total
($200,808)	($200,808)	($200,808)	($200,808)	($200,808)	($1,004,040)

[44] *Based on estimated cost of $33,468 for a fully equipped vehicle, based on a standard police vehicle: Ford Crown Victoria with a PA System, siren control box, siren, console, prisoner security screen, push bumper, light bar, shotgun mount, first aid kit, fire extinguisher, measuring tape, leg irons/restraint belt, evidence processing kit, slim jim (door opening tool), and trunk equipment box.*
[45] *Totals do not include specialty vehicles such as motorcycles, Animal Control vehicles, and forensic vehicles, and assume recycling of front line vehicles to units currently using older models.*

POL03.	Review and revise stipend for newly promoted investigators	
	Target outcome:	Cost reduction
	Five year financial impact:	$8,081
	Responsible party:	Police Chief and Director of Human Resources

Currently, a police officer assigned to the Criminal Investigation Division receives a salary increase of 5% immediately upon assignment. Although there is a considerable degree of raw talent necessary for a police officer to be a good investigator and assignments to investigative positions are often largely based on past performance, there is a learning curve and extensive training involved before an officer truly becomes acclimated to the position.

While it is important to reward the special skills involved in receiving this designation and to provide an incentive for talented officers to seek the position, the stipend shall be deferred, and salary steps shall be awarded instead. The City shall implement the step at 1% each year for the first five years of service as an investigator.

The financial impact information shown below reflects conservative estimates of potential cost savings. Actual savings will be largely dependent on the rate of turnover in the Criminal Investigation Division. If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below.

Financial Impact Without Contract Extension

2011	2012	2013	2014	2015	Total
$0	$3,920	$2,714	$1,418	$29	$8,081

POL04.	Implement a proactive crime analysis and crime reduction strategy	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Police Chief

As discussed earlier, the Bureau has been and remains largely reactive in its approach to crime. Although there are means by which interested officers and supervisors can retrieve useful information about crimes and other conditions in their areas of responsibility (e.g., METRO's "Brooks Looks" feature), information regarding crime conditions is not routinely made available. Officers do not currently have access to crime mapping.

The Police Bureau shall implement a proactive crime reduction strategy based on the principles of the Compstat model[46] that includes: efficient collection and analysis of crime statistics; transmittal of relevant information to supervisors and line personnel to form the basis for personnel deployment and enforcement initiatives; and assessment, in the form of command-level meetings or other methods most suitable to the needs of the Bureau, that ensure that appropriate information has been shared, that all units within the agency are coordinating their efforts and providing necessary support and to ensure that all members of the agency are actively engaged in its mission. A recent publication by the Police Executive Research Forum (PERF) summarized the impact of Compstat*: "…instead of merely responding to calls and investigating crimes after they were committed, police gathered accurate, timely information to identify emerging crime trends, held regular meetings to discuss countermeasures, and deployed resources to break up crime patterns and prevent crimes. (And they succeeded; the national violent crime rate in 1994 was 66 percent higher than the comparable figure for 2009; and the property crime rate was 53 percent higher in 1994 than in 2009, according to the FBI.)"*[47]

As part of this process, which will ultimately enable the Bureau to meet the needs of the City and its residents in a more efficient and effective manner, the City shall assign appropriate personnel to crime analysis duties.

POL05.	**Increase complement of Vice Unit**	
	Target outcome:	Improved efficiency and crime reduction
	Five year financial impact:	($58,582)
	Responsible party:	Police Chief

The City has a significantly high crime rate when compared with other cities of the Third Class in Pennsylvania. Violent crime continues to exceed 2000 levels. Bureau staff and other stakeholders interviewed generally agree that a large portion of the City's violent crime is driven by illegal narcotics, yet only four investigators are assigned to the Bureau's Vice Unit, the squad primarily charged with narcotics investigations. Although the City's fiscal condition is likely to result in staffing challenges for the Bureau for the foreseeable future, the enhancement of the Vice Unit is in the City's best interest and will contribute to the reduction of violent crime. Therefore, staffing of the Vice Unit shall be increased to a minimum of six investigators.

It is likely that the implementation of Initiative POL06 "Assign representative to the District Attorney's Office Narcotics Task Force" will enhance the Vice Unit's investigative resources and provide additional overtime funding and equipment. The Task Force is a County-wide unit, however. While Harrisburg is likely to benefit from Task Force investigations within the City, there is still a need for the Bureau to maintain an adequately-staffed narcotics enforcement unit, whose deployment is fully under Bureau control and can be used to address street sales and low level narcotics conditions.

It is anticipated that reassignments can be made based on efficiencies in the restructuring of the patrol duty schedule as described in Initiative POL01 "Restructure the patrol duty schedule." If the existing contract extensions remain in place through, the implementation of this initiative may not be

[46] E.g., Timely and accurate intelligence; Effective Tactics; Rapid and effective deployment; Relentless follow-up and assessment.
[47] Police Executive Research Forum, ***"Subject to Debate,"*** Vol. 25, No. 2, March/April 2011

possible, in which case the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below, which reflects the estimated cost associated with the reassignment of a patrol officer to a vice detective position.

The effectiveness of this initiative can be measured by the number of narcotics arrests and seizures made; the number of search warrants executed; and reduction in the violent crime rate. If the desired outcomes are not achieved, personnel can be reassigned to patrol or other investigative duties. The City shall retain the right to reassign personnel to patrol or other investigative duties.

Financial Impact

2011	2012	2013	2014	2015	Total
($3,446)	($13,784)	($13,784)	($13,784)	($13,784)	($58,582)

POL06.	**Assign representative to the District Attorney's Office Narcotics Task Force**	
	Target outcome:	Cost reduction, improved efficiency and crime reduction
	Five year financial impact:	Not available
	Responsible party:	Police Chief and District Attorney

The Dauphin County District Attorney's Office operates a Drug Task Force consisting of investigators from municipal police departments, the District Attorney's Office, the Pennsylvania State Police and the Federal Drug Enforcement Agency (DEA). The task force has County-wide jurisdiction, although reportedly it focuses a good deal of effort on drug investigations in Harrisburg due to the significant amount of narcotics activity in the City. Although the City's Vice Unit receives some overtime funding, converted vehicles seized in the course of narcotics investigations, and equipment from the District Attorney's Office, the City of Harrisburg does not formally participate in the Task Force.

Participation in the Task Force will benefit the City by: enhancing its access to funding, both from grant funding coordinated by the District Attorney's Office and from assets seized in the course of investigations; providing additional personnel and equipment resources for drug investigations; improving access to undercover officers; and increasing the Task Force's focus on Harrisburg cases. The City shall enter into the appropriate memorandum of understanding with the District Attorney and assign an officer to the Task Force.

The effectiveness of this initiative can be measured by the number of narcotics arrests and seizures made by the Task Force in Harrisburg; the number of search warrants executed; analysis of funding received; and reduction in the violent crime rate. If the desired outcomes are not achieved, personnel can be withdrawn from the Task Force.

The City shall retain the right to assign officers to the Task Force and to reassign and withdraw officers from the Task Force.

POL07.	Participate in Dauphin County Forensic Team	
	Target outcome:	Improved efficiency and availability of equipment
	Five year financial impact:	Not available
	Responsible party:	Police Chief and District Attorney

The Dauphin County Forensic Team, coordinated by the District Attorney's Office, consists of Crime Scene/Forensic Technicians from the District Attorney's Office and municipal police departments. It responds to all jurisdictions within Dauphin County to process major crime scenes and has access to state of the art equipment, including a recently deployed, well-equipped response vehicle. The City of Harrisburg does not currently participate on the team.

Although participation on the team will occasionally result in members of the Bureau's Forensic Unit responding to other jurisdictions, in light of the volume of work generated by the City, it is likely that the City would ultimately benefit from the response of the County team into Harrisburg. It will provide access to equipment and trained, qualified personnel when they are needed. Participation on the team will enable the Bureau to benefit from the sharing of expense and expertise provided by team membership. The City shall enter into a memorandum of understanding with the District Attorney's Office to formally participate with the team.

The City shall retain the right to assign officers to the County Forensic Team and to reassign and withdraw officers from this Team.

POL08.	Transfer prisoner booking responsibility to Dauphin County	
	Target outcome:	Cost reduction
	Five year financial impact:	$1,168,293
	Responsible party:	Police Chief

Currently, prisoners are booked at Harrisburg Police Headquarters, requiring the assignment of two police officers to the booking facility 24 hours a day, seven days a week. Plans to establish a centralized booking facility for the County have been delayed; however, a site near the County Jail, approximately three miles from downtown Harrisburg, is being considered.

Although this initiative cannot be implemented until such time as that facility is completed and operational, the City shall take advantage of the opportunity to transfer the booking function to the County when it becomes available. This will allow the elimination or reassignment of 5.34 FTE police officers. It will also remove from the City the liability inherent in the processing of prisoners. The financial impact information shown below reflects estimated savings, assuming the completion of the County's centralized booking facility as scheduled in calendar year 2013.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$0	$377,978	$389,318	$400,997	$1,168,293

POL09.	Fill supervisory positions; reduce out of title pay	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Police Chief and Director of Human Resources

Adequate supervision is essential to the good order, integrity and efficient operation of a police department, as well as being an important protection from liability for the agency. Additionally, the collective bargaining agreement requires that any member assigned to the duties of a higher rank for more than 20 days be paid at the rate of the higher rank for all days worked at the higher rank.[48] At this time, two sergeants are designated as Officer In Charge (OIC) of platoons, thereby performing lieutenants' duties, and are receiving Work Higher Class (WHC) pay. Since sergeants are performing lieutenants' duties and receiving lieutenant's pay, the City shall fill the vacant lieutenant positions. No savings are generated from the vacancies, and there are benefits to be derived from enabling the incumbents to perform their duties with the confidence that they have achieved the rank in which they are effectively serving.

POL10.	Appoint a Civilian Manager for the Parking Enforcement Office	
	Target outcome:	Improved accountability
	Five year financial impact:	($262,650)
	Responsible party:	Police Chief and Director of Human Resources

In addition to improving traffic safety by ensuring compliance with parking regulations, Parking Enforcement Officers generate significant revenue for the City. The City shall fill the vacant position of Manager of the Parking Enforcement Office. The intricacies of the Parking Enforcement Office – including assignment and scheduling of personnel, maintenance of equipment, liaison with vendors and processing of tickets – warrant the attention of a civilian supervisor who can streamline the operation and consequently enhance the revenue received by the City.

The former incumbent in this position was paid $58,000 annually (not inclusive of fringe benefit costs to the City); for the purposes of the financial impact analysis shown below, the estimated cost to the City of starting salary and associated benefits for a new employee in this position is $61,800 per year. It is anticipated that this expense would be offset by enhanced revenue derived from

[48] *Article VIII, Section 16*

operational efficiencies outlined in Initiative POL12 “Increase operational efficiency in Parking Enforcement Office;" however, such offsetting revenue is not reflected in the financial impact analysis table below.

Financial Impact

2011	2012	2013	2014	2015	Total
($15,450)	($61,800)	($61,800)	($61,800)	($61,800)	($262,650)

POL11.	Replace electronic parking ticketing devices	
	Target outcome:	Improved efficiency
	Five year financial impact:	($95,370)
	Responsible party:	Police Chief and Director of Financial Management

Parking Enforcement Officers currently use antiquated Palm Pilot-based electronic ticket issuing devices supplied by the Clancy Corporation. These ticketing machines frequently malfunction, particularly in cold weather, which limits Parking Enforcement Officers' ability to perform their duties efficiently. The Parking Enforcement Office shall upgrade its current devices to the newer, more reliable model offered by Clancy. The annual maintenance fee for the devices is $9,000. In addition to the annual maintenance cost, new devices would require a wireless connection, at a cost of $70.00 per device per month for a total of approximately $13,440 per year. The estimated total annual cost of $22,440 is reflected in the financial impact table shown below.

In addition to the dramatic improvement in reliability, the devices would provide real time updating of ticket information through wireless connections, as well as photo capability. A picture of the offense printed on the ticket would reduce court appearances, thus decreasing down time for the Parking Enforcement Officers. It is anticipated that the expense would be offset by enhanced revenue derived from operational efficiencies outlined in Initiative POL12 that follows.

Financial Impact

2011	2012	2013	2014	2015	Total
($5,610)	($22,440)	($22,440)	($22,440)	($22,440)	($95,370)

POL12.	Increase operational efficiency in Parking Enforcement Office	
	Target outcome:	Improved efficiency and increased revenue
	Five year financial impact:	$510,510
	Responsible party:	Police Chief

By implementing Initiatives POL10 and POL11, the Parking Enforcement Office will be well-equipped to increase enforcement activities, resulting in increased parking ticket revenue for the City.

At present, it is estimated that the average Parking Enforcement Officer issues approximately 149 parking tickets per week. Based on historic ticket revenue, it is estimated that an increase of five parking tickets per Parking Enforcement Officer per week (at the current rate of $15 per ticket) will yield approximately $30,030 in 2011 and $120,120 per year in additional revenue for years 2012-2015 as shown in the financial impact table below. This revenue may be used, in part, to offset the expenses associated with hiring a new manager for the Parking Enforcement Office and upgrading the Office's electronic parking ticketing devices.

Financial Impact

2011	2012	2013	2014	2015	Total
$30,030	$120,120	$120,120	$120,120	$120,120	$510,510

POL13.	Implement a new schedule for Parking Enforcement Officers	
	Target outcome:	Improved accountability and enforcement
	Five year financial impact:	Not available
	Responsible party:	Police Chief

With the implementation of new, later parking meter hours, discussed in the Initiatives section of the Harrisburg Parking Authority chapter of this report, there is a need for the Parking Enforcement Officers to alter their working hours.

At present, the Officers work staggered schedules, spanning the hours of 6:30 a.m. to 5 p.m. The Office shall implement a new shift system to ensure enforcement of on-street meters through 10 p.m. on weekdays and from 8 a.m.-10 p.m. on Saturdays.

An illustrative example is a first shift of 6:30 a.m. - 2:30 p.m. and a second shift of 2:30 p.m. – 10 p.m. on weekdays, followed by a similar two shift arrangement on Saturday. The specifics of the new shift system may be determined at the discretion of the Chief of Police, the Captain of the Technical Services Division, and the Manager of the Parking Enforcement Office, with guidance and support from the Coordinator. The new system must be designed to avoid incurring overtime charges routinely.

POL14.	**Increase current parking ticket fees**	
	Target outcome:	Improved accountability and increased revenue
	Five year financial impact:	$6,410,857
	Responsible party:	Mayor; City Council

At present, standard parking tickets carry a $15 fee, which increases to $25 if not paid within 96 hours of issuance. Parking tickets issued for parking in handicap-designated spaces without a handicapped driver designation, as well as tickets issued for parking in front of a fire hydrant, carry a $50 fee.

To encourage greater compliance with posted parking regulations, including street signage as well as on-street parking meters, the City shall increase parking ticket fees as follows:

- Standard Parking Ticket: $30
- Standard Parking Ticket, if not paid within 5 business days: $50
- Standard Parking Ticket, if not paid within 10 business days: $100
- Handicap-Designated or Hydrant Parking Ticket: $100

These proposed fee changes shall be evaluated against the City-wide fee study once it is completed, and, based on the results of that evaluation, shall be modified as needed at the direction of the Act 47 Coordinator.

Based on historic totals of parking tickets issued, as well as historic parking ticket revenue, it is estimated that the revised parking ticket fees proposed above will generate approximately $377,109 in additional ticket revenue for the rest of 2011 and approximately $1,508,437 per year from 2012-2015.

Financial Impact

2011	2012	2013	2014	2015	Total
$377,109	$1,508,437	$1,508,437	$1,508,437	$1,508,437	$6,410,857

POL15.	Evaluate the consolidation of specialized units	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Police Chief

The Bureau staffs a number of specialized units in both Uniformed Patrol and the Criminal Investigation Section. Although some degree of specialization is necessary to achieve a police department's mission, and may be particularly needed in the adoption of a Compstat model for reduction of crime, the continuing need for each unit must be scrutinized.

As an initial measure, upon the implementation of a new, rotating patrol duty schedule as outlined in POL01, the necessary number of personnel shall be reassigned from specialized units to patrol platoons. This staffing redistribution will ensure that an adequate number of police officers are assigned to each patrol squad.[49]

Additionally, the K-9 Unit shall be incorporated into the patrol platoons. Currently, five K-9 Officers are assigned somewhat independently. According to Bureau records, these officers are off on Sunday and Monday and do not have a direct supervisor. They are generally kept free from routine patrol assignments so that they may respond readily to crimes in progress and incidents such as perpetrator searches that can benefit from the specialization of a K-9 Unit. Although the current staffing arrangement may be the preferred method of assignment of canine resources, the City's fiscal constraints require that this arrangement be reconsidered. K-9 Units must be incorporated more completely into the staffing levels, supervisory oversight, and daily operations of the patrol force.

The Foot Patrol Unit and the Street Crimes Unit are fairly recent additions to the Bureau, and they have been cited as providing valuable flexibility for deployment to address crime conditions. However, they must also be reviewed in light of the City's current fiscal constraints and the possibility of further reductions in headcount. As part of implementing a new duty schedule (outlined in POL01), the effectiveness of these units should be evaluated, and consideration should be given as to whether the new schedule provides sufficient flexibility to permit the incorporation of these units into the patrol platoons.

Further reductions in authorized headcount remain a distinct possibility as a result of the City's fiscal crisis. Public safety and crime reduction are a critical factor in a city's economic recovery; as a result, no recommendations for further reductions in headcount are included here. However, in conjunction with the implementation of a new duty schedule, the Bureau shall review all specialized assignments and ensure that all personnel are being used in the most efficient possible manner.

[49] As of February, 2011, fewer officers were assigned to the Second Platoon than to the other two shifts.

POL16.	Enhance leave supervision	
	Target outcome:	Cost reduction and improved efficiency
	Five year financial impact:	$160,067
	Responsible party:	Police Chief

Sickness and injury are inherent in police work, and due to the hazards of the profession, it is important that officers are provided ample sick, injury-on-duty, and worker's compensation leave, as well as the opportunity to receive proper care for injuries and illnesses. It is equally important, however, that management has adequate tools to address the abuse or excessive use of sick and injury-related leave. At present, Bureau staff report that supervisory visits to personnel on sick leave are prohibited.

The City shall establish a chronic sick and injury-related leave policy that allows for the imposition of sanctions when certain thresholds are met. Strong disciplinary measures should be taken when sick and injury-related leave abuse is proven (i.e., individual feigning illness or out of residence while on sick report). Additional sanctions shall also be imposed on individuals who meet established criteria such as the following:

- Use of more than 20 days of sick leave in a one year period;
- More than six incidents of sick or IOD leave in a one year period;
- Use of sick or IOD leave at a rate of more than 20% of the average used by the entire Bureau during the previous calendar year; or
- Any pattern of abuse, e.g., off before or after day off.

Those sanctions shall include the following:

- Restriction from special duty/paid details for a fixed period (i.e., 30 days);
- Restriction from performing overtime (with exceptions to be made at the discretion of the Bureau in exigent circumstances) for 30 days;
- Restriction from temporary assignment to investigative units or other special assignments for a period of six months;
- Following any proven sick and/or injury-related leave abuse, the individual shall then be required to produce medical documentation upon return from any subsequent sick absence; and
- Discipline as deemed appropriate by management.

Disciplinary measures and sanctions shall be in accordance with the FMLA and State and Federal handicap and disability discrimination statutes.

Sick leave usage by employees of the Police Bureau for the past five years is listed in the table below.

Historic Sick Leave Usage - Police Bureau

Year	Total Hours of Sick Leave	Total Cost	Avg. Days Per Employee
2006	14,992	$410,992	11.94
2007	11,915	$324,683	9.49
2008	9,974	$286,884	7.99
2009	12,282	$369,330	9.19
2010	15,922	$491,283	12.44

It is estimated that a modest 10% reduction in sick leave, achieved through the implementation of the new chronic sick and injury-related leave policy outlined above, will result in an approximate annual saving of $9,415 for the rest of 2011 and $37,663 for years 2012-2015 as shown in the financial impact information below. If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below

Financial Impact

2011	2012	2013	2014	2015	Total
$9,415	$37,663	$37,663	$37,663	$37,663	$160,067

POL17.	**Evaluate false alarm fee for burglar alarms and aggressively collect fees due**	
	Target outcome:	Cost recovery
	Five year financial impact:	Not available
	Responsible party:	Police Chief and Director of Bureau of Operations and Revenue

The City charges false alarms fees on a rising scale, starting at $10 each and increasing to $35, depending on the type and frequency of the false alarm. Billing for burglar alarms is currently performed through a two step process: staff in the City's Communications Center prepares a hard-copy false alarm notice following the false alarm call, and then forwards the notice to the Bureau of Operations and Revenue, where the bill is produced and issued.

Once the transfer of 911 and dispatch operations to the Dauphin County Communication Center is complete, the City will no longer automatically monitor burglar alarms. After the transfer, the Police Bureau will only respond to burglar alarms that are manually called in to 911, usually done by the alarm company. It is expected that the volume of false alarm calls will significantly decrease following this change.

The City shall continue aggressively billing for false burglar alarms. Following the transfer of 911 and dispatch operations to Dauphin County, Police Data Technicians will review call records from the Dauphin County Communication Center on a periodic basis to identify any false burglar alarm calls for which a fee should be charged. Billing information will then be forwarded to the Bureau of Operations and Revenue, where the bills will continue to be produced and issued.

The current fee schedule for false burglar alarms shall be evaluated against the City-wide fee study once it is completed, and, based on the results of that evaluation, shall be modified as needed at the direction of the Act 47 Coordinator.

Bureau of Fire

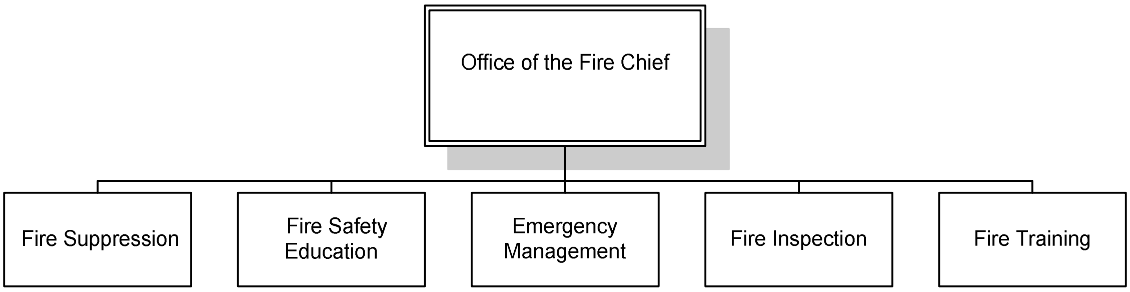
Overview

The Bureau of Fire provides emergency response to fires and other hazardous conditions within the City of Harrisburg, and also provides emergency medical services at the first responder-level for calls involving life-threatening conditions. Transport services for medical emergencies within the City are supplied by a third party provider, Life Team. The Bureau is also the designated Emergency Management Agency for the City of Harrisburg. The Bureau's Mission Statement is as follows:

> *The Harrisburg Bureau of Fire exists to serve the City of Harrisburg, and when needed, the greater Harrisburg metropolitan area by providing effective fire suppression, emergency medical services, tactical rescue, urban search and rescue, water rescue, hazardous materials response, fire prevention, fire codes enforcement, and public safety educations.*
>
> *The Bureau of Fire is a team of highly motivated diverse individuals dedicated in common to public interaction and providing efficient services. This involves the use of modern fire and rescue equipment, integrated up-to-date training and safety techniques, computer technology, and cooperation with surrounding fire, rescue, and EMS agencies to provide the best service available by making public safety and protection our perpetual primary priority.*[50]

From four City fire stations, the Bureau operates three engine companies, one of which responds as a rescue engine, and three ladder/tower companies, one of which is a quint-style[51] unit. The Bureau is primarily staffed by career firefighters, but is supplemented by three volunteer companies, (Riverside, Camp Curtin and Mt. Pleasant) with approximately 14 total active volunteer members.

The following figure illustrates the Fire Bureau's primary areas of operation, which include Fire Suppression, Fire Safety Education, Fire Inspection, Fire Training and Emergency Management. The Fire Chief oversees all operations of the Bureau with assistance from one Deputy Chief (non-bargaining unit member) and three Battalion Chiefs (bargaining unit members).



Fire Suppression encompasses the Bureau's response to all emergency and non-emergency calls for service, including fires, emergency medical services at the scene of accidents and in life threatening medical emergencies, tactical rescue, urban search and rescue, water rescue and hazardous materials response.

[50] City of Harrisburg Bureau of Fire, Annual Report, 2009
[51] A quintuple combination pumper: a fire service apparatus that serves the dual purpose of an engine and a ladder truck.

Fire Safety Education involves the planning and execution of fire safety and burn education for residents and businesses, including schools and daycare centers, within the City.

The Fire Bureau is the City of Harrisburg's designated **Emergency Management Agency (EMA).** The Fire Chief is the designated Emergency Management Coordinator. EMA responsibilities include the creation and ongoing review of the City's Emergency Operations Plan, which is used to guide City operations during large-scale disasters that require the management and coordination of numerous and diverse resources. The City works closely with the Dauphin County Emergency Management Agency during any such disasters.

Fire Inspection primarily applies to the enforcement of the City's Fire Prevention Code, including the review and approval of plans for all new construction as well as major renovations to existing structures. Additionally, existing properties are inspected to ensure compliance with applicable codes and standards.

Fire Training includes the drafting and implementation of the Bureau's annual comprehensive training plan. Also included within this function is the Bureau's apprenticeship training program, which is mandatory for all new recruits.

In addition to the primary operational areas listed above, the Fire Bureau offers multiple specialized services, and also participates in several regional teams and task forces as described below:

- The Bureau assists Harrisburg River Rescue (third party provider) in providing water rescue response on the Susquehanna River and all other bodies of water within the City. The Bureau owns two boats and one inflatable raft, which are used to rescue individuals or assist watercraft in distress. All members of the Bureau are trained in at least the basic level of water rescue.

- The Bureau's Rescue One Program responds to specialized technical rescue emergencies, including building collapse, trench rescues, confined space rescues, high angle rescues and heavy vehicle extrication in the City and the surrounding region. Firefighters that participate in Rescue One have advanced technical training as well as mandatory yearly training updates.

- The City is currently the sponsoring agency for the Pennsylvania Urban Search and Rescue Task Force One, which is one of 28 urban search and rescue units funded by FEMA. These units travel throughout the United States and around the world to provide urban search and rescue assistance following major domestic incidents.

- The Bureau is currently a participant in Pennsylvania Company One (PA-CO 1), one of nine regional elements of the Pennsylvania Urban Search and Rescue Response. PA-CO 1 is activated by PEMA for technical rescue and response across the Commonwealth in an emergency. The Bureau also participates in the South Central Pennsylvania Counter Terrorism Task Force (SCTF), which provides incident management during large-scale emergencies.

- The Bureau also participates on the Dauphin County Hazardous Materials Response Team (HMRT). An agreement between the City and Dauphin County allows on-duty firefighters to immediately respond to hazardous materials calls throughout the County with the Hazardous Material Response Unit, which is housed at the City's Fire Station Two. Through the joint agreement, senior members of the HMRT also provide members of the Bureau with basic hazardous materials certification and annual required training.

Staffing

The following table illustrates the Fire Bureau's staffing levels over the past five years. The Bureau's budgeted headcount has decreased approximately 15% since 2006. This decrease reflects the gradual worsening to the City's fiscal condition, which has resulted in the shrinking of the Fire Bureau through attrition. The City's 2011 Adopted Budget did not fully account for costs associated with the Bureau's current staffing level, which is discussed later in this chapter under Initiative FIRE01 “Change current shift schedule.”

Bureau of Fire - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	98	93	92	93	94	83
Filled	98	93	93	92	84	80

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

The City's volunteer ranks have declined over the years, which is consistent with the experience of many volunteer companies across the country. In terms of the City's volunteer companies' capacity to supplement the Fire Bureau's total staffing level, the small number of active members limits the impact that these companies might have in addressing any staffing shortages. In order to recruit new members and encourage continued participation from active members, volunteer companies in neighboring communities utilize a variety of strategies, including a station live-in program for aspiring firefighters currently enrolled in a fire service training program at the Harrisburg Area Community College (HACC) and quarterly cash incentives for active volunteers based on training programs completed and frequency of participation in responding to calls for service.

Other Resources

The Bureau currently operates four fire stations, as well as administrative offices at the City Government Center. There are individually-assigned vehicles for the Chief, Deputy Chief, Fire Inspector and on-duty Battalion Chief. The actual cost of maintaining and operating the vehicle fleet and facilities is managed by the Department of Public Works. The Bureau has requested additional cars from the available fleet of unused vehicles in Public Works for use in fire prevention and education activities, but has not yet been notified if cars are available. Each City fire station is equipped with desktop computers and a connection to the City network.

The Bureau's stations and associated apparatus are shown in the table below.

Bureau of Fire
Stations and Apparatus/Vehicles

Station Name	Location	Apparatus/Vehicles
Station One	1820 North 6th Street	Engine (wagon) 3
		Tower 2
		Raft 1
		Boat 6
		Utility 1
		Tower Reserve
Station Two	140 N. 16th Street	Engine (wagon) 4
		Tower 1
		Rescue 1
		Rescue 1 Trailer
		Engine (wagon) Reserve
Station Six	336 S. Second Street	Tower 3
		Boat 1 (and tow vehicle)
Station Eight	9 S. 13th Street	Squad (Rescue Engine) 8

The Bureau's fleet is generally in fair condition, but there is no formal vehicle/apparatus replacement schedule in place. Tower 1 underwent a major refurbishment in 2009, but Bureau staff report that the remaining two towers are high maintenance vehicles with significant out of service time. The newest engine (Engine 3) was purchased in 2008, and the engine currently serving as Squad 8 (the busiest company in the City) is the Bureau's next priority for replacement. The Volunteer Firefighters Relief Association (VFRA) has indicated a willingness to fund a portion of this replacement if the Bureau can secure remaining funds.

VFRA has assisted in funding the purchase and refurbishment of several Bureau apparatus/vehicles since 2005. It is important that the Bureau maintain and encourage its relationship with the Association, as this partnership has resulted in significant cost containment through the provision of funding assistance for equipment and vehicle purchases. The Bureau anticipates that the Association will continue contributing toward purchases that add value to the Bureau while meeting the requirements of the Commonwealth's Volunteer Firefighters Relief Association Act, which mandates that expenditures must directly contribute to the well-being and safety of volunteer company members.

Without a dedicated funding stream for vehicle replacement, it is unlikely that the Bureau can keep pace with a reasonable replacement schedule.

Finances

The tables below include the Bureau's historical expenditures, which decreased by 18.2% from $10.1 million in 2006 to $8.2 million in 2010. Salary expenditures account for most of the Fire Bureau's budget (approximately 60%). Overtime costs accounted for approximately 23% of all the Bureau's 2010 actual expenditures and have increased steadily over the past five years. Various aspects of the Bureau's current operations that have contributed to this growth are discussed later in this chapter. Beginning in 2009, the City began budgeting and recording all costs for medical, dental, vision, and group life insurance in General Expenses, rather than in individual departments, bureaus and offices. The historical expenditures shown below reflect this change.

Bureau of Fire
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$4,946,426	$4,474,570	$5,151,842	$4,956,385	$4,965,659	0.4%
Overtime	$993,669	$1,265,065	$1,606,141	$1,639,723	$1,901,721	91.4%
Sick Leave Buy-Back	$175,363	$149,385	$147,236	$158,970	$168,652	(3.8%)
Social Security	$58,488	$75,924	$74,226	$88,772	$83,218	42.3%
Severance Pay	$406,846	$215,837	$4,931	$452,474	$355,486	(12.6%)
Loss Time & Med	$254,110	$270,781	$335,809	$329,688	$344,571	35.6%
Clothing Allowance	$123,379	$52,215	$61,731	$48,786	$60,760	(50.8%)
Clothing Maintenance Allowance	$7,395	$5,604	$6,122	$10,184	$4,700	(36.4%)
Benefits	$2,603,742	$1,810,243	$1,817,720	$18,688	$39,212	(98.5%)
Utilities	$93,368	$88,082	$94,722	$84,427	$81,024	(13.2%)
Vehicular Equipment	$114,742	$102,583	$110,842	$131,584	$64,633	(43.7%)
Lease Purchase	$108,005	$76,413	$65,882	$65,308	$31,737	(70.6%)
Wearing Apparel	$8,281	$64,757	$14,394	$32,274	$36,853	345.0%
Other Miscellaneous	$184,975	$229,596	$216,840	$209,966	$103,321	(44.1%)
Total	**$10,078,788**	**$8,881,057**	**$9,708,438**	**$8,227,230**	**$8,241,547**	**(18.2%)**

Source: Historical data from City as provided

Bureau of Fire
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$9,569,418	$8,319,625	$9,205,758	$7,703,671	$7,923,979	(17.2%)
Non Personnel Expenditures	$509,370	$561,431	$502,680	$523,559	$317,568	(37.7%)
Total	**$10,078,788**	**$8,881,057**	**$9,708,438**	**$8,227,230**	**$8,241,547**	**(18.2%)**

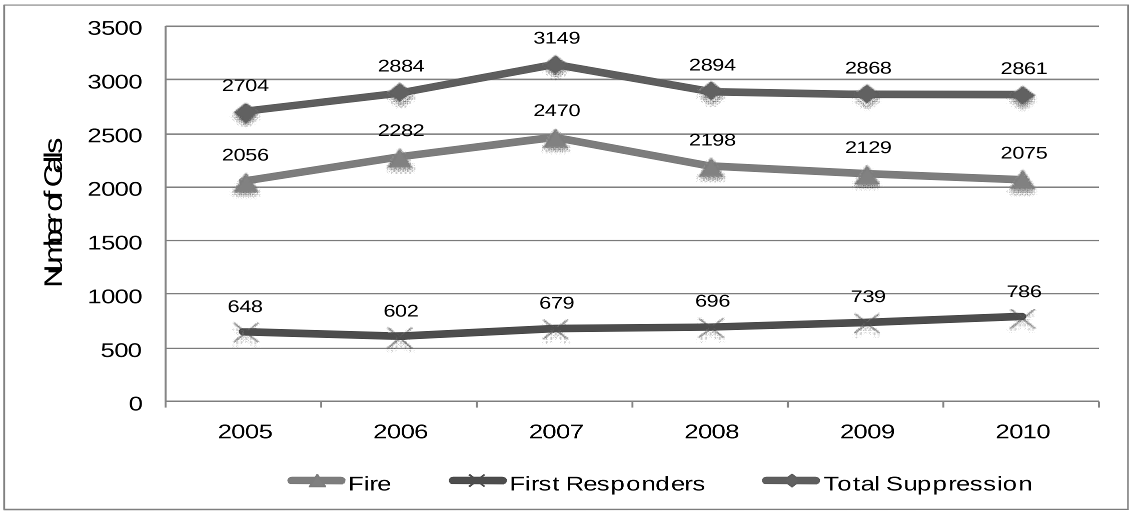
Source: Historical data from City as provided

Assessment

The Bureau of Fire, like many departments across the country, is primarily response-focused. At present, the Bureau's fire prevention program is all but dormant, with only one part-time Fire Inspector available for activities associated with the enforcement of the City's Fire Prevention Code. More robust fire prevention efforts could not only increase revenue associated with inspection and permitting fees, but, more importantly, could increase the safety and well-being of Harrisburg's residents and firefighters and possibly decrease calls for service.

The Bureau's calls for service fall into the broad categories of: fire; false alarms; hazardous conditions; and rescue (including emergency medical first responder-level services). Fire calls are further broken down into multiple categories defined by the National Fire Incident Reporting System (NFIRS), Version 5. The Bureau annually completes and submits the National Fire Protection Association's Fire Experience Survey, which includes call for service statistics. The figure below depicts the historical call volume for fire and first responders as well as total call volume for suppression.

Historical Call Volume – Fire and First Responders



Source: City of Harrisburg Fire Bureau

While Harrisburg's total call volume for suppression has shown only a modest 6% increase since 2005, that increase is almost entirely attributable to growth in calls for first responder services, which have grown by 21% in the past five years. Harrisburg's total number of residential and structure fires per year has historically been one-half to twice as high as national totals. On a positive note, however, Harrisburg's total number of fires has significantly declined since 2005, with a 16.97% decrease, as shown in the table below.

Average Fire Experience for Community Size 50,000 – 99,999[52]

Residential	2005	2006	2007	2008	2009	2010	% Change
Harrisburg	270	240	254	227	194	223	(17.41%)
National	82	76	78	76	75	N/A	(8.54%)
Harrisburg compared with National Totals (% Higher)	229%	216%	226%	199%	159%	N/A	(30.79%)
Structure	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**% Change**
Harrisburg	310	282	286	261	231	249	(19.68%)
National	103	98	97	95	92	N/A	(10.68%)
Harrisburg compared with National Totals (% Higher)	201%	188%	195%	175%	151%	N/A	(24.82%)
TOTAL	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**% Change**
Harrisburg	489	470	483	420	372	406	(16.97%)
Northeast Region	381	312	403	291	N/A	N/A	(23.62%)
National	274	262	264	239	222	N/A	(18.98%)
Harrisburg compared with NE Region Totals (% Higher)	28%	51%	20%	44%	N/A	N/A	56.39%
Harrisburg compared with National Totals (% Higher)	78%	79%	83%	76%	68%	N/A	(13.89%)

Source: National Fire Protection Association, Annual Fire Loss Survey, 2005-2009. Northeast Region data is only available for total incidents. Total is not the sum of residential and structural fires since there are other categories (e.g., vehicle, trash and brush) not shown here.

Fire service call volume often reflects a community's economic condition and quality of its built environment. Harrisburg's firefighters work in a challenging environment: high density of structures in some neighborhoods; row homes; narrow streets; and a significant number of abandoned and condemned structures. Harrisburg, as the Commonwealth's capital, is also home to many structures that are, in some respects, priceless due to their historical nature. These factors require that the Bureau establish and maintain effective suppression operations as well as comprehensive

[52] The comparative charts included in this chapter list figures for Community Size 50,000 - 90,000 to reflect Harrisburg's significant daytime population, which the U.S. Census Bureau estimated at 84,560 in the 2000 Census.

prevention programs. As can be seen from the table below, Harrisburg's total calls for service are significantly higher than national and regional communities of comparable size. While the percentage of total calls that are related to fire has dropped in Harrisburg, the City's call volume is still 64% higher than the national average.

Fire Calls as a Percentage of Total Calls for Community Size 50,000 – 99,999

	2005	2006	2007	2008	2009	2010	% Change
Harrisburg	20.44%	18.28%	17.21%	16.80%	15.00%	16.0%	(21.7%)
National	6.80%	6.70%	6.10%	3.80%	3.50%	N/A	(48.5%)
Harrisburg compared with National Totals (% Higher)	201%	173%	182%	342%	329%	N/A	64%

Source: National Fire Protection Association, Annual Fire Loss Survey, 2005-2009.

Harrisburg's false alarm calls are significantly higher than totals typically seen nationally - almost twice the national average in 2009. Though the total number of false alarm calls is declining, these statistics still indicate a problem area. These calls limit resource availability for true emergencies, placing an undue burden on the Bureau.

False Alarms as a Percentage of Total Calls for Community Size 50,000 – 99,999

	2005	2006	2007	2008	2009	2010	% Change
Harrisburg	27.7%	29.8%	27.7%	25.9%	26.2%	24.4%	(12.0%)
National	9.1%	8.6%	8.7%	9.0%	8.8%	N/A	(3.3%)
Harrisburg compared with National Totals (% Higher)	204.7%	246.2%	218.7%	187.2%	197.6%	N/A	(3.5%)

Source: National Fire Protection Association, Annual Fire Loss Survey, 2005-2009.

For additional perspective, the table below illustrates Harrisburg's false alarm call volume as a percentage of total non-EMS related calls. When considering Harrisburg's false alarm totals against calls solely related to fire suppression, the problem is somewhat less severe; however Harrisburg's totals were still approximately 50% higher than the national average in 2009.

False Alarms as a Percentage of Total Non-EMS Calls for all Fire Departments Nationwide[53]

	2005	2006	2007	2008	2009	2010	% Change
Harrisburg	36.1%	37.9%	35.5%	33.6%	34.9%	32.8%	(3.6%)
National	24.0%	22.5%	23.1%	23.6%	23.1%	N/A	(1.7%)
Harrisburg compared with National Totals (% Higher)	50.3%	68.2%	53.7%	42.3%	51.0%	N/A	1.3%

Source: National Fire Protection Association, Annual Fire Loss Survey, 2005-2009.

One of the Part I crimes tracked by federal, state and City law enforcement agencies is arson. The City's reported arson rate is shown below in comparison to other Pennsylvania cities of the Third Class. In 2009, Harrisburg's total number of arsons per 50,000 residents was second only to Lancaster. Harrisburg has seen a 15.49% increase in arsons since 2005, while several comparable communities have seen a significant decline.

The City has not specifically appointed a Fire Marshal; therefore the Fire Chief serves as the de facto Fire Marshal in accordance with Pennsylvania's Third Class City Code. Currently, initial fire investigations are conducted by the company officer or battalion chief and, in instances when origin and cause is not immediately obvious, an arson investigator from the City's Police Bureau (or, in some cases, the Dauphin County District Attorney's Office or the Pennsylvania State Police) assumes responsibility for the investigation.

Arsons per 50,000 Residents

	2005	2006	2007	2008	2009	% Change
Lancaster	17.2	32.8	29.3	25.6	31.2	81.72%
Harrisburg	23.0	33.7	42.6	32.9	26.6	15.49%
Reading	27.8	30.3	30.2	24.7	18.7	(32.95%)
Allentown	26.2	16.3	21.4	12.6	12.1	(53.74%)
Erie	16.8	18.5	21.6	23.1	9.6	(42.70%)
Scranton	12.8	13.7	19.3	15.9	9.0	(29.46%)
Bethlehem	4.1	N/A	4.1	3.4	9.0	117.35%
Average (without Harrisburg)	17.5	22.3	21.0	17.6	14.9	(14.58%)

Source: Federal Bureau of Investigation, Uniform Crime Reports, 2005 – 2009.

[53] The data included in this table reflects false alarm call volume as a percentage of all non-EMS related calls for all fire departments in the U.S. that responded to the National Fire Protection Association's Annual Fire Loss Survey in the years 2005 through 2009. This data is not limited to those departments that serve communities with populations of 50,000-99,999.

The typical national standard for gauging effective fire response is the ability to place the first unit on scene within four minutes travel time, plus 80 seconds for turnout time, 90% of the time. The second response time goal is the assembly of a fully effective firefighting force within eight minutes travel time, plus 80 seconds turnout time, for 90% of emergency calls. An initial response complement recommended by the National Fire Protection Association (NFPA) Standard 1710 is four firefighters, including an officer; the minimum for a fully effective firefighting force is 15 firefighters if the aerial ladder truck is in use.[54]

Currently, the Bureau does not track and measure the time required to assemble a fully effective firefighting force. The Bureau does track and measure emergency response time, which, in 2010 was reported as 3 minutes and 59 seconds for calls within the City.

In its delivery of fire services to the City of Harrisburg, the Bureau faces several challenges including the following:

- Continuing to maintain the good working relationships that the Bureau currently enjoys with its mutual aid partners in the region, while also exploring opportunities for increased regionalization of fire services;
- Maintaining a high-functioning fire prevention division despite the current lack of adequate staffing for this operation;
- Ensuring the health and well-being of the City's firefighters through increased training and greater attention to safety;
- Pursuing improvements in the Bureau's use of technology despite the limitations of available resources; and
- Improving the current emergency management program both within the City and in the region.

Mutual Aid and Regional Service

The Bureau is both a signatory to and an active participant in a County-wide mutual aid agreement, and is generally well-respected by its mutual aid partners in Dauphin County. The Harrisburg Bureau of Fire is the only combination department in Dauphin County, with all other companies operating in an all-volunteer capacity.

The City requests mutual aid from neighboring jurisdictions during major events by initially placing those departments on stand-by, either in their own stations or in one of the Bureau's stations. Many of the neighboring jurisdictions' volunteer members are career firefighters in other communities and, due to potential conflicts with IAFF rules against career firefighters responding as volunteers, they choose not to respond in Harrisburg. At this time, this does not appear to significantly limit the capacity of mutual aid partners to assemble a crew and respond within Harrisburg. Over the past five years, Harrisburg received mutual aid slightly more often than it provided aid to neighboring jurisdictions.

Should the City reduce staffing in the Fire Bureau, challenges may emerge within the established mutual aid system. Several neighboring chiefs interviewed indicated concern that a reduction in force within the City of Harrisburg would increase the burden of response to mutual aid calls made to their communities. Many chiefs felt that their communities would protest an increase in response from their volunteer companies within Harrisburg's city limits, from both an issue of manpower, due to the reliance on all volunteers, and an issue of political will.

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[54] National Fire Protection Association (NFPA) Standard 1710 5.2.4.2 recommends, when an aerial operator is included, a minimum firefighting force of 15.

There have been efforts in the past to explore increased regionalization of fire services within Dauphin County. There have been some successes between individual volunteer companies, but there appears to be limited opportunity at this time for full consolidation of the Bureau of Fire as a primarily career department with neighboring all-volunteer companies. This is primarily attributable to a perception that any move toward consolidation will increase costs for service for the surrounding communities, since there is not a perceived need for a commensurate increase in full-time fire fighting staff in those jurisdictions.

Opportunities short of full consolidation could be explored, including the sharing of fire prevention and inspections staff, programs and service delivery, as well as joint purchasing and equipment maintenance services. In both Swatara and Susquehanna Townships, neighboring municipal governments have established a common Fire Marshal as well as a standardized replacement schedule for vehicles. Exploration of a regional Fire Marshal approach across multiple jurisdictions could increase efficiency and capacity in a more cost effective manner.

In late 2010, the Dauphin County Gaming Advisory Board issued an RFP to complete a comprehensive inventory of existing fire and emergency service resources within the County, and to identify outstanding fire and emergency service resource needs. The purpose of this study is the establishment of criteria for awarding grant funds (available from local casino revenue) to local jurisdictions whose grant applications relate to fire and/or emergency service-specific projects. The intended outcome is to increase the effectiveness of these grant funds and to limit the funding of projects that result in duplication of specialty equipment or other emergency response capacity within the County. The Fire Bureau did not apply for these local gaming grant funds in 2010. Neighboring jurisdictions that have applied in past years have received grant funds for vehicle purchases and/or upgrades, as well as facility improvements. The Fire Bureau should ensure they are active participants in both the Gaming Advisory Board study, as well as the local gaming grant application process in future years. The Bureau has much to offer Dauphin County with regard to specialty response capacity and technical skills.

Prevention

The City is currently functioning without a designated Fire Marshal. As such, the Fire Chief is currently serving in this capacity. The current Fire Inspector serves on part-time, light duty status and is the only employee currently dedicated to fire prevention. In the past, efforts have been made to develop a team approach to fire prevention through collaborations between the City Bureau of Codes staff and the Fire Inspector, though these efforts have proven unsuccessful. In practice, it appears that City Bureau of Codes staff have actually undertaken the role of plans review and system testing for fire suppression systems. Additionally, it appears there is very little formal, reliable documentation of fire inspections. City staff outside the Bureau of Fire raised concerns regarding the actual completion of inspections required for permitted uses under the fire code. The Chief and Deputy Chief provide very limited supervision in this area.

The City has adopted the 2003 version of the International Code Council (ICC) suite of codes for new construction, but the City's Fire Prevention Code, in effect for use and operation of existing buildings, has not been comprehensively reviewed and updated in its entirety since 1987. The composition of the City's built environment has undoubtedly changed significantly over the past 24 years, as has technology and methodology used in building maintenance and construction. The City's Fire Prevention Code is well-overdue for a comprehensive review and update to reflect modern building standards and safety requirements. A comprehensive update is also needed to remove references to obsolete regulations (e.g., National Fire Protection Association codes that have since been updated) and practices (e.g., monitoring fire alarms linked to the City's Communications Center, a practice that will end when the majority of Communication Center operations are transferred to Dauphin County in June 2011).

A full-time dedicated employee is needed for fire prevention, and collaboration with the Bureau of Codes should increase to achieve greater efficiency. There may be an opportunity to cross-train fire and housing inspectors and use civilian positions to accomplish the necessary work. In addition, the Bureau should leverage the labor pool already available and begin an engine company inspection program. The Local IAFF has indicated willingness for engine companies to begin performing fire inspections and has also indicated that there are several company officers who already hold the required certifications to perform these duties. Implementing engine company inspections would serve the Bureau well in its effort to transition from a reactive to a proactive organization with a strong focus on prevention. In addition, a possible increase in fee collection could be revenue-generating for the City.

The Bureau's public education position has recently been filled by a firefighter on light duty. Given the significant challenges the Bureau faces in total number of fires and false alarm incidences, it is critical that the position receive strong direction and that there are outcome-based performance measures developed to make this a productive position. The Bureau has, in the past, conducted smoke detector installation programs in City residences, reportedly with positive reception by the public. Prevention activities like this should continue and be expanded, assuming the effects are cost neutral. According to Bureau staff, the Volunteer Firefighters Relief Association has been a willing partner in fire prevention initiatives like the smoke detector program. In order to maximize available resources offered by the Association, the Bureau should continue to pursue opportunities for prevention and safety activities in which the Association can join as a partner.

Training and Safety

The Bureau does not have a dedicated Training Officer, which is somewhat unusual for a department its size. The Training Officer provides consistent guidance and implementation of state of the art firefighting practices and is often the person assigned as the department Safety Officer. While the Bureau is fortunate to have many officers and firefighters with the required certifications to lead in-house training events, these in-house trainers are not utilized in a consistent manner with specific, measured outcomes. Additionally, possible overtime charges limit the ability to consistently utilize in-house trainers on every shift. The IAFF has indicated a willingness to discuss alternatives for providing the required training while minimizing overtime impacts, such as short term shift transfers for trainers.

In one example of a more formal, consistent in-house training model, the Bureau would designate a company officer, preferably a Captain, on each of the four platoons to serve as Platoon Training Officer. The four Platoon Training Officers would then work together as the Bureau's training team under the general oversight of a chief officer (most likely the Chief, Deputy Chief, or one of the three Battalion Chiefs). The training team would identify needs, develop training goals, and lead training events on each of the four platoons in a consistent manner.

Given the skill level and experience of the City's firefighters, there may be opportunities to offer training and invite outside participants to attend on a fee-for-service basis. This arrangement would allow the Bureau to further stretch its currently limited training budget. Additionally, there may be potential to collaborate with the HACC Shumaker Public Safety Center in hosting training events. At present, any new City firefighters currently complete Fire Academy training at the HACC Public Safety Center and the City's active firefighters and volunteer company members also attend training events at the Center regularly. There may be an opportunity for active City firefighters to lead training events at HACC on a regular basis.

For the past three years, the Bureau has seen steady increases in injured-on-duty and sick leave usage. In addition to the natural concern with individual and organizational safety, this loss has significant impact on the Bureau's overtime budget. The Bureau should immediately implement a more formal review of every work-related injury to determine cause, design avoidance strategies for future occurrences and assess equipment/training changes needed to avoid such injuries in the future. These reviews logically fall under the purview of the Bureau's established Safety Committee. This Committee should begin such reviews immediately and, following completion of reviews, should report results to Bureau staff in order to keep employees informed of lessons learned and establish expectations for employee safety.

In interviews with City staff as well as firefighters in neighboring communities, Harrisburg's firefighters were frequently described as aggressive and brave. These characteristics are desirable in those we trust to save lives in dangerous situations; however, instances were also described that raise concerns about the Bureau's overall safety culture. The Bureau needs an increased emphasis on active incident command and management, implementation of the new accountability system proposed by Dauphin County for all its fire companies, and immediate assignment of incident safety officers at a working incident. Available staffing should not be considered an obstacle to these activities. Improvements to the accountability system and assignment of incident safety officers could easily be accomplished though the mutual aid system if needed.

Technology

The Bureau's records management system, Firehouse, is currently underutilized. Staff need additional training on the functionality and use of the most efficient application of the system. The Bureau needs to create a more efficient and accurate system of records maintenance for all aspects of administration and operations including fire prevention, scheduling, training records, pre-plans, building and equipment maintenance and inventory. Bureau-wide use of Firehouse will likely increase through improvement of internet connectivity between fire stations as well as an upgrade of all the stations' desktop computers.

There is a need within the Bureau for an automated scheduling process for daily shifts. The current approach is inefficient and requires the City's Communications Center to manage firefighter call-ins. With the transfer of the City Communications Center functions to Dauphin County, the Bureau will now be responsible for management of call-in's during evenings and weekends when the Bureau's Administrative Office is closed.

The Bureau could greatly benefit from the installation of mobile data computers in all front-line response vehicles, or in command vehicles at a minimum. These computers allow the integration of critical information regarding specific structures as well as the most effective response strategies for specific emergency incidents. Instant access to such information will likely improve firefighter safety in emergency response-related activities.

Emergency Management

As stated previously, the City is currently the sponsoring agency for the Pennsylvania Urban Search and Rescue Task Force One, a FEMA urban search and rescue unit. Participation in Task Force One has afforded the Bureau's firefighters the opportunity to receive extensive specialized training as well as invaluable experience responding to the large-scale emergency incidents both within and outside the Commonwealth. All costs associated with the Bureau's participation in Task Force One are reimbursed to the City by FEMA.

In early 2011, the City began the process of relinquishing its role as Task Force One's sponsoring agency and moving instead to a participating agency role. As a sponsoring agency, the City has certain fiduciary and administrative responsibilities associated with FEMA grant fund monitoring and reporting, as well as responsibility for processing reimbursements for other participating agencies. Due to a lack of financial resources within the City to assume responsibility for these functions, the

City is no longer able to effectively perform its sponsoring agency role. The Advisory Committee that oversees Task Force One, made up of representatives from participating agencies as well as PEMA, has developed a plan for migration to a new sponsoring agency and has already identified the new sponsor organization. As a participating agency, the City's firefighters will still receive training and respond when Task Force One is mobilized, but grant management will no longer be part of the City's responsibilities.

In addition to its multi-jurisdictional emergency management activities, the Bureau is also the responsible party for the City's emergency management program. Pennsylvania law requires that every county and municipal government develop and maintain an emergency management program consistent with those at the Commonwealth and federal levels. This includes planning, particularly the development and ongoing maintenance of the City's Emergency Operations Plan (EOP); training, including exercises and classroom/online learning; disaster response, including incident management; and post-disaster recovery, including the submittal of comprehensive damage reports to the Dauphin County EMA.

At present, it is unclear how adequately these emergency management program functions are being performed by the Bureau. For example, the Dauphin County EMA, as part of its coordinating role in local emergency management programs, assists with disaster recovery efforts by providing required information to the Commonwealth and federal agencies responsible for releasing financial aid and services to affected areas. Municipal governments within the County are required to submit damage reports, upon which the County's federal disaster reimbursement funds are calculated and distributed. The County reports that damage reports from the City are often submitted after deadlines have passed or, on occasion, not at all.

The Bureau should take advantage of the informational resources and expertise within the Dauphin County EMA by requesting assistance in strengthening the City's existing emergency management program. With input and advice from the County EMA, the Bureau should establish a regular review cycle for the City's EOP, develop and implement annual training and exercise plans, and design a reporting system to ensure that damage reports, as well as any other regular reporting requirements, are promptly completed and submitted to ensure that the City takes full advantage of any available federal reimbursement funds.

Overtime

The following table depicts the Fire Bureau's historic overtime expenditures. Overtime usage is influenced by several factors including sick leave, IOD leave, overall Bureau staffing levels and Pennsylvania Urban Search and Rescue (USAR) Task Force One participation.

Bureau of Fire Historic Overtime Expenditures

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Change
Total	$993,669	$1,265,065	$1,606,141	$1,639,723	$1,901,721	91.4%

The following issues warrant greater review and attention in order to fully understand the Bureau's historic overtime expenditures:

Sick Leave: The Bureau's total sick leave usage has grown from 4,399 hours in 2006 to 9,918 hours (including family/medical leave) in 2010. The Bureau's 2010 sick leave total is equivalent to more than 4.0 FTE positions. Under the current collective bargaining agreement, management has the right to visit employees who are sick to verify illness, but this right is not exercised by the Chief or Deputy Chief at present. On-duty Battalion Chiefs, with assistance from the Chief and Deputy Chief as needed, should monitor employee sick usage for patterns that should be investigated and seek guidance as necessary from the Fire Chief for appropriate action. On-duty Battalion Chiefs should also make illness verification visits under a general parameter to be set by the Fire Chief.

Injury-on-Duty: Between 2006 and 2010, the number of hours in which the Bureau's employees were out on IOD leave ranged from 8,711 to 12,148. Once an injured firefighter has been on IOD leave in excess of four consecutive work days, the firefighter is placed on Worker's Comp/Heart and Lung leave. While, according to IOD leave records, there are many Bureau employees each year that use IOD leave, the total number is not reflected in the lost time statistics reported to the NFPA each year. The Bureau's historic reported number of lost time injuries from firefighting activities ranged from three to seven FTE positions annually.

The Bureau should maintain an accurate database of duty-related injuries to ensure consistent reporting both internally and nationally. As is the case with sick leave, the Bureau has lost the equivalent of 4.0 FTE positions to IOD leave each year for the past three years. An initial review of the Bureau's IOD leave records for the past five years indicates some unusual patterns in leave usage. From 2006 to 2010, there were 24 to 28 Bureau employees who used IOD leave in every one of those years. In 2010, there were four Bureau employees who were injured on duty and used Worker's Comp/Heart and Lung leave for longer than 6 months, uninterrupted. As is the case with sick leave usage, Bureau management should proactively monitor leave usage related to injuries on duty to identify any patterns that require further investigation.

The current collective bargaining agreement allows undocumented use of IOD leave up to four consecutive work days. This provision should be revised to require physician verification at the Bureau's discretion within the first four days to ensure appropriate treatment and to minimize the potential for leave abuse. In addition, the Bureau should implement the IAFF/International Association of Fire Chiefs (IAFC) Fire Service Joint Labor Management Wellness/Fitness Initiative as a means to increase employees' health and well-being and reduce both IOD and sick leave use. Further recommendations for improvement to the City's injury prevention efforts are included in Initiative FIRE09 “Mandate formal Safety Committee review of every work-related injury in Bureau" later in this chapter.

Premium Pay: The firefighters' current work schedule averages 42 hours per week. Under the current collective bargaining agreement, the City is required to pay firefighters two hours of premium pay per week at the established overtime rate as time worked in excess of 40 hours. This premium payment is not required under the federal FLSA and no overtime payments are required for any individual working the current schedule until they exceed 182 hours in a 24-day cycle. Under the current schedule, firefighters work only 144 hours in a 24-day cycle, assuming the firefighters work all their assigned hours. Any hours paid but not worked (e.g., vacation, sick, or IOD leave) are exempt from this 144 hours in a 24-day cycle calculation. Implementation of an overtime payment plan that follows the minimum requirements of FLSA will reduce the Bureau's overtime totals. The City should seek a revision to the current collective bargaining agreement that will address this recommended change (discussed under Initiative FIRE02 “Eliminate premium pay”).

Pennsylvania Urban Search and Rescue (USAR) Task Force One Charges: As a participating agency in Pennsylvania's USAR Task Force, a number of the Bureau's firefighters must receive on-going training to maintain active status on the team and respond to emergency incidents outside the boundaries of the City (and, sometimes, the Commonwealth). FEMA reimburses the Bureau for all overtime charges associated with Task Force participation, including attendance at mandatory training events. The City charges any overtime costs incurred through participation in Task Force-related activities to the Bureau's overtime line item in the City's financial system. The offsetting reimbursement from FEMA, however, is not credited to the same overtime line item. Based on the overtime records available at this time, it is not possible to quantify the total volume of these expenditures and offsetting reimbursements. The cost of the Bureau's participation in the Task Force is not directly associated with delivery of fire protection within the City. Due to the lack of precision in overtime monitoring and reporting, the charges associated with Task Force participation that are currently included in Bureau's overtime totals may skew the perceived cost of running the Bureau.

Minimum Staffing Requirement: The current collective bargaining agreement specifies a minimum daily staffing requirement of 16 firefighters and one Command Officer for the Bureau. While this requirement is not excessive for the risks and hazards associated with the Bureau's fire response, it does limit the flexibility of management to address current financial challenges. These minimum staffing requirements are typically rooted in a desire to assure safe firefighting circumstances for firefighters and a need to provide sufficient staff to effectively respond to fires and perform rescues. Achieving the minimum daily staffing level has a direct impact on overtime usage in the Bureau. While firefighter safety must remain a primary concern, flexibility in minimum staffing levels should be granted to Bureau management in order to effectively adapt to changing conditions.

Projections

The tables below show the Bureau's budgeted expenses for 2011 and projected expenses through 2015 based on the assumptions described in the Introduction chapter of this Recovery Plan. The Bureau's overtime expenditures are projected well-above the City's 2011 Adopted Budget level, which reflects premium pay expenditure obligations outlined in the current collective bargaining agreement. The City's 2011 Adopted Budget did not sufficiently account for this premium pay obligation, therefore projections have been adjusted to accurately reflect the Bureau's projected expenditures in this category.

Bureau of Fire
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$4,818,058	$5,106,559	$5,278,619	$5,455,597	$5,637,925	$5,106,559	17.0%
Overtime	$596,000	$1,867,840	$1,923,875	$1,981,591	$2,041,039	$1,867,840	13.6%
Sick Leave Buy Back	$165,000	$165,000	$165,000	$165,000	$165,000	$165,000	0.0%
Medicare	$70,188	$103,521	$106,829	$110,232	$113,737	$103,521	15.7%
Severance Pay	$500,000	$0	$0	$0	$0	$0	(100.0%)
Clothing Allowance	$70,000	$360,000	$360,000	$360,000	$360,000	$360,000	0.0%
Clothing Maintenance Allowance	$6,000	$70,000	$70,000	$70,000	$70,000	$70,000	0.0%
Loss Time & Med	$360,000	$6,000	$6,000	$6,000	$6,000	$6,000	0.0%
Benefits	$25,800	$25,903	$26,019	$26,170	$26,347	$25,903	2.1%
Utilities	$78,705	$81,523	$84,802	$89,241	$94,729	$81,523	20.4%
Vehicular Equipment	$2,250	$2,232	$2,212	$2,187	$2,158	$2,232	(4.1%)
Wearing Apparel	$30,000	$41,341	$41,937	$42,708	$43,605	$41,341	6.9%
Lease Purchase	$40,805	$30,169	$30,355	$30,594	$30,870	$30,169	2.9%
Other Miscellaneous	$105,350	$106,343	$107,531	$108,961	$110,604	$106,343	5.0%
Total	**$6,868,156**	**$8,096,641**	**$7,966,430**	**$8,203,179**	**$8,448,280**	**$8,702,014**	**7.5%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Bureau of Fire
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$6,611,046	$7,839,531	$7,704,823	$7,936,341	$8,174,589	$8,420,048	7.4%
Non Personnel Expenditures	$257,110	$257,110	$261,607	$266,838	$273,691	$281,966	9.7%
Total	**$6,868,156**	**$8,096,641**	**$7,966,430**	**$8,203,179**	**$8,448,280**	**$8,702,014**	**7.5%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Initiatives

Public safety-related expenditures are a large part of the City's operating budget and, as a result, the delivery of public safety services must be altered in order to address the City's current structural deficit. The initiatives that follow preserve the ability of the Fire Bureau to continue providing critical fire suppression services in Harrisburg, while improving the efficiency of the Bureau's operations. In this time of scarce resources, it is vital for the Bureau to ensure that resources are deployed in a cost-effective manner and that fire prevention activities and firefighter safety continue to improve. Additionally, the City must make every effort to recoup the highest possible percentage of the cost of Fire Bureau-related services.

If the existing contract extension continues in effect through 12/31/2016, the implementation of several of the initiatives that follow will not be possible.

It is the intention of the Act 47 Coordinator that the City negotiate with the bargaining unit representatives of its employees in good faith to incorporate these cost containment provisions and any others throughout this Recovery Plan that may require changes to the collective bargaining agreements into those agreements. However, to the extent that the City is unable to reach agreement with any of its unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the Act 47 Coordinator and the City that the implementation of these cost containment provisions and any others throughout this Recovery Plan is mandatory. All cost containment provisions must be addressed.

Wherever reference is made to parameters for all bargaining units, employee groups or collective bargaining agreements, such provision shall also apply fully to non-represented personnel unless expressly stated otherwise. Further, wherever reference is made to parameters for provisions in collective bargaining agreements, such provisions shall also fully apply to any side agreements, memoranda of understanding, interest arbitration awards, grievance arbitration awards, settlement agreements, or any other documents. Further, no past practices shall in any manner interfere with any of the initiatives in this Recovery Plan.

It is the specific intent of the Act 47 Coordinator that no provisions of any collective bargaining agreements, memoranda of understanding, side agreements, interest arbitration awards, grievance arbitration awards, settlement agreements, nor any other documents nor past practices may be interpreted or applied, nor may any new provisions be added to any such agreements or documents, which would have the effect of additional costs to the City for the implementation of any of these initiatives, or of any of the initiatives in this Recovery Plan. This includes by way of illustration but not limitation, severance pay, overtime, premium pay and additional hours of work.

FIRE01.	Change current shift schedule	
	Target outcome:	Cost reduction and Increased efficiency
	Five year financial impact:	$969,630
	Responsible party:	Fire Chief

The Bureau currently operates under a four platoon system, in which each platoon works the following cycle: two 8.5 hour days on, two 15.5 hour nights on, followed by four days off. This cycle results in an average work week duration of 42 hours. Under this system, each platoon works 2,190 hours annually. After adjusting this annual total to reflect vacation leave allowances, average sick leave usage, and average IOD leave usage, each firefighter is on duty for approximately 1,780 hours per year (based on 2010 leave records). This results in a staffing factor (i.e., the number of employees needed to fill one position 24 hours a day, 365 days a year) of 4.92 for fire suppression staff.

The current Bureau staffing level, approved by the City Council in the City's 2011 Adopted Budget, establishes (but does not fully fund) a total staff of 82 employees. This includes two management positions (Chief; Deputy Chief), one Fire Inspector position and one Public Education Officer position; the remainder of Bureau employees are assigned to one of four operations platoons. Each platoon is staffed by one Battalion Chief, one Captain, and two Lieutenants; the remaining positions consist of Firefighters and Firefighter/Driver Operators. The Council-adopted budget allows for staffing platoons at a total strength of 19. Given the current structure, staffing levels, and leave patterns it is impossible to meet the minimum staffing level without the use of overtime on a daily basis.

The Bureau has a minimum daily staffing level of 17, which is reasonable and appropriate based upon the total call volume for the community and the hazards of fire response within the City's built environment. Based on the current staffing factor, the Bureau did not have adequate staffing to operate under its current shift schedule in 2010 without significant overtime expenditures. Under the Bureau's current shift schedule, the staffing factor indicates that the fire suppression workforce should total 84 firefighters. This total does not include the Bureau's two management positions (i.e., Chief and Deputy Chief), fire prevention positions (currently budgeted at 2.0 FTE), or the Bureau's Administrative Assistant position. Therefore, assuming that the current collective bargaining agreement remains unchanged, total suppression staffing for the Fire Bureau should be increased to 84 firefighters. This would result in a net increase of 6.0 FTE firefighter positions.

A change in the current shift schedule will allow the Bureau to address its historic staffing shortage. Therefore, the City shall change the Bureau to a minimum 48-hour average work week using a three platoon system, which will result in a reduced staffing factor of approximately 4.26 FTEs. The new shift schedule anticipates a staffing level of 24 employees per shift (i.e., 1 Battalion Chief; 1 Captain; 2 Lieutenants and 20 Firefighters and/or Firefighter/Driver Operators). The new shift schedule also includes the elimination of one ladder company and the consolidation of company staff to the Bureau's remaining units.

This recommendation represents a significant schedule change for the Bureau's firefighters. While such a shift structure is somewhat unusual in the Commonwealth of Pennsylvania, Third Class City code currently allows the flexibility to implement such a structure, requiring that the number of hours of day or night service shall not exceed 56 in any one calendar week. A work week ranging between 48 and 56 hours per week is currently in place in many fire departments across the United States, including departments in Chicago, Detroit, and several urban counties in the Commonwealth of Virginia. There are also a range of different shift patterns in many departments across the United States that satisfy federal FLSA requirements. The 48-hour work week does not automatically result in increased overtime, since the FLSA sets the overtime threshold as time worked during any work period of 7-28 days in length that exceeds 212 hours in any 28-day period. In conjunction with the implementation of this initiative, the City shall also eliminate the premium pay requirements in the current collective bargaining agreement (outlined in Initiative FIRE02 “Eliminate premium pay”).

The new schedule accounts for one additional position in the Fire Prevention Division. As the Fire Chief's designee, the incumbent in this position will act as the City's Fire Marshal. The position shall be a management position, exempt from the collective bargaining unit, and will require a minimum qualification as a certified fire inspector/plan reviewer. In addition to conducting plan reviews and inspections, the incumbent will oversee and coordinate the engine company inspection program (outlined in greater detail below under Initiative FIRE04 "Implement an engine company inspection program") and will also provide direct supervision to incumbents in the Fire Inspector position and Public Education Officer position.

Additionally, Initiative FIRE07 below reclassifies the Bureau's existing Administrative Assistant position, currently staffed by shift firefighters on overtime, to a Confidential Secretary to the Fire Chief. This reclassification will result in significant overtime savings and provide much needed administrative support to the Bureau.

Taken as a whole, these changes result in an estimated net staff reduction of 5.0 FTE positions Bureau-wide, while also increasing platoon strength, adding staff to the critical function of fire prevention, and preserving the Bureau's current levels of service delivery. The anticipated savings shown below are based on initial average estimates of per position costs rather than a detailed analysis of individual employees' current costs.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$0	$323,210	$323,210	$323,210	$969,630

FIRE02.	Eliminate premium pay	
	Target outcome:	Cost reduction
	Five year financial impact:	$891,000
	Responsible party:	Mayor, Fire Chief and Chief of Staff/Business Administrator

The Fire Bureau's current shift schedule results in an average of 42 hours worked per week, per bargaining unit employee. Consequently, under the current collective bargaining agreement, the City is required to pay every bargaining unit employee two hours premium pay per week at the established overtime rate. As previously stated in the "Overtime" section earlier in this chapter, this payment is not required under the federal FLSA. Under FLSA regulations, overtime payments are not required for Bureau firefighters working the current shift schedule until they exceed 182 hours in a 24-day cycle. Under the current schedule, a firefighter works only 144 hours in a 24-day cycle, assuming that he/she works all assigned hours. Any hours paid but not worked (e.g., vacation, sick, or IOD leave) are exempt from this 144 hours in a 24-day cycle calculation.

The City shall eliminate premium pay for regularly assigned hours. The City shall pay overtime only for hours actually worked in excess of the FLSA-established maximum thresholds, that is, the minimum overtime required by the FLSA. Implementation of an overtime payment plan that reflects FLSA-established thresholds will result in lower annual overtime payments for the Bureau.

Under the current collective bargaining agreement, the Bureau will pay a minimum of $4,134 in premium pay per bargaining unit employee annually (calculated using the first salary step of $26.43 for a Firefighter Driver/Operator position, as established under 2012 salary rates). If the Bureau's current staffing level of 78 firefighters is maintained, the total annual cost of premium pay will be approximately $322,000. If the Bureau's staffing level is reduced to 72 firefighters, the total annual cost of premium pay will be approximately $297,000. The cost savings shown in the financial impact table below reflect a staffing level of 72 firefighters, as recommended under Initiative FIRE01 above, as well as the elimination of the premium pay requirement.

If the existing contract extensions continue in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below.

Financial Impact Without Contract Extensions

2011	2012	2013	2014	2015	Total
$0	$0	$297,000	$297,000	$297,000	$891,000

FIRE03.	Evaluate the tradeoffs of taking a piece of apparatus out of service and increasing staffing on remaining apparatus	
	Target outcome:	Improved safety and response
	Five year financial impact:	Not available
	Responsible party:	Fire Chief and Chief of Staff/Business Administrator

Current operating practice for the Harrisburg Fire Bureau is to staff three engines/pumpers and three aerials for response. The staffing level per unit is either two or three, depending on the specific unit. In Harrisburg, units at Stations 1 and 2 operate as task forces of an engine and tower. Stations 6 and 8 respond as a single response unit at each incident.

The Bureau shall conduct a thorough analysis of call type, volume and distribution, along with facility condition and geographic utility, to develop a plan to most effectively allocate equipment and staff among its stations.

Included in this analysis shall be a review of the impacts of closing a station to reduce operating costs. The potential closure of a station would allow the Bureau to improve the staffing complement on the remaining vehicles at its other stations. While specific staffing configurations should be addressed by the study, this will allow the number of firefighters per engine to increase from three to four and improve the ability of those units to conduct initial firefighting operations. Task force staffing would increase from five to six firefighters. Recent studies continue to support previous findings that a four person unit is significantly more effective than a three person unit, particularly regarding advancing hose lines, effecting rescues and conducting search activities. A four person unit is expected to improve both firefighting operations at the scene and enhance firefighter safety for the responding crews. Initial response times may be slightly longer to some locations following the closure of a station. However, when the unit arrives on scene, they will be better prepared to complete the tasks needed on the fireground. Harrisburg's compact geography allows for quick response times for supplementary units. The combination of having a fully staffed first arriving unit and quick support from the supplementary units is anticipated to mitigate concerns related to the potential increase in initial response time.

Any costs savings shall be identified as part of the staffing and resource analysis.

FIRE04.	Implement an engine company inspection program	
	Target outcome:	Improved safety and enforcement
	Five year financial impact:	Not available
	Responsible party:	Fire Chief

The Bureau is currently unable to keep pace with annual fire prevention inspections with the existing fire inspection staff. Therefore, engine companies shall be leveraged to provide basic fire prevention inspections under the general oversight of the Fire Chief, as the City's de facto Fire Marshal. This will allow a tiered, proactive approach to improving fire and life safety. Engine companies will conduct basic inspections, while seeking assistance from the Bureau's Fire Inspector(s) and the City's Bureau of Codes for more complex issues. In addition to improving fire safety, the inspections will foster in firefighters a deeper familiarity with City structures and their specific firefighting challenges, which will be beneficial in emergency response.

Under the direction of the Fire Chief, and with input from the City's Deputy Codes Administrator, firefighters shall receive training in the required knowledge, skills, and abilities to conduct effective inspections as needed. Engine companies will inspect non-complex properties, such as parking structures, retail businesses, and offices, until significant experience is gained. Inspections performed by the engine companies will be only those that are routine, Fire Prevention Code enforcement-related. Once the engine companies' firefighters have gained significant experience, the engine company inspection program should be expanded to include more specialized inspections of other structures. The Bureau's participation in City code enforcement teams, as recommended in Initiative BH04 “Assemble and systematically deploy code enforcement teams” in the Department of Building and Housing Development chapter of this Plan, will allow additional cross-training for firefighters in specialized inspections and enforcement strategies, as well as positively address any existing arson problems within the City.

The Bureau shall set an initial workload target of 20 inspections per week, distributed evenly among the Bureau's stations. The program may be expanded further as staff gains experience. The financial impact of this initiative cannot be estimated at this time, based on lack of reliable inspection information. It is recommended that, for the first year of this program, no fee above the annual fire prevention permit fee (already paid annually by property owners) be assessed. Once the program is established, the City, with assistance from the Recovery Plan Coordinator, shall develop and adopt a comprehensive fee structure for fire prevention activities, including the engine company inspection program.

FIRE05.	**Increase billing/collection of emergency response and vehicle extrication fees**	
	Target outcome:	Increased revenue
	Five year financial impact:	$58,437
	Responsible party:	Fire Chief and City Council

To supplement the Bureau's expenditures associated with responding to car fires and vehicle extrication calls for service, the City shall assess a $500 per incident emergency response fee to be charged to the vehicle operator’s insurance company. This $500 per incident fee shall be evaluated against the City-wide fee study once it is completed, and, based on the results of that evaluation, shall be modified as needed at the direction of the Coordinator. Most insurance policies include a provision for reimbursing local fire departments for emergency response. In order to successfully impose and collect this fee, the City shall revise the current enabling ordinance, which allows for the billing and collection of a $300 fee.

On average, the Bureau responds to about 15 extrication calls per year, but has recently had little success collecting fees from insurance companies. Therefore, the Bureau shall engage the services of a fire fee recovery service to improve collection rates. A $500 fee with a 50% collection rate is projected to generate at least $3,750 annually.

Charging fees for vehicle fires is becoming a common practice across the country, particularly when the response service is provided to a non-resident by a local fire department. The Bureau, on average, responds to approximately 40 vehicle fires per year. Assuming a $500 fee with a 50% collection rate, achieved through the services of a fire fee recovery service, associated revenue is projected at approximately $10,000 annually.

Financial Impact

2011	2012	2013	2014	2015	Total
$3,437	$13,750	$13,750	$13,750	$13,750	$58,437

FIRE06.	Adjust false alarm fees to more accurately reflect costs and impacts	
	Target outcome:	Improved cost effectiveness
	Five year financial impact:	$60,000
	Responsible party:	Fire Chief

The City currently charges $50 for the Fire Bureau's response to false fire alarms after the third occurrence in a 12-month time period. As outlined in the Fire Prevention Code, this fee only applies to those alarms that are currently routed through the City's Communications Center.

The primary goal of assessing a false alarm fee is to encourage improved maintenance of systems and reduce unnecessary response from firefighters, thereby ensuring that response capacity is available for true emergencies. A secondary goal of false alarm fee assessment is the recovery of costs associated with repeatedly deploying resources to the same site unnecessarily. Given the volume of false alarm calls in Harrisburg, it does not appear that the current false alarm fee structure has had the desired preventative effects.

Using FEMA’s current equipment rate schedule information as well as the entry-level firefighter wage rate, the estimated cost for a typical Harrisburg engine and ladder to respond to an alarm call is approximately $360 per hour. Assuming that any given alarm call takes approximately 30 minutes to investigate and resolve, a false alarm fee, in order to adequately recover response costs, should be approximately $180.

The City shall implement a more aggressive fee schedule, while also increasing efforts to educate property owners on methods for improving the reliability of alarm systems. In 2011, the false alarm fee schedule shall be modified as follows:

- Alarm #2: $50
- Alarms #3-4: $100
- Alarms #5-7: $200
- Alarms #7-9: $300

- Alarms #10 or greater: $500

The fee schedule shown above shall be evaluated against the City-wide fee study once it is completed, and, based on the results of that evaluation, shall be modified as needed at the direction of the Coordinator.

Data provided by the City does not provide specific detail on the number of false alarms that currently incur fees at various levels. There are, however, approximately 300 fire alarm malfunction calls reported annually by the Fire Bureau, as well as an additional 300 unintentional alarms. Assuming that this same billing pattern will occur as documented in 2010, projected false alarm fee revenue under the new, proposed schedule will approximately double. City records show that false fire alarm fees generated approximately $16,000 in revenue in 2010. Under the new schedule, fee revenue will increase by approximately $16,000 annually, assuming the same level of false fire alarms.

Since the assessment of a false alarm fee is ultimately intended to reduce false alarms, the additional projected revenue shown below is discounted by 25% after 2013. Throughout the remainder of 2011, the Bureau shall develop and implement educational materials to assist property owners in reducing instances of false fire alarms. The effectiveness of this effort shall be evaluated at the end of 2013 and, if no significant reduction in false alarms is seen, the City shall develop a plan modification, which could include fees for all unwanted alarms (not just repeat incidents) and additional fee increases.

Financial Impact

2011	2012	2013	2014	2015	Total
$4,000	$16,000	$16,000	$12,000	$12,000	$60,000

FIRE07.	**Civilianize Bureau's Administrative Assistant position**	
	Target outcome:	Cost reduction
	Five year financial impact:	$90,000
	Responsible party:	Fire Chief and Director of Human Resources

The Bureau currently utilizes shift firefighters to fill an Administrative Assistant position. This practice results in significant overtime expenditures associated with incumbents working outside their shift schedule during regular, daytime business hours. The City shall modify the job duties of this position to those of a Confidential Secretary and remove this position from the IAFF bargaining unit. This reclassification will result in cost savings for the City, and will provide greater staff capacity for fire suppression activities.

The Bureau currently expends approximately $90,000 annually in overtime charges to staff this position. Based on current total cost of other Confidential Secretary positions throughout the City, it is estimated that the annual cost of this position (including salary as well as all related benefit costs) will be approximately $60,000, resulting in savings of approximately $30,000 per year.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$0	$30,000	$30,000	$30,000	$90,000

FIRE08.	Adopt and implement new County-wide accountability system	
	Target outcome:	Improved firefighter safety and integration with other County fire companies
	Five year financial impact:	($1,000)
	Responsible party:	Fire Chief

The Bureau shall adopt and implement the new fire ground accountability system (i.e., Passport Accountability System) that has been proposed by the Dauphin County Fire Chiefs' Association. The safety of the City's firefighters, as well as the mutual aid volunteers that frequently respond within the City, depends upon a systematic, consistent approach to accountability at the scene. The Bureau shall fully implement the County-wide system and ensure that its accountability practices and procedures are in-line with those applied by all other fire companies in Dauphin County. As part of this implementation, the Bureau shall also establish a consistent practice for the immediate identification of a Safety Officer at every incident.

The financial impact shown below is an estimate of the initial cost of purchasing Passport Accountability System components for the Fire Bureau. This cost may fluctuate based on any group purchasing opportunities that may be available to the County's fire companies.

Financial Impact

2011	2012	2013	2014	2015	Total
($1,000)	$0	$0	$0	$0	($1,000)

FIRE09.	Mandate formal Safety Committee review of every work-related injury in Bureau	
	Target outcome:	Improved safety
	Five year financial impact:	Not available
	Responsible party:	Fire Chief and Director of Human Resources

The Bureau shall immediately implement a formal review procedure for every work-related injury in the Bureau. The goals of the reviews are determination of cause, designing avoidance strategies for future occurrences, and assessing equipment/training changes that may be needed to avoid such injuries in the future. These reviews shall be conducted by the Bureau's established Safety

Committee, with assistance from the City's Bureau of Human Resources as needed. The Committee shall begin such reviews immediately and, following completion of reviews, will report results to all Bureau staff in order to keep employees informed of lessons learned and established expectations for employee safety.

It is expected that formal work-related injury reviews will, over time, decrease IOD and sick leave usage in the Bureau. There is no accurate formula for projecting such a decrease, however, so financial impact information cannot be included at this time.

FIRE10.	**Establish a formal in-house training program, including a shift swap system, that allows in-house trainers to lead events**	
	Target outcome:	Improved safety and cost reduction
	Five year financial impact:	Not available
	Responsible party:	Fire Chief

The Bureau shall utilize in-house expertise to deliver training to the City's firefighters. The Bureau's ongoing participation in several multi-jurisdictional task forces has allowed many members of the Bureau to develop specialized technical rescue skills, including experience in building collapses, trench rescues, confined space rescues, high angle rescues and heavy vehicle extrication. The Chief, Deputy Chief and Battalion Chiefs shall form an In-House Training Committee to identify in-house trainers. Once identified, the trainers, along with the In-House Training Committee, shall design an annual training schedule for the Bureau. Trainers shall deliver consistent training events, evaluated against specific, measured outcomes, to City firefighters on every shift.

The City, in consultation with the IAFF Local No. 428, shall establish an optional short-term shift swap system for in-house trainers. The temporary swap will allow the same trainer to deliver training consistently on every shift while avoiding overtime charges. Alternately, the Bureau may designate a company officer on each of the four platoons to serve as Platoon Training Officers. Each of the four Platoon Training Officers would then deliver consistent training individually to their respective platoons. In all cases, training shall be implemented without the necessity of overtime pay for either the trainers or those being trained.

Once the in-house training program has been active for one year, the City shall evaluate the potential to offer training events, led by the City's in-house trainers, for non-City firefighters on a fee-for-service basis.

FIRE11.	**Initiate discussions with Harrisburg Area Community College Public Safety Center regarding possible training collaboration**	
	Target outcome:	Improved efficiency and employee safety
	Five year financial impact:	Not available
	Responsible party:	Fire Chief

With guidance and support from the Coordinator, the City shall contact the HACC Public Safety Center with a proposal to increase collaboration between the Fire Bureau and the Center in fire-related training programs. The proposal shall include details on current Fire Bureau employees' potential to lead training events at the Public Safety Center. The City shall also identify any current training opportunities at HACC from which Bureau employees and the City's volunteer firefighters may benefit.

FIRE12.	**Revise turnout gear replacement practices**	
	Target outcome:	Cost reduction
	Five year financial impact:	$44,500
	Responsible party:	Chief of Staff/Business Administrator, City Solicitor and Fire Chief

The current collective bargaining agreement established a four year replacement cycle for the Bureau firefighters' turnout gear (i.e., tailor-fitted turnout coat and bunker pants). Additionally, the agreement requires that firefighters whose gear is not replaced in any year of the four year replacement cycle be given an annual payment of $250. Finally, if any firefighter retires prior to receiving one new set of turnout gear in any year of the four year replacement cycle, the accumulated amount, up to $1,000, will be paid to the firefighter as separation pay.

Under the terms of the current collective bargaining agreement, turnout gear is treated as firefighters' individual property. However, the City is responsible for all costs associated with the purchase, tailoring, inspection and repair of the gear sets. The City shall cease all payments to individual firefighters associated with turnout gear. The City pays all full costs associated with the gear and, therefore, the gear is City property throughout its useful life and after it is no longer in use. The City shall eliminate all payments to employees for gear replacement, lack of replacement, or retirement prior to receipt of new turnout gear. All gear shall be and remain the property of the City. The City shall implement a five year replacement cycle for turnout gear, assuming that all gear passes annual inspections and receives necessary repairs. Following five years of front line use, a gear set will be replaced and the original set will be kept as a back-up set for that individual firefighter for an additional five years. Boots, helmets, and gloves are not subject to the five year replacement cycle and, therefore, shall be inspected and replaced on an as needed basis. After 10 years, a gear set shall no longer be used under any circumstances, as it has reached the end of its useful life under NFPA standards.

The financial impact shown below reflects estimated cost savings achieved through the extension of the current replacement cycle from four years to five years, as well as the abolishment of any individual payments to firefighters associated with turnout gear. If the existing contract extension continues in effect, the financial impact through the end of 2015 is zero. If the contract extensions do not continue in effect, the financial impact is shown below.

Financial Impact Without Contract Extension

2011	2012	2013	2014	2015	Total
$0	$0	$41,500	$1,500	$1,500	$44,500

FIRE13.	**Revise IAFF collective bargaining agreement to allow more efficient and effective use of resources**	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available - Savings may be achieved in future overtime reductions
	Responsible party:	Chief of Staff/Business Administrator, City Solicitor and Fire Chief

In addition to all of the changes necessitated by any and all other Initiatives in this Fire chapter, the Workforce chapter, the Retirement Benefits chapter, and any other chapter or provisions of the Recovery Plan, the City shall implement the following changes to the IAFF collective bargaining agreement:

- Revise limitations on total number of employees on vacation at any given time; restrict the maximum total number to three (Page 5 of current collective bargaining agreement: Art. 6, Sec. 2-3).

- Eliminate minimum recall provisions for incidents involving mutual aid (Page 8 of current collective bargaining agreement: Art. 9, Sec. 4).

- Eliminate all minimum hour, overtime provisions, and double-time rate of pay requirements associated with firefighters' attendance at drill and/or schooling, including pay requirements for firefighters relieving another firefighter attending drill and/or schooling (Page 8-9 of current collective bargaining agreement: Art. 10, Sec. 1).

- Eliminate bona fide vacancy requirements (Page 16 of current collective bargaining agreement: Art. 18).

- Eliminate requirement to maintain five light duty positions (Page 19 of current collective bargaining agreement: Art. 23, Sec. 1) and provide that the City shall maintain the management right to create, eliminate and assign employees to light duty positions in its sole discretion.

- Revise IOD leave provision to require doctor's certification for any IOD leave, regardless of duration (Page 20 of current collective bargaining agreement: Art. 23, Sec. 3).

- Eliminate leaves of absence with pay for union business (Page 33 of current collective bargaining agreement: Art. 41, Sec. A).

If the existing contract extension remains in effect, these changes will not be effective until 1/1/2017.

FIRE14.	Eliminate minimum manning upon expiration of current collective bargaining agreement	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator, City Solicitor and Fire Chief

Any provision of any collective bargaining agreement between the City and any of its bargaining units concerning minimum manning requirements for any particular bargaining unit, shift, platoon, job classification, specialization, apparatus or position shall be eliminated. The City shall have the sole right to determine the number of personnel employed and utilized by the City. Further, the City shall have the right to layoff any employees for economic or any other reasons, without limitation.

VI. Public Operations and Authorities

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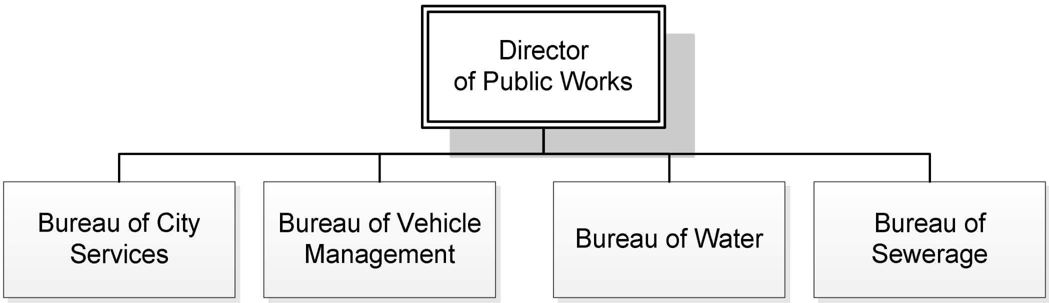
Department of Public Works

Overview

DPW is a multifaceted department with responsibility for the maintenance and repair of the City's infrastructure. The mission of DPW is to provide "first class customer service, responsible stewardship of the City's resources, efficient and low cost services, and increased citizen involvement in government."

The Department is led by the Public Works Director. DPW is comprised of four bureaus. While structurally separate, there is a significant overlap among the bureaus as staff is shared to meet current demands on the Department. The overall structure of the Department is depicted below.



The **Office of the Public Works Director** is responsible for the overall management of the Department, as well as the City's Central Energy Office, Building Services staff and for distribution and reporting for the State Liquid Fuel disbursements. The Director's Office also houses the Office of the City Engineer, which is responsible for infrastructure planning, repair and replacement. The City Engineer also has responsibility for the Registrar of Real Estate, street lighting, GIS mapping, street cut permits and crane permits.

The **Bureau of City Services** is responsible for sanitation and recycling, sewer and stormwater repair and maintenance, street repairs for over 135 miles of roads, street sweeping, leaf removal, -snow removal, demolition of condemned properties, traffic lights, street signs, stripping, holiday decorations and banners and other general repairs.

The **Bureau of Vehicle Maintenance (VMC)** is responsible for all repair and maintenance for the City's fleet of approximately 440 pieces of rolling stock, including police and fire vehicles. It is also responsible for the City's fuel management system.

The **Bureau of Water** is responsible for providing water to an estimated 66,000 people in and surrounding Harrisburg. The Bureau maintains the DeHart Dam and reservoir which holds six billion gallons and the surrounding 8,000 acres; the Water Treatment Plant (WTP), which processes 8.5 million gallons per day; and the water system, including metering, maintenance and repair of City water lines. The City currently maintains over 250 miles of water lines.

The **Bureau of Sewerage** is responsible for the Advanced Wastewater Treatment Facility (AWTF), which serves an estimated 122,000 people and processes 37 million gallons per day. The Bureau is responsible for the collection, conveyance and pumping lines throughout the City. It is also responsible for stormwater management. The City currently maintains over 145 miles of sewer/stormwater lines.

DPW shares responsibility with THA for both water and sewer. THA is the owner of the DeHart Dam, the WTP (including main lines and pump stations) and the AWTF (including conveyance lines). The City leases THA's sewer conveyance and treatment facilities and owns and subleases from THA the sewer collection system and is responsible for daily operations and maintenance. The City is responsible for the water system pursuant to an Operation and Maintenance Agreement. (See The Harrisburg Authority chapter of this Recovery Plan for additional information.)

DPW also shares responsibility with the Department of Parks, Recreation and Enrichment (DPRE) for lawn maintenance, snow removal and general repairs on parks property. In addition, DPRE staff are called in to assist the Bureau of City Services with snow removal when a "snow emergency" has been declared. Alternately, DPW staff are frequently called out to assist with set up and tear down for major DPRE events throughout the year. This Recovery Plan recommends that the DPRE Bureau of Parks Maintenance be transferred to the DPW Bureau of City Services (see the DPRE chapter of this report for details). This combined City Services Bureau would then be responsible for all City and park maintenance services.

The table below depicts DPW's historic and current staffing levels. Staff losses across DPW, Sewer, Sanitation and Water have been minimized because of the alternate funding source for all but the General Fund supported portion.

Department of Public Works - Staffing

General Fund	2006	2007	2008	2009	2010	2011
Budgeted	45.5	43.5	44.5	49.0	38.0	43.0
Filled	45.5	43.5	44.5	39.6	33.5	41.0
Sewer Fund						
Budgeted	39.33	39.33	39.33	37.83	36.33	36.83
Filled	39.33	39.33	38.33	37.83	36.83	34.00
Sanitation Fund						
Budgeted	27.50	23.50	28.50	28.50	26.50	23.50
Filled	27.50	23.50	28.50	28.50	23.50	22.00
Water Fund						
Budgeted	37.33	34.33	37.33	34.33	32.83	32.83
Filled	37.33	34.33	34.33	33.33	30.80	30.00

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Other Resources

The major DPW facilities are leased from THA on long term leases. This includes Dehart Dam, the Water Treatment Plant and the Advanced Wastewater Treatment Facility. DPW owns a Public Works/Vehicle Maintenance facility as well as a vehicle shed for City Services vehicles co-located with the Harrisburg Resource Recovery Facility. This building was built in the mid-1960s and requires significant maintenance. DPW is also responsible for maintenance of a City vehicle fleet of 440 cars, trucks, sweepers, vans, boats and trailers.

Finances

The tables below show historical expenditures for DPW for the period 2006 through 2010. DPW has experienced reductions in expenses for General Fund support over the last five years with significant increases in non-General Fund supported areas. Office of the Director was split between Bureau of City Services and Bureau of Vehicle Maintenance in 2010. The Bureau of Building Maintenance was moved into Operations and Revenue in 2010.

Department of Public Works
Historical Expenditures by Function

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Office of the Director	$82,105	$95,520	$96,104	$105,773	$0	(100.0%)
Bureau of City Services	$1,638,470	$1,582,073	$1,525,351	$1,282,546	$1,254,668	(23.4%)
Bureau of Vehicle Management	$2,173,627	$2,325,730	$2,473,081	$1,795,943	$1,865,614	(14.2%)
Bureau of Building Maintenance	$1,516,099	$1,383,687	$1,433,049	$1,340,684	$0	(100.0%)
Sewer Fund	$13,086,478	$13,548,452	$14,118,605	$17,237,656	$15,295,612	16.9%
Sanitation Fund	$3,780,795	$4,210,904	$4,244,109	$4,737,816	$4,130,600	9.3%
Water Fund	$8,746,542	$9,094,646	$9,234,286	$8,280,711	$9,728,464	11.2%
Total	**$31,024,116**	**$32,241,013**	**$33,124,587**	**$34,781,129**	**$32,274,958**	**4.0%**

Source: Historical data from City as provided

Department of Public Works
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$8,087,199	$8,484,988	$8,185,404	$7,840,763	$7,645,903	(5.5%)
Non Personnel Expenditures	$22,936,917	$23,756,024	$24,939,182	$26,940,366	$24,629,055	7.4%
Total	**$31,024,116**	**$32,241,013**	**$33,124,587**	**$34,781,129**	**$32,274,958**	**4.0%**

Source: Historical data from City as provided

Individual expenses for each Fund are broken out below. As mentioned above, Sewer, Sanitation and Water are all supported through an independent billing structure to the residents.

The General Fund experienced a 95% increase in overtime to offset the reductions in the DPW labor force. The remaining line items have decreased by double digit numbers.

Historical Expenditures – Department of Public Works
General Fund

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries/Wages	$1,758,207	$1,718,535	$1,671,110	$1,808,989	$1,453,828	(17.3%)
Overtime	$36,850	$59,699	$54,663	$63,066	$71,866	95.0%
Fringe Benefits	$639,391	$686,774	$646,139	$143,340	$122,821	(80.8%)
Communications	$113,686	$110,672	$112,510	$112,451	$10,262	(91.0%)
Professional Fees	$54	$0	$8	$295	$0	(100.0%)
Utilities & Services	$533,580	$463,812	$564,330	$603,570	$72,090	(86.5%)
Rentals	$41,294	$30,892	$53,561	$17,449	$5,567	(86.5%)
Maintenance & Repairs	$362,654	$347,603	$279,774	$278,395	$122,416	(66.2%)
Contracted Services	$103,059	$99,850	$196,018	$44,254	$12,200	(88.2%)
Supplies And Expenses	$1,545,683	$1,658,486	$1,817,756	$1,330,894	$1,227,249	(20.6%)
Capital & Equipment	$275,843	$210,687	$131,718	$122,244	$21,984	(92.0%)
Total	**$5,410,301**	**$5,387,010**	**$5,527,586**	**$4,524,946**	**$3,120,282**	**(42.3%)**

Source: Historical Data from City As Provided

Historical Expenditures – Department of Public Works
Sewer Fund

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries/Wages	$1,619,064	$1,748,355	$1,655,101	$1,595,378	$1,633,635	0.9%
Overtime	$156,363	$159,874	$176,163	$197,357	$226,374	44.8%
Sick Leave Buyback	$543	$81	$244	$1,838	$2,530	366.2%
Fringe Benefits	$606,033	$646,074	$593,065	$565,901	$587,445	(3.1%)
Communications	$23,349	$18,861	$24,679	$21,692	$22,701	(2.8%)
Professional Fees	$63,142	$76,025	$68,021	$73,563	$89,007	41.0%
Utilities & Services	$1,901,961	$1,720,983	$1,623,453	$1,591,664	$2,142,501	12.6%
Insurance	$316,124	$308,326	$317,588	$291,968	$325,925	3.1%
Rentals	$149	$0	$1,137	$453	$0	(100.0%)
Maintenance & Repairs	$261,919	$247,785	$268,704	$229,353	$213,105	(18.6%)
Supplies And Expenses	$559,701	$664,936	$746,405	$710,678	$483,889	(13.5%)
Debt	$2,258,129	$2,261,086	$2,195,114	$1,783,865	$2,266,534	0.4%
Capital	$59,275	$177,823	$98,334	$5,499	$0	(100.0%)
General Administrative Charges	$5,233,735	$5,488,150	$6,319,520	$10,127,351	$7,275,386	39.0%
Miscellaneous	$26,992	$30,093	$31,078	$41,096	$26,581	0.0%
Total	**$13,086,478**	**$13,548,452**	**$14,118,605**	**$17,237,656**	**$15,295,612**	**16.9%**

Source: Historical Data from City As Provided

Historical Expenditures – Department of Public Works
Sanitation Fund

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries/Wages	$805,555	$805,437	$769,730	$804,180	$793,371	(1.5%)
Temporary Wages	$9,867	$0	$0	$0	$0	(100.0%)
Overtime	$38,254	$46,724	$52,018	$51,334	$58,607	53.2%
Sick Leave Buyback	$498	$572	$1,049	$1,504	$1,991	299.5%
Fringe Benefits	$390,295	$515,307	$495,388	$502,224	$514,107	31.7%
Communications	$2,646	$6,552	$3,159	$1,495	$2,243	(15.2%)
Professional Fees	$5,253	$4,693	$5,055	$4,931	$5,000	(4.8%)
Utilities & Services	$4,341	$1,230	$1,276	$1,100	$177	(95.9%)
Insurance	$43,381	$44,184	$54,298	$68,627	$41,504	(4.3%)
Rentals	$0	$0	$0	$0	$200	100.0%
Maintenance & Repairs	$121,981	$134,919	$137,937	$108,282	$132,209	8.4%
Supplies And Expenses	$190,977	$157,272	$161,797	$125,150	$140,303	(26.5%)
Matching Share Grants	$0	$0	$0	$21,292	$0	0.0%
Capital	$175,412	$148,192	$226,004	$187,065	$162,979	(7.1%)
General Fund Transfers	$1,013,519	$1,366,615	$1,411,337	$1,876,598	$1,295,703	27.8%
General Administrative Charges	$958,385	$958,385	$904,954	$957,745	$957,745	(0.1%)
Miscellaneous	$20,429	$20,822	$20,108	$26,289	$24,461	19.7%
Total	**$3,780,795**	**$4,210,904**	**$4,244,109**	**$4,737,816**	**$4,130,600**	**9.3%**

Source: Historical Data from City As Provided

Historical Expenditures – Department of Public Works
Water Fund

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries/Wages	$1,430,257	$1,444,538	$1,451,192	$1,458,393	$1,418,924	(0.8%)
Temporary Wages	$8,736	$1,008	$0	$0	$0	(100.0%)
Overtime	$107,622	$136,558	$144,036	$188,651	$206,056	91.5%
Sick Leave Buyback	$2,345	$2,409	$2,695	$1,191	$1,613	(31.2%)
Fringe Benefits	$477,319	$513,043	$472,812	$457,418	$552,733	15.8%
Communications	$33,640	$31,686	$24,494	$30,343	$29,798	(11.4%)
Professional Fees	$41,316	$38,018	$46,880	$52,782	$21,844	(47.1%)
Utilities & Services	$701,338	$679,671	$673,932	$535,783	$637,819	(9.1%)
Insurance	$120,959	$110,216	$95,955	$108,415	$116,058	(4.1%)
Rentals	$68	$291	$407	$210	$293	333.7%
Maintenance & Repairs	$103,510	$195,660	$106,905	$112,652	$81,578	(21.2%)
Supplies And Expenses	$428,140	$413,053	$484,369	$490,203	$388,778	(9.2%)
Capital	$232,160	$132,828	$211,056	$185,563	$225,655	(2.8%)
General Administrative Charges	$4,834,270	$5,170,000	$5,190,790	$4,330,807	$5,698,358	17.9%
Miscellaneous	$224,863	$225,667	$328,765	$328,301	$348,956	55.2%
Total	**$8,746,542**	**$9,094,646**	**$9,234,286**	**$8,280,711**	**$9,728,464**	**11.2%**

Source: Historical Data from City As Provided

Assessment

The varied responsibilities of DPW necessitate that demand for services will fluctuate. Staff flexibility is therefore vital to DPW. During spring and summer months, DPW staff: collect trash; complete road, water, and sewer repairs; perform street sweeping; and assist as needed with set up and tear down for DPRE events. During winter months, DPW staff are much more focused on snow removal, water/sewer repairs and other emergencies as they occur. In some events, snow removal is such a task that staff from Water and Sewer are needed to assist with snow clearing events.

DPW currently lacks formal work plans and performance measures. General goals are described as a part of the budget presentation process. One of the major goals established by the Department was successfully accomplished at the beginning of 2011 with the re-routing of the sanitation collection routes to balance collection responsibilities and reduce both staff and overtime requirements.

DPW is working to secure electric and natural gas contracts that are more favorable to the City. For example, the renegotiated electrical contract resulted in a 13% decrease in electrical costs for the City in March 2011. Currently, all traffic lights have been converted to light-emitting diode (LED). The City also has long term plans to replace all current street lights with LED bulbs as well as assess the payback on other building maintenance related energy saving opportunities.

In addition, the Director has focused attention on major changes that need to be made to update the sanitation collection system and improve recycling collection. The City provides trash and recycling collection services for residential and commercial customers. Collection of residential waste occurs on a four day per week schedule. The fifth day each week is reserved for holiday weekends (13 days per year), bulk trash pick-up, leaf pick up and other infrequent sanitation occurrences. The total number of customers is estimated at about 15,000, although the number of actual daily stops is unknown. Residential collection vehicles pass about 625 potential stops daily and collect an average of about 15 tons of waste. Vehicles unload at the RRF when full (approximately 10 ton capacity) and at the end of shift.

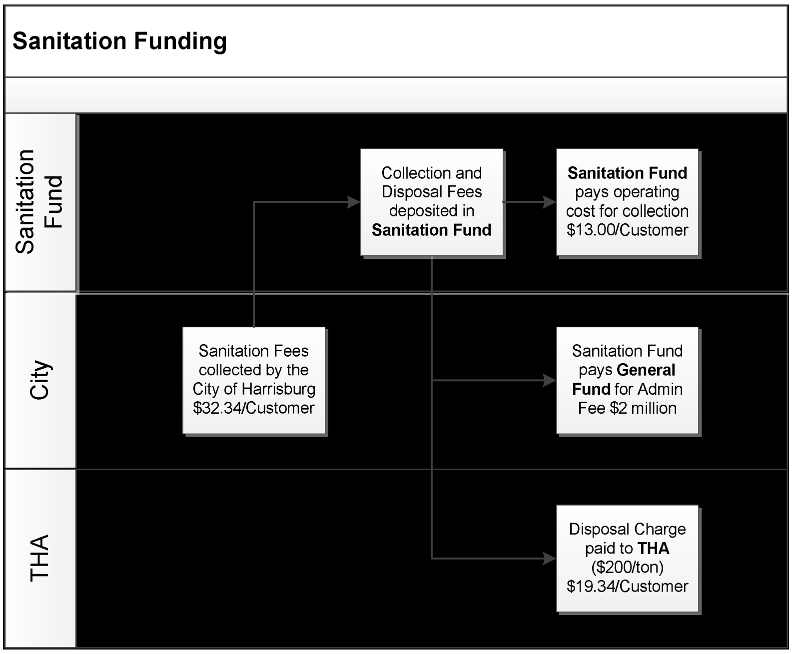
Collection involves 10 vehicles and 20 employees; a driver and a laborer for each vehicle. Six trucks are used for residential solid waste collection. Two trucks are used for commercial collection. Two trucks are used for recycling. Residential waste is placed curbside in traditional garbage cans or bags. Given the lack of on-site storage at many of the residential properties in Harrisburg, there have been issues with cleanliness, rodents and other animals disturbing garbage prior to collection. Commercial collection involves a mix of residential style containers and bags and rear-load dumpsters that are physically wheeled to the back of the truck and then dumped with mechanical assistance.

The City's sanitation vehicles are aging, which leads to excessive repair and downtime issues. With the exception of the commercial dumpsters, waste collection is a manual process where laborers pick up trash curbside and manually lift it into the collection vehicle. According to anecdotal information from staff, this has led to a significant number of workers compensation claims by sanitation workers for repetitive stress injuries. Sanitation has 23 budgeted employees and yet is still required to borrow heavily from the Street Division to cover for shortages related to vacation, holidays and sick leave. It is not clear that this use of General Fund labor is accurately tracked and reflected in the Sanitation budget. While the borrowing process insures that Sanitation responsibilities are covered, it frequently leaves the remainder of the Department without adequate personnel resources to perform their own assignments.

Sanitation was recently moved to a full day operation, a change that continues to generate resistance and resentment from employees. Employees now work an 8-hour day, less a contractually agreed upon 30 minute break period.

Currently, the City collects the $32.34 per month sanitation fee from customers. All fees collected by the City are then transferred to the Sanitation Fund, as depicted in the figure below. The Sanitation Fund then pays THA $200 per ton for disposal, estimated on the customer's bill at $19.34 per month. Each home is also charged a $13.00 per month collection fee to cover the operational expenses of the Sanitation Fund. With the collection fee, the Sanitation Fund covers all operating expenses as well as the $2 million per year transfer to the General Fund in the form of an administrative fee to reimburse for billing and accounting services the City provides to the Sanitation Fund.

Sanitation Financial Flow Chart



DPW is faced with a variety of significant challenges, as outlined below.

Aging Infrastructure

DPW has struggled with antiquated infrastructure, poorly designed systems and a lack of capital improvement funding for much of the past 15 years. Generally, infrastructure maintenance is only performed in response to system failures. A comprehensive preventative maintenance plan does not exist. Resource constraints have limited the Department's ability to effectively address infrastructure needs. In the short term, some of the issues in DPW are surmountable with a thoughtful strategy to deal with staffing and financial management. In the longer term, the Department must find a way to invest in and sustain its infrastructure systems.

Much of the City’s infrastructure was constructed 50 to 75 years ago and is now reaching the end of its useful life. For example, the Mountain Line, a 42” water line running from the DeHart Dam to the WTP, was built in the 1940s and is scheduled for televising and condition assessment this year. Many of the sewer lines in the City (as much as 60%, estimated) are constructed of brick and are causing significant numbers of sink holes in the City streets. According to staff, a majority of the 23 City owned bridges have also earned a failing grade and need to be repaired. The Vehicle Maintenance Center was built in the 1960s and is in need of significant renewal, including upgrades to ventilation and drainage systems to comply with Environmental Protection Agency (EPA) stormwater requirements. These critical capital projects must be addressed. This is made more difficult by the lack of an asset management system or effective GIS.

The City’s capital improvement program has been underfunded for the past 15 years. The consequence is that needed capital repairs are not being completed. For example:

- In Water, repairs to local water lines have not been addressed and jeopardize the integrity of the system.

- In Sewer, the AWTF is in need of general upgrading to address equipment operating past its useful life.
- For roads, there has not been an active paving program of local streets for years. Sink holes in City roads are currently covered with steel plates until repairs can be initiated. Many of these sink holes are caused by collapsed (often brick) sewer lines and inlets.
- Due to budgetary and staffing constraints, there is no longer a program of scheduled televising and inspection that would identify failing sewers and allow preventative maintenance. The Department's televising truck and equipment are effectively inoperable, and there are no funds set aside for contract services to perform the work.
- In Street Signs, there are inadequate resources to comply with new reflectivity and lettering standards for street signs.

Vehicle and Equipment Fleet

Acquisition and disposal of the City fleet is currently decentralized. There is no central responsibility for specifying and acquiring vehicles and equipment. Purchases are made solely based on the needs of the individual departments. Multi-tasking opportunities are missed, equipment sharing is ineffectively considered and a substantial amount of equipment is poorly suited for its major function. For example, a number of vehicles used for snow removal are too large for maintaining alleys and too small to effectively plow City streets. Matching equipment to its intended tasks creates operating efficiencies that allow the fleet size to be minimized and promotes effective sharing of equipment between departments and divisions.

DPW possesses a fleet management system; however, it has not been effectively implemented. Maintenance histories, service records and hours of operation are not included in the system. Without a detailed fleet analysis it is impossible to determine the current status of the fleet. The current fleet is summarized in the following table.

Existing Fleet and Equipment Summary

Department	Total Equipment	% of Total	% of Rolling	Rolling Stock	Heavy Equip	Mowers	Other
Sanitation	20	4.8%	6%	20	0	0	0
Water	40	9.6%	8%	24	3	1	12
Parks & Rec	68	16.4%	11%	34	0	13	21
Fire USAR	31	7.5%	8%	26	0	0	5
Fire	25	6.0%	3%	10	0	0	15
AWTF	24	5.8%	7%	21	1	0	2
Traffic	13	3.1%	2%	7	0	0	6
DBHD	18	4.3%	6%	18	0	0	0
Mayor	2	0.5%	1%	2	0	0	0
City Services	57	13.7%	11%	35	4	0	18
WHBG	1	0.2%	0%	1	0	0	0
Police	116	28.0%	37%	116	0	0	0
Total	**415**	**100%**	**100%**	**314**	**8**	**14**	**79**

Because the Department is so dependent upon vehicles and heavy equipment, the lack of a planned and funded equipment replacement program will drive up maintenance costs and eventually limit DPW's ability to perform its required duties. Vehicle maintenance expenses are expected to increase as the warranty expires on the police fleet purchased in 2008. At that time, DPW will assume responsibility for maintenance. One of the largest issues for the Vehicle Maintenance

Center is the general lack of electronic capabilities, including record keeping. This lack of records makes assessment of the efficiency and effectiveness of this operation very difficult.

Environmental Compliance

In March 2010, the Commonwealth Department of Environmental Protection (DEP) and the U.S. EPA conducted inspections of Harrisburg's wastewater and stormwater systems. These inspections are expected to lead to significant obligations for stormwater management and combined sewer overflow improvements. Staff-suggested improvement costs could total tens of millions of dollars. These hurdles will force the City, in many cases, to update its policies and procedures to comply with Commonwealth and Federal environmental requirements before receiving further funding. This will be expensive and labor intensive for DPW.

Lack of Management

The systems in place to manage employee work are primarily paper-based and often are not aggregated to allow for analysis of efficient and effective service. In addition, the managers that would normally be in charge of maintaining and assessing the success of such systems are lacking throughout the department. While senior management exists, this cannot be a substitute for front line management staff that have daily contact with the processes being used in the field. For example, overtime due to snow emergencies causes systematic problems throughout the Department as staff members are pulled out of their assigned roles at the last minute (often from other Bureaus) and put behind a snow plow. With a specific overtime plan in place that is enforced by front line managers, this could be avoided.

Projections

The tables below show the Department's budgeted expenses for 2011 and projected expenses through 2015. The projections are based on the assumptions detailed in the Introduction chapter.

Department of Public Works
Projected Expenditures by Function

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Office of the Director	$1,360,780	$1,359,863	$1,386,642	$1,417,294	$1,455,372	$1,496,884	10.1%
Bureau of City Services	$1,496,682	$1,556,099	$1,598,954	$1,643,434	$1,690,271	$1,727,655	11.0%
Bureau of Vehicle Management	$1,841,227	$1,986,282	$2,056,172	$2,134,939	$2,235,544	$2,349,665	18.3%
Bureau of Building Maintenance	$0	$0	$0	$0	$0	$0	0.0%
Sewer Fund	$16,910,201	$17,018,022	$14,931,916	$15,128,191	$15,351,409	$15,586,071	(8.4%)
Sanitation Fund	$4,715,742	$4,810,652	$4,883,791	$4,963,621	$5,052,401	$5,148,550	7.0%
Water Fund	$5,594,573	$5,594,573	$5,720,890	$5,859,343	$6,014,669	$6,171,829	10.3%
Total	**$31,919,205**	**$32,325,491**	**$30,578,365**	**$31,146,823**	**$31,799,665**	**$32,480,655**	**0.5%**

Department of Public Works
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$8,575,159	$8,662,916	$9,009,799	$9,379,694	$9,777,298	$10,164,640	17.3%
Non Personnel Expenditures	$23,344,046	$23,662,575	$21,568,566	$21,767,129	$22,022,368	$22,316,015	(5.7%)
Total	**$31,919,205**	**$32,325,491**	**$30,578,365**	**$31,146,823**	**$31,799,665**	**$32,480,655**	**0.5%**

Initiatives

DPW is facing substantial current and future capital, vehicle and equipment replacement requirements as well as ongoing operational challenges. The financial impact of the pending enforcement action by DEP for stormwater management and capital improvements is unknown but expected to be substantial. The initiatives described below are designed to accomplish three basic goals: 1) reduce costs; 2) develop alternative funding and revenue sources; and 3) achieve infrastructure sustainability.

PW01.	**Implement container based collection system for residential solid waste and recycling**	
	Target outcome:	Cost reduction and increased recycling
	Five year financial impact:	$1,150,000
	Responsible party:	Director of Public Works and THA

DPW has investigated the use of automated or semi-automated collection of residential solid waste and recycling. Due to limited off-street parking, automated collection has been determined to be infeasible. However, the use of semi-automated vehicles and wheeled carts would both increase production rates and reduce the risk of worker injury. Therefore, the City shall implement a container based collection system. This semi-automated collection would still require two workers per truck. However, it should be possible to increase route sizes which would reduce the total staffing compliment. The automation process would not directly affect the collection of bulk waste which will still require the use of more traditional methods. However, in planning automated routes, consideration shall be given to maximizing the use of the new equipment and returning to five day per week collections. This would allow for a dedicated weekly bulk waste collection effort.

The up-front cost of purchasing the vehicles and equipment is estimated to be approximately $5.5 million - $3.5 million for the purchase of containers and $2.0 million for the purchase of new vehicles. However, there is no existing vehicle fund reserve. In order to fund this initiative, THA, in coordination with the City, shall issue revenue bonds. Annual debt service is expected to be approximately $500,000 to $600,000 to be paid with customer charges for collection and disposal. As a result, these proposed changes to collection practices will have a mostly indirect impact on the General Fund.

With this change in collection processes, a reduction in the amount of intra-department labor borrowing is anticipated. This will have an overall positive impact on work performed in other areas of DPW. This is estimated at having an annual value of $100,000; although it does not represent new revenue, simply better use of existing resources. There would also be some offset from the sale of outdated sanitation vehicles (estimated at $400,000) and the reduction of required City vehicle maintenance services due to newer vehicles (estimated at $50,000 per year).

Many communities contract for all solid waste collection services. Private services are readily available and often offer a more economical service than that provided by city crews. In order to achieve savings through modernization and upgrading of equipment, there needs to be agreement between management and the bargaining unit on performance and productivity standards and work rules that will lead to the provision of competitive service by existing city crews. It is essential that the proposed investment in equipment generate collection efficiencies.

If these savings and efficiencies cannot be realized through negotiation with existing employees, or if THA is unable to secure the necessary financing for this new system, the City and THA shall investigate contracting out for residential collection services to ensure a reasonable cost per collection. Given the urgency of the situation, the City should concurrently conduct negotiations with the bargaining unit and prepare for receiving competitive bids for service, effectively creating a managed competition to determine the most economical method of providing service. Any consideration of contracting for residential collection should include bulk waste collect as part of the same effort.

The table below contains estimates of the financial impact to the General Fund. These numbers assume $100,000 in labor savings and $50,000 in vehicle maintenance savings annually. One-time revenue of $400,000 for the sale of outdated equipment in 2011 is also included.

Financial Impact

2011	2012	2013	2014	2015	Total
$550,000	$150,000	$150,000	$150,000	$150,000	$1,150,000

PW02.	**Enforce City's right to commercial collection and contract with private collector for collection of commercial waste**	
	Target outcome:	Cost reduction and increased revenue
	Five year financial impact:	$540,000
	Responsible party:	Director of Public Works

The City is the only authorized provider of commercial solid waste collection services in Harrisburg. However, only approximately one-third of the businesses (estimated at 300 by DPW) are currently using the City's sanitation services. Historically, there were allowances made for those businesses that wanted private haulers. This was allowed to continue despite a requirement that City businesses obtain specific permission from DPW to hire a private sanitation hauler. The City's right to collection is not being currently enforced. This has resulted in multiple contractors, inefficient collection practices and increased costs.

The City shall maintain and enforce its responsibility for commercial solid waste and recycling collection and hauling. This action will allow greater operational efficiency, with the potential for reduced truck traffic in congested areas and potentially reduced charges to commercial customers. Commercial properties may continue with their current provider through the end of 2011. At that time, commercial properties shall be required to utilize the City's services.

Additionally, collection of all dumpster based commercial collection shall be provided by a private contractor selected by the City. The City is currently poorly equipped to manage commercial solid waste collection. It lacks the necessary vehicles, containers and staffing. The contractor will directly bill commercial customers and include a 15% City franchise fee in the billing. Complete transaction records shall be provided to the City documenting customers and charges. Assuming 750 total customers at an average collection cost of $100.00 per month would result in franchise fees to the City of approximately $135,000 annually. Given the inexact records of commercial accounts and collection numbers, this number could vary considerably. Due to the already small workforce, a further reduction in DPW staffing is not anticipated as part of this initiative. Currently staff from other DPW bureaus are called upon to fully staff sanitation operations. Estimated General Fund impact is detailed below.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$135,000	$135,000	$135,000	$135,000	$540,000

PW03.	Increase recycling through education, accessibility and enforcement	
	Target outcome:	Cost reduction
	Five year financial impact:	Sanitation Fund: $2,990,000
	Responsible party:	Director of Public Works

Currently, the City offers pick up of recycling materials including glass, plastics and metals. However, it does not allow pick up of paper products and cardboard. The City sent over 24,000 tons of waste to the RRF in 2010. Approximately 1,400 tons of recyclable products are purchased by recyclers yearly, for a negligible amount. Based on the amount of materials diverted from the waste stream, Harrisburg maintains a recycling rate of approximately 5%. Inclusion of paper products combined with an aggressive promotion should increase the percentage of recycled waste to at least 25%, an industry best practice volume.

The City shall increase recycling through the education of its citizens and businesses about the benefits of recycling. Increasing the City's recycling rate results in an environmental and financial benefit. Every ton of waste diverted from the RRF equals $200 in cost avoidance for the Sanitation Fund. Though cooperative opportunities are currently limited, the City's educational effort should be coordinated with Dauphin County Solid Waste Department. It shall also educate its citizens regarding the ease of recycling. This will be accomplished by mandating combined recycling containers from its waste and recycling contractor as described in Initiative PW01. The City shall also encourage recycling through enforcement, imposing fines on or non-pickup of violating accounts. The City of Harrisburg currently participates in recycling grants through the DEP as well, last year receiving $125,000 in grant funding for their recycling efforts.

The table below shows the financial impact of this initiative to the Sanitation Fund. Currently, the City imposes a collection charge and a disposal charge to City residents. The collection charge pays for specific collection expenses from the Sanitation Utility Fund. The disposal charge is passed directly through to THA as payment for tipping fees at the RRF. Currently, the City is required to take all solid waste to the RRF, though there is no tonnage requirement dictated by the contract. The reduced level of general refuse collection will decrease the current charges for refuse disposal charged by THA to the City.

Financial Impact

	Trash	Recycle
Current Tonnage	24,000	1,200
Disposal Cost Per Ton	$200	$0
Current Total Expense	$4,800,000	$0
Modified Tonnage (25% increase in recycling)	18,900	6,300
Disposal Cost Per Ton	$200	$0
Total Expense With Recycling	$3,780,000	$0
Total Savings	**$1,020,000**	

It is assumed that implementation will take place over a three year period. The five year impact to the Sanitation Fund is noted below.

2011	2012	2013	2014	2015	Total
$0	$300,000	$650,000	$1,020,000	$1,020,000	$2,990,000

PW04.	**Aggressively manage fleet make-up and quantity**	
	Target outcome:	Cost reduction and improved efficiency
	Five year financial impact:	$500,000
	Responsible party:	Director of Public Works

The City shall aggressively and effectively manage its fleet and reduce the number of vehicles and equipment retained by the City. Unfortunately, current equipment records make it difficult to make a recommendation that is more than an "educated guess" regarding fleet and equipment inventories. However, based on existing data it appears that a number of fleet reductions can be considered, such as the following:

- Purchasing a new sanitation and recycling fleet will allow the old fleet to be eliminated. There may be economic advantage to other programs (such as leaf collection) to keep a small number of the older packer trucks. The Director shall prepare a cost-benefit/alternatives analysis to demonstrate this need if keeping part of the fleet is to be considered.
- There are five backhoe/excavators in the fleet inventory with three located in Water and two in City Services. This quantity shall be reduced by at least two and an evaluation conducted to justify the need to retain the third vehicle.
- There are currently three bucket trucks listed in the fleet inventory; however, there may be a fourth truck in the inventory. Staff was unable to confirm this. If the City takes over street light maintenance as planned, three trucks may be justifiable, but shall be formally evaluated.
- There are currently seven street sweepers listed in inventory. With four active routes, this shall be reduced to a maximum of five vehicles. Consideration shall be given to reducing inventory to four, thus eliminating a spare sweeper.

Without usage records, it is very difficult to make recommendations concerning trucks and transportation vehicles. Based on limited data, it is likely that the number can also be reduced as described below:

- There are 28 listed dump trucks. Reducing this number to 18 (the approximate number of plow routes) shall be considered. There are currently eight zones. Each zone is assigned one five-ton truck and one one-ton truck for a total of 16 vehicles; the additional two trucks will provide the backup needed to ensure uninterrupted service during a snow event.
- There are at least 10 general transportation/police cars that are currently out of service. These vehicles shall be removed from the fleet.
- The consolidation of Parks Maintenance from DPRE into DPW will bring 68 vehicles into Public Works. It is recommended that DPW conduct a vehicle review after consolidation to determine how many excess vehicles can be eliminated (see the DPRE chapter for further details on this transfer).
- Again, without accurate information, specific recommendation is difficult. However, an educated guess based on experience and best practice would suggest that effective assignment and sharing of vehicles could lead to further reductions of five to ten cars and light trucks.

On completion of a detailed evaluation by the new fleet manager (see Initiative PW05), there will likely be additional reductions and changes to the fleet and equipment. Lease purchase options, life cycle costing, shared use opportunities and short term rental of specific equipment shall also be considered when planning the optimal configuration of the fleet. The values below are estimates of the amount that could be saved with proper utilization of best practice fleet management techniques. Without accurate information, specific financial impact numbers are difficult to provide. Currently, there is insufficient usage data to propose a targeted number of vehicles for the City.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$200,000	$200,000	$50,000	$50,000	$500,000

PW05.	Create a Central Fleet Agency and create a Facilities and Fleet Manager	
	Target outcome:	Cost reduction and improved efficiency
	Five year financial impact:	($40,000)
	Responsible party:	Director of Public Works

DPW's Bureau of Vehicle Maintenance is responsible for the repair and maintenance of the City's fleet. As described in Initiative PW04, the acquisition and disposal of the fleet is decentralized; each department is responsible for its own fleet. Equipment selection is left to the departments and there is considerable duplication of equipment that could be effectively shared.

When the Bureau of Vehicle Maintenance conducts repairs, only departments or bureaus with vehicle maintenance funding are charged for the repairs. Charges are based on a flat rate of $25 per hour. The Bureau does not maintain measurable performance standards, and currently no management positions are staffed within Vehicle Maintenance.

In Facilities, all responsibility is currently housed with the Director of Public Works for issues pertaining to the City Building and the Public Safety Building (DPRE and Fire maintain their own facilities). This means the Director must be concerned with issues such as building leaks, HVAC problems, power outages, all on a building by building level. The maintenance function was moved from the Department of Administration to DPW at the beginning of 2011.

In order to more effectively manage fleet and facility operation, the City shall create a centralized Facilities and Fleet Bureau within DPW. Regarding the City's fleet, this Bureau would be responsible for all fleet functions, including maintenance, repairs, purchasing, inventory and disposal. Regarding City facilities, this Bureau would be responsible for all building maintenance and capital improvements to City property.

Creating a Facilities and Fleet Bureau within DPW would require the addition of a Facilities and Fleet Bureau Director. The Department should expect to see other operational gains through improved efficiency, adherence to performance standards, the ability to share and transfer vehicles, better application of preventative maintenance, energy management and improved repair/replace decisions. The Manager should also pursue additional facility savings for the City, including:

-
- A space needs analysis of City buildings, in an effort to consolidate and dispose of surplus property as needed.
- Energy audits on City buildings; and
- Additional electric and Natural Gas savings through energy auctions.

As part of the current conservation efforts, the City Engineer has undertaken an economic evaluation of converting city street lights to LED fixtures. This project may be completed before the Fleet and Facilities Manager position is filled. Given the potential for savings, the process should not be delayed in anticipation of a Fleet and Facilities Manager.

This initiative assumes that the new position would lead to the implementation of the following EIP recommendations[55] related to the Bureau of Vehicle Maintenance. These recommendations will

[55] Harrisburg Emergency Intervention Program Report, April 5, 2010.

lead to a modern and efficient fleet maintenance process, and are essential to managing costs. If these are not implemented effectively, consideration should be given to contracting some or all maintenance services out:

- Recommendation N-4.1: Complete a vehicle utilization analysis and remove excess vehicles from the fleet.
- Recommendation N-4.2: Develop and implement a vehicle replacement program and vehicle surplus schedule.
- Recommendation N-4.4: Institute the use of life-cycle costing for City vehicles and equipment.
- Recommendation N-4.5: Acquire and place into operation a computer-based work order system for fleet management, including maintenance services.
- Recommendation N-4.6: Establish and monitor performance indicators to measure performance against industry and shop standards.
- Recommendation N-4.7: Establish a fleet management internal service fund that is designed for full recovery of maintenance fees from user departments.
- Recommendation N-4.8: Establish a fully burdened charge-back system to allocate the full cost of vehicles to the programs that use them to provide services.

Given the lack of performance-based information currently available from the Bureau of Vehicle Maintenance, it is difficult to accurately predict the associated savings from this effort. Both improved efficiency and better revenue recovery should be anticipated. A significant reduction should occur in duplicate equipment purchases and revenue from disposal of equipment should increase.

Personnel costs for this new position are anticipated to be $80,000 per year, including salary and benefits, and will be incurred in mid-2011. In subsequent years, it is assumed that the new Manager will create at least $80,000 per year in efficiency savings.

Financial Impact

2011	2012	2013	2014	2015	Total
($20,000)	($20,000)	$0	$0	$0	($40,000)

Capital Improvement Program

Overview

The City of Harrisburg Approved 2008 Budget includes the following language regarding a Capital Improvement Program (CIP) in the City:

> A multi-year capital improvement plan will be developed to determine the current and future need of capital improvements. This plan will be updated annually. This plan will be coordinated with the development of the operating budget. Consideration will be made into the reduction of future maintenance costs by determining cost savings of replacement vs. repair. It is the city's intention to maintain assets at a level adequate to protect against future maintenance and replacement cost. All city assets have been inventoried and assessed for condition.

In 2008 and 2009 a multi-year CIP was developed and approved as part of the annual City budget process. However, the capital projects included in the plans were predominantly funded with grants or participation from other units of government. These projects primarily included road widening, stadium improvements and capital greenway improvements. While these improvements are necessary to maintain the life of the City's assets, the inclusion of projects in previous CIPs was not based on a comprehensive strategy to address capital needs throughout all City functions. One notable exception to this was the Capital Lease Program which was used to purchase vehicles, mainframe upgrades, water plant equipment and other capital acquisitions. While the Capital Lease Program initiated in 2007 provided valuable improvements to the capital base in the City, there is no indication that this process took into account the entire spectrum of upgrades and repairs needed for the City's capital infrastructure.

Financing for the 2008 and 2009 CIPs have been through several sources. Specifically, the City Council agreed to guarantee two Revenue Bonds issued through the Harrisburg Redevelopment Authority (HRA) in 2005 for $9 million. A portion of this money was used to upgrade Commerce Bank Park Stadium, which was then sold. A portion of the proceeds was used to pay down the first bond. HRA debt service payments were to be funded through stadium naming rights and park permit fees. The street repair funding was obtained through a Pennsylvania Infrastructure loan for $2.4 million. The City participated in a capital lease program for $8.75 million from 2007 through 2009 for vehicle leases, mainframe upgrades and water plant equipment, among other capital improvements.

The City of Harrisburg's Approved 2010 and 2011 Budgets do not contain a CIP.

The City is responsible for identifying and funding the capital improvements for the WTP and Distribution System, AWTF and major interceptor sewers and the RRF. The City is responsible for seeking funds from THA for those projects and extraordinary repairs only if the expenses cannot be paid from the Sewer Revenue Account. Responsibility for the sewer collection system currently belongs with the City. While separate CIPs should be maintained for the City and THA, the two entities must work cooperatively to identify all current and future capital needs. Through operating and lease-sublease agreements, the City shares responsibility for these facilities and is responsible for approving the Wastewater System budget. Coordinating work will assure that important projects will be identified and budgeted. This joint planning will also ensure appropriate staging and phasing of construction. For example, the repair and replacement of water and sewer lines must be coordinated with the repair and replacement of City roads to mitigate the number of street cuts in one location.

Assessment

The City of Harrisburg has not had an adequate capital improvement program for many years. Funding for streets has been generally limited to projects with outside funding. Similarly, capital improvements for underground infrastructure have been severely limited. The City street system consists of predominately asphalt pavement. Even with rigorous preventative maintenance efforts, useful life of asphalt streets cannot be expected to extend beyond 25 to 30 years. Water and sewer lines have life expectancies of approximately 80 years. While not an exact measure, maintaining streets requires attention to 3% to 4% of road lane miles annually and 1% to 2% of underground infrastructure. This level of maintenance has not been funded in the City which has resulted in immediate and significant infrastructure needs. For example, the water and sewer/stormwater system needs significant, sustained repairs and upgrades to comply with EPA requirements. More than 60% of the sewer lines in the City are 80 years old or more (the standard useful life for water and sewer lines), and many of the water lines are similarly past their useful life. A sustained water, sewer/stormwater repair program must be established and maintained to protect system viability and limit the need for emergency repairs.

Due to increased restriction on the Chesapeake Bay Watershed, the EPA has required significant improvements in the wastewater system in Harrisburg. Specifically, 31 of the Combined Sewer Overflows (CSOs) will need to be upgraded to ensure compliance. While a final report from the EPA regarding stormwater management has not been received by the City, it is anticipated that there will be significant violations the City will be required to address. The timeframe for remediation is currently unknown. The expectation is that non-compliance will not be an option and that the Commonwealth and the Federal Government will impose compliance through a consent decree process.

Within the Department of Public Works, the current contract with the engineering firm Skelly and Loy for GIS services will expire in 2011. GIS mapping should be continued and improved upon by the City. This investment in GIS mapping will allow the City to monitor and select critical infrastructure repairs which need capital funding. In addition, a sustained capital investment in streets, information technology and public safety infrastructure is critical to the long term health of the City. The CIP should also include funds for facilities improvements and vehicle and equipment acquisitions.

Initiatives

CIP01.	Establish and maintain a multi-year Capital Improvement Program	
	Target outcome:	Extended asset life and sustain infrastructure
	Five year financial impact:	($17,677,548)
	Responsible party:	Mayor, City Council and Department Directors

The City shall begin a City-wide condition inventory to assess the most current and critical repair and replacement needs and establish a multi-year capital program to address these needs.

This program is necessarily based on a significant amount of engineering judgment and is intended primarily as a placeholder until the City can develop a baseline condition assessment of its capital assets to establish a more informed, data-based program. It is anticipated that each of the defined programs, with the possible exception of fleet and equipment, will need to be increased to keep up with system needs.

Development of a sustainable CIP must begin with an assessment of existing capital assets. This simply does not exist in any usable incarnation in the City at this point; actively televising sewers was discontinued several years ago; there is no current assessment of pavement condition; no analysis of water main repair information exists; there is limited use of the existing fleet management system; and no active program of monitoring facility needs has been established. These assessment systems need to be developed in the City. Putting steel plates over sinkholes caused by collapsed sewers that could have been identified as being in need of repair through an annual televising program is not an effective use of scarce resources. Allowing new pavements to be placed over failing underground systems will likely result in unnecessary future expenditures and a shortened pavement life cycle.

Capital improvement planning needs to be coordinated both to ensure minimization of initial costs and to avoid scheduling and conflict issues. City staff and THA staff need to be actively involved in the development of an annual program. There are numerous planning tools available. In Harrisburg, planning needs to begin with a condition assessment and implementation of asset management tools to provide ongoing information.

This Recovery Plan recommends a nominal capital improvement program based on repair and replacement of aging infrastructure on an annual basis. As proposed, the plan assumes:

- One mile of water main replacement
- One mile of sewer line replacement
- 0.5 miles of street reconstruction
- One mile of pavement rehabilitation (mill and overlay assumed)
- $2 million annual investment in fleet and equipment
- Identified improvements to facilities

The details of this recommended CIP by fund are described below.

Wastewater Utility Fund
General sewer line repairs are needed throughout the system. An initial investment of $5 million over the next five years will allow for one mile of sewer line repair per year.

Stormwater Utility Fund
General stormwater repairs and upgrades will be required by the EPA/Pennsylvania DEP based on the preliminary Municipal Separate Storm Sewer System (MS4) report. An initial investment of $1.25 million over the next five years will allow for some initial investment in assessment, televising lines and repair of critical items.

General Fund
The Mulberry Street Bridge rehabilitation project includes upgraded street lights on the bridge. It is estimated to cost $40,878 in 2012. The City has also committed to assist with the replacement of the Maclay Street Bridge. However, the City did not specify an amount, and this project has not begun. The City is responsible for $223,890 in funding for the Capital Area Transit System. Public Works is also in need of a salt storage shed, at an estimated cost of $25,000. This is scheduled to be completed in 2012. In addition, the cost of the EPA Wastewater/MS4 upgrades and repairs is currently unknown. According to staff, these violations have been referred to the U.S. Department of Justice, and will require repairs when the report of violations is returned to the City. This number has been initially estimated by staff in the tens of millions of dollars.

In IT, there is an immediate need for a new phone system, phased in over the next two years, with an estimated cost of $75,000 per year. There is an immediate need for a new switch as well, which will cost $40,000 and will be needed in 2012, if not before. Currently, the City is pursuing funding through DCED's EIP grant program to address these immediate needs. However, if grant funding is not available, other sources must be identified. Longer term, there is a need for an Enterprise Resource Planning system. This is expected to cost at least $2 million and will be implemented over a series of years starting in 2015.

In Police, there is a need for building security system upgrades estimated at $50,000; these are scheduled for installation in 2013. There is also a longer term need for a Records Management System, but this system will need to be custom built for the Harrisburg Police Department, and no cost has been determined at this time.

The following details the recommended CIP projects by category and budgetary fund.

Recommended Capital Improvement Program

	Total Required	Financed	2012	2013	2014	2015	2016
Wastewater-Wastewater Utility Fund							
General Sewer Line Repairs	$5,000,000	N	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Stormwater-Stormwater Utility Fund							
General Stormwater Line Repairs	$1,250,000	N	$250,000	$250,000	$250,000	$250,000	$250,000
Public Works-General Fund							
Fleet Replacement	$10,000,000	N	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Mulberry Street Bridge Rehab	$40,878	N	$40,878				
Maclay Street Bridge Replacement	Unknown						
Capital Area Transit System	$108,300	N	$36,100	$36,100	$36,100		
Capital Area Transit System	$552,270	N	$184,090	$184,090	$184,090		
Capital Area Transit System	$11,100	N	$3,700	$3,700	$3,700		
General Street Repair	$4,000,000	N	$800,000	$800,000	$800,000	$800,000	$800,000
EPA Wastewater/MS4 Requirements	Unknown						
Salt Storage Shed	$25,000	N	$25,000				
IT-General Fund							
ERP System	$2,000,000	N				$500,000	$500,000
Replace Switch	$66,000	N	$66,000				
Replace Phone System	$150,000	N	$75,000	$75,000			
Police-General Fund							
Building Security Upgrades	$50,000	N		$50,000			
Records Management System	Unknown	N					
Total	**$23,227,548**	**-**	**$4,454,768**	**$4,398,890**	**$4,273,890**	**$4,550,000**	**$4,550,000**

Financial Impact

2011	2012	2013	2014	2015	Total
$0	($4,454,768)	($4,398,890)	($4,273,890)	($4,550,000)	($17,677,548)

CIP02.	**Establish a CIP development process**	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Mayor and Chief of Staff/Business Administrator

In order for the City to effectively develop a sustainable CIP, a formalized CIP process shall be established. The following outlines the key steps in this process.

CIP Formation

While the written summary in the 2008 and 2009 budgets regarding the CIP program covers the groundwork, it does not answer several important questions regarding the formation of an annual CIP:

- Who is ultimately responsible for the CIP? Best practice is to establish a CIP committee that includes department heads and the Mayor. This committee meets at least quarterly to ensure the CIP is performing as expected. Once established, a CIP must be managed by the committee to ensure the implementation by each department successfully accomplishes the goals within the timeframe specified. In addition, reporting is critical after project completion to ensure any lessons are properly documented.
- Who is consulted in creation of the CIP? Establishing a sustainable CIP will require soliciting input from appropriate groups, including City departments and City utilities. In some cases, it might also include coordination with State or Federal agencies to ensure funding is well used and does not overlap with possible State/Federal improvement plans. Once proper information is gathered for the creation of the CIP, it is the committee's responsibility to establish priorities for the CIP, based on impact on citizens, impact on the City's budget and impact upon City services.
- What is the financing strategy that will be pursued? Especially in Harrisburg, determining a possible funding stream for specific projects will be critical to the success of the CIP. While THA funding can incorporate user fee increases and bonding, both must be carefully evaluated based on the project at hand. For the City there are additional options for financing, but all must be weighed carefully to ensure that the cost/benefit is worth the added spending.

CIP Project Identification

An adequately funded annual capital improvement program is the sign of a financially healthy and viable community. The City's capital infrastructure, consisting of streets, sidewalks, water mains, sewers, buildings, vehicles and equipment all require both regular maintenance and capital investment to remain functional. Capital items have relatively fixed useful lives that can be impacted by environmental conditions, active preventative maintenance and capital investment. In recent years, both routine maintenance and capital investment have fallen victim to budget constraints.

Capital improvement programs are designed on relatively simple economic and engineering terms. The ultimate goal with respect to existing capital assets is to maintain a high level of serviceability and functionality while minimizing net present costs. This is normally accomplished through a rigorous program of preventative maintenance, rehabilitation and replacement. Analysis of new capital items can be more complicated given the need to assign value (or cost avoidance) to a future benefit that may be quality of life based instead of purely economic. Regardless, the general principles are the same. The most effective way of meeting these obligations is through a well developed capital improvement program.

The following are a series of questions to consider in selecting and prioritizing capital program components:

- Is the project required to meet a federal or state mandate?
- Is the project required to fulfill a contractual obligation?
- Have all agencies, departments, public utilities and others that may be impacted by the project been consulted?
- Has independent value engineering been performed on individual projects in excess of $10 million in value?
- Will the project have a positive net present value?
- If the project is projected to have a positive net value, is the pay-back period reasonable?
- Will the project correct sub-standard existing infrastructure or facilities?
- Does the project prevent or correct an unacceptable environmental condition?
- Does the project maintain or improve the quality of life for residents?
- Does the project maintain or improve public safety?
- Does the project improve the quality of storm drainage?
- What is the economic and public safety impact of deferring the project?
- Are grants, low interest loans, public or private partnerships, or other sources of external funding assistance available?
- Does completion of this project depend on completion of a project not yet approved?
- Is there a viable alternative to the service or function for which the capital improvement is intended?
- In the case of vehicles or equipment, can equipment be rented or leased more economically on an as-needed basis?

CIP03.	**Establish and maintain an asset management system**	
	Target outcome:	Extended asset life, infrastructure sustainability, effective asset allocation
	Five year financial impact:	($225,000)
	Responsible party:	Director of Financial Management and Director of Public Works

The City currently lacks the tools and resources to adequately plan for an effective capital improvement program. There is no condition assessment of vital infrastructure. Televising of sewers is no longer performed and there is no pavement evaluation system in place. There is a vehicle management system; however, it has never been effectively implemented. There are no systems in place for facilities management. Without systems to evaluate and track system maintenance and condition, development of a CIP is not data-driven.

Accordingly, the City shall establish and maintain an asset management system to include streets, water, sewer, stormwater, street lights, street signs, buildings, major equipment and other infrastructure critical to the operation of the City. This system will be closely coordinated with the CIP and will be managed by the CIP Committee due to its critical importance in establishing an effective capital plan. It is strongly suggested that the initial development and condition assessment be performed by a private consultant and that efforts be directly linked to the City's GIS. THA should participate and cost share in this effort for all portions related to water, sewer and stormwater management.

The first step in establishing an asset management system requires a physical condition survey so that the City has reliable data regarding the current condition of its infrastructure. This will require physical observation of roads, street signs, buildings and other assets. It will also require televising sewer/stormwater lines to determine condition. This information can then be entered into the GIS system which the City maintains. This will allow the City to identify priority system repairs or replacements and to coordinate water or sewer construction efforts with critical road improvements to ensure all necessary infrastructure repairs are made in an appropriate sequence to minimize cost.

The financial impact will be spread evenly between the Water Utility Fund, the Sewer Utility Fund, the Stormwater Utility Fund, and the General Fund. The full initial start up cost will be $300,000, with an additional $150,000 per year thereafter. Since each of the four groups will bear an equal share of the cost, each will support $75,000 the first year, and $37,500 each year thereafter.

Financial Impact

2011	2012	2013	2014	2015	Total
($75,000)	($37,500)	($37,500)	($37,500)	($37,500)	($225,000)

CIP04.	**Investigate sale and leaseback of City buildings**	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	Mayor and Chief of Staff/Business Administrator

The City Government Center will require significant capital investments in the next five years. Currently, many of these capital improvements are being deferred due to budgetary constraints. Many of the needed repairs are significant, including items such as: new elevators; roof repairs; and electrical upgrades.

The City shall investigate selling the City Government Center with a leaseback provision allowing the City to continue in its current use. Concurrent with this investigation shall be a space needs study evaluating whether the City needs to lease the entire space or if it can be made available to other parties. This sale/leaseback shall include requirements that the buyer bring the building current on all capital project needs, and shall include all future maintenance and janitorial services as needed throughout the life of the contract.

The financial impact may be significant. The cost of needed capital improvements is estimated at $10 million. In addition, there will be annual savings for maintenance and repairs. Selling this building will also return it to the tax rolls, increasing the tax base in the downtown area. Furthermore, by leasing, the City will have an option to move to a more appropriately sized space at the end of the negotiated lease period.

Additionally, if other City owned facilities become available for use as City Hall, the City shall explore relocating its administrative offices and making the Government Center available to the private sector.

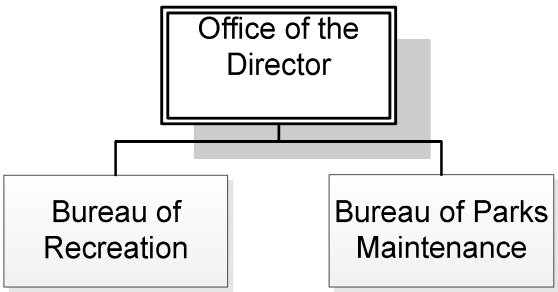
Department of Parks, Recreation and Enrichment

Overview

The mission of the Department of Parks, Recreation, and Enrichment (DPRE) is to support the health and welfare of the citizens of Harrisburg and the surrounding region. Historically, DPRE has been an important part of the City of Harrisburg; in 1901, an emphasis on parks and recreation was expressed through the City Beautification Movement which established many of Harrisburg's current parks and recreation facilities. In the 1980s, the park system was overhauled with funds from the Mayor's Parks Improvement Program. Presently, DPRE is responsible for a wide range of park facilities and recreation services for the City of Harrisburg, with over two and a half million people[56] visiting DPRE sites every year.

DPRE is responsible for over 450 acres of public land and 27 recreation sites, which include two City pools, one City beach, more than 50,000 shade trees and the 1,200 acre Capital Area Greenbelt. In 2008, DPRE was responsible for over 2,000 days of park rentals, 200 special events, the rehabilitation of aging facilities and the inclusion of new sites like Italian Lake Park. The City's largest park is City Island, home to the Harrisburg Senators, a AA minor league team for the Washington Nationals Major League Baseball team. To act as ambassadors to the public and to protect these facilities, DPRE also maintains a Park Ranger Program to patrol parks on a daily basis.

DPRE is composed of the Office of the Director, the Bureau of Park Maintenance and the Bureau of Recreation. The organizational structure of the Department is depicted in the figure below.



The **Office of the Director** includes the Director of DPRE, the Park Ranger Program and administrative support staff. In the past, the Office also included special events and marketing staff. Due to budget constraints, these positions have been eliminated. The Office of the Director is primarily responsible for arranging and executing special events throughout the year. In 2010, this list included:

- Spring Egg Hunt
- Armed Forces Day
- Patriot News Artfest
- Shakespeare in the Park
- Harrisburg Jazz and Multi-Cultural Festival
- Kipona Celebration
- Holiday Parade

[56] 2008 City of Harrisburg, Department of Parks, Recreation, and Enrichment Annual Report

- New Year's Eve Celebration

The Office of the Director is also responsible for the Park Ranger Corp, staffed with Park Rangers who patrol City parks and recreation areas on a daily basis. The Park Rangers currently work three overlapping shifts, with four hours of time uncovered in the early morning hours (generally from 2 a.m. through 6 a.m.).

The **Bureau of Parks Maintenance** is responsible for the maintenance and upkeep of all DPRE grounds, parks, playgrounds and facilities including:

- 27 parks and playgrounds
- 450 acres of mowing
- 50,000 shade trees
- 4.5 miles of riverfront
- 20 acres of gardens
- 2 swimming pools

Currently, the **Bureau of Recreation** is composed of full time staff and significant part-time staff who are hired for summer programming, including life guards, summer camp staff, sports team coaches and playground supervisors. Program offerings include:

- Swimming
- Basketball
- Tennis
- Soccer
- Junior golf
- Life guard certification
- Dance
- Drumming
- Cooking
- Mural painting
- Cheerleading
- Drama

In addition to the above, the Bureau of Recreation also sponsors the Black History Enrichment Series for over 10,000 Harrisburg children through City sponsored festivals and after school events. The Bureau of Recreation also works closely with the Harrisburg School District to coordinate their activities and effectively utilize public facilities.

Demand for DPRE park services comes from individuals or groups wanting to rent or use City parks or facilities for personal gatherings (e.g., weddings, birthday parties). This requires a master calendar and schedule for each park in the City's system. For each event, maintenance staff are responsible for set up and tear down. DPRE staff also spend a significant portion of their time on special events throughout the year. These events require administrative staff time for scheduling, contracts and other logistics. Maintenance staff are responsible for set up of stages, electrical connections, road closures and tear down. Finally, special events require Park Ranger or Police presence to enforce rules and assist in emergency situations.

DPRE shares some responsibilities with other City departments. For example, DPRE shares responsibility for responding to calls for service in City parks with the Police Bureau. Generally, both Park Rangers and Police will be called to respond to an incident, but in most cases Park Rangers will take the lead with Police serving as backup. However, during early morning stretches when Park Rangers are not on duty, the Police Bureau has full responsibility for City parks. Also, Park Maintenance is responsible for snow clearing in City parks and assists the Department of Public Works to clear roads in cases of snow emergencies.

As depicted in the table below, DPRE has experienced a reduction in staffing levels, especially in the Park Rangers, due to budget constraints. According to staff, service levels have stayed similar for maintenance and recreation despite a reduced budget and staff. The primary efficiency gains in the City have been through technology improvements, specifically registration for recreation events and summer youth classes.

Department of Parks, Recreation, and Enrichment - Staffing

	2006	2007	2008	2009	2010	2011
Budgeted	42	38	38	31	27	23
Filled	42	38	31	31	22	20.6

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Other Resources

DPRE has its offices in the Reverend Dr. Martin Luther King, Jr. City Government Center. In addition, DPRE has a field shop where equipment is stored and maintained. This shop was built several years ago, and is in adequate condition, according to staff. Finally, DPRE maintains a fleet of 68 vehicles and a variety of mowing equipment as well.

In February 2011, Recreation staff previously housed at Reservoir Mansion were relocated to the City Government Center; the Department intends to rent Reservoir Mansion for special events, weddings and other functions.

Finances

DPRE's historical expenditure tables below show the significant decline in expenditures, 37.3%, for DPRE in the last five years. There are significant declines across the board, but especially in the categories of: Legal/Contract Services; Maintenance/Service Contracts; Power-Street Lights; Other Utilities; Pools/Recreational Equipment; Chemicals; Botanical; and Other Miscellaneous expenses. The Benefits line item was moved out of DPRE and into Administration in 2009. Unemployment benefits were returned to DPRE in 2010.

The tables below show historical expenditures for DPRE.

Department of Parks, Recreation and Enrichment
Historical Expenditures by Function

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Office of the Director of Parks, Recreation and Enrichment	$917,053	$823,359	$836,401	$733,225	$461,625	(49.7%)
Bureau of Recreation	$794,776	$795,045	$786,206	$748,960	$548,277	(31.0%)
Bureau of Parks Maintenance	$1,128,060	$1,120,781	$1,158,416	$907,831	$770,176	(31.7%)
Total	**$2,839,889**	**$2,739,185**	**$2,781,023**	**$2,390,016**	**$1,780,078**	**(37.3%)**

Source: Historical Data from City As Provided

Department of Parks, Recreation and Enrichment
Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$1,145,045	$1,080,987	$1,141,509	$1,155,734	$967,585	(15.5%)
Temporary	$348,198	$321,983	$315,534	$348,583	$296,094	(15.0%)
Overtime	$43,037	$56,938	$54,430	$48,467	$40,606	(5.6%)
Social Security	$119,615	$116,007	$119,349	$120,806	$99,773	(16.6%)
Benefits	$270,477	$291,110	$307,542	$0	$12,249	(95.5%)
Legal/Contract Services	$105,417	$122,309	$125,104	$116,640	$38,758	(63.2%)
Maintenance/Service Contracts	$36,896	$28,095	$26,476	$27,115	$16,937	(54.1%)
Power-Street Lights	$85,374	$82,626	$86,255	$94,338	$38,615	(54.8%)
Other Utilities	$151,427	$90,588	$112,451	$76,078	$75,965	(49.8%)
Pools/Recreational Equip	$61,304	$19,658	$43,146	$49,633	$22,480	(63.3%)
Chemicals	$29,761	$27,302	$7,530	$5,369	$4,102	(86.2%)
Botanical	$23,126	$40,828	$45,735	$25,977	$5,830	(74.8%)
Playground	$21,042	$31,816	$20,305	$28,453	$13,076	(37.9%)
Other Miscellaneous	$399,170	$428,936	$375,658	$292,824	$148,007	(62.9%)
Total	**$2,839,889**	**$2,739,185**	**$2,781,023**	**$2,390,016**	**$1,780,078**	**(37.3%)**

Source: Historical Data from City As Provided

Department of Parks, Recreation and Enrichment
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$1,926,373	$1,867,026	$1,938,364	$1,673,590	$1,416,307	(26.5%)
Non Personnel Expenditures	$913,517	$872,159	$842,659	$716,427	$363,771	(60.2%)
Total	**$2,839,889**	**$2,739,185**	**$2,781,023**	**$2,390,016**	**$1,780,078**	**(37.3%)**

Source: Historical Data from City As Provided

DPRE also generates revenue from several sources. In 2011, DPRE was projected to receive $40,000 in contributions and donations; $24,700 in pool use fees; $8,000 in advertising in DPRE publications; and $5,400 in other fees and charges. The total revenue for DPRE as projected in the 2011 budget is $78,100.

Assessment

One of the primary goals of DPRE is to provide recreation activities and educational opportunities for youth after school and during summers. By providing after school and summer recreational programming, DPRE aims to decrease youth criminal activity by keeping them engaged in constructive activities. DPRE tracks attendance at all of their events to better understand the demand for these services, as well as to predict staffing and facility needs for the future. Specifically, DPRE tracks summer camp and after school registrations and lunches to ensure proper grant funding. At special events, only attendance estimates are made.

Success for DPRE is a sometimes intangible “quality of life” improvement for the residents of Harrisburg. This includes increasing attendance at yearly special events and at summer camps, as well as increasing the use of DPRE facilities and maintaining those facilities to allow for future use. In addition, success includes engaging a significant portion of the youth population considered to be “at risk.” While these goals have remained consistent over time, how they are implemented has been reassessed this year. The former Director of DPRE had proposed a significant change to the goals and direction of DPRE. This new focus would be primarily on youth programming to create a sustainable Coordinated Recreation and Enrichment Program. The goals for this program were developed in response to current issues in Harrisburg: school absenteeism; behavioral issues; incarceration; recidivism; student performance; health awareness; and parent cooperation. This focus emphasizes the programs over the facilities, changing the balance from passive use of DPRE resources to a more active, engaged use of DPRE resources.

In order to implement these new initiatives, the Director had proposed plans to ultimately create a financially self-sustaining department, free from General Fund support. The first step in this process had been to solicit grant funding from local businesses that understand the need for DPRE services in Harrisburg; the first major success with this strategy came from Highmark’s recent contribution of approximately $250,000 for DPRE recreation services. A second strategy in this new initiative involves bringing “first-class” concerts to City Island. From previous experiences with concerts on City Island, City staff estimates the net profit from a single concert to be no less than $100,000 and could be as high as $250,000. The goal is to bring four or five concerts to Harrisburg per year and use the revenue to support recreation services. The third and final strategy of this initiative is to increase fees for booths at City events. A fee study completed by the former Director indicated that the City has been significantly undercharging booth fees for years. The revised fee structure has not been finalized, so there is no dollar value that can be assigned, but staff anticipates it will be a significant additional source of funding for DPRE.

DPRE has succeeded in recent years in developing several large scale yearly events like Kipona, the Jazz Fest and the Spring Egg Hunt. These events bring hundreds of thousands of people into the City from all over the Northeast. Because of the large tourist attraction, these events have also succeeded in attracting significant vendor lists as well, making these events financially profitable for DPRE, and ultimately, for the City. In addition, DPRE has succeeded in promoting and running City Island, which attracts over two million people per year, largely because of the Harrisburg Senator’s baseball games, restaurants and boat ramps.

The general challenge City-wide of reduced staffing levels due to the budget crisis has impacted DPRE. Specifically, the Parks Maintenance Bureau struggles to retain the proper level of staffing to maintain DPRE facilities at current service delivery standards. In 2006, this ratio was 10.71 acres per FTE. Currently there are 19.56 acres of park/playground maintained by each DPRE FTE. This example shows the marked decrease in staff available to provide the same services to the City.

While staff said they could keep up with the mowing for City parks, they also said the frequency of each mowing would be stretched, sometimes as much as two weeks. The City currently mows every 10 to 21 days, depending upon the season. However, it was indicated by staff that this mowing schedule was not sufficient for sports fields or other high use areas. Tree trimming is performed throughout the year and when necessary after snow or ice events. During busy summer months, fulfilling requests for street tree maintenance can take several days. Shrub trimming occurs over three to four weeks in late summer or early fall. Administratively, there has been a reduction in staff's ability to market its programs and events, solicit advertising for publications or seek additional partnership opportunities with local groups.

The tables below show DPRE's budgeted expenses for 2011 and projected expenses through 2015, based on the assumptions detailed in the Introduction chapter.

Department of Parks, Recreation and Enrichment – Projected Expenditures by Function

Department	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Office of the Director of Parks, Recreation and Enrichment	$358,214	$357,715	$362,877	$368,233	$373,824	$377,871	5.6%
Bureau of Recreation	$470,088	$451,028	$454,589	$458,427	$462,534	$465,932	3.3%
Bureau of Parks Maintenance	$755,101	$754,069	$772,034	$790,985	$811,326	$827,501	9.7%
Total	**$1,583,403**	**$1,562,812**	**$1,589,500**	**$1,617,646**	**$1,647,684**	**$1,671,304**	**6.9%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Department of Parks, Recreation and Enrichment – Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$858,556	$858,556	$879,485	$901,043	$923,247	$938,493	9.3%
Temporary	$207,136	$207,136	$207,136	$207,136	$207,136	$207,136	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$102,116	$81,525	$83,127	$84,776	$86,474	$87,641	7.5%
Benefits	$8,500	$8,500	$8,500	$8,500	$8,500	$8,500	0.0%
Legal/Contract Services	$42,900	$42,900	$43,232	$43,604	$44,076	$44,621	4.0%
Maintenance/ Service Contracts	$26,030	$26,030	$26,368	$26,790	$27,273	$27,818	6.9%
Power-Street Lights	$67,950	$67,950	$68,502	$69,114	$69,901	$70,809	4.2%
Other Utilities	$71,440	$71,440	$72,744	$74,267	$76,331	$78,891	10.4%
Pools/Recreational Equip	$39,500	$39,500	$40,014	$40,654	$41,385	$42,213	6.9%
Chemicals	$13,500	$13,500	$13,676	$13,894	$14,144	$14,427	6.9%
Botanical	$10,000	$10,000	$10,130	$10,292	$10,477	$10,687	6.9%
Playground	$18,550	$18,550	$18,791	$19,092	$19,435	$19,824	6.9%
Other Miscellaneous	$117,225	$117,225	$117,796	$118,484	$119,304	$120,243	2.6%
Total	**$1,583,403**	**$1,562,812**	**$1,589,500**	**$1,617,646**	**$1,647,684**	**$1,671,304**	**6.9%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Department of Parks, Recreation and Enrichment - Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$1,176,308	$1,155,717	$1,178,248	$1,201,454	$1,225,357	$1,241,770	7.4%
Non Personnel Expenditures	$407,095	$407,095	$411,252	$416,191	$422,327	$429,534	5.5%
Total	**$1,583,403**	**$1,562,812**	**$1,589,500**	**$1,617,646**	**$1,647,684**	**$1,671,304**	**6.9%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Initiatives

Recreation programming provides value to a community; however, they are non-mandated services. The City's current financial position requires a new approach to ensure that these value-added services remain available to the community of Harrisburg. By moving Recreation to a non-profit, transferring Park Maintenance to DPW and eliminating the Park Rangers, the initiatives below will eliminate the Department of Parks, Recreation, and Enrichment.

PRE01.	**Evaluate transferring responsibility for recreation programming to a non-profit entity**	
	Target outcome:	Cost reduction
	Five year financial impact:	$773,896
	Responsible party:	Mayor, Chief of Staff/Business Administrator and Director of Parks, Recreation and Enrichment

Currently, the City of Harrisburg provides youth and adult recreational programming. While the benefits of a Parks and Recreation Department are well established, the current financial difficulties of the City have dictated severe cuts to non-essential City services such as those provided by DPRE. While acknowledging the need to cut these services, it can be recognized that these services are still vital for the Harrisburg community. Therefore, the City shall evaluate the creation of a non-profit organization to manage all recreation programming. As part of the City's due-diligence, opportunities to partner with the Harrisburg School District and other existing non-profits shall also be explored. Currently, the school district plays a significant role in the recreation programming the City provides, and it is expected that this would continue under the new model.

Initial funding for this non-profit could come from a variety of sources, including an initial contribution from the City's General Fund and Trust & Agency accounts earmarked for recreation. The table below provides a breakdown of funding available through Trust and Agency accounts, as of December 31, 2010.

Trust and Agency Accounts

Account Name	2009 Revenue	2010 Revenue	Total Revenue	2009 Expend	2010 Expend	Total Expend	Cash Available
African American Museum	$2,767	$0	**$2,767**	$0	$0	**$0**	**$2,767**
Harrisburg Youth	$74	$0	**$74**	$0	$0	**$0**	**$74**
United Way	$101	$0	**$101**	$0	$0	**$0**	**$101**
Youth Programs	$0	$0	**$0**	$0	$0	**$0**	**$0**
CJ Kunkle Memorial	$82,620	$0	**$82,620**	$0	$0	**$0**	**$82,620**
Shoop Playground	$0	$0	**$0**	$0	$0	**$0**	**$0**
Vartan Scholarship	$139	$0	**$139**	$0	$0	**$0**	**$139**
City Island	$414,303	$73,070	**$487,373**	$215,069	$112,013	**$327,082**	**$160,291**
July 4th	$174,322	$129,218	**$303,540**	$170,736	$137,465	**$308,201**	**($4,661)**
Kipona	$193,525	$117,149	**$310,674**	$182,087	$128,869	**$310,956**	**($281)**
Minor Events	$178,638	$73,394	**$252,031**	$128,302	$59,073	**$187,375**	**$64,657**
Swenson Plaza	$4,823	$0	**$4,823**	$0	$0	**$0**	**$4,823**
Black History Month	$144,803	$45,000	**$189,803**	$133,868	$47,180	**$181,048**	**$8,755**
Public Arts Co	$5,083	$0	**$5,083**	$0	$0	**$0**	**$5,083**

Once established, this non-profit may seek funding from grants and other community partnerships. There have been several recent successes in the area of fundraising that would be expected to continue and increase with the level of independence the new non-profit achieves. Special events in the City can yield revenue through entrance fees and vendor booth fees. All three of these funding sources shall be explored.

Separating recreation programming from the City in this manner can help to preserve this important community need. In addition, the added benefit of separation from the City's financial difficulties has the potential to be encouraging for local businesses willing to invest in the future of Harrisburg's youth.

As a successful example, the City of Lancaster has used a similar non-profit model for recreational programming. The Lancaster Recreation Commission is a non-profit partnership based on a cooperative agreement between the City, the Township and the School District. Together these three groups assist in providing $2 million of funding for recreational programming. Fees are charged for most recreational activities that the Commission provides. All other funding comes through business sponsorships, grants, and charitable donations to the Commission.

While the due diligence of creating a non-profit recreation entity in Harrisburg is being evaluated, DPRE shall be reorganized to more efficiently provide targeted recreation services. It is recommended that the department operate with an annual budget of $500,000, along with raising additional sponsorship/grant funds.

It is further recommended that special events funded by the City be eliminated. Rather, community organizations and businesses should be encouraged to sponsor and organize them. This will provide a cost savings to the City resulting from reduced regular staff time as well as overtime for those units that support these events. Elimination of these special events will allow DPRE staff time to seek outside funding and provide youth programming with a reduced workforce and budget.

The financial impact below assumes an annual operating budget for the Office of the Director and the Recreation Bureau collectively at $500,000, beginning in 2012. As described the in the initiatives, it is recommended that the park maintenance function be transferred to Public Works and the Park Ranger Corps be eliminated, thus further reducing the size of the department to only recreation services.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$193,474	$193,474	$193,474	$193,474	$773,896

PRE02.	**Transfer park maintenance responsibility to the Department of Public Works and evaluate outsourcing opportunities**	
	Target outcome:	Increased efficiency
	Five year financial impact:	Not available
	Responsible party:	Chief of Staff/Business Administrator, Director of Parks, Recreation and Enrichment and Director of Public Works

The City shall transfer all Parks Maintenance responsibility to the Department of Public Works. At current staffing levels, the Parks Maintenance Bureau is not able to maintain adequate levels of service for mowing, tree trimming and maintenance of parks, playgrounds and other facilities.
The Parks Maintenance Bureau and the City Services Bureau (in the Department of Public Works) function in much the same capacity. Both are responsible for general maintenance, facility maintenance, emergency repairs and set-up and tear-down for special events. Finally, both are responsible for snow clearing and safety after a snow event. By combining the two operations, economies of scale are gained in the management of maintenance activities. In addition, the seasonal effects upon these two operations tend to be opposed, with Parks Maintenance being busier in the summer, and City Services being busier in the winter months with snow removal and maintenance of broken or frozen water/sewer lines. The combined staff will have a more balanced yearly work plan and will be able to accommodate the flux of work in summer and winter more efficiently. In addition, all City property (with the exclusion of Fire equipment which is separately maintained) shall be the responsibility of Public Works, eliminating confusion over who is responsible for repairs, snow clearing and safety concerns.

This transfer shall encompass moving the entire Parks Maintenance Bureau into Public Works. This includes a staff contingent of 11 bargaining unit employees. This shall also include the transfer of the 2011 funding for the Bureau of Parks Maintenance, $755,101, into DPW.

As part of this transfer, the Public Works shall also investigate contracting out all mowing and tree trimming, the two most time consuming summer activities for Parks Maintenance. While this may not decrease costs significantly, it is anticipated that a private contractor will be able to complete the mowing and tree trimming faster and more consistently.

PRE03.	**Eliminate the Park Ranger Corp**	
	Target outcome:	Cost savings
	Five year financial impact:	$573,020
	Responsible party:	Chief of Staff/Business Administrator and Director of Parks, Recreation and Enrichment

In the past, DPRE had as many as 40 Park Rangers working in City parks. Currently, there are three. They each are assigned one shift per day, with several hours of overlap during the day and four hours with no coverage in the early morning hours. They patrol alone and pursue only those suspicious activities that they feel they can safely handle without backup. In some cases, Park Rangers choose not to pursue violations because backup is unavailable. When there is a call from a citizen regarding suspicious activity, the call goes out simultaneously to both Park Rangers and the Police Bureau. Both respond, and depending upon the severity of the call either the Park Rangers will take charge or the Police will take responsibility.

The City shall eliminate the Park Ranger Corp. While this function provided a significant service in the past, the drastic reduction in staffing has led to an ineffective and inefficient program which should be discontinued. Dual response by Park Rangers and Police shall be eliminated, as all law enforcement shall be the responsibility of the Police Bureau.

The Police Bureau currently patrols these areas of the City and has been responding to calls with Park Rangers. The Foot Patrol Unit of the Police Bureau shall be assigned to monitor City parks as determined necessary and appropriate by the Police Chief.

The financial impact for the elimination of two Park Rangers and one Park Ranger Supervisor will be $112,438 in salaries and $$22,390 (estimated) in benefits for a total savings per year of $134,828. It is assumed elimination would occur in mid-2011.

Financial Impact

2011	2012	2013	2014	2015	Total
$33,707	$134,828	$134,828	$134,828	$134,828	$573,020

The Harrisburg Authority

Overview

Municipal authorities are special-purpose governmental units developed as alternate vehicles for accomplishing public purposes without the direct action of municipalities. These purposes commonly include the acquisition, financing, construction and operation of projects such as water supply and sewer systems, flood control systems, parks and similar entities. A municipal authority is an independent corporate agent of the Commonwealth of Pennsylvania, exercising governmental, as well as private corporate power, to assist the Commonwealth meet the needs of its citizens. THA is governed by the Pennsylvania Municipal Authorities Act 22.

The THA was created in 1957 as the Harrisburg Sewerage Authority to provide financing for the AWTF. The responsibility of THA has since been expanded to include the RRF and the municipal water system. As part of the water system, THA is responsible for the DeHart Dam and the Mountain Line, the 42" water line running from the Dam to the WTP.

THA is governed by a five member Board of Directors, each nominated by the Mayor and confirmed by the City Council. THA is an autonomous organization, created primarily as a financing mechanism for the City. THA has the authority to set water rates and tipping fees under contracts for solid waste. THA maintains three distinct budgets: Administration, Water and RRF. The budget and rates for Wastewater are set by the City of Harrisburg.

THA has evolved to provide both financing and administrative and engineering services for the aforementioned facilities. It provides water service outside of the City; it also provides sewer services under contracts to other local governments. THA contracts with Covanta, Inc. for daily operation of the RRF; THA also contracts with the City of Harrisburg for the daily operation of the WTP, DeHart Dam and the AWTF. Under both arrangements, Covanta and the City are responsible for day-to-day operations and maintenance, while THA is responsible for most capital projects requiring financing. However, staff indicated there were disagreements in the method for determining capital projects, creating some question as to who pays for projects that need funding. Details of each of THA's facilities are included below.

Harrisburg Resource Recovery Facility
The RRF consists of the resource recovery facility, with an 800 Ton per Day (TPD) rating, and an ash landfill. The ash landfill is at capacity, and THA is maintaining the active permit by mining ash and hauling it to other landfills as daily cover to provide room for ash generated by the RRF. The RRF has an electrical generating capacity of 24 megawatts; in its present condition, it is producting an average of 15 megawatts. The RRF was rebuilt in 2008, and resumed operation in 2009 under a 2007 agreement with Covanta, Inc. Covanta is a nationally recognized expert on resource recovery facilities (incinerators) and was retained to guide facility upgrades necessary to bring the RRF into operational status and environmental compliance. Covanta provided funding for capital improvements through a loan to THA and now has operational responsibility for the facility. The facility currently operates at or above design capacity and has significantly decreased the number of air quality violations.

Debt issued to provide for improvements to the RRF is the single most significant factor in the City's financial instability. While this Recovery Plan resolves the debt through the sale of the RRF, THA should pursue the forensic audit that is currently underway.

Water Treatment Plant and DeHart Dam

The WTP is a Class A water treatment plant which treats more than five million gallons per day (GPD). The WTP is responsible for all treatment, maintenance, water quality and water distribution for Harrisburg and six surrounding municipalities, serving an estimated total of 66,000 customers. Construction on the WTP began in 1990, and it became operational in 1994. The WTP treats 8.5 to 9 million GPD, with a 20 million GPD maximum treatment capacity. The DeHart Dam holds six billion gallons of water. In addition, THA owns over 8,000 acres surrounding the reservoir. The system is gravity fed from the reservoir to the WTP, then pumped to three holding tanks - two six million gallon tanks and one 16 million gallon tank. From the holding tanks, water is gravity fed throughout the service area to customers, including the City of Harrisburg, portions of Penbrook, Susquehanna, Swatara, and Lower Paxton Townships.

Advanced Wastewater Treatment Facility

The AWTF has been in operation since 1958, upgraded in 1976, and is responsible for maintaining the quality of the water on the Susquehanna and Chesapeake Bay through wastewater processing, including preliminary, primary and advanced secondary treatments. The AWTF has a permitted capacity of 37.7 million GPD and serves an estimated 122,000 residents in Harrisburg, the Boroughs of Paxtang, Penbrook and Steelton, Susquehanna Township and portions of Lower Paxton and Swatara Townships. The plant runs lower than design capacity during dry weather conditions. Because the sewer and stormwater systems are combined, high flow and rain events can cause combined sewer overflows (CSOs) into the Susquehanna River and Paxton Creek. THA is also responsible for the conveyance lines in the sewer system - the largest lines feeding directly into the AWTF.

THA currently has a staff of five FTEs. The Authority is run by an Executive Director; however, as of June 2011 this position is vacant and is being held on an interim basis by the Engineering Director.. Current staff includes a Facility Site Manager supervising and working with Covanta at the RRF, an Engineering Director and three administrative support personnel. Two consultants perform as Facilities Director and interim Finance Director.

Assessment

THA was created as a financing mechanism for major capital improvement needs at one of four facilities: WTP, AWTF, DeHart Dam and the RRF. When capital improvements need to be made, it is the responsibility of THA to secure appropriate funding and construction contracts to implement the necessary improvements. Regulatory compliance dictates many of these improvements. Failure to comply with environmental standards is a significant issue. However, in some cases violations have been inevitable due to limitations of current facilities and operating procedures.

Currently there are two outstanding studies that will directly impact the needs for capital improvements: the Watershed Report, regarding watershed requirements issued by the EPA in relation to the Chesapeake Bay Watershed which is anticipated to significantly impact the AWTF; and the Municipal Separate Storm Sewer System Report, a preliminary report regarding general EPA/DEP stormwater requirements and throughout the City. These reports have been released by the EPA/DEP but costs for repairs and mitigation have not been fully determined by THA and the City. The City is in the process of pricing the Watershed Report upgrades and repairs; the current estimates range between $35 million and $45 million. CSO mitigation is estimated at between $20 and $30 million for the needed upgrades. The City has not begun to estimate the needed upgrades for the MS4 Report because of the preliminary nature of the report.

For the RRF, regulatory compliance requires the elimination of air pollution and groundwater pollution in both the incinerator complex and the ash landfill. Both these sites were addressed in the EPA/DEP report. While air pollution violations have decreased in recent years (down from over 50 to only five), fines are assessed for each violation. It is estimated that approximately $5 to $10 million in additional capital investment would be needed to bring the RRF to peak operating performance. THA believes that required environmental performance can be accomplished with a capital investment under $5 million.

The WTP is the newest facility and consequently has the fewest maintenance related issues. Operations have also benefited from the high quality of source water from the reservoir. Additionally, THA and the City have worked cooperatively to capitalize on existing technology and approved new capital expenditures at the WTP with the goal of increasing efficiency. Improvements have resulted in reduced staffing levels over night and on weekends at the facility. While it is the newest system, it could benefit from improved technology utilization. Specifically, the WTP has the ability to function as a fully automated facility overnight or during holiday weekends with the proper technological upgrades. These upgrades are currently being discussed by THA and the City.

For the AWTF regulatory compliance means ensuring water released into the Susquehanna River has been properly treated. To comply with changes to the Chesapeake Bay Watershed requirements, the AWTF has identified $35 to $60 million in upgrades that are currently being assessed before the mandated completion date of 2014. Funding has not been identified for these Federal and State mandated improvements to the wastewater system. However, a consultant for THA is currently evaluating one of the required modifications, Biological Nitrogen Removal (BNR), which is being required for the environmentally sensitive Susquehanna River Basin. The others modifications have not been priced by the consultant at this time.

One of the major issues for the AWTF is combined sewer overflows into the Susquehanna River. The CSO system has been targeted by the Federal Government as a possible source of contamination throughout the Northeast. As such, the EPA mandates are focused on improvements to eliminate or reduce CSOs into the Susquehanna River, and therefore into the Chesapeake Bay Watershed. Stormwater is currently managed and financed through sewer maintenance charges justified because of the heavy reliance on combined sewers. Nationally this has been replaced by stormwater fees tied to impervious surface area, an indicator much more related to the origin of stormwater management costs and one that impacts both taxable and tax exempt properties equitably. DEP and EPA requirements are going to insist on major improvements to the way stormwater is managed with potentially enormous capital consequences. Improvements at the water and wastewater facilities are also driven by regulatory requirements and will require substantial funding in the next few years.

In summary, THA is facing several large and expensive challenges:

- The DEP/EPA investigation will result in the need for undetermined but significant funding to comply with environmental standards related to stormwater management and combined sewer overflows.
- The water distribution, sewer and stormwater systems lack effective programs for maintenance, repair and replacement.
- The RRF is heavily debt burdened. A report from R.W. Beck indicates that the facility has negative value as an operating entity with consideration of debt service obligations. Continued operation of the RRF will require significant future capital investment.
- The administrative fee levied by the City on the wastewater system has been challenged by neighboring communities served through contract and is likely to require revision.

Initiatives

While there are some opportunities for improved operations and cost reduction, the major focus of these initiatives is on revenue generation.

THA01.	Expand THA responsibilities to include stormwater management and combined sewers and create a Stormwater Management Utility	
	Target outcome:	Increased revenue
	Five year financial impact:	$2,400,000
	Responsible party:	THA

The City currently has responsibility for the sanitary and stormwater collection systems. They are poorly maintained and in need of capital investment; over 60% of the lines are more than 80 years old. Responsibility for sanitary and stormwater collection systems shall be transferred to THA to allow for more effective funding and management, and a Stormwater Management Utility shall be created. This transfer will require renegotiation of the contracts between THA and the City and will result in THA ownership of the systems with a contract arrangement with the City to provide operation and maintenance services. This would be very similar to the current agreement between THA and the City for the water system. The City and THA will need to be poised to adjust future rates to address DEP/EPA mandates which may be forthcoming.

Stormwater fee systems are common tools used nationally in funding stormwater-related expenditures. In the Commonwealth of Pennsylvania, only the City of Philadelphia has had the clear legal authority to implement stormwater management fees, and they have pursued and implemented a fee structure to support their stormwater management efforts. The ability of an Authority to implement a stormwater fee system is less clear, but needs to be aggressively pursued. The creation of such a system would be able to provide funding for reasonable levels of maintenance and capital obligations. It could also contribute to the health of the City's financial position by funding stormwater related services such as street sweeping, half of the required financial support for leaf collection, some level of support for code enforcement, vehicle maintenance and other related water quality activities.

The stormwater fee structure would support both current costs as well as DEP/EPA mandated system improvements. It is not possible to know exactly what these mandated improvements will be at this time since the costs of specific improvements have not been identified by the City. However, creating this mechanism will allow the City and THA to respond in a timelier manner when specific costs are identified.

The financial impact projections below are based on a preliminary estimate of existing stormwater related operating costs including street sweeping and existing maintenance efforts, an administrative contribution to the City and an initial capital program. The financial impact would be increased as capital obligations are identified. For the purpose of budgeting, it is assumed that the initial program would include a basic annual CIP contribution of $500,000 plus $500,000 for operating expenses and $1.5 million in maintenance and administrative costs paid to the City General Fund, for a total annual budget of $2.5 million. The City currently charges a 15% Sewer Maintenance Fee on each household monthly utility bill. This charge is intended to provide some level of stormwater maintenance for the City. In 2010, this fee generated $900,000. It is expected that this fee will be discontinued as the new Stormwater fees established by THA are implemented. Therefore, the financial impact on the General Fund is the Maintenance Fee of $1.5 million less the current fee being charged by the City of $900,000, or $600,000 annually. Final numbers should be evaluated as part of a formal rate study process. It is assumed that implementation of stormwater fees would occur in 2012, after the creation of a Stormwater Management Utility.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$600,000	$600,000	$600,000	$600,000	$2,400,000

THA02.	Negotiate payment in lieu of tax (PILOT) agreements with the City of Harrisburg	
	Target outcome:	Increased revenue
	Five year financial impact:	$3,255,830
	Responsible party:	THA and Mayor

THA and the City shall negotiate a PILOT on the Water and Sewer plants equal to the tax payments that would be made if the plants were private businesses. PILOTs are a commonly used mechanism for the recovery of City service costs from tax-exempt entities. Examples would include such things as police and fire service, contribution toward street improvements and maintenance and other services generally paid through local property taxes. PILOTs are generally assessed in addition to reasonable administrative fees for specific direct services.

PILOTs are not directly regulated in the Commonwealth and are generally negotiated between a city and tax-exempt properties within the corporate boundaries. Harrisburg has a number of these arrangements currently in place. While PILOTS are negotiated, they are at least primarily based on the imposition of the local tax rate against the valuation of the tax-exempt entity.

Financially, the cost of the PILOT has been estimated based on the value of the AWTF and the WTP facility multiplied by the property tax rate for structures in the City of Harrisburg. The proposed PILOT is estimated at $325,583 for each facility, totaling $651,166 in payments to the City. These numbers were based upon 2008 Annual Report financial statements, the most current available for review. The PILOT would be assessed for services that the WTP and AWTF use but do not pay for such as police and fire protection, roads and other City services. The PILOT fee will not replace the current transfers from these utilities to the City for administrative services.

Financial Impact

2011	2012	2013	2014	2015	Total
$651,166	$651,166	$ 651,166	$ 651,166	$ 651,166	$3,255,830

THA03.	Expand the Stormwater Management Ordinance regarding discharges	
	Target outcome:	Reduce cost of stormwater management and occurrence of overflow violations
	Five year financial impact:	Not available
	Responsible party:	Mayor, City Council and City Engineer

The City has adopted a comprehensive stormwater management ordinance that applies to direct stormwater discharges. The City shall expand its ordinance to include provisions for discharges to combined sewers as part of the process to comply with pending DEP and EPA requirements. The ordinance shall require detention and retention of stormwater on-site for new developments. Effective management of stormwater at the source can have a significant impact on bypasses and the capital costs of system improvement. By slowing or stopping stormwater before it reaches the AWTF, significant costs can be avoided. This is predominately a best practice although it has the potential to gradually decrease the total volume of wastewater treated at AWTF.

THA04.	Develop a capital plan for THA to ensure the viability of assets	
	Target outcome:	Extended asset life and sustain infrastructure
	Five year financial impact:	($26,969,275)
	Responsible party:	THA

The City and THA shall work with the Act 47 Coordinator to develop a detailed capital plan for THA facilities, including the RRF, the WTP, the Dehart Dam and the AWTF. This capital plan will be designed to ensure the long term viability and sustainability of THA's assets. As the infrastructure of the City continues to age, it is critically important for the City of Harrisburg that THA maintain a strong Capital Improvement Program for its facilities. THA must take a long term view of the City's infrastructure and plan accordingly.

As previously described in the Capital Improvement Program chapter of this Recovery Plan, separate CIPs should be maintained for the City and THA. However, the two entities must work cooperatively to identify all current and future capital needs. Coordinating work will assure that important projects will be identified and budgeted. This joint planning will also ensure appropriate staging and phasing of construction (see the CIP chapter for additional discussion on CIP development and implementation). The City, THA and the Act 47 Coordinator shall study, analyze and evaluate the possibility of THA becoming a true operating authority. If this change is feasible and beneficial to the City, an implementation/transition plan to THA as an operating authority should be developed. Benefits to the City of the transition should emphasize cost savings and improvement of the management of the utilities and service to customers.

The Water Treatment Plant has a well-developed CIP currently with over $9 million in projects planned for the next five years. These projects are both plant related and water line related.

There are an estimated $35 to $60 million worth of needed repairs and upgrades at the AWTF in relation to the Chesapeake Bay Watershed and other requirements. These upgrades will need to be completed over the next five years.

Several critical projects have been identified to improve the efficiency of RRF operations. Specifically, a damaged turbine blade must be repaired, estimated at $1.3 million. To improve pollution controls, there is a computer SIMS system that needs to be upgraded, estimated at $600,000. Also, there is a steam line that currently is inoperable and causing a reduction in efficiency at the RRF. The repair cost is $15 million. The current ash landfill needs to be expanded, estimated at $2.5 million. There is currently no ash house at the RRF. If one is built, the landfill expansion will not be necessary because ash can be transported directly from the ash house to local landfills without the intermediate step at the ash landfill. The cost for an ash house has not been determined.

The table below identifies the current capital investments needed in THA facilities.

THA Capital Requirements

	Total Required	2012	2013	2014	2015	2016
Water-						
DCS Telemetry System Upgrade	$900,000	$63,857	$63,857	$63,857	$63,857	$63,857
Filtered Media Replacement	$920,000	$230,000	$230,000	$230,000	$230,000	
Repaving Dehart Complex	$642,000	$44,940	$44,940	$44,940	$44,940	$44,940
Backwash Water Tank	$333,000				$333,000	
Fluoride System Boiler	$28,000				$28,000	
Instrumentation Replacement	$70,000	$70,000				
Raw Water PRV	$35,000	$35,000				
Emergency Power Connection	$300,000	$21,286	$21,286	$21,286	$21,286	$21,286
North 23rd Street Water Main Install	$55,000	$55,000				
Elmerton Ave/Edgement Extension	$2,500,000	$177,381	$177,381	$177,381	$177,381	$177,381
Edward Street Main Install on 500 Block	$56,000	$56,000				
Industrial Road Main Replace	$702,000	$49,809	$49,809	$49,809	$49,809	$49,809
Market Street Road Main Replace	$222,000	$15,751	$15,751	$15,751	$15,751	$15,751
Progress Ave. Main Extension	$1,326,000				$90,083	$90,083
Walnut Street Main Install	$67,000			$67,000		
Valve Replace-Multiple Locations	$77,000			$77,000		
Paxton Street Bridge	$165,000			$165,000		

	Total Required	2012	2013	2014	2015	2016
Main Replace						
Woodbine St. Main Replace	$201,000			$201,000		
GIS Mapping System	$150,000	$10,643	$10,643	$10,643	$10,643	$10,643
Misc. Improvements	$400,000		$100,000	$100,000	$100,000	$100,000
Distribution System Improvements	$1,250,000	$250,000	$250,000	$250,000	$250,000	$250,000
Wastewater/Water-EPA/DEP Upgrades	$60,000,000	$4,200,000	$4,200,000	$4,200,000	$4,200,000	$4,200,000
RRF-Turbine Blade Repair	$1,300,000	$90,000	$90,000	$90,000	$90,000	$90,000
RRF-SIM System Upgrade	$600,000	$42,000	$42,000	$42,000	$42,000	$42,000
RRF-Steam Line Made Operational	15,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
RRF-Ash Landfill Expansion	2,500,000	$177,381	$177,381	$177,381	$177,381	$177,381
RRF-Ash House	Unknown					
Total	**$72,299,000**	**$6,589,048**	**$6,473,048**	**$6,983,048**	**$6,924,131**	**$6,333,131**

Financial Impact

2011	2012	2013	2014	2015	Total
$0	($6,589,048)	($6,473,048)	($6,983,048)	($6,924,131)	($26,969,275)

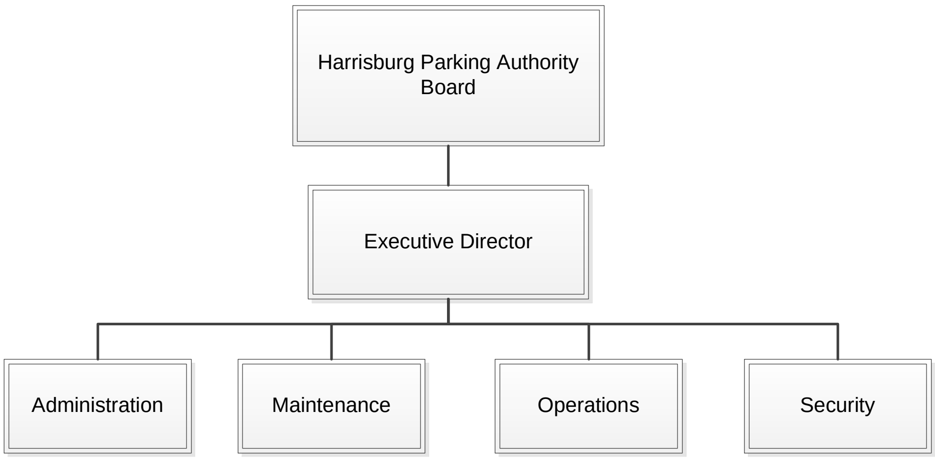
Harrisburg Parking Authority

Overview

HPA was incorporated in 1972 under the Pennsylvania Parking Authority Law of 1947. HPA is an agency and instrument of the City of Harrisburg that owns and operates parking facilities under agreement with the City. For financial purposes, it functions as an enterprise fund. The five-member HPA Board is appointed by the Mayor for five-year terms. The Mayor may also remove board members at will.

HPA operates 8,337 parking spaces in ten public parking garages and four surface lots (including City Island parking). HPA also maintains and collects revenue from over 1,200 parking meters in the City's on-street hourly parking meter system. The parking garages operated by HPA allow for both hourly and monthly parking. The HPA Board sets the parking rates in the garages and surface lots; the City Council sets the rates for the on-street parking meters.

The organizational structure of the HPA is depicted below.



The HPA Board appoints an Executive Director who manages the day-to-day operations of the HPA and has hiring authority for all 74 full- and part-time HPA employees. Staffing has risen from 59 full- and part-time employees in 2006 to the current level. The increases are due primarily to increases in Maintenance and Operations staff hired with the addition of the River Street and Front Street garages and bringing the Security function in-house. The HPA consists of four units: Administration, Maintenance, Operations and Security. Administration includes the financial functions, all HPA management and administrative support for the Executive Director. The Maintenance unit is responsible for the garages, lots and meters. The Operations unit includes all cashier functions at the garages. Security provides non-sworn guards and customer service representatives throughout the parking system.

Other Resources

The HPA owns the garages at all its facilities. It also owns the land underneath its garages and lots with the exception of three garages (Walnut, Chestnut and Fifth Street garages and City Island facilities) which are owned by the City of Harrisburg. It collects fees at the rates listed in the table below.

2011 HPA Fee Structure

	Garages	City Island	Parking Meters	Lots
2 hours or less	$ 5	N/A	N/A	N/A
3 hours or less	$ 7	N/A	N/A	N/A
4 hours of less	$ 8	N/A	N/A	N/A
5 hours or less	$ 9	N/A	N/A	N/A
5 to 11 hours	$16	N/A	N/A	N/A
11 to 24 hours	$20	N/A	N/A	N/A
Monthly Non-Reserved	$145	$ 75	N/A	$ 95
Monthly Reserved	$190	N/A	N/A	N/A
All-Day Parking	N/A	$ 5	N/A	N/A
Hourly Rate	N/A	N/A	$1.00 - $1.50	N/A

Finances

Net operating revenue was budgeted at $13,820,855 for 2010 and at $14,504,336 for 2011. A breakdown of the 2011 budgeted revenue is included in the table below.

2011 Budgeted Parking Revenues

Category	Revenue
Monthly parking	$8,771,292
Turnover parking	$3,126,917
State	$1,346,815
Meter revenues	$1,190,000
Office rental	$69,312
Gross revenues	**$16,599,644**
Parking Tax receipts	($2,095,308)
Net Operating Revenue	**$14,504,336**

Since 1985, the City has imposed for nonresidential parking lots (a) a tax of 15% on the consideration paid by patrons collected by the lot operators plus (b) an annual license fee of $1 per space for lots on operators with more than 40 spaces. The parking gross receipts tax is paid directly to the City each year which then distributes a portion to the Coordinated Parking Fund as required by the Cooperation Agreement between the City, HPA and other entities. The operation of the Coordinated Parking Fund provides for necessary debt payments, fees and a transfer to the City that represents parking tax revenues and a portion of the excess of the HPA's net revenue. These amounts vary from year to year based on usage of the garages, lots and meters. The 2011 HPA budget includes a Coordinated Parking Fund total transfer of $3,573,711 to the City. In addition to the Coordinated Parking Fund transfer, the City has budgeted for 2011 current parking gross receipts portion at $887,000 and the current license fee is budgeted at $12,900 for a total of $899,900. As the table below shows, the actual amounts rose from 2006 through 2008, but the actual amount paid to the City has been decreasing since 2009.

Coordinated Parking Fund Transfers to the City of Harrisburg

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Harrisburg Parking Authority Coordinated Parking Fund	$3,524,893	$4,005,000	$4,750,000	$4,050,000	$2,664,000	(24.4%)

HPA's capital items are subsidized by a replacement reserve fund which was implemented to provide capital reserves for major restoration and/or repair projects in the garages, lots and for meter replacements. Specific set aside amounts have been established for meters and each garage. Since 1990, the fund also provides payments of debt service.

Although there is no long term capital plan published by the HPA, major repairs and maintenance needs are evaluated each year based on an annual report conducted by Wilbur Smith Associates. The report includes a complete inspection of all structures. The reported 2011 major maintenance and repair needs total $1,309,500 and include improvements to each garage. The largest items are: $250,000 for the renovation and upgrading of elevators in the 7th Street garage; $100,000 for a cooling tower work; $75,000 for replacement of roof and air conditioners at the Walnut Street garage; and $285,000 in structural repairs at the Chestnut Street garage.

The HPA maintains a repair reserve fund; the 2010 funds available in that account were $1,926,323 according to HPA reports. The repair reserve account balances vary from year to year, but the available funds have fallen by 37.3% over the review period. Debt service has increased by 26.2% since 2006, from $6.8 million to $8.6 million in 2010. For the period 2007 through 2010, HPA revenues increased by 22.2% while expenses rose 40.6% over the same period. Net revenues fell by 12.0% as a result. The Coordinated Parking Fund (CPF) contribution from all sources rose slightly during the 2007 – 2010 review period; expenses to the CPF were down by 5.3% for the period. The CPF provides the transfer funds from the HPA to the City; those transfer amounts fell by 24.4% during the review period, from $4.0 million in 2007 to $2.66 million in 2010.

Historical expenditures of the HPA are detailed in the tables below.

Harrisburg Parking Authority - Historical Expenditures

Category	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Total Revenues	$11,801,485	$14,687,855	$14,892,019	$14,416,591	22.2%
Total Expenses	$7,659,274	$9,896,494	$10,142,511	$10,770,844	40.6%
Surplus/(Deficit)	$4,142,211	$4,791,361	$4,749,508	$3,645,747	(12.0%)
Coordinated Parking Fund (CPF)					
Total Contributions	$6,491,739	$8,247,536	$7,204,163	$6,560,721	1.1%
Total Expenses	$6,662,925	$7,787,257	$7,347,458	$6,308,406	(5.3%)
Surplus/(Deficit)	($171,186)	$460,279	($143,295)	$252,314	247.4%

Harrisburg Parking Authority – Debt Service Expenditures

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Debt Service Interest and Principal Paid	$6,832,670	$7,757,099	$7,204,912	$7,887,259	$8,625,784	26.2%
Repair Reserve Account	$0	$3,074,506	$2,416,485	$2,284,776	$1,926,323	(37.3%)

Assessment

During the review period, HPA revenues peaked in 2008 and have dropped off during the recent recession. Parking is subject to the elasticity of demand as unemployment has risen and incomes have dropped. HPA has worked to keep its operating expenses down although authorized staffing levels have risen. Debt service payments and other maintenance must continue to be paid regardless of the revenue shortfall.

As noted above, HPA contracts for an annual report and evaluation conducted by Wilbur Smith Associates. The purpose of this work is to: advise and recommend maintenance, repair and operation of the system for the upcoming fiscal year; evaluate maintenance of capital items; advise HPA of the capital investments needed for the next fiscal year; and recommend any rate adjustments. Rates for garages and lots have generally increased every two to three years, with the latest rate adjustments occurring in 2011. The HPA Board has the authority to increase rates for all of the parking garages and lots, including City Island. The City Council has the authority to increase the rate of the parking tax and fees, rates, hours of operation and fines for parking meters.

Two proposals for raising revenues through parking meter fees have been developed. The first proposal, developed by the City, increases the on-street parking meter rates in all areas by $1/hour. In the downtown central business district and the area surrounding the Capitol, that amount is recommend to be increased from $1.50/hour to $2.50/hour. At all other meters, this increase would raise rates from $1/hour to $2/hour. The City Council has been presented this ordinance (Bill 32 of 2010) but has not acted on it. It is currently in the Budget and Finance Committee for review.

HPA proposed to the City that meters be added in the Uptown area. This is an area where parking demand is high and is a likely next location for on-street meters. HPA is prepared to install meters as soon as authorized by the City of Harrisburg.

The Administration Department has developed a proposal (Bill 31 of 2010) to increase the Parking Tax from 15% to 20%. This proposal is estimated to add approximately one-third additional revenue without additional associated expense. As of the drafting of this Recovery Plan, City Council has not acted on this proposal, and an enabling ordinance is currently in the Budget and Finance Committee.

Initiatives

HPA should work closely with the Administration Department and City Council to increase the gross receipts tax on parking.

HPA01.	**Increase the parking gross receipts tax from 15% to 20%**	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	City Council

At the time this Recovery Plan was drafted, pending legislation was before the City Council regarding an increase to the gross receipts tax. The City shall adopt and implement this increase in the gross receipts parking tax to 20%. This tax is currently levied at 15%. Increasing the rate is one way that funds can be collected to help defray the costs of providing public services to those that work in the City of Harrisburg. The tax is estimated to yield $2,833,331 over a five year period. This is in addition to the revenue currently received for this tax. This additional revenue has already been included in the Act 47 Coordinator's projected revenues for the City.

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VII. Community Development

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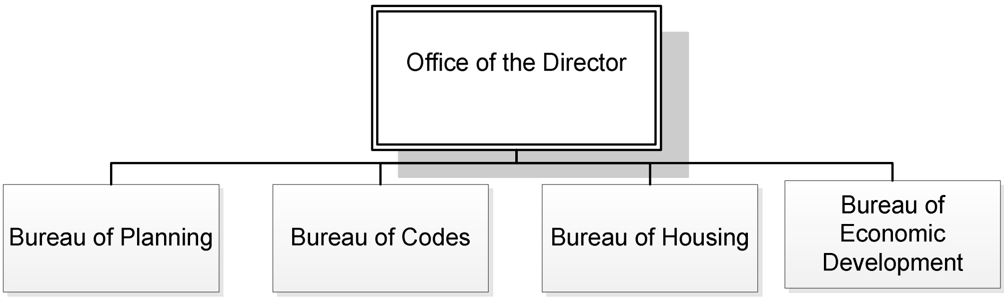
Department of Building and Housing Development

Overview

The mission for the Department of Building and Housing Development (DBHD) is to:

> *Enhance the quality of life in Harrisburg through the development of strong neighborhoods, the creation of a visible difference in the appearance of the City and support for the growth and vitality of our economic and community base.*[57]

DBHD is organized into four bureaus to support this mission: the Bureau of Planning; the Bureau of Codes; the Bureau of Housing; and the Bureau of Economic Development, as depicted in the figure below.



The **Bureau of Planning** encourages and enforces development and reinvestment within the City of Harrisburg. The Bureau is responsible for updating the City's Comprehensive Plan and creating more specific plans and guidelines for residents and business owners in the City. Applications for new development, mercantile licenses and floodplain certificates within the City are reviewed by the Bureau to ensure compliance with the Comprehensive Plan and the Planning and Zoning Codes. This includes oversight of the Plans and Permits Unit and preparation of zoning letters and preparation of maps using the GIS system. This also includes historic preservation within Harrisburg, where there are six municipal historic districts, seven eligible national historic districts, five national historic districts and one architectural conservation overlay district. The Plans and Permits Unit also provides an opportunity for a pre-application review of development proposals. The Unit consists of representatives from the Planning Bureau, Codes Bureau, Housing Bureau, City Engineer, the Water Bureau, as well as the Fire and Police Bureaus. The National Environmental Policy Act of 1969 requires that all federally assisted projects must receive an environmental review and clearance. Most of the City's federally funded programs have received multi-year clearances that are annually reviewed by the Planning Bureau and HUD for compliance. Section 106 of the National Historic Preservation Act of 1966, as amended, requires that all federally assisted building demolition projects be reviewed by the Commonwealth for their potential impact upon historic and archaeological resources. The Planning Bureau obtains clearance from the Pennsylvania Historic and Museum Commission and the Advisory Council on Historic Preservation. The Bureau of Planning also supports three citizen boards; each board meets once per month. Within the last five years:

- The Harrisburg Planning Commission has completed 379 development reviews;

[57] 2009 DBHD Annual Report

- The Harrisburg Zoning Hearing Board has reviewed 148 of those development plans, as well as 142 variances and special exceptions; and
- The Harrisburg Architectural Review Board has completed 334 architectural reviews.

The **Bureau of Codes** is primarily responsible for enforcement of Harrisburg's building, property maintenance and health codes. Codes Enforcement Officers are responsible for residential and commercial building inspections, while Health Inspectors inspect restaurants and other food service businesses to maintain proper health and sanitation standards. The Bureau is also responsible for neighborhood mitigation operations, including cleaning and sealing of vacant homes, demolition of condemned property and clean-up of vacant parcels. The Bureau of Codes works closely with the Department of Public Works to accomplish neighborhood mitigation goals. These neighborhood clean-up operations are funded primarily through Community Development Block Grant (CDBG) funds from HUD, but the City does receive a small level of funding from the Pennsylvania Department of Community and Economic Development's Housing and Redevelopment Assistance Program. The Bureau also works with other departments when questions arise regarding code related issues and supports several boards, including the Housing Code Board of Appeals, the Health Board, the Plumbing Board and the Electrical Board.

The Bureau of Codes accepted the UCC in June 2004. To date, the Bureau has experienced no major issues with compliance. However, due to reduced staffing levels, progressive inspections are taking longer than staff deem appropriate, typically 48 hours or more. The table below details the UCC Certifications held by Codes staff.

UCC Certifications held by Codes Enforcement Officers

Certification	#		Certification	#
Accessibility Inspector/Plans Examiner	2		Commercial Plumbing Inspector	3
Accessibility Plans Examiner	3		Electrical Plans Examiner	1
Building Inspector	2		Fire Inspector I	1
Building Plans Examiner	3		Fire Inspector II	1
Certified Building Code Official	3		Master Code Professional	1
Certified Electrical Code Official	1		Property Maintenance & Housing Inspector	2
Certified Housing Code Official	1		Residential Building Inspector	7
Commercial Building Inspector	3		Residential Combination Inspector	2
Commercial Combination Inspector	1		Residential Electrical Inspector	5
Commercial Electrical Inspector	1		Residential Energy Inspector	2
Commercial Energy Inspector	1		Residential Energy Inspector/Plans Examiner	1
Commercial Energy Plans Examiner	1		Residential Mechanical Inspector	3
Commercial Mechanical Inspector	4		Residential Plumbing Inspector	6

Source: Data provided by the City.

The **Bureau of Housing** exists to manage and administer the use of federal and state community development programs assisting in the development and execution of Harrisburg's current Five Year Consolidated Plan. The funding provided by HUD includes federal CDBG funds. In 2010, the City received approximately $2.2 million in CDBG funds; $625,000 in Home Investment Partnership Program (HOME) funding; and $91,000 in Emergency Shelter Grant Program (ESG) funding. These grant programs provide funding for neighborhood renewal programs, encouraging homeownership, stabilizing property values and assisting homeowners with emergency repairs.

Specifically, the City's housing programs include:

- The Home Improvement Program (HIP) provides loans and grants to assist homeowners bring their home up to current State Building Code standards. The average rehab cost in this program was approximately $24,000 per home, according to the 2009 DBHD Annual Report. HIP is funded through the HOME program.

- The Home Opportunity Program (HOP) allows the City to rehab vacant properties to bring them up to current State Building Code standards. Once up to code, the City can sell the property to citizens of Harrisburg. Any proceeds from the sale are returned to the program for future rehabs. The average rehab cost in this program was approximately $138,000 per home, according to the 2009 DBHD Annual Report. Funding for this program is provided through CDBG funds.

- The Lead Abatement Program provides funding for the City to assist homeowners with lead abatement. The average abatement process costs approximately $8,000 per home, according to the 2009 DBHD Annual Report. The Lead Abatement Program is funded through HUD and the Pennsylvania Department of Health (which received the funding through a HUD grant).

- Home Emergency Loan Program (HELP) provides funding to assist homeowners with emergency repairs. The average rehab cost in this program in 2010 was approximately $5,000 per home, according to staff. This program is funded through CDBG funding.

- The City's ESG program includes allocations to three agencies that provide services to the homeless population in the City. A total of $91,700 was allocated from ESG funds according to the 2009 DBHD Annual Report.

- The City's HOME program includes allocations to local non-profit agencies that provide direct housing services (homeownership and homeowner rehabilitation) to City residents.

The Mayor's Office of Economic Development (MOED) was incorporated into DBHD in December 2009; MOED was renamed the **Bureau of Economic Development**. The purpose of MOED was to "assist individuals and businesses in successfully navigating through the processes of starting, relocating or expanding a business within the City of Harrisburg." In addition to providing information to businesses, MOED also served as a catalyst for larger projects, working in collaboration with other economic development groups in the capital region. Now with only one staff member assigned to the Bureau, these tasks have become more difficult to accomplish. As a result, DBHD has chosen to focus on assisting Minority Business Entrepreneurs (MBEs)/Women-owned Business Enterprises (WBEs). As before, the Bureau continues to assist with other larger economic development events sponsored by the City.

Additional information about economic development and housing issues can be found in the Economic Development and Housing chapters of this Recovery Plan.

The table below details the historical staffing levels of DBHD. Differences between budgeted and filled positions prior to 2010 are due to the transfer of Economic Development staff positions, but not the accompanying budget authority.

Staffing – Department of Building and Housing Development

	2006	2007	2008	2009	2010	2011
Budgeted	19.8	15.3	16.3	17.3	22.3	17.3
Filled	26.8	22.3	23.3	23.3	18.3	17.0

Source: Budgeted: City Report *Summary of Positions 2006-2011 Budget*
Filled: Adopted 2010 City Budget

Finances[58]

The tables below detail the historical expenditures of DBHD. DBHD has seen a relatively stable budget over the last five years. Significant changes are the result of moving Benefits from DBHD to Administration and moving Unemployment Compensation into DBHD. Additionally, temporary labor has been eliminated as a staffing option by the department, and overtime has been eliminated as well.

Department of Building and Housing Development Historical Expenditures by Function

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Office of the Director	$96,400	$87,432	$97,588	$83,112	$82,097	(14.8%)
Bureau of Planning	$195,577	$109,454	$213,417	$204,770	$156,385	(20.0%)
Bureau of Codes	$810,731	$740,482	$751,354	$587,250	$568,174	(29.9%)
Bureau of Economic Development	$0	$0	$0	$0	$221,034	0.0%
Total	**$1,102,707**	**$937,369**	**$1,062,359**	**$875,133**	**$1,027,690**	**(6.8%)**

Source: Historical Data from City As Provided

Department of Building and Housing Development Historical Expenditures by Major Category

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Salaries & Wages	$788,018	$649,025	$757,734	$750,008	$875,013	11.0%
Temporary	$6,674	$0	$3,420	$0	$0	(100.0%)
Overtime	$114	$309	$186	$0	$0	(100.0%)
Social Security	$60,803	$49,674	$58,243	$58,128	$66,939	10.1%
Unemployment Compensation	$0	$0	$0	$0	$19,504	0.0%
Benefits	$175,188	$158,715	$180,587	$0	$0	(100.0%)
Legal/Contract Services	$29,945	$33,635	$24,909	$25,142	$24,974	(16.6%)
Other Miscellaneous	$41,966	$46,011	$37,281	$41,855	$41,261	(1.7%)
Total	**$1,102,707**	**$937,369**	**$1,062,359**	**$875,133**	**$1,027,690**	**(6.8%)**

Source: Historical Data from City As Provided

[58] Financial figures for DBHD are General Fund only and do not include grant funding provided to the Department.

Department of Building and Housing Development
Historical Expenditures – Personnel and Non Personnel

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Personnel Expenditures	$1,030,796	$857,723	$1,000,170	$808,136	$961,455	(6.7%)
Non Personnel Expenditures	$71,911	$79,646	$62,190	$66,996	$66,235	(7.9%)
Total	**$1,102,707**	**$937,369**	**$1,062,359**	**$875,133**	**$1,027,690**	**(6.8%)**

Source: Historical Data from City As Provided

Assessment

Demand for DBHD's services varies by Bureau, but has been significantly impacted by the downturn in the economy and the real estate market over the last two years. While demand for new construction has declined significantly because of the fall off in real estate, the demand for the services provided to Low and Moderate Income (LMI) households has increased significantly, based on conversations with City staff. This has had significant impact upon the DBHD.

Bureau of Planning

For the Bureau of Planning, approval of new development plans by businesses, citizen requests for building changes in historic districts and zoning approval for new businesses are the primary service drivers. The Planning Bureau has maintained detailed records on the cumulative number of citizen calls (10,482), emails (7,912) and walk-ins (1,806) since 2005. The three boards that Planning supports also keep records on the number of cases heard, the disposition of those cases and the eventual conclusion reached in each.

A Comprehensive Plan is intended to direct, coordinate and evaluate a city's development and progress and ensure orderly development of the community. The City of Harrisburg has a Comprehensive Plan. While neighborhood plans and initiative areas are studied with some frequency, the full Comprehensive Plan has not been updated since 1974. According to staff, several attempts have been made over the past decade to update the Comprehensive Plan, but those efforts failed to receive City Council approval. Such a dated document cannot be expected to adequately reflect the current vision of the City. Additionally, the Planning Bureau has revised the City's Zoning Code. After no action by the City Council, the revised Zoning Code was reintroduced last year. In June, 2011, the revised Draft Zoning Code was introduced to City Council's Building and Housing Committee. It is anticipated the Committee may hold its first public meeting in July 2011, with a possible vote by Council at their September 2011 Legislative Session. The original Draft Zoning Code proposal was presented to City Council in August 2010.

Planning has experienced a significant reduction in staffing due to budget constraints, severely limiting the Bureau's ability to address long range planning issues, such as the update to the Comprehensive Plan. Currently Planning is without a Deputy Director of Planning, which was not funded by Council in 2011.A Zoning Officer was hired in May 2011. The Urban Planner functioned as needed in the role of Zoning Officer in addition to his responsibilities as an Urban Planner.

Due to the lack of funding and staffing, the Bureau has had to increase its response time for zoning inquiries, letters and administrative approvals. This has the potential to slow development within the City. Enforcement has diminished with little time allotted for follow-up on development and architectural reviews and citizen's complaints. Also, as a result of reduced staffing, the Bureau has reduced its participation on various neighborhood and regional planning and development committees. A lack of presence in the community has diminished the amount of inquiries and ability for the Bureau to ensure compliance with the Comprehensive Plan and Zoning Code. Also, the Bureau no longer provides environmental reviews for the Harrisburg Housing Authority. The Bureau has been unable to prepare GIS maps. Maps are commonly requested by other Bureaus and the public. This slows the development process, as well as eliminates fees charged to the public.

To alleviate some of the impact of reduced staffing, DBHD has had discussions with Tri County Regional Planning Commission (TCRPC) regarding their ability to assist the City. In the past, TCRPC has assisted the City with the drafting of the Flood Plain Ordinance and Airport Overlay Ordinance. However, TCRPC has indicated that they are only able to provide minimal technical assistance to the City due to their own budget constraints.

Bureau of Codes

Demand for the Bureau of Codes is driven by new home development, citizen complaints regarding property maintenance, rental property inspections (currently conducted on a three-year cycle) and the condemnation and demolition of vacant/blighted structures. Counter intuitively given the economic conditions of the last five years, the volume of inspections for new homes has gone up, the volume of property maintenance inspections has gone down, rental inspections have gone down and demolitions permits have gone down. The drops in these areas are most likely associated with a drop in the staffing level at DBHD. The Codes Bureau keeps detailed records on the number of inspections, citizen complaints, demolitions completed and maintenance or zoning citations issued, as detailed in the table below.

Codes Inspections

	2005	2006	2007	2008	2009	2010
Building Inspections						
Buyers Notification Inspections	4,723	3,258	3,241	2,510	2,067	1,961
Rental Inspections	1,712	1,030	442	576	1,018	776
Complaint Inspections	1,198	1,589	2,277	1,364	1,102	1,311
Rooming House Inspections	64	18	12	12	15	23
Re-inspections	2,484	2,316	1,925	1,781	1,542	2,929
Plan Reviews	175	160	132	122	138	104
Block Walls	35	43	7	3	18	4
Court Time/Citations	563	359	265	193	195	430
Health Inspections						
Annual Food Inspections	173	164	87	339	372	506
Complaints	19	20	34	48	44	35
Lead Hazard Inspections	14	33	10	11	6	0

Source: Data provided by the City.

The Bureau of Codes has experienced a staffing reduction in recent years which has made keeping up with workload, particularly inspections, difficult for the remaining staff. The table below presents a staffing comparison with other Pennsylvania jurisdictions. The numbers reflect budgeted positions in each jurisdiction for residential and commercial building inspectors, electrical inspectors, plumbing inspectors, zoning inspectors, building maintenance inspectors, management staff and associated support staff.

Codes Staffing Comparison

City	Population	Budgeted Positions
Allentown	118,000	28.5
Reading	88,000	22
Scranton	76,000	19
Lancaster	59,000	19
Harrisburg	50,000	10

In the City of Harrisburg, this number includes one Deputy Director/Codes Administrator, one Assistant Codes Administrator, five Codes Enforcement Officers, one Plumbing Inspector and two Clerical Staff. (One Health Inspector position has been excluded from this count to give an accurate comparison with some larger jurisdictions that break out Health Inspections from Codes Inspections.)

Currently, Codes Enforcement Officers are also serving in administrative roles, answering phones and fielding walk-in questions during their office time. This degrades their ability to be efficient in their work. With only five Codes Enforcement Officers available to conduct the inspections, sufficient staff does not exist in the Bureau to keep up with the number of inspections. This has been especially challenging for the Buyers Notification Program and the Rental Inspection Program.

With regards to the Buyers Notification inspections, Codes is processing approximately 40 Buyers Notification applications per week. At present, the Bureau has Buyers Notification applications that are months old which have not been inspected. As a result, some properties are transferring ownership without inspections. In some cases, the Bureau has issued citations, but at most these result in a small fine for the property owner.

Due to the Bureau's lack of ability to conduct detailed inspections, the value of the Buyers Notification Program has declined. Codes is unable to meet the volume and level of detail expected in a home inspection under the Buyers Notification Program. The responsible home purchaser today desires a more detailed inspection than the City can provide due to City inspector staffing levels. Inspections performed by the City amount to a visible walk through of the property, which obviously does not address any larger problems that may exist. The number of complaints received regarding faulty electrical and plumbing systems and leaking roofs by purchasers of properties that Codes has inspected under the Buyers Notification Program has increased. According to Codes staff, more purchasers are securing the services of a home inspector who can provide the detail expected in a home inspection. In addition, some properties are bought and sold as often as two or three times a day by real estate investors, making it difficult for code inspections to occur.

To address this issue, DBHD presented legislation to the City Council in 2006 to revise the Buyers Notification Program. The revisions would have made the program mandatory for all condemned properties, but optional for other properties. Agencies such as the State Attorney General's Office Bureau of Consumer Protection, as well as present real estate disclosure laws remain in place as protection for purchasers aggrieved by their purchase.

Inspections of all rental properties in the City are supposed to occur every three years. However, Codes is not keeping up with that cycle, last year completing only 776. With approximately 11,000 rental units in the City, there should be approximately 3,667 full inspections completed per year. Staff also pointed out that frequently multiple inspections are required before a rental unit passes an inspection, increasing the overall inspection workload.

Legislation to modify the Rental Inspection Program was presented to the City Council in 2006 as well. The modifications would provide for an annual permit program and a five-year inspection cycle, rather than the current three-year inspection cycle. Other modifications included requiring landlords to be up to date on taxes and utilities, as well as have a local agent responsible for service of notices of violations. Requiring an annual permit for landlords to rent properties would allow for a tighter control of tenant related properties. Properties in non-compliance with the provisions would be prohibited from being rented.

While increased enforcement of rental properties should be a strong focus of the Bureau, lengthening the inspection cycle is not recommended. The aging housing stock in Harrisburg demands more aggressive monitoring and enforcement than a five year cycle would provide. As a first step, the City must address its current backlog of inspections and return all rental properties to the three-year inspection cycle.

According to staff, having out of town landlords for rental properties has been a significant source of the problems regarding response time to rental complaints, failed rental inspections, and overall blight conditions within the rental market in Harrisburg. DBHD proposed a “Responsible Agent” bill in 2010 that would require out of state landlords to have a local representative. This bill was presented to Council in 2010 but was tabled.

According to staff, approximately 60% of the City’s housing stock is composed of pre-1940s construction. The City has experienced a significant increase in the number of blighted properties identified for demolition. However, as indicated in the table below, the City has been unable to meet the demand for demolitions. Between 100 and 200 blighted properties are condemned each year. Condemnations are issued by the City if a home has been vacant for more than two years or if the code violations are great enough to present a public safety hazard. At times condemnations are issued primarily to “encourage” the homeowner to fix significant code violations and demonstrate City’s intent to eliminate blighted properties. In addition, in many cases condemnations are due to ownership changes that require the Bureau to re-condemn a property to the new owner. As indicated in the table below, not all condemned properties are demolished. According to staff, there are currently over 300 homes that have been condemned and are in need of demolition (i.e., there is no expectation that the homeowner will rectify the code issues on the property).

Blighted Properties and Demolitions

	2005	2006	2007	2008	2009	2010
Condemnations Issued	157	157	128	106	204	143
Demolition Order Processed	84	57	76	38	49	40

In addition, illegal dumping has become a significant issue in the City. While demolition of blighted properties do not cause dumping on the vacant lots, it is critical that the City enforce its anti-dumping Code to ensure the vacant lots in the City do not just become illegal dumping grounds for bulk waste.

In addition to the challenges described for the Codes Enforcement Officers, there is currently only one Health Officer in the City. When the Health Officer is unavailable (e.g., on sick or vacation leave), the Codes Administrator and Assistant Codes Administrator must fill-in to address the issues. As a result, the Bureau faces challenges to address the current workload of health inspections with only one Health Officer to inspect approximately 400 food service providers in the City.

Bureau of Housing

Demand for Bureau of Housing services has increased primarily because of its services to LMI households through its housing repair and upgrade programs. Demand for these programs comes directly through citizen requests for assistance from the HIP, HELP or Lead Abatement Programs.

A key vacancy exists in Housing, a Grants Officer. This position contributes significantly to the work of the Bureau of Housing and DBHD. The Grants Officer maintains proper reporting and management for grants from the federal and state governments and ensures compliance and timely reporting. In addition, a Grants Officer pursues further funding sources for the City, potentially identifying significant sources of grant funding for City services. The Inspector position and the Nurse position are critical to the Lead Abatement Program, and were just filled in June 2011 through contract. Without these two positions the Lead Abatement Program could not continue, as evidenced by the fact that zero abatement were completed between October 2010 and June 2011. (From January 2010 through September 2010, 107 Lead Abatements were completed.)

Bureau of Economic Development

As a result of reductions in staff and changes in responsibilities, the Bureau of Economic Development exists primarily to support small business development, especially MBE/WBE businesses. The small business assistance provided by the sole employee has increased as small businesses seek free advisory services from the City. However, the level of service that is being offered has declined because of the current staffing level and budget for this Bureau. Success is measured by the number of small businesses that attend pre-bid meetings with local contractors for new construction projects, as well as by how many small businesses are selected in these projects. Unfortunately, these numbers are not recorded by the Bureau of Economic Development; they are only monitored by staff on a project-by-project basis and judged as effective or ineffective based on attendance at these events.

Any further economic development activities sponsored by the City are spearheaded by the Director of DBHD with coordination with the Bureau of Economic Development, the Bureau of Housing, and the Asset Manager of DBHD. These activities are not systematically coordinated with other City departments, the business community or the local chamber of commerce. DBHD needs to coordinate a City-wide focus on economic development. While DBHD should not be the only department working on economic development for the City, it must be the catalyst and leader for this focus. There is significant interest in a coordinated economic development plan within the business community of Harrisburg. This interest should be harnessed by the City and used to multiply the effects of the work of the City and DBHD in economic development. For further discussion, please see the Economic Development chapter of this Recovery Plan.

The tables below show the DBHD's budgeted expenses for 2011 and projected expenses through 2015, based on the assumptions detailed in the Introduction chapter.

Department of Building and Housing Development
Projected Expenditures by Function

Department	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Office of the Director	$83,988	$83,988	$83,988	$83,989	$83,989	$83,990	0.0%
Bureau of Planning	$78,344	$78,346	$78,396	$78,453	$78,525	$78,607	0.3%
Bureau of Codes	$547,689	$547,688	$558,661	$569,978	$581,685	$589,840	7.7%
Bureau of Economic Development	$219,936	$219,935	$221,616	$223,350	$225,140	$226,380	2.9%
Total	**$929,957**	**$929,957**	**$942,662**	**$955,771**	**$969,338**	**$978,816**	**5.3%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Department of Building and Housing Development
Projected Expenditures by Major Category

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Salaries & Wages	$842,572	$842,572	$854,156	$866,088	$878,377	$886,816	5.3%
Temporary	$0	$0	$0	$0	$0	$0	0.0%
Overtime	$0	$0	$0	$0	$0	$0	0.0%
Social Security	$64,457	$64,457	$65,343	$66,256	$67,196	$67,841	5.3%
Unemployment Compensation	$0	$0	$0	$0	$0	$0	0.0%
Benefits	$0	$0	$0	$0	$0	$0	0.0%
Legal/Contract Services	$585	$585	$590	$596	$604	$612	4.7%
Other Miscellaneous	$22,343	$22,343	$22,572	$22,831	$23,161	$23,546	5.4%
Total	**$929,957**	**$929,957**	**$942,662**	**$955,771**	**$969,338**	**$978,816**	**5.3%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Department of Building and Housing Development
Projected Expenditures – Personnel and Non Personnel

Category	2011 Budget	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Personnel Expenditures	$907,029	$907,029	$919,499	$932,343	$945,573	$954,658	5.3%
Non Personnel Expenditures	$22,928	$22,928	$23,163	$23,427	$23,765	$24,158	5.4%
Total	**$929,957**	**$929,957**	**$942,662**	**$955,771**	**$969,338**	**$978,816**	**5.3%**

Source: 2011 City Adopted Budget, 2011 – 2015 PEL Estimated/Projected

Initiatives

DBHD's potential impact on Harrisburg's current budget crisis is both short term – addressing blighted properties in the City – and long term - initiating an economic development plan that encourages businesses to start and stay in Harrisburg. In addition, keeping the Department fully staffed (by using provided funds from the Federal Government) is a practical way to ensure its success.

BH01.	Increase fees, fines and charges based on fee study results	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	Mayor and City Council

DBHD currently charges fees for services provided to property owners and those doing business in the City (see Appendix E). These fees are intended to reflect the market rate for these services and to offset the cost of performing the service. DBHD fees have not been evaluated and adjusted since 2002 for health fees and 2003 for trade contractor fees.

During the development of this Recovery Plan, the City has issued an RFP for a Full Cost Recovery Fee study. The Act 47 Coordinator's initial assessment indicates that DBHD's current fees are below average when compared with other Third Class cities in Pennsylvania.

Based on the results of the fee study, the City shall adopt a revised schedule for all DBHD fees, fines and charges. The financial impact will be determined upon completion of the fee study. However, it is estimated that additional revenue could total $100,000 annually.

BH02.	Quantify extent of inspection backlog and hire additional Codes Enforcement Officers to clear and prevent backlogs	
	Target outcome:	Improved service and increased revenue
	Five year financial impact:	Not available
	Responsible party:	Director of Building and Housing Development

Staff were unable to quantify the current backlog in rental inspections. However, of the 11,000 rental properties, only 2,370 inspections were completed over the last three years, according to data provided by the City. This backlog only takes into account rental inspections, and does not include other building and property maintenance inspections, for which a backlog also exists. To accurately determine the current backlog, the City shall conduct an assessment of all inspections, including the Rental Inspection Program, to determine the extent of the backlog.

In addition, the City shall pursue legislation to ensure out of state landlords have a local representative to respond in a timely manner to all requests from the City. This will also assist in decreasing the workload on the inspections staff by decreasing the number of re-inspections for rental properties.

Based on the results of the assessment, the City shall hire up to four additional Codes Enforcement Officers to ensure inspection volume can be maintained without future backlog. It may be necessary for the City to contract for temporary inspection services to assist with clearing the current backlog of inspections.

Each Codes Enforcement Officer is assumed to handle approximately 1,140 inspections per year. The total additional inspection volume of four codes officers should maintain the Codes Inspection program, including the Rental Inspection Program at a true three year cycle, and allow Codes staff to stay current on all inspections, including illegal dumping reports. If the Codes backlog assessment indicates true inspection volume should be higher or lower than 4,560 additional inspections per year, the City shall adjust the number of new Codes Enforcement Officers accordingly.

Four additional Codes Enforcement Officers will cost approximately $200,000 per year in salaries and benefits. Additional revenue from increased fees and an increase in the number of inspections is expected to offset the cost of additional officers. While the specific amount of revenue generated will be determined by the fee study discussed in BH01 above, even modest increases are expected to yield approximately $100,000 in additional annual revenue.

BH03.	**Contract for demolition of blighted structures**	
	Target outcome:	Improved neighborhood safety and appearance
	Five year financial impact:	Not available
	Responsible party:	Director of Building and Housing Development

The City has a backlog of 300 blighted properties that have been condemned but not demolished. DBHD maintains the list of blighted properties and works with DPW demolition crews to complete the demolitions. DPW crews have historically been utilized to complete these demolitions. DBHD only processes demolition orders once it is clear DPW has the staff to proceed on a new demolition project. Often DBHD will process demolition orders for all properties in need of demolition on a specific block or in a specific neighborhood to improve the efficiency of the DPW crew. The properties chosen for demolition often depend more on proximity to each other rather than length of time under condemnation or severity of code violations. The intent is that eliminating all blighted properties in a specific area will encourage redevelopment.

Currently, there is approximately $400,000 in CDBG funding available for demolitions in the City. Approximately $160,000 of this funding is budgeted in DPW and is reimbursed upon project completion. The remaining $240,000 is a CDBG reimbursable grant. No General Fund money has been provided for demolitions (other than the DPW portion, which is reimbursed with CDBG funds upon project completion). The current budget allows for approximately 40 demolitions per year at the current funding level.

To maintain a clean, safe, and desirable appearance, the City needs to significantly increase the rate of demolitions of these blighted properties. However, this cannot be done with the current funding. Therefore, the City shall pursue additional grant funding to eliminate blighted properties within the City based on a prioritized list of properties. The City shall contract for this work rather than utilize in-house DPW crews.

Following demolition, DBHD's strategy has been to attempt land assemblage and marketing for private sector development. Until the resale of the properties is completed, DBHD provides opportunities for residents and community organizations to "adopt a lot" or "adopt a block" for maintenance, beautification and urban gardening. These efforts should be continued. Additional information about addressing this issue can be found in the Housing chapter of this Recovery Plan.

BH04.	**Assemble and systematically deploy code enforcement teams**	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Deputy Codes Administrator

As discussed throughout this Recovery Plan, decreasing resources and increasing workload require a reexamination of traditional service delivery to ensure the most efficient use of staff time. With guidance and support from the Act 47 Coordinator, the City shall assemble and systematically deploy code enforcement teams to target crime "hot spots" throughout the City and address the most egregious code violations through code enforcement and public safety staff partnerships.

Preparing the teams for their work will require training police officers and fire prevention staff to recognize the top code violations on which they can take action, and training code enforcement staff to see how their work relates to law enforcement. Staff in the Bureaus of Police, Fire and Codes will provide this training to their peers.

The Deputy Codes Administrator, with support from the Police and Fire Chiefs, shall act as commander for the enforcement teams and will be responsible for all staffing and deployment decisions. Along with the Police and Fire Chiefs, the Captain of Uniformed Patrol (Police Bureau), the Deputy Fire Chief and Battalion Chiefs (Fire Bureau) shall offer their input when called upon by the Deputy Codes Administrator to provide guidance on enforcement team management. The Deputy Codes Administrator shall report regularly to the Chief of Staff/Business Administrator on the development and implementation of this initiative. With guidance and support from the Coordinator, staff within the Bureaus of Codes, Police and Fire shall collaborate in designing a work plan that allows staff participation on the enforcement teams within the established scope of their relevant authority and will apply lessons learned from previous, similar initiatives to design a system for team staffing and deployment.

This multi-agency code enforcement model has been implemented successfully in other state and local jurisdictions, particularly New York City.[59] An example of the multi-agency approach: if a corner store in the City is drawing a disorderly crowd, is possibly the site of low-level drug sales and generally sees a high volume of crime and violence in the area, a multi-agency enforcement team would be deployed. The Police Bureau would provide strict public drinking and drug enforcement. Based upon fire safety inspection results, Fire Prevention staff may issue citations for safety hazards, possibly necessitating the temporary closure of the store and payment of fines. Code enforcement staff would issue notices of violation for any exterior maintenance issues. If possible,

[59] References to MARCH (Multi-Agency Response to Community Hotspots) in New York City: New York City Department of Health and Mental Hygiene (http://www.nyc.gov/html/doh/html/inspect/comm-san.shtml); New York State Liquor Authority (www.abc.state.ny.us/system/files/CB_Q-n-A.pdf).

the team would also work with the proper County or Commonwealth authorities to issue pricing violations, licensing violations or sales tax violations. By targeting every aspect of the chronic crime problem simultaneously, the City can more efficiently and effectively address conditions that negatively impact residents' quality of life in the identified area.

BH05.	**Adopt legislation requiring a local responsible agent for rental property within the City**	
	Target outcome:	Improved neighborhood safety and appearance
	Five year financial impact:	Not available
	Responsible party:	City Council

The City has experienced difficulty addressing code violations on rental properties owned by out of town landlords. Therefore, the City shall adopt legislation requiring a local agent who is available and responsible for all necessary inspections, issues or other requests from the City that require action from an owner or agent.

Similar legislation was presented to the City Council in 2010, but no action was taken. This, or similar, legislation shall be adopted as soon as is possible to assist DBHD with enforcement of property maintenance on rental properties in the City.

BH06.	**Adopt modifications to the Buyers Notification Program**	
	Target outcome:	Improved service
	Five year financial impact:	Not available
	Responsible party:	City Council

The City shall adopt modifications to the Buyers Notification Program that would make the program optional for all but condemned properties. The Buyers Notification Program will remain available for a fee to those property owners interested in the service. However, as it is currently structured and staffed, this program does not add significant value to future property owners. The limited resources of the Bureau of Codes should be focused on efforts that will target the City's most pressing quality of life issues facing its neighborhoods.

BH07.	**Fill vacant CDBG funded positions**	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Director of Building and Housing Development

According to staff, the CDBG funds that the City received currently have significant unused staffing allocations. This staffing allocation in CDBG funds is provided by HUD as the appropriate staffing level to properly utilize the allocated funds. A lack of proper staffing can be viewed critically by HUD.

DBHD has several vacant staff positions that are fully supported by CDBG. These positions include a Project Director, a Project Officer, a Rehabilitation Specialist and a Grants Officer. The City shall aggressively pursue the filling of these positions.

BH08.	**Update the City's Comprehensive Plan**	
	Target outcome:	Improved community development
	Five year financial impact:	($80,000)
	Responsible party:	Director of Building and Housing Development

A city's Comprehensive Plan is intended to reflect what the community wants the city to be in the future. In Harrisburg, the Comprehensive Plan has not been updated since 1974. The City is a Metropolitan Planning Organization (MPO), and as such, works in cooperation with the region's primary planning commission, Tri-County Regional Planning Commission (TCRPC). There have been several addenda to the Plan that have addressed pressing development issues faced by the City including a Draft Zoning Ordinance and a Draft Tax Abatement Program, both currently being considered by Council. In order to ensure for well-planned future development, the City shall complete an update of the Comprehensive Plan. This updated plan shall include:

- A physical plan, showing on the map and describing in the text the location and relationships between specific land uses and densities of development.
- A long range plan, examining Harrisburg's expected future growth and graphically displaying the ultimate development of the City.
- A comprehensive plan addressing issues such as population, housing and economic trends which have and will continue to influence land development in Harrisburg.

This Plan should be not only chapters and maps reporting on land use, housing and other areas, but it should also be a process map to guide decisions and commitments which are made for future community character and economic development. As such, this process used for updating the Comprehensive Plan shall also involve key Harrisburg stakeholders, such as residents, businesses and community organizations, the Harrisburg Regional Chamber/Capital Region Economic Development Corporation, TCRPC and other City partners. Funding to offset the cost for this initiative is being sought through DCED Act 47 grants.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	($80,000)	$0	$0	$0	($80,000)

Housing

Overview

According to the 2010-2014 City of Harrisburg Consolidated Plan, the City seeks to provide "decent housing by preserving the affordable housing stock [and] increasing the availability of affordable housing." As such, the City attempts to reduce high housing costs that "reduce economic opportunities, access to jobs and services and the ability of lower income households…to live in the neighborhoods of their choice." Specifically, high housing costs in some areas of Harrisburg create an affordability gap which results in a concentration of lower income households in older neighborhoods that have higher levels of substandard housing and overcrowding.

At over 20%, Harrisburg's vacancy rate is twice that of the rate for Dauphin County and the Commonwealth and is the second highest among comparable sized Third Class cities. Likewise, over half of Harrisburg's housing stock consists of pre-1940s construction which is twice as high as the age of the housing stock in the County and the Commonwealth.

Through housing assistance and redevelopment, multiple agencies and organizations currently exist to provide quality, affordable housing in Harrisburg as described below.

City of Harrisburg

The City provides several programs that assist residents with home purchases and home repairs. The Home Improvement Program assists homeowners with improvements to bring their homes up to code. Through the Home Opportunities Program, the City rehabs vacant properties and sells them to LMI homeowners. The Lead Abatement Program provides for lead abatement in residential homes. The Home Emergency Loan Program provides funding to assist homeowners with emergency repairs. The City also works with stable renters of single family homes to purchase their homes by providing closing cost assistance through its Homeownership Impact Loan Program (HIL). In addition, the City has an emergency shelter grant which provides funding for three agencies operating homeless shelters (additional detail on all of these programs can be found in the Department of Building and Housing Development chapter of this Recovery Plan).

The City of Harrisburg maintains a portfolio of loans to small business owners for business development and to homeowners purchasing housing through one of the City programs (additional detail can be found in the Economic Development chapter of this Recovery Plan).

In addition, the City partners with several organizations to create affordable housing opportunities, listed as "Other Community Partners" below.

Harrisburg Redevelopment Authority

The HRA's mission is to "eliminate blighting conditions that inhibit neighborhood reinvestment, to foster and promote sustainable neighborhood revitalization and urban renewal and to facilitate new business and housing development." To achieve this mission, the HRA prepares and implements comprehensive redevelopment plans for the City. It is empowered by the Pennsylvania "Urban Redevelopment Law" Act of 1945 to assemble real estate for redevelopment, borrow money, issue bonds, make loans and condemn property via eminent domain to further its redevelopment activities. To achieve this mission, and in accordance with the Act, the HRA can prepare and implement Urban Renewal Plans for the City.

The HRA cannot use eminent domain to acquire occupied property when there is not an Urban Renewal Plan in place for the area being considered. When there is no Urban Renewal Plan, properties being considered must be vacant, be classified as "blight" properties and must follow the processes for acquiring property through the Harrisburg Vacant Property Reinvestment Board (to which board members are appointed by the City, not the HRA). Frequently the HRA also obtains property through an amicable purchase with the owner who has abandoned the property.

The HRA currently owns 566 properties including small vacant parcels, vacant homes, commercial parcels and buildings. The greatest benefit to using a vehicle such as the HRA to acquire and redevelop property is the clear title obtained when the Urban Renewal Law instructions have been followed. Without this clear title, these properties would be of little interest to private, for-profit organizations.

The following are the largest current projects with which the HRA has assisted:

- The Marketplace Townhomes in Midtown Harrisburg is a phased development with the most current phase being released in 2011. The current phase consists of 97 parcels and four overflow parking lots. In the two previous phases, 38 single-family homes were built and sold. In 2005, S&A Homes became the builder, bidding to build the remaining 71 new homes. Eighteen of those homes have been completed and sold to date. Some homes sold to date benefitted from 10-year tax abatement. Future sales will be eligible for the City's proposed 5-year tax abatement program currently being considered by Council. Capital Heights (previously the Lottsville neighborhood) features 176 single-family townhomes and duplex units in Uptown Harrisburg. It was awarded the Mayor's Award of Excellence for New Housing in 2001. Covering 18 city blocks, Capitol Heights is composed of five phases. At the time of this report, 133 homes have been built and sold. Phase one through three included 125 homes, priced between $90,000 and $200,000. Phase four, currently under construction, will build 60 new homes with prices starting at $150,000. Struever Brothers, Eccles & Rouse, Inc. was the initial development and contracting company working in conjunction with the City and the Pennsylvania Housing Finance Agency. Recently the HRA approved replacing Struever Brothers, Eccles & Rouse, Inc. with GreenWorks Development Company as the contractor.

- The first phase of Governor's Square was The Residences. It was composed of 222 rental units previous called the Maclay Street Apartments. Landex Corporation, in cooperation with Struever Brothers, Eccles & Rouse, Inc., was selected by the HRA to redevelop the Maclay Street Apartments into a rental and ownership development in Uptown Harrisburg. The finished rental portion of Governor's Square received the 2009 Best of Living Award for Renovation Excellence. The Townes at Governors Square phase two consists of 71 two and three bedroom townhomes. For this phase, Landex Corporation is working with the City of Harrisburg, the U.S. Department of Housing and Urban Development and the Pennsylvania Housing Finance Agency to attract first time homebuyers, including 10 year tax abatement incentives. Additional financing was confirmed from the Pennsylvania Housing Finance Agency in July 2010, and construction is expected to commence on the remaining 69 units in 2011. The remaining 69 units are long-term lease/purchase and single-family homes. These 69 units are a mix of moderate-, low-, and very-low income units. The Harrisburg Housing Authority is delivering operating subsidy for the very-low income units.

- The HRA is also participating in the 1500 Project, a Vartan Group, Inc. project where 12 HRA owned parcels comprise part of the footprint of the Vartan mixed use development at 1500 North 6th Street.

- The HRA has been instrumental in promoting and building the Susquehanna Harbor Safe Haven, a homeless facility with dorm space for 18 persons, 10 single-room occupancy units and the community hall which is used by the Downtown Clergy's "Winter Overnight Outreach" program that can house up to 40 additional people..

The HRA maintains ownership of numerous parcels in Capital Heights (58), for the Harrisburg Area Community College (62) and for the Safe Haven Shelter (11). In addition to vacant parcels, HRA currently owns 19 vacant structures, 7 of which, were acquired for future development for the HACC Midtown Campus. One structure was acquired for the Fire Museum expansion, four were acquired for the HOP program and are scheduled to be sold to investors, and seven structures have been acquired to eliminate blight and to be redeveloped.

Harrisburg Housing Authority

The mission of the Harrisburg Housing Authority (HHA) is to:

> Serve the needs of low-income, very low-income and extremely low income families in the City of Harrisburg and to: (1) Maintain the availability of decent, safe and affordable housing in its communities; (2) Ensure equal opportunity in housing; (3) Promote self-sufficiency and asset development of families and individuals; and (4) Improve community quality of life and economic viability.

The HHA currently has over 1,750 housing units and is funded primarily through Federal grants for LMI housing. It also collects 11.5% of its operating expenses through dwelling rental income.[60] There are currently over 1,200 families on the HHA waiting list for housing, the equivalent to over an 18 month wait for housing. There are also over 400 on the Housing Choice Voucher (formerly Section 8 Housing) waiting list. The Housing Choice Voucher program allows participants to pay up to 30% of their income in rent, and the remainder is paid by the program.

The HHA is in the process of implementing a Housing Authority Development Unit composed of HHA staff that can actively search for additional properties that meet (or could meet with additional work) the requirements for use as public housing. One example would be Jackson Tower, a $15 million new construction apartment tower project that will provide significant additional housing as well as jobs to the community. The HHA is also building a Resident Services Program to assist low income individuals move out of public housing and into jobs and homes where they can be self-sufficient. In support of this initiative, the HHA is hiring low income residents to work on site in certain positions, primarily clerical and maintenance roles. This creates a sense of ownership and pride in the neighborhood.

Other Community Partners

Habitat for Humanity is an interfaith grassroots housing ministry with the goal of eliminating poverty housing. Habitat rehabilitates vacant condemned homes and constructs affordable homes on vacant parcels in the City with volunteer labor and material donations from the community. In addition, the new homeowner must contribute 350 hours of "sweat equity" in their new home. According to the 2009 DBHD Annual Report, "since 1995 the City has provided $761,907.19 in CDBG funds to Habitat's single-family rehabilitation program and, more recently, its Home Repair Program."[61] CDBG funds are used for program delivery and limited construction contracts where the work requires licensed plumbers and electricians. A total of $35,432.19 was awarded to Habitat in the 2009-2010 contract year for the rehab programs. Habitat for Humanity continued work on the rehabilitation of one home. Four homes were sold in 2009; one was newly constructed and three were rehabilitated. The rehabbed units were funded with CDBG funds.

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[60] Draft 2011 Public Housing Authority Plan for the Harrisburg Housing Authority.

[61] Now discontinued due to overwhelming response from Harrisburg citizens soliciting assistance in home repairs.

The City also supports the Tri-County Housing Development Corporation (TCHDC), a certified Community Housing Development Organization. TCHDC's mission is to "develop, produce, promote and maintain housing affordable to low and moderate income person in urban, suburban, and rural portions of Dauphin, Cumberland, and Perry counties, to foster supportive services designed to enhance the clients self sufficiency, and promote the corporations affordable housing efforts." TCHDC's Capital Corridors Rehabilitation Program involved the purchase and redevelopment of condemned single-family homes on Derry Street, South 13th Street and South 17th Streets in Downtown Harrisburg. In total, TCHDC has provided 668 units of LMI housing for the Tri-County area since 1990.

Rebuilding Together is a volunteer based non-profit created to help provide home repairs for low income families and the elderly. Donations of both time and materials are used to ensure safe, comfortable homes for LMI families in Harrisburg. Frequently homeowners are referred to Rebuilding Together from the City's Home Improvement Program wait list.

Assessment

Despite all of the agencies and organizations attempting to address the housing issues in Harrisburg, efforts are not coordinated and the result is a piece-meal approach to housing improvement and an ineffectual strategy with vacant parcels. There is an acknowledged need (emphasized by City staff, HHA staff and HRA staff) for greater partnerships between the City, the HRA and the development community. The City needs to take a leadership role in this coordination effort.

The City faces a significant challenge with vacant structures and parcels throughout the community. In some cases, these properties have become illegal dumping grounds. DBHD must increase its enforcement in regards to this illegal dumping. Based on experiences in other communities, it is anticipated that adjacent properties will see a decline in their property values as a result of this illegal dumping. There have been numerous intermittent strategies on the part of the City and the HRA to dispose of excess land. Perhaps the most potentially beneficial is "land banking" vacant parcels for future development. However, without a specific project or goal in mind, this has become an expensive proposition. The City and the HRA have also attempted to donate parcels to Habitat for Humanity, give parcels to a neighborhood group for open space or community gardens, inform adjacent property owners of the process required to purchase the parcel by paying back taxes (in the case of demolitions by the City) or sell the property themselves to private developers.

When possible, the City attempts to acquire vacant structures for the purposes of rehabilitation. Once rehabbed, the properties are returned to the market for sale to LMI buyers. Due to current housing market conditions, there are eight homes that have been listed for over 1,000 days. The average sales price has been approximately $60,000, while the average cost of rehabbing a property has been approximately $140,000.

In many cases, the City will demolish blighted, condemned properties. In coordination with the HRA, the City identifies and maintains a list of properties that need to be demolished. As described in detail in the DBHD chapter of this Recovery Plan, the City has over 300 properties on the demolition list that have been condemned but have not had a demolition order issued. However, this list changes on a daily/weekly basis as homeowners pay back taxes, bring properties up to code or sell properties to avoid the costs associated with demolition. However, staff posit that frequently the same "group" of properties are on the list.

Once demolished, the property owner is charged for the work, and the City provides adjoining property owners information related to assuming ownership of the parcel from the County for a small fee (to remove tax liens, other fines and fees). Many property owners decline due to the City's policy on property taxes which results in a higher tax rate on vacant land. Occasionally an agreement is reached to create a neighborhood garden. In this instance, the property is leased to the neighborhood for $1, and the neighborhood agrees to maintain the property for the City. This method is used by both the City and the HRA.

Any remaining vacant parcels then become a further issue for the City. For example, all parcels in Capital Corridors in the City (currently 140) are maintained by the City, whether owned by the City or by the HRA. This includes mowing, plowing and general maintenance as needed. This is a further expense and complication for the City after demolishing blighted structures.

Currently the HRA owns over 500 vacant parcels and the City owns over 100 vacant parcels throughout Harrisburg.

One of the primary means to acquiring property for redevelopment in the City is the Vacant Property Reinvestment Board. The Vacant Property Reinvestment Board (VPRB) was established via City Ordinance in 1979, to allow for the review of acquisitions and dispositions of real property under certain specific conditions. It was initially established to deal with the problems of vacant, dilapidated housing degrading the surrounding neighborhood. It was extended to commercial and industrial properties in 1989. The VPRB is composed of one City Council member appointed by the President of the City Council, the Executive Director of the HRA, one member of the City Planning Commission appointed by the Commission's Chairman, the Director of DBHD and one additional member to be chosen by the Mayor of Harrisburg.

The Harrisburg City Planning Commission presents properties to the VPRB when it determines the property in question is a blight on the surrounding neighborhood, based on the following conditions:

- Any property that has been declared a public nuisance;
- Any property that has been considered an "attractive nuisance" to children;
- Any dwelling considered unsafe or lacking the proper facilities required by the Housing Code, and deemed unfit for human habitation by the Codes Administrator;
- Any structure which is a fire hazard;
- Any structure where utilities have been disconnected, and therefore unfit for habitation;
- Any vacant parcel in an otherwise built up neighborhood which has become a dumping ground;
- Any unoccupied property which is tax delinquent for more than two years; or
- Any vacant property, not tax delinquent, but not rehabilitated within one year of notice to rehabilitate from the City.

Assuming the VPRB certifies that the blight property is in need of rehabilitation or elimination, the Board must serve notice to the property owner of the proceedings, then HRA pursues acquisition of the property via purchase, gift, bequest, eminent domain or otherwise.

The Vacant Property Reinvestment Board has additional responsibilities as well:

- Advise the HRA regarding policies and procedures affecting property acquisition and disposition;
- Advise the City regarding financial and technical rehabilitation assistance affecting reinvestment in properties;
- Advise other municipal agencies in matters related to property reinvestment;
- Advise appropriate agencies relating to the disposition of public properties in the City; and
- Advise other agencies in the development and implementation of other property reinvestment programs in the City.

While the VPRB has not been disbanded, it does not take full advantage of the additional advisory powers entrusted to it by Ordinance. It only meets on an "as needed" basis, and therefore has not met in over a year as there have been no properties acquired by the HRA.

Initiatives

To improve the housing condition in the City of Harrisburg, the City needs to enhance coordination and cooperation among the various organizations currently endeavoring to provide quality, affordable housing in the community.

HS01.	**Designate a Housing Coordinator**	
	Target outcome:	Improved accountability and coordination
	Five year financial impact:	Not available
	Responsible party:	Mayor

The City's ability to coordinate positive support for housing in Harrisburg is limited because of its lack of coordination between the various players effecting housing in the community. Therefore, the City shall designate a Housing Coordinator to ensure appropriate coordination of the City's resources and activities in promoting a comprehensive housing strategy in the City of Harrisburg (see Initiative HS02). The Coordinator will be the catalyst for discussions with housing and development groups in the City, including but not limited to the HRA, the HHA, Habitat for Humanity, developers and local lenders.

Several options exist for the development of this function: (1) The Housing Coordinator could be a paid position with reallocated funding from CDBG; (2) the role of Housing Coordinator could be assigned to a current staff member with strong ties to housing groups; or (3) a "loaned executive" could be solicited from one of the other housing groups within the City who would have the requisite skills to effectively lead a new housing strategy.

HS02.	Develop a comprehensive housing strategy	
	Target outcome:	Improved accountability and coordination
	Five year financial impact:	($25,000)
	Responsible party:	Mayor, Chief of Staff/Business Administrator and Housing Coordinator

After the City has chosen a Housing Coordinator, he/she shall begin by devising a comprehensive housing strategy for the City of Harrisburg. The Housing Coordinator shall convene a working group composed of representatives from the City Council, the HRA, the HHA, City staff and other key partners. The purpose of this working group shall be to develop a comprehensive housing strategy. This group will provide valuable assistance and information; however, coordination, presentation and tracking of results will remain the responsibility of the Housing Coordinator.

At a minimum, the housing strategy shall incorporate needed improvements in the following areas. This is not an exhaustive list of possible improvements, but rather some specific examples of areas that need to be addressed:

- Neighborhood planning, including short, medium and long range planning should be encouraged by the City. Ideally, this would be a “bottom up” approach, soliciting input from the community. Currently, this is not happening in the City.

- A strategy for assessing new construction vs. rehab development – Guidelines need to be established for all groups to determine areas for renovation of current housing stock and areas for demolition and infill. In addition, by establishing such a strategy, distribution of available funding would be more easily accomplished.

- Live in the City Campaigns - In coordination with the City and local economic development groups, a new emphasis should be placed on “Live in the City” campaigns. There are significant opportunities both in the downtown area as well as surrounding neighborhoods for additional residential infill. The downtown area has significant vacant class B and C office space (currently 421,538 square feet vacant as of March 15, 2011 according to the HRA). There have been successful programs in Philadelphia, York and Lancaster, which have converted vacant space into condo developments to encourage downtown living and working.

Funding to offset the cost for this initiative is being sought through DCED Act 47 grants.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	($25,000)	$0	$0	$0	($25,000)

HS03.	**Utilize Vacant Property Reinvestment Board**	
	Target outcome:	Improved accountability and coordination
	Five year financial impact:	Not available
	Responsible party:	Mayor, Chief of Staff/Business Administrator and Housing Coordinator

The City shall increase the utilization of the VPRB in conjunction with the comprehensive housing strategy for the City. The VPRB should engage with private redevelopment groups and other civic groups in a more proactive manner to encourage community participation and planning as part of the comprehensive housing strategy development process. The VPRB shall assess the organization, need and frequency of vacant structure demolitions within the City, paying special attention to concerns about the impact of blight on the City. The VPRB shall provide the City with recommendations regarding the highest and best use for vacant property, their impact on the City and alternate uses for these vacant parcels.

Economic Development

Overview

The short-term focus of Act 47 recovery plans is fiscal stabilization. This Recovery Plan for the City of Harrisburg includes initiatives to ensure that fiscal stabilization remains a central focus. The long-term focus of a recovery plan must be on economic development – the steps the City must take immediately and in upcoming years to strengthen its economic base, which is critical to providing the resources needed to sustain core municipal services and achieve ultimate recovery.

As the capital city of Pennsylvania and the business center of South Central Pennsylvania, Harrisburg must capitalize on its location and state government role to generate commerce and economic development activity. The City already has a foundation to build upon to support urban renewal and lifestyle improvements including: (1) cultural and entertainment resources; (2) shopping venues; (3) multiple medical services within close proximity; and (4) access to diverse transportation systems including the Capital Beltway system which includes two interstate highways and one state highway as well as the Pennsylvania Turnpike, Interstates 81, 83 and 283, Amtrak passenger rail service to and from Harrisburg and Harrisburg International Airport.

To help capitalize on the opportunities, Harrisburg has:

- multiple economic development groups willing to pursue the same goals as the City;
- several diverse and well-recognized educational institutions within the City and its surrounding areas;
- a central location to multiple transportation modes (important to both City residents and businesses looking to locate in the City); and
- a role as regional hub for government and politics with all executive, legislative and judicial functions of the Commonwealth located within the Pennsylvania State Capitol Complex and at various nearby locations.

Currently, there are various strong and active economic development groups within the Harrisburg City limits:

- The Harrisburg Regional Chamber/Capital Region Economic Development Corporation;
- Harristown Development Corporation;
- Harrisburg Redevelopment Authority;
- Harrisburg Downtown Improvement District;
- Dauphin County Department of Community and Economic Development; and
- Dauphin County Economic Development Corporation.

All of these are critical organizations willing to coordinate and assist with a long-term economic development strategy and plan for the City. In addition to economic development organizations, there are multiple development groups interested in moving the City forward. An example of this public/private partnership is a group called Harrisburg 20/20 which includes business and community leaders dedicated to the growth of the City of Harrisburg. The group has a vision of a world class and sustainable medium-sized city that is outgrowing the region in population and is dramatically improved by the year 2020.[62] Not only does the City have multiple economic development

[62] Brad Jones, Harristown Development Corporation, Powerpoint Presentation "Harrisburg 2020: A Vision for the Future", Slide 2. Harrisburg 20/20 is an Ad Hoc Committee of HRC/CREDC

organizations, there are also multiple educational institutions within close proximity to the City or even within the City, including:

- Harrisburg Area Community College;
- Harrisburg University of Science and Technology;
- Penn State Harrisburg Eastgate Center;
- Temple University Harrisburg Campus;
- Messiah College;
- Widener University Harrisburg Campus;
- Duquesne University Capital Region Campus;
- Penn State Hershey Medical Center; and
- Penn State Harrisburg.

Assessment

For most of the last three decades, the City of Harrisburg's economic development section/division/department has undergone many transformations due to both external and internal factors. Initially, the Office of Economic Development was established to house the Mayor's Office of Minority Business Enterprises (OMBE) in 1983. Soon after, in 1984, the Mayor's Office of Business and Industrial Development (OBID) was established to work with OMBE to develop new projects and business ventures for the City. In 1990, a consolidation occurred between these offices which established the Mayor's Office of Economic Development (MOED). Ultimately, MOED was responsible to promote and advance business and industrial development. MOED served as the "gatekeeper" to other sources of financing at the county, state, and federal levels.

In 2001, the Mayor's Office of Special Projects (MOSP) was established to provide organizational leadership for diverse, high-profile and long-term projects such as City Island's Skyline Sports Complex, Riverside Stadium, Riverside Village Park, the National Civil War Museum, the Municipal Solid Waste and Recycling Center, Central Energy Office and the Harrisburg Energy Recovery Project. In 2004, there was another merger of economic development agencies with MOED and MOSP merging into MOEDSP.[63] The purpose of MOEDSP was "to assist individuals and businesses in successfully navigating through the process of starting, relocating, or expanding a business within the City of Harrisburg."[64] A variety of other functions were also housed in the office (e.g., cable franchising, TV station, Broad St. Market, website, energy consortium and representation of City on Boards), which diluted the office's focus on development activities. However, following the mayoral transition and loss of personnel within MOEDSP in 2010, MOEDSP essentially dissolved; currently City economic development efforts are housed in DBHD's Bureau of Economic Development.

As mentioned in the DBHD chapter of this Recovery Plan, the Department has broad community development responsibilities. Its overall purpose is to plan and guide development, implement and enforce codes and operate neighborhood renewal programs. Unfortunately, the City does not have a proactive economic development strategy. The City's limited economic development efforts are managed solely by the Director of DBHD, who is encumbered by many other departmental responsibilities.

[63] http://www.harrisburgpa.gov/Business/Doing_Business.html
[64] Ibid

Most recently, many of the economic development projects within the City have been spearheaded by other economic or community development agencies such as the Harrisburg Regional Chamber and Capital Region Economic Development Corporation (CREDC) and the Dauphin County Community and Economic Development Department. More recent projects that have occurred in the City include the establishment of Harrisburg University in downtown as well as the establishment of Harrisburg Area Community College in Midtown. Both colleges provide opportunities to reach out to diverse populations and open doors to introduce these populations to Harrisburg.

DBHD has worked with and continues to partner with the HRA. The HRA's primary mission is to improve development and investment within the City as well as to bring investment to the City. HRA often partners with City departments such as DBHD and other City agencies. The City consistently looks to the HRA to acquire distressed properties since the HRA can assert eminent domain for blight elimination and urban renewal plans. The HRA uses DBHD CDBG funds for property acquisition, management and disposition. Conservatively, over the last 10 years, the HRA has acquired 697 blighted or distressed properties, and successfully redeveloped 536 of those blighted properties. Currently, the HRA's inventory of blighted properties is 566, of which approximately 264 are under contract or currently being redeveloped. The HRA is vital to urban development and redevelopment. Moving forward, a strong partnership between DBHD and HRA will be critical to success of the City's economic development efforts.

Current Status of Regional Economic Efforts

While some projects within the City have come to fruition over the past decade, currently, the City of Harrisburg is at a crossroads for economic and community development. Multiple economic and community development projects have been identified by key stakeholders. However, a coordinated effort is needed to identify, prioritize and implement the projects. Due to essential and overarching concerns including the higher cost of doing business within the City limits, lack of a coordinated relationship among City government and the business community, and pressing infrastructure needs, there are a few economic development projects which are taking longer than expected to finish or are not being started at all. There has been a steady decline of residents within the City in recent years as well as a steady incline of businesses leaving the City for a cheaper cost of doing business "just across the river."

The following subsections provide statistics which reveal the decline in population and the accelerated rate of businesses leaving the City.

Population Decline

In 1950, the population of the City of Harrisburg was approximately 90,000. By 2000, the population of the City had dropped under 50,000. Along with the population decline, there have been no new residential multi-family projects built in decades within the City; currently home ownership is the lowest in the region (42% home ownership compared to home ownership rates of 70% in West Shore communities and 72% in East Shore communities).[65]

Business Flight and Avoidance

Currently, businesses are not seeking to locate headquarters in Harrisburg and there are multiple vacant anchor buildings which are ultimately "opportunities not realized."[66] Businesses are not locating their headquarters in the City due to higher taxes, parking fees, higher utilities and a small number of readily available large sites. Over the last few decades, very few companies have sought to locate their headquarters in Harrisburg; these include: (1) Pinnacle Health; (2) Hersha; (3) Central Penn Business Journal; and (4) Penn National Insurance. On the contrary, the list of companies

[65] Ibid

[66] Brad Jones "Harrisburg 20/20: A Vision for the Future" PowerPoint Presentation

which have left the City for other locations is eye-opening. The following are the companies that have left for other locations (all within the last decade (2000-2010):[67]

- Academy of Medical Arts (2003)
- Arcus (2006)
- Barbizon School of Modeling and Acting (2005)
- Belco (2006)
- Corporate University XChange (2007)
- Crabtree Rorhbaugh & Associates (2000)
- Harrisburg Magazine (2003)
- Hayes Large Architects (2004)
- Mediquill (2005)
- Morgan Stanley Dean Witter (2001)
- Pennsylvania Association of Mutual Insurances (2000)
- Skelly and Loy, Inc. (2007)
- Smith Barney (2009)
- Susquehanna Bank (2008)
- Wendt Partners (2007)

Despite the number of companies choosing to relocate, the number of new jobs generated by those headquarters choosing to locate in Harrisburg is still far greater. Based on best available estimates, the number of jobs lost from the relocation of these companies is approximately 330. Conversely, the number of jobs the headquarters noted above brought to the City is approximately 4,675.

Within the last five years, there has been a definitive fluctuation in occupancy rates and inventory within the Harrisburg Downtown Business District. Beginning in 2006, the numbers reveal a strong year for the Downtown Business District.[68] In 2006, absorption totaled 103,100 square feet (s.f.) and occupancy and rental rates remained at or near all time highs while available inventory continued to decline, closing the year at 247,000 s.f. In 2006, the redevelopment of the Downtown Business District was an important component in keeping tenant interest and demand in Downtown Harrisburg. In 2007, mixed results were seen in the Downtown Business District. Absorption totaled a negative 7,600 s.f. after two years of positive gains.[69] In 2007, there was a weakened demand overall and the Downtown Business District was unable to move figures to positive levels. The total inventory in 2007 was 270,319 s.f. In 2008, overall, the Downtown Business District attempted to recover from its performance in 2007. Absorption totaled 46,769 s.f. and total available inventory closed the year at 290,750 s.f.[70]

In 2009 there was a distinct change in the dynamics of the Downtown Business District. First, absorption totaled a negative 81,224 s.f. In the Market Watch Year End-Report (2009) completed by Landmark Realty, the market summary states "…incinerator issues, tax concerns and Mayoral races fueled uncertainty throughout the year."[71] The juxtaposition of Downtown Business District inventory increasing and demand for the space decreasing created a critical dilemma for the District. The total available office space increased to almost 428,000 s.f. and occupancy rates dropped in every segment. As for 2010, the latest Landmark Realty Market Watch Report (3rd quarter 2010) revealed a continued negative absorption. In the third quarter of 2010, absorption totaled negative 30,600 s.f. Details reveal that the Class A segment of the market remained unchanged at 94% as absorption

[67] Note years are best estimates provided from Harristown Development
[68] Landmark Commercial Realty Inc., Market Watch Year End 2006
[69] Landmark Commercial Realty Inc., Market Watch Year End 2007
[70] Landmark Commercial Realty Inc., Market Watch Year End 2008
[71] Landmark Commercial Realty Inc., Market Watch Year End 2009

totaled a negative 1,700 s.f. The Class B+ segment totaled a negative 14,500 s.f. and occupancy rates dropped to 89%. The Class B segment totaled a negative 14,400 s.f. as occupancy rates move to 87%. In summary, the Landmark Commercial Realty Third Quarter 2010 Market Watch Report suggests that within the Downtown Business District "…the real estate market continues to see volatility in pricing and demand in the Class B+ and B segments of the Downtown Office Market. This trend will most likely continue into the Fourth Quarter of 2010 as Harrisburg's fiscal picture becomes clearer. The Class A segment remains on solid footing, fueled by government related transactions and lobbyists who see the importance of being in close proximity to the Capitol Complex. Unfortunately, Class B+ and B availabilities continued to increase and must strengthen in order to improve the office climate of Downtown going forward."[72]

An even more daunting statistic (as of March 18, 2011), reveals the vacant office space (in square feet) within the Harrisburg Central Business District:

Vacant Office Space, Central Business District

	Location	Available Square Feet	Gross Bldg SF[73]	% Vacant
1	112 Market Street (Veterans Bldg.)	10,300	50,750	22%
2	213 Market Street (M&T Bldg.)[74]	11,800	243,930	5%
3	225 Market Street (Ben Olewine Bldg.)	17,500	79,400	22%
4	301 Market Street (Kunkel Bldg.)	23,000	38,500	60%
5	415 Market Street (Transportation Ctr.)[75]	7,400	89,700	8%
6	2 North 2nd Street (PNI Bldg.)[76]	5,300	218,500	2%
7	17 North 2nd Street (Market Sq. Plaza)[77]	18,000	260,000	7%
8	17 South 2nd Street (Skarlatos & Zonarich)	12,000	37,000	32%
9	101 South 2nd Street (Executive House)[78]	5,700	275,500	2%
10	101 North 2nd Street (Metro Bank Bldg.)	12,330	21,000	59%
11	300 North 2nd Street (Commerce Towers)	15,370	72,000	21%
12	310 North 2nd Street	7,500	13,750	55%
13	30 North 3rd Street (30 North 3rd Bldg.)	36,000	213,000	17%
14	200 North 3rd Street (Fulton Bank Bldg.)	16,533	80,000	21%
15	208 North 3rd Street (Mary Sachs Bldg.)	11,455	20,000	57%
16	240 North 3rd Street (Shoemaker Bldg.)	23,000	55,000	42%
17	500 North 3rd Street (State St. Bldg.)	4,200	33,800	12%
18	210 Walnut Street	5,000	21,600	23%
19	11 N. 3rd Street (Strawberry Square)	25,150	277,000	9%
20	17 N. 2nd Street, 15th Floor [79]	41,000	185,000	22%

[72] Landmark Commercial Realty Inc., Market Watch Third Quarter 2010
[73] The Gross s.f. is much higher that the Leasable, so the real vacancy rate is higher.
[74] Buchanan Ingersoll will be vacating over 35,000 s.f. in 2012 (to move to 2nd and State Streets)
[75] The Transportation Center total building S.F. includes the 1st floor and the basement with Amtrak and the Bus Line.
[76] 2 North 2nd St. (PNI Bldg) is mostly owner occupied.
[77] Buchanan Ingersoll will be vacating one floor (approximately 16,000 s.f.) in 2012.

[78] 101 N. 2nd St. (Executive House) total building s.f. includes apartments.
[79] Also Strawberry Square total s.f. excludes 1 million square feet of SO1 and SO2.

	Location	Available Square Feet	Gross Bldg SF[73]	% Vacant
21	212 Locust Street (Locust Court)	5,300	60,300	9%
22	116 Pine Street	14,000	64,200	22%
23	301 Chestnut (Pennsylvania Place)	14,500	55,000	26%
24	417 Walnut St. (State Chamber Building)	14,000	49,000	29%
25	22 S. Third St. (Keystone Building)	4,500	22,290	20%
26	111 N. Front St.	13,500	13,500	100%
27	305 N. Front St.	7,400	56,000	13%
28	600 N. Second St.	3,500	16,500	21%
29	215 Pine St.	12,000	12,000	100%
30	401 N. Second St.	6,700	6,700	100%
31	229 State St.	2,800	2,800	100%
32	800 N. 3rd St.	8,300	39,000	21%
33	115 State St.	1,700	4,800	35%
34	126-128 Walnut St.	4,800	9,000	53%
	TOTAL VACANT SQUARE FOOTAGE	**421,538**	**2,696,520**	**16%**

Initiatives

The City of Harrisburg has multiple amenities and characteristics which are foundational to economic and community development for a prosperous City. To move forward and focus on a long term goal of economic development, the City of Harrisburg should consider initiatives such as (1) Designation of an economic development coordinator, (2) Coordination of an economic development strategic plan, (3) Revisions and implementation of a strong tax abatement strategy which benefits all members of the City and (4) Effective management of the former MOED office loan portfolio.

ED01.	**Designate an Economic Development Coordinator**	
	Target outcome:	Improved leadership and coordination
	Five year financial impact:	Not available
	Responsible party:	Mayor

The City's ability to coordinate and lead economic development activities has been hindered by multiple operational challenges including: (1) lack of qualified personnel/staff; (2) lack of institutional knowledge; (3) a growing portfolio of projects without a growing staff; and (4) lack of an overall economic development strategic plan. To improve the economic development coordination within in the City of Harrisburg, the City must focus on solidifying a strong leader over the economic development activities within the City. The City needs a leader to coordinate the Strategic Plan (see Initiative ED02) and direct the daily economic development activities at the City. It is essential that the economic and community development projects happening within the City are managed appropriately. Therefore, the City shall designate an Economic Development Coordinator.

Various options exist to identify and select an Economic Development Coordinator:

1. The Mayor and the Director of DBHD could decide to contract with a local economic development agency such as the Harrisburg Regional Chamber/CREDC for economic development services for the City. The Harrisburg Regional Chamber/CREDC is willing to establish a working relationship with the City and provide an employee from the Chamber for economic development services; or

2. Due to the lack of personnel and lack of institutional knowledge of economic development within DBHD Bureau of Economic Development, hire a qualified, experienced and strong manager for the position of Economic Development Coordinator. This individual will be required to have an extensive background in community and economic development and experience with management of daily economic development activities and coordination of strategic plans. This individual would preferably have strong ties with the City's local economic development agencies and knowledge of their importance.

ED02.	**Develop a coordinated long-term economic development strategic plan**	
	Target outcome:	Improved leadership and strategic focus
	Five year financial impact:	Not available
	Responsible party:	Mayor, City Council and Economic Development Coordinator

The City shall develop a long-term economic development strategic plan focused on progressive urban development utilizing management teams which have the capacity to produce results.[80] This strategic plan should focus on unifying both community and economic development.

Throughout the Act 47 Coordinator's review process with community and economic development stakeholders, there existed resounding support for Harrisburg to be considered "open for business." The comprehensive long-term economic development strategic plan should coordinate efforts with key stakeholders including those within City government, economic development agencies and community agencies as well as non-profit or neighborhood organizations which are stakeholders in the community and economic development future of Harrisburg. The strategy should build on the efforts of these organizations. One committee that has been gathering all stakeholders within the economic development community for the City of Harrisburg is the Harrisburg 20/20 Committee.[81] Entities participating in this Committee include the following:

[80] Brad Jones "Harrisburg 20/20: A Vision for the Future" PowerPoint Presentation
[81] From Brad Jones PowerPoint Presentation, "Harrisburg 20/20: A Vision for the Future". Harrisburg 20/20 is an Ad Hoc Committee of HRC/CREDC

Capital Region Economic Develop Corp
City of Harrisburg
Commerce Bank
Community First Fund
Dauphin County
GreenWorks Development, LLC
Habitat for Humanity
Harrisburg Area Community College
Harristown Development Corporation
Harrisburg Downtown Improvement District
Harrisburg Regional Chamber
Harrisburg University
Harrisburg Young Professionals
HERSHA Group
JEM Group, LLC
Journal Publications, Inc.
Keystone Human Services
M&T Bank
Messiah College
McNees Wallace & Nurick
PNC Bank
Pinnacle Health
Penn National Insurance
Riverview Manor Assoc., LP
Tri-County Community Action Commission
Tri-County Housing Develop Corp
Value Click
Vartan Group, Inc.
WCI Partners

Not every entity listed has been actively involved. However, these entities can be considered necessary stakeholders which need to play a role in coordinating the strategic economic development plan for the City.

The strategy must include action steps with performance measures to track implementation. An example of the action steps includes the following:

1. Foster coordinated relationship among City government and business community;

2. Finalize and approve a zoning code that fosters and expedites quality development;

3. Implement 10 year, 100% tax abatement on improved assessed value City-wide;

4. Promote Keystone Opportunity Zone (KOZ) Sites throughout the City;

5. Outline specific neighborhood "corridors" for residential and commercial development which include neighborhoods and target areas within Downtown, Midtown, Uptown, 7^{th} Street, Cameron Street Corridor, Bridge to Bridge District, Allison Hill, Market Street, Derry Street and the 17^{th} Street Industrial Corridor;

6. Promote HRA land banking to reactivate blighted/vacant parcels and therefore continue assembly of land for low cost to developers;

7. Establish a Capital Improvement Plan to focus on repairing the City's antiquated infrastructure;

8. Reinstate the Plans/Permits meetings at DBHD to provide a "one-stop shop" for development within the City;

9. Explore outsourcing certain business functions such as the certification of minority and women owned businesses; outsourcing of revolving loan funds to leverage other dollars;

10. Explore strategies to create sustainable economic opportunities for minorities and women-owned firms in procurement and public works areas; and

11. Coordinate the City's tourism and marketing through either/both the Hershey Harrisburg Vacation & Tourism Bureau and the Harrisburg Regional Chamber/CREDC.

To coordinate and create a long-term strategic economic development plan will require cooperation and dedication from all responsible parties. The City shall move beyond general discussion and implement projects identified within the long-term plan such as the following anchor building projects:

- *Hamilton Health Center (Allison Hill):* The Hamilton Health Center (HHC) is a non-profit, community based health center that provides comprehensive primary and preventative care and social services to medically underserved individuals and families[82]. The HHC project at Allison Hill will incorporate two phases and will involve the purchase and renovation of an existing building at 110 South 17th Street to be used for the new main health center in South Allison Hill. The project property is a former warehouse for the Department of General Services. This renovation project is critical to the community and will address multiple community needs including (1) Improving access to care for uninsured/underinsured Dauphin County residents, (2) Eliminate overcrowding conditions and operational inefficiencies (3) Consolidating Hamilton Health Center's primary medical, dental and social services programs into a single site (therefore closing HHC's two oldest and most expensive sites to maintain) and (4) Be the catalyst for economic growth and recovery of the South Allison Hill area. This project is expected to create 30 construction jobs and 94 permanent clinical and administrative jobs. The Hamilton Health Center has received an executed contract from the Commonwealth of Pennsylvania for $3,000,000 in grant funding through the Redevelopment Assistance Capital Program (RCAP). The estimated overall project cost is $14,000,000[83]. Many economic development stakeholders believe this project will be an economic development catalyst for Allison Hill.

- *Northern Gateway Project[84]:* This project will widen 7th Street from two lanes to four lanes between Reily and Maclay streets, with the intention of improving access from areas north and east, diverting commuter traffic from streets in residential areas. The intersection at North Seventh and Maclay streets will also be improved as a result of this project. The project will open up vacant land along the 6th & 7th Street corridor. Once widening is completed, plans call for converting 2nd Street to a two-way from the current one-way traffic flow. Construction for this project is set to begin in the summer of 2011 and is expected to be completed in the summer of 2012. This project will combine with the $140 million Federal Courthouse development planned for North Sixth and Reily Streets, Vartan 1500 Project across from the Courthouse and developments within the Midtown section to revive and transform the northern section of the City. Several economic development stakeholders within the City believe this project will be an incentive for additional private sector investment.

- *Southern Gateway Project[85]:* The Harrisburg Southern Gateway Project focuses on transportation and associated land use planning issues at the southern entrance to the City of Harrisburg. The project extends from the Second Street interchange on Interstate-83 northward between the Susquehanna River and the Amtrak lines. The northern piece of the project is Walnut Street. This project is designed to enhance the Southern Gateway as an

[82] Hamilton Health Center Narrative, p.1 Harrisburg Regional Chamber, May 2011
[83] Ibid
[84] http://www.centralpennbusiness.com/article/20110401/FRONTPAGE/110339947, April 1, 2011
[85] http://www.hbgsoutherngateway.com/, May 10, 2011

entry point, while improving the roadway infrastructure in the southern part of the City. These improvements should provide congestion reduction, roadway redundancy, alternative access and egress, and traffic calming for all types of vehicular traffic. In addition, this project would open up a large tract of land for redevelopment within the City. In 2000, the Southern Gateway Project was initiated.

- To date, many steps have been taken to move this project forward including alternatives analyses, environmental work and a financing strategy. The project is currently on hold due to project financing. It is estimated that a gap exists for $100 million in public funds primarily for infrastructure costs and also estimates show the project would leverage $1.5 billion in private funds. An economic analysis has been completed for this project and the analysis reveals remarkable payoffs to the City; with the benefits to the City outweighing the costs. Currently, the project needs the support and backing of the City to revive it. It is recommended that the transportation piece of this project be undertaken and revived. It is recommended to PENNDOT that the extension of Third Street to Paxton be considered. This would make South Third Street accessible and provide access to an underutilized area prime for redevelopment.

- *Neighborhood Corridor Projects (Bridge to Bridge District)*[86]*:* The Bridge to Bridge District (the "District") name is for the Mulberry Street and State Street Bridges that span this section of Cameron Street west from the downtown to the Allison Hill section of the City. The District incorporates portions of the Cameron Street Corridor where the most economic impact is expected. The Cameron Street Corridor encompasses the entire area on both sides of Cameron Street from Maclay Street to Paxton Street. The District is an area bordered on the north by Herr Street, on the south by Paxton Street, on the west by the railroad tracks, and on the east by Cameron Street. The core of the area is the area along Market Street from the railroad underpass to Cameron Street bordered by the Post Office Site, the old Patriot News Building and several other buildings. The adjacent block north of Market Street includes some very viable businesses. Cameron Street remains the major industrial corridor in the core of the City linking Interstate 81 on the north to Interstate 83 to the south. North of the target area from Herr Street to the Farm Show Complex remains a heavy industrial corridor.

  This District holds the potential for expansion of Harrisburg's downtown commercial area linking residential neighborhoods to the east with the downtown. There are a number of major vacant buildings in the target area which include the former Post Office building, the former Patriot News Building, 1000 Market Street, and the uncompleted Capitol View Building at Herr and Cameron Streets. There are expectations and beliefs that the development of this area will significantly enhance the economic opportunities, tax base and livability of the City through (1) Extending the downtown area with larger commercial, residential and retail opportunities; (2) Attracting diverse real estate investment; (3) Contributing to the City's tax base; (4) Providing job opportunities; and (5) Enhancing the quality of life of those who live in or visit the City. CREDC and the Dauphin County Department of Community and Economic Development are seeking proposals for a "pragmatic, highest and best use development plan for the Bridge Street District."[87] Proposals were accepted until May 13, 2011. After this date, CREDC will select one or more proposals to evaluate in greater detail. CREDC has received a $50,000 planning grant from the Commonwealth for this specific development plan.

[86] Capital Region Economic Development Corporation/Dauphin County Department of Community and Economic Development RFP for development plan of "Bridge to Bridge" District, April-May 2011.
[87] Capital Region Economic Development Corporation/Dauphin County Department of Community and Economic Development RFP for development plan of "Bridge to Bridge" District, April-May 2011.

- *Midtown:* The Midtown section of Harrisburg has seen redevelopment and resurgence within the last few years and the federal courthouse will only provide additional economic development stimulus to this redeveloping area. As of May 2011, Greenworks Development, LLC has a total of 275,000 s.f. of completed new development including office, academic and retail space with an investment of $46 million (of which $35 million is private investment). The HACC Campus has been an anchor to the development with the Campus Square building developed across the street. Currently there are two projects ready to begin (once Commonwealth of PA RCAP funds are confirmed by the Governor). One project is the Furlow Building which is within a Keystone Opportunity Zone and would provide 22 unit apartments to the Midtown area. A second RCAP project is the Susquehanna Art Museum which is planned to relocate to 3rd and Calder Streets within Midtown. The total investment within Midtown as a result of these two projects is $10.5 million. These projects will assist and continue the redevelopment renaissance in this vital section of the City. Capitol Heights is a second potential housing development which could be revived with assistance from a property tax abatement program. Within the area of Hamilton, North Fourth, Harris and Fulton Streets in Midtown there stand half-built houses (a reminder of the fourth phase of a project started a few years ago by Struever Brothers, Eccles & Rouse). The fourth phase of the Capitol Heights project called for 44 new townhouses to be built. Greenworks Development, LLC plans to finish developing this neighborhood and potentially add a fifth phase of up to 50 new townhouses (if a tax abatement is in place for the City).

- Federal Courthouse: The General Services Administration (GSA) plans to construct a new 262,970 gross square foot stand-alone U.S. Courthouse at Sixth and Reily Streets. The existing Ronald Reagan Federal Building and Courthouse does not meet the federal government's security and expansion requirements. The 1960s era Reagan Building was initially fit out with just two courtrooms. Two more were added later, but are not enough to accommodate the increasing caseload of the U.S. District Court for the Middle District of Pennsylvania in Harrisburg.[88] The project is currently in the design phase and in the process of parcel acquisition to assemble the site. Federal funding has not been allocated for construction to date, and the total project cost is estimated at over $100 million. Once construction funding is received, the project should be completed within 33 months.[89] The 6th & Reily location site of the courthouse will be another impetus for the redevelopment of the Midtown section of the City of Harrisburg. The project will be in accord with development in the Midtown section including Midtown HACC campus, future GreenWorks Development and Vartan projects.

  Vartan Group, Inc. is currently constructing a new, over $13 million building across the street from the new Federal Courthouse named the 1500 Project. The 1500 Project will bring condominium residences to the Midtown section of Harrisburg as well as first floor neighborhood retail of 11,000 s.f. which will assist in serving the 550-700 daily users of the courthouse. The 1500 Project is at the heart of Midtown and is within a short walking distance of the State Capitol, Riverfront Park and Broad Street Market.

[88] http://www.gsa.gov/portal/content/102089, May 11, 2011
[89] Ibid

ED03.	Evaluate the City's tax abatement strategy	
	Target outcome:	Increased economic development
	Five year financial impact:	Not available
	Responsible party:	Mayor and City Council

Harrisburg's successful recovery depends on its ability to develop its tax base by attracting and retaining residents and businesses. One integral way to develop its tax base is through tax abatement authorized under the Local Economic Revitalization Tax Assistance Act (LERTA), 72, P.S. § 4722 et. seq. Tax abatement can encourage economic development by focusing on properties that may otherwise remain vacant and increasing the tax base due to land being used for a higher value use. Therefore, the City shall evaluate the pros and cons of revising its tax abatement policy.

On December 30, 2010, the Harrisburg City Council passed an ordinance amending Chapter 5-503 of the Codified Ordinances of the City of Harrisburg, entitled Tax Abatement and Exemptions, by specifically designating deteriorated neighborhoods and properties within the City of Harrisburg, modifying the tax abatement schedules for residential improvements, residential construction and business improvements, and eliminating the limits on the amounts of said residential improvements, residential construction and business improvements by extending the termination date.[90] This Ordinance was signed by the Harrisburg Mayor on January 5, 2011. The new abatement schedule includes the following exemption schedules:

> "In each deteriorated neighborhood so designated as provided, residential improvements, residential construction, and business improvements shall be exempted from City real property taxes in accordance with the following schedule and related conditions: For the first and second year for which improvements would otherwise be taxable, one hundred percent (100%) of the eligible assessment shall be exempted; for the third year, one hundred percent (100%) of the eligible assessment shall be exempted; for the fourth year, eighty percent (80%); for the fifth year, sixty percent (60%); for the sixth year, forty percent (40%); and for the seventh year, twenty percent (20%) of the eligible assessment shall be exempted; after the seventh year, the exemption shall terminate."[91]

> "In each deteriorating area so designated as provided and exclusive of those areas which have been designated deteriorated neighborhoods, residential improvements, residential construction and business improvements shall be exempted from City real property taxes in accordance with the following schedule and related conditions: For the first year for which improvements would be otherwise taxable one hundred percent (100%) of the eligible assessment shall be exempted; for the second year, eighty-five percent (85%) of the eligible assessment shall be exempted; for the third year, seventy percent (70%); for the fourth year, fifty-five percent (55%); for the fifth year, forty percent (40%); for the sixth year, twenty-five percent (25%); for the seventh year (10%), of the eligible assessment shall be exempted; after the seventh year the exemption shall terminate."[92]

[90] Harrisburg City Council Ordinance No. 17 of Session 2010, Bill No. 26
[91] Ibid
[92] Ibid

"In each deteriorated neighborhood or deteriorating area so designated as provided herein, residential improvements, residential construction and business improvements which are LEED certified or meet any equivalent green building standards shall be exempted from City real property taxes in accordance with the following schedule and related conditions: For the first and second year for which improvements would otherwise be taxable, one hundred percent (100%) of the eligible assessment shall be exempted; for the third year, one hundred percent (100%) of the eligible assessment shall be exempted; for the fourth year, eighty percent (80%); for the fifth year, sixty percent (60%); for the sixth year, forty percent (40%); and for the seventh year, twenty percent (20%) of the eligible assessment shall be exempted; after the seventh year, the exemption shall terminate."[93]

Within the Ordinance passed by the City Council and signed by the Mayor, a clause exists where City Council, in its sole discretion, every six months following the effective date of the Ordinance, may act to amend or repeal the Ordinance at its next scheduled legislative session (following each six month period) and after a public hearing on the matter[94].

During 2010, in anticipation of the tax abatement expiration, the Harrisburg 20/20 Committee (which was initially organized to address the tax abatement expiration in 2010), met multiple times with City Council to present findings and reports on the impacts of tax abatement, specifically a 10-year, 100% abatement on improved assessed value. The members of the 20/20 Committee outlined the benefits of a 10-year, 100% City-wide abatement.

The Harrisburg 20/20 Committee and the RealPropertyResearchGroup (RPRG) provided evidence of the positive impact that a 100%, 10-year abatement has on a financially distressed city. The January 2009 RPRG "City of Harrisburg, Tax Abatement Fiscal Impact Analysis" addresses:

A policy that would increase the financial incentives for development, both for new construction as well as rehabilitation…the recommended policy would amend the City's existing tax abatement program by providing 100% property tax relief on the value of new construction or rehabilitation projects. This proposal is modeled after an existing program in Philadelphia that is lauded as a key factor in the revitalization of that city; the proposed program would provide an abatement of the property tax on the improved value of all new real estate investment in the city for ten years.[95]

The 10-year, 100% abatement model has not only been utilized in Philadelphia; it has been implemented in the following cities as a tool for development: York, PA; Pittsburgh, PA; Washington, DC; Columbus and Cleveland, OH; Fargo, ND; Norfolk, VA; Indianapolis, IN; St. Louis, MO; and Portland, OR.

The Philadelphia tax abatement scenario provides an excellent example of how tax abatements can create a dynamic shift in economic and community development in a financially distressed city. In 1997, Philadelphia approved a 10-year, 100% tax abatement and offered many advantages. Under this tax abatement strategy, all real estate investment in the city, be it a new downtown office building, a new manufacturing plant, or renovations to an existing home, were treated the same. Since this abatement's approval, the following has occurred in Center City Philadelphia: (1) Over 13,000 new housing units have been built; (2) 110 buildings converted; (3) Center City population has increased to over 90,000; (4) Over 16,000 new jobs have been created; (5) serious crime reduced 50% and (6) currently over $10 billion in development is underway.

[93] Ibid
[94] Harrisburg City Council Ordinance No. 17 of Session 2010, Bill No. 26
[95] RealPropertyResearchGroup, "Economic and Fiscal Impact Assessment of a Proposed 10-year Tax Abatement Program", January 2009 p. 1

In coordination with the previously calculated statistics, in 2006 (a year before the 10-year abatement was to expire in Philadelphia), the Building Industry Association (through Econsult Corporation) completed an assessment of the impact of the tax abatement program and whether Philadelphia should reduce or eliminate the abatement. The report concluded that reduction or elimination of the current abatement would lead to a reduction in new housing, rehabilitation of structures, and projects in pre-construction phases. Ultimately, it would mean that if the abatement program was curtailed or eliminated, the City government would have to choose between reduced expenditures or higher tax rates in order to balance future budgets. Such a negative impact could only have hurt Philadelphia's residents.[96]

The Philadelphia example is one of many examples that the City of Harrisburg can look to for the positive impacts of a 10-year 100% abatement program. The Real Property Research Group analysis found that the local government revenue generated from the direct and indirect economic impacts of new real estate investment in the City covers the cost of the 100% property tax relief for 10 years. Of the three development scenarios described in the analysis, only the for-sale townhouse scenario would result in a fiscal deficit to the City and the Harrisburg School District. Nevertheless, this deficit only amounts to an average $6,000 annually over the full 10-year abatement period. The other two development scenarios tested would actually generate a revenue surplus to the City and school district, ranging from an average of $10,000 to $33,000 annually; in addition to the economic and fiscal impacts that the new real investment would bring to the City, the abatement program will promote housing affordability and other community benefits."[97]

The tables below provide an example of a comparison of how the former City of Harrisburg tax abatement program (which expired in 2010) would operate when an existing property is improved versus the proposed 10 year 100% abatement.

[96] "Philadelphia Tax Abatement Analysis", Building Industry Association & Econsult Group, June 2006, p.9
[97] Ibid.

Comparison of Existing and Proposed Abatement Programs						
	Assessed Value (Current Program)					
	Land Value	Building Value	Abatement	Improve Value	Taxes Paid	Taxes Abated
Year 1	$10,000	$90,000	100%	---	$3,815	$894
Year 2	$10,000	$90,000	90%	$2,500	$3,904	$804
Year 3	$10,000	$90,000	80%	$5,000	$3,993	$715
Year 4	$10,000	$90,000	70%	$7,500	$4,083	$626
Year 5	$10,000	$90,000	60%	$10,000	$4,172	$536
Year 6	$10,000	$90,000	50%	$12,500	$4,261	$447
Year 7	$10,000	$90,000	40%	$15,000	$4,351	$358
Year 8	$10,000	$90,000	30%	$17,500	$4,440	$268
Year 9	$10,000	$90,000	20%	$20,000	$4,530	$179
Year 10	$10,000	$90,000	10%	$22,500	$4,619	$89
Year 11	$10,000	$90,000	0%	$25,000	$4,708	----
				TOTAL	$46,876	$4,916

	Assessed Value (Proposed Program)					
	Land Value	Building Value	Abatement	Improve Value	Taxes Paid	Taxes Abated
Year 1	$10,000	$90,000	100%	---	$3,815	$894
Year 2	$10,000	$90,000	100%	---	$3,815	$894
Year 3	$10,000	$90,000	100%	---	$3,815	$894
Year 4	$10,000	$90,000	100%	---	$3,815	$894
Year 5	$10,000	$90,000	100%	---	$3,815	$894
Year 6	$10,000	$90,000	100%	---	$3,815	$894
Year 7	$10,000	$90,000	100%	---	$3,815	$894
Year 8	$10,000	$90,000	100%	---	$3,815	$894
Year 9	$10,000	$90,000	100%	---	$3,815	$894
Year 10	$10,000	$90,000	100%	---	$3,815	$894
Year 11	$10,000	$90,000	0%	$25,000	$4,708	----
				TOTAL	$42,854	$8,939

In this example, a homeowner of a home with a $100,000 assessed value (10% land, 90% building) constructs an addition that would add $25,000 to the assessed value of the home. As shown in the table, under the former tax abatement program, the owner would pay $46,876 during the 10-year abatement period and in year 11, the first year in which all taxes would be due. A total of $4,916 in taxes is abated. Under the proposed program, the homeowner would pay $42,854 and receive a total abatement of $8,939.

In summary, the RPRG January 2009 report illustrates that a 10-year, 100% abatement offers a greater incentive to real estate investors and homeowners, meaning that the City of Harrisburg collects fewer taxes than under the former (expired in 2010) program in a side-by-side comparison of investment models. Importantly, it is critical to identify that the investment may not occur at all but for the greater incentive offered by the 100% abatement for the 10-year program. Therefore, as a result of the 10 year, 100% abatement, home improvements, business improvements, and new construction which did not exist prior to the abatement program will exist. These new improvements will ultimately generate a fiscal surplus to the City and School District. Ultimately, the 2009 RPRG report's economic and fiscal analysis confirms that a 100% tax abatement is, at a minimum, revenue neutral to the City and Harrisburg School District combined. Two of the hypothetical projects, the multi-family rental project and the mixed use commercial project, provide a net fiscal surplus to the City and School District resulting from the proposed abatement. The estimated surplus from the multi-family rental project is $108,208 while the surplus from the mixed-use commercial project is $332,738.[98]

As a result of a 10-year abatement, the report also summarized and identified additional community benefits not easily quantified which include housing affordability and spin-off development. As new development is encouraged by the proposed abatement program, the City's share of consumer sales and employment is likely to grow. As the City is able to capture additional regional economic activity from new jobs and new residents, the spin-off or indirect benefits associated with real estate investments that inure to the City will increase over time.[99]

As the studies have revealed, a tax abatement program can propel a city into an era of renewal. Within the City of Harrisburg, City officials as well as economic and community development stakeholders shall prioritize efforts to assist the City's existing residential and commercial base as well as open the City for business to attract new investment.

ED04.	**Improve management of the City's MOED loan portfolio**	
	Target outcome:	Improved accountability
	Five year financial impact:	Not available
	Responsible party:	Mayor; Chief of Staff/Business Administrator; Economic Development Coordinator

To receive the appropriate MOED loan repayments (loans that were provided under the former Mayor's Office of Economic Development) that the City is owed, the City shall improve management of these loans, the monitoring of loan repayments and maintain a firm position on collection for these loans. The City's ability to administer its loan portfolio from the previous MOED office has not been well managed or monitored and is limiting the revenues the City could obtain from the loan portfolio. Currently, too many businesses ignore the less than stringent approach the City has to collection, leading to limited results and repayments. Some loan clients do not respect the City's authority and continue in default and some have even started other businesses.

Unfortunately, a majority of the prior City Administration's loan portfolio was approved with very limited oversight and enforcement of the terms of the loans. This has resulted in creating a high loan default and delinquency rate. The City has made extensive efforts to collect on these defaulted loans. However, flawed loan documents and current economic conditions have impeded default loan collection efforts. DBHD staff have interviewed loan collection agencies to determine the feasibility of outsourcing the collection of outstanding loan payments. However, most of agencies have indicated an interest in acquiring only MOED's loan accounts that are in good standing.

The City shall implement an insistent approach to loan monitoring and collection. There are several options the City could consider. One option includes designating one individual at the City to be fully responsible for MOED loan servicing and collection; this option would require the City's Law Bureau to have a timely approach within this method, but it is difficult due to the staffing shortage. A second option would be to assign all delinquent loans to a collection agency that has a strong history of

[98] RealPropertyResearchGroup, "City of Harrisburg, Tax Abatement Fiscal Impact Analysis" Jan 2009, p. 75
[99] RealPropertyResearchGroup, "City of Harrisburg, Tax Abatement Fiscal Impact Analysis" Jan 2009, p. 75

collection and assuming the business collateral. By implementing one of the aforementioned options (or a combination), the loan repayments would bring in revenue and replenish the loan portfolio. A third option would be for the City to collect on its outstanding MOED loans to the point where all loans are serviced and payments collected and then the City would exit the lending field and partner with an organization like the Community First Fund for micro-loans to businesses within the City of Harrisburg.

VIII. Revenue

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Revenue

Overview

Like all local governments, the City of Harrisburg requires stable revenue sources and moderate growth in these revenue sources to fund services to residents, businesses and visitors. Both factors – stability and growth - are important because so much of a local government's expenditures are related to recurring and increasing costs for personnel and benefits. However, Harrisburg's tax base has been stagnant or declining for several years. City revenue streams have been unable to cover the growing costs of City services, leading to tax increases and the use of nonrecurring revenue in ongoing attempts to balance the General Fund operating budget.

Revenue Profile

Historically, the single largest component of the City's General Fund revenues has been taxes. In 2010, property taxes, including PILOTS, made up 28% of revenues; the earned income tax was 6%; and other taxes were 13%. The City received 9% of its revenue from intergovernmental sources; 10% from licenses, permits and fines; and 1% from other sources. Together, taxes made up almost half of the City's General Fund revenues. The other revenue sources are fairly typical of Pennsylvania municipalities, with one exception. The less typical revenue source utilized by the City has been transfers from other funds and component units. These transfers from the sanitation fund, the sewer fund, the water fund and the Harrisburg Parking Authority made up 33% of revenues in 2010 – outpacing tax revenues. These transfers compensate for gaps in the City's tax base.

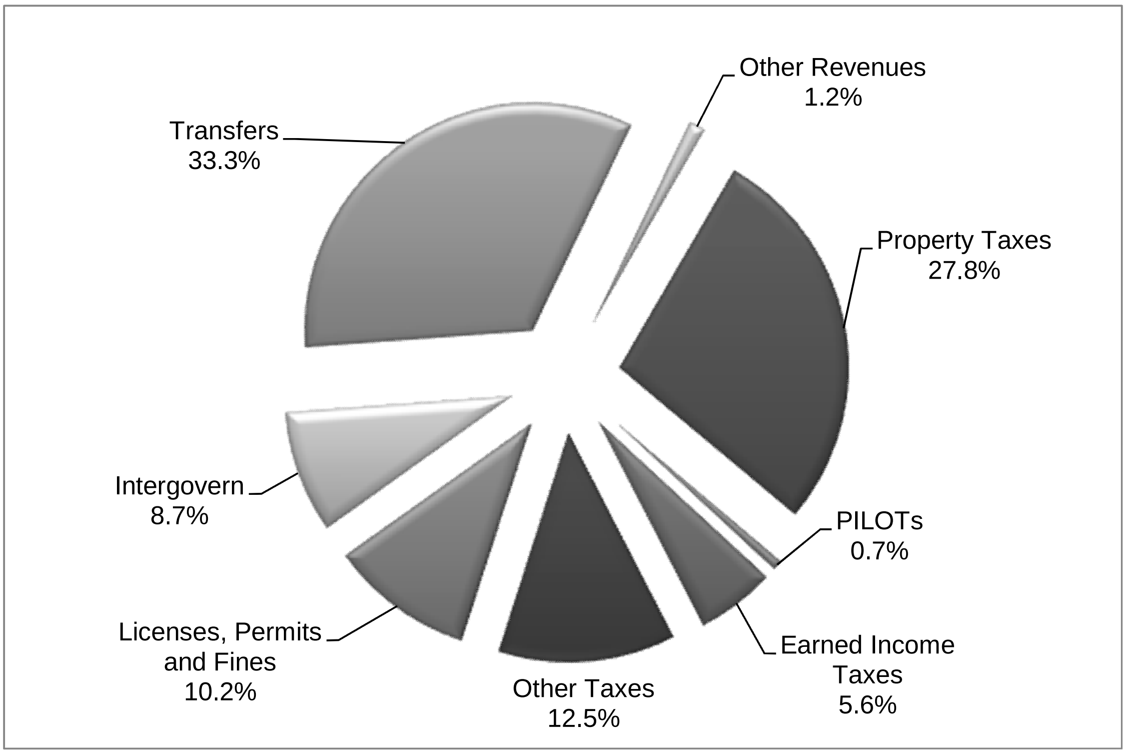
Harrisburg plays host, as both a state capital and a county seat, to a number of institutions that are exempt from property tax. Tax exempt properties make up approximately one-half of the assessed property in the City. Commuters make up more than half of the workers in the City. These commuters make only limited contributions to the General Fund revenues. The use of utility and parking revenues makes it possible for the City to gain some indirect revenues from tax exempt property and commuters.

Based on local municipal service collections, there were approximately 47,000 full-time equivalent jobs in the City in 2010. The City had an estimated population of 47,172 in 2009[100]. Of these residents, an estimated 21,252 were employed[101].

[100] Census Bureau, Population Finder
[101] Census Bureau, American Community Survey

The figure below shows the estimated share of revenues by major category.

General Fund Revenues, 2010



The General Fund has, in effect, a diverse revenue portfolio which makes it less susceptible to a loss in any one source. This revenue portfolio has been able to provide the City with some stability in its revenues. Unfortunately, this stability has not been accompanied by growth, and the increasing reliance on transfers from other funds has created a potential liability if those funds are required to be redirected.

The City was able to maintain General Fund revenues in 2008 and 2009 with significant increases in transfers from $17.9 million in 2007 to $22.6 million in 2009. In 2010, however, these additional resources were not available, and the General Fund revenues dropped by 6%, as depicted in the table below. The General Fund revenue projections indicate that the decline, initially masked by the additional transfers, will continue into 2012 with some stability in the following years.

General Fund Revenues, 2006 – 2010

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Property Taxes	$12,871,407	$15,801,352	$15,929,375	$15,657,718	$15,715,733	22.1%
PILOTS	$422,799	$484,975	$429,151	$420,839	$410,244	(3.0%)
Earned Income Taxes	$3,447,433	$3,732,186	$3,514,282	$3,444,832	$3,149,169	(8.7%)
Other Taxes	$7,739,309	$7,645,540	$7,908,031	$7,458,487	$7,083,423	(8.5%)
Licenses, Permits and Fines	$6,088,009	$6,879,825	$6,242,779	$5,421,107	$5,767,932	(5.3%)
Intergovernmental	$4,927,512	$5,070,623	$5,409,512	$4,534,824	$4,913,814	(0.3%)
Transfers	$16,377,209	$17,866,260	$19,550,394	$22,640,844	$18,821,932	14.9%
Other Revenues	$9,422,081	$1,250,295	$1,208,099	$616,098	$675,706	(92.8%)
Total	**$61,295,760**	**$58,731,056**	**$60,191,622**	**$60,194,749**	**$56,537,954**	**(7.8%)**

Revenue Sources

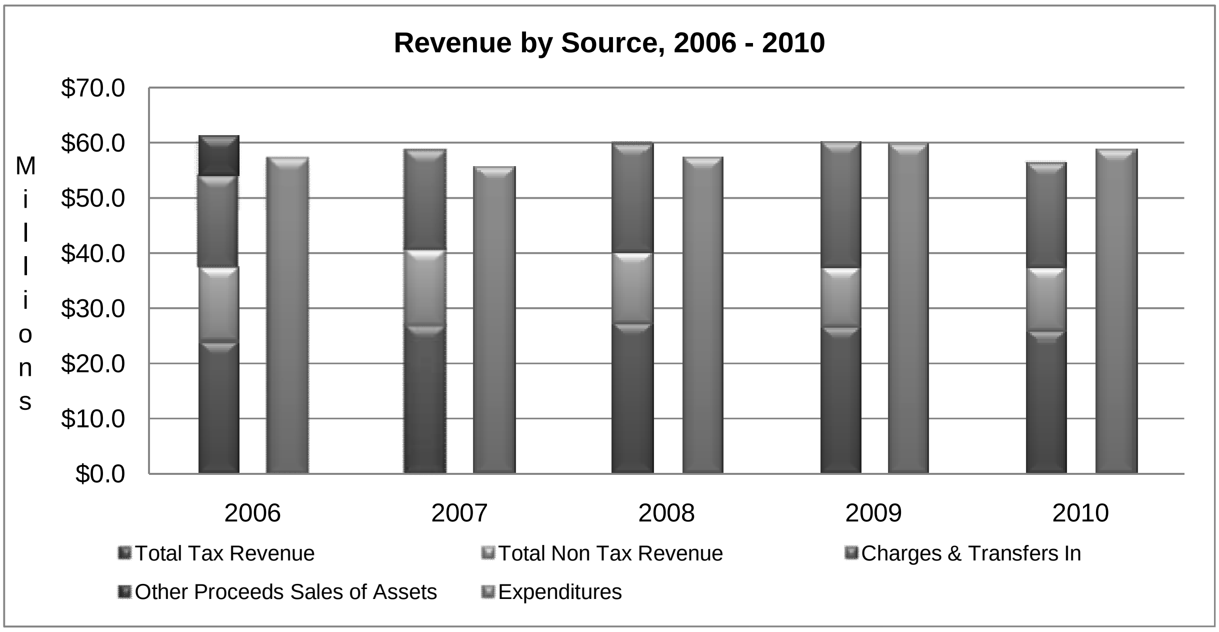
The City's General Fund revenues were able to keep pace in 2008 and 2009 only by drawing down on other funds. These additional transfers provided only temporary solutions to the effects of the recent recession.

Fund Transfers and Administrative Charges

The sources for transfers to the General Fund are primarily the utility services that are provided by the City to residents, businesses and property owners. The utility fees are charged to both taxable and tax-exempt properties. Transfers accounted for 33% of General Fund revenues in 2010. This represented a decrease from 2008 and 2009 when there were unusually high transfers from the Sewerage Utility Fund, as depicted in the table and figure below.

Transfer Revenues, 2006 - 2010

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Sanitation Utility Fund	$1,897,785	$2,325,000	$2,316,291	$2,702,221	$2,253,448	18.7%
Sewer Maintenance Charge	$784,755	$856,202	$956,894	$925,519	$925,997	18.0%
Sewer Maintenance Liens-Penalty	$5,942	$3,606	$3,429	$872	$1,041	(82.5%)
Sewer Maintenance Liens-Principle	$21,711	$18,302	$13,470	$4,074	$3,702	(82.9%)
Sewerage Utility Fund	$5,233,735	$5,488,150	$6,319,520	$10,127,351	$7,275,386	39.0%
Harrisburg Parking Authority - Coordinated Parking	$3,524,893	$4,005,000	$4,750,000	$4,050,000	$2,664,000	(24.4%)
Harrisburg Water Utility Fund	$4,834,270	$5,170,000	$5,190,790	$4,430,807	$5,698,358	17.9%
Transfers from Other Funds	$74,119	$0	$0	$400,000	$0	(100.0 %)
Total	**$16,377,209**	**$17,866,260**	**$19,550,394**	**$22,640,844**	**$18,821,932**	**14.9%**



The revenue projections for the General Fund estimate that future transfers will be $15,990,847 each year.

Intergovernmental Revenues
Some of the City's intergovernmental revenues are used as General Fund revenues. In 2010, these revenues accounted for 9% of General Fund revenues. Other intergovernmental revenues are accounted for in special revenue funds, including $1 million in revenue received from the Commonwealth's Liquid Fuels Tax Fund, $3 million in CDBG funds and $1.8 million in FEMA grants.

The recurring intergovernmental revenues include reimbursement for fire protection, CDBG reimbursement and pension aid. Unfortunately, revenues from these sources are declining. The fire protection reimbursement from the Commonwealth is expected to drop to less than $500,000 a year. Overall CDBG funding has decreased, leading to reductions in services and reimbursements for the General Fund. The demolition reimbursement is expected to be $160,000 in future years. Pension aid is expected to decrease (from $2,651,339 in 2010 to $1,551,579 in 2011) due to the reduction in the City's pension costs as a result of the early retirement of the City's pension bonds and consequent reduction in qualified expenses. Public safety grants fluctuate from year to year because they are dependent on current Commonwealth and Federal initiatives. For example, the public safety grants include a policing grant which is budgeted at $432,000 in 2011 and is expected to end in 2012. A summary of the City's intergovernmental revenue is depicted in the table below.

Intergovernmental Revenues, 2006 – 2010

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Capital Fire Protection	$1,020,000	$1,270,000	$1,253,000	$1,000,000	$987,000	(3.2%)
CDBG Reimbursement - Demolition	$225,512	$273,994	$162,399	$294,314	$95,725	(57.6%)
Federal/State Pass Through Grants	$0	$0	$0	$0	$0	0.0%
Federal Grants	$0	$0	$0	$0	$0	0.0%
Government Grants	$0	$0	$0	$0	$3,854	0.0%
Grants Fund	$64,355	$60,000	$77,632	$92,621	$91,050	41.5%
Pension System State Aid	$2,829,326	$2,881,276	$2,590,486	$2,511,795	$2,651,339	(6.3%)
Public Safety Grants	$788,318	$585,353	$1,325,995	$636,094	$1,084,846	37.6%
Total	**$4,927,512**	**$5,070,623**	**$5,409,512**	**$4,534,824**	**$4,913,814**	**(0.3%)**

The intergovernmental revenues are projected to decline to less than $3 million a year by 2014 as the Federal and State governments have fewer resources to share with local governments.

Government Earnings
The City provides a broad range of services to residents, businesses and property owners. Many of these services are accompanied by fees and other charges that are expected to cover at least a portion of the cost to provide these services. These government earnings provided about 10% of General Fund revenues in 2010.

Some of these revenues, most notably building and related permit revenues, vary with changes in the local economy. For example, building permit revenue decreased from $776,804 in 2007 to $402,753 in 2010. Total fee and permit revenues have decreased from $2.2 million in 2007 to $1.6 million in 2010, a loss of $500,000 in revenues as the economy deteriorated. Others, most notably traffic and parking fines, remain relatively constant. Vehicle maintenance charges are received from a variety of other governmental units including the Harrisburg School District, the Borough of Steelton, Dauphin County, as well as from the City Authorities. The maintenance charges received from other governmental units totaled over $348,000 of the $821,409 total maintenance charges for 2010.

As with transfers from utility funds, the City has some ability to manage these revenues. The rates for some of the fees, licenses and fines are set by the City and, therefore, can be increased to generate additional revenues. Some of the district justice fees are set by state law, and cannot be changed. Fees also cannot exceed the cost of the service related to the fee.

It is considered a best practice to review the rate schedules at least every two years to ensure full cost recovery. This should be accompanied by a cost study to make certain that the full costs, including overhead, are considered when adjusting fees. The City has commissioned a fee study for completion in 2011. Implementing the recommendations of the fee study will be very important for the long-term fiscal health of the City.

A summary of the City's revenues from licenses, permits and fines is provided in the table below.

Licenses, Permits, Charges, and Fines, 2006 – 2010

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
District Justice Fees	$644,526	$785,500	$821,507	$608,870	$744,297	15.5%
Building Permits	$513,016	$776,804	$640,293	$361,310	$402,753	(21.5%)
License Renewal Fees	$70,827	$187,750	$200,255	$212,120	$182,875	158.2%
Other Fees/Permits	$1,164,885	$1,253,263	$1,125,819	$956,618	$1,059,266	(9.1%)
License	$506,113	$514,184	$531,042	$577,845	$573,948	13.4%
Parking Fees/Taxes	$32,859	$31,853	$35,429	$39,226	$36,854	12.2%
Parking Tickets	$1,014,384	$1,171,569	$1,280,050	$1,131,991	$1,228,749	21.1%
Public Safety Fees/Permits	$267,420	$373,102	$258,611	$383,162	$303,050	13.3%
Public Safety Reimbursements	$763,564	$587,942	$67,595	$307,480	$310,297	(59.4%)
Public Works Fees/Permits	$2,531	$54,456	$2,401	$3,223	$60,445	2,288.2%
Reimbursements	$0	$0	$0	$0	$0	0.0%
Rental Income	$15,646	$36,601	$20,855	$15,655	$10,617	(32.1%)
Recreation Fees	$189,930	$186,117	$99,508	$94,676	$33,372	(82.4%)
Vehicle Maintenance Charges	$902,307	$920,684	$1,159,414	$728,932	$821,409	(9.0%)
Total	**$6,088,009**	**$6,879,825**	**$6,242,779**	**$5,421,107**	**$5,767,932**	**(5.3%)**

Harrisburg's Revenue Structure

There are some positive attributes to Harrisburg's current revenue structure. Specifically, the City has a relatively diverse revenue base composed of the full range of tax and non-tax revenues that are available to municipalities in Pennsylvania. Additionally, the City has been able to use government-owned utilities to generate a significant portion of its revenues. Finally, Harrisburg is home to large governmental employers, which often act as a stabilizing force during an economic downturn.

However, these affirmative aspects are offset by other factors:

- The City's revenue sources are not producing sustainable growth, which has led to the use of significant increases in operating transfers, tax increases and one-time revenue sources to fill operating needs over the last five years.
- Harrisburg has a high tax burden when compared to other similar jurisdictions in Dauphin County and elsewhere in Pennsylvania. Over time, this will have an impact on the location decisions of residents and businesses and will also affect home values

- The City is constrained in its ability to access other revenue sources that are available to the Commonwealth's major cities, Philadelphia and Pittsburgh, as well as to cities in other states. These other sources include sales taxes and non-resident income taxes.

Impact of Current Economic Conditions

The current recession has had a significant impact on the fiscal outlook of cities nationwide. The sharp downturn has forced municipalities to confront budget challenges that have been intensified by declines in key economically sensitive revenue streams as well as demand for increased services and increasing costs in areas such as healthcare and pensions. This confluence of events recently led Moody's Investors Service to assign a negative outlook to the U.S. local government sector for the first time in history.

As the national economy has slowed since 2008, revenues have declined dramatically for cities across the country. The National League of Cities (NLC) projects municipal budget shortfalls will total between $56 billion and $83 billion from 2010-2012 due to declines in tax revenues, increasing service demands and cuts in state transfer revenues.

Since 1985, NLC has conducted an annual survey of city finance officers regarding the fiscal condition of cities. In NLC's 2010 survey, 87% of city finance officers predicted that their cities were worse off financially than in 2009. The 2009 survey uncovered the most negative assessment of city fiscal conditions offered in the history of the survey.

As with its peers, the City of Harrisburg has felt the impact of the decline in the economy. The City's unemployment rate has remained high. It increased from 6.0% in 2005 to 11.6% in 2010. This year opened with a decline in the rate to 10.1% in March. The severe national economic downturn has put additional pressure on Harrisburg's already strained revenue base.

In addition, local government finances tend to lag the overall economy. In each of the last three recessions, growth in local government receipts have trailed growth in expenditures and continued to do so for one to two years following the end of the recession. As a result of the deteriorating economic conditions, cities will likely feel the impact of the economic downturn through 2011 and likely into 2012.

Future Outlook

The current economic situation has exacerbated economic and demographic factors that have had a negative impact on city budgets for a number of years. In many cities, general employment is moving from the city to the suburbs. Harrisburg has experienced a declining proportion of total county employment which impacts Local Services Tax, Business Privilege & Mercantile Tax and other revenues. Cities also tend to have lower household incomes than their suburban counterparts, which affects Earned Income Tax and overall revenue performance. For example, Harrisburg's median household income in 2009 was $35,689 compared with $65,789 for Dauphin County.

In order to project current revenues, the Act 47 Coordinator consulted with City Finance staff and analyzed historical trends and current economic conditions to prepare a baseline revenue estimate. Each major revenue source was assigned an annual growth rate for each year over the Recovery Plan period to enable the Act 47 Coordinator to project the City's fiscal position. The baseline revenue estimate aims to determine the City's likely General Fund revenues if no actions are taken to alter existing tax rates or improve collection rates. The table below shows the Act 47 Coordinator's forecast of Harrisburg's General Fund revenues through 2014.

Projected General Fund Revenues, 2011 - 2015

Revenue Source	2011 Projected	2012 Projected	2013 Projected	2014 Projected	2015 Projected	% Growth
Property Taxes	$17,234,858	$15,956,000	$15,956,000	$15,956,000	$15,956,000	(7.4%)
PILOTS	$430,003	$430,003	$430,003	$430,003	$430,003	0.0%
Earned Income Taxes	$3,136,000	$3,167,360	$3,199,034	$3,231,024	$3,263,334	4.1%
Other Taxes	$7,457,275	$7,623,721	$7,683,730	$7,744,944	$7,807,389	4.7%
Licenses, Permits and Fines	$6,402,795	$6,442,541	$6,486,479	$6,540,500	$6,548,990	1.8%
Intergovernmental	$3,343,725	$3,294,428	$3,264,428	$2,821,725	$2,821,725	(15.6%)
Transfers	$15,990,847	$15,990,847	$15,990,847	$15,990,847	$15,990,847	0.0%
Other Revenues	$633,600	$633,600	$633,600	$633,600	$633,600	5.2%
Total	**$54,629,104**	**$53,538,500**	**$53,644,122**	**$53,348,643**	**$53,451,888**	**(2.2%)**

The current projection shows a continuing decline in General Fund revenues from the 2006 through 2010 review period. From 2011 to 2015, it is estimated that total General Fund revenues will fall by $1.177 million or 2.2%. Property tax revenue is expected to remain flat after a reduction in total collections due to the anticipated sale of liens in 2011. Intergovernmental revenue is projected to fall by $522,000, largely in the Commonwealth's capital fire protection reimbursement. Modest revenue growth is projected in a few revenues sources as the economy recovers. Transfers from the City's individual funds and Authorities have been held at the 2011 amount for purposes of projection. However, the individual funds that underlie these transfers may be required to use available fund balances, increase fees or reduce expenditures to provide the projected annual amounts to support the City's General Fund.

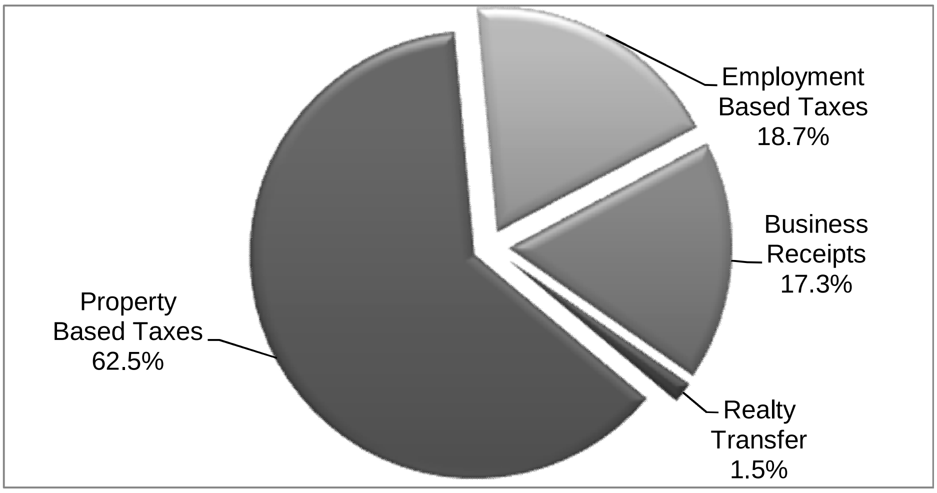
Given the baseline projected revenue decline, the City will need to take significant steps to produce a structurally balanced budget.

Assessment of Revenue Sources

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

With few exceptions, the City maximizes the taxing powers authorized by the Commonwealth. The figure below identifies the City's tax revenue sources in 2011.

2011 Budgeted Tax Revenue Sources



As noted in the figure, 62.5% of the tax revenue is from the value of taxable real estate. Business receipts revenue is generated from most businesses and special charges on hotels, parking and amusements. The worker earnings are split between a flat fee of $47 borne on those employed in the City and 0.5% of earned income of City residents.

The table below summarizes the taxing powers authorized by the Commonwealth.

Tax Summary
Listed in Order of 2011 Projections
(As of April 10, 2011)

Tax 2011 Projections[102],	Rate	Principal Competitive Economic Impact	Comments
Real Estate (including Payment in Lieu of Taxes, "PILOT"; net of economic development abatements[103] & Sr. Citizen Rebate[104]); $18.7M	Bldg 4.78 mills; Land 28.67 mills.	High rate on land intended to maximize development of land.	Also imposed by School District (26.3074 mills) & Co. (7.226 mills) [neither use split rate], totaling 38.3134 mills on bldgs & 62.2034 mills on land. The combined equalized mills on bldgs is 27.05 (2.7% of indicated market value) and on land 43.92 (4.4%), among the highest rates in the area. PILOTs have been negotiated with 13 parties (~50% of City real estate is exempt)

[102] For this purpose "tax" includes certain annual license fees.
[103] The City offers a phased-out abatement for up to 7 years (10 years prior to 1/1/2011) for improvements to business and residential property in designated areas.
[104] Homesteads owned by a person at least 65 years old and having a household income (excluding 50% of Social Security, SSI and Railroad Retirement benefits) not exceeding the federal poverty guidelines may apply annually for a rebate equal to the difference of the 2011 and 2006 tax levies.

Tax 2011 Projections[102],	Rate	Principal Competitive Economic Impact	Comments
Earned Income / Net Profits[105] $3.1M.	Res. 0.5%; Nonres. 1.0%	None for most persons working in PA. Combined rate is lower than some West Shore and Dauphin County communities.	School District also imposes 0.5% tax on residents. Tax distributed to the municipality and school district of residence.
Business Privilege & Mercantile[106] (gross receipts tax + annual flat license fee); $3.0M.	Retail 0.075%[107]; Whlsale 0.050%[6]; Other 0.200%[6]; $40 fee[6]	Businesses who would consider locating outside the City limits (Swatara Twp and the small adjoining Boroughs of Paxtang and Penbrook are the only Harrisburg suburbs with this tax).	School District also imposes tax (Retail 0.075%[6]; Wholesale 0.05%[6]; Other 0.10%[6]), for total tax of Retail 0.150%[6]; Wholesale 0.100%[6]; Other 0.300%[6]. Imposed since 1982. Pennsylvania statute bars increase in tax rates.
Parking (receipts tax + space fee if >40 spaces); $3.0M	15%; $1 per space	Cost to commuters/businesses	Imposed since 1985.
Local Services $2.3M	$47	None for most workers; most PA localities impose.	School District imposes $5 tax, for total tax of $52. Imposed since 2006.
Hotel (Dauphin County receipts tax); $0.7M	0.4%	Co. Tax (5.0%) higher v. West Shore (3% in Cumberland & York Cos., 0% in Perry Co.).	Since 1999, per PA statute, Dauphin Co. Comrs have distributed 0.4% of tax to the City to be used for the marketing & the promotion of tourism in the City.
Realty Transfer $0.4M	0.5%	None v. other PA sites.	School District also imposes 0.5% tax (total 1.0%).
Amusement $0.3M	5%	Entertainment venues	School District also imposes 5% tax (total 10%). Imposed since 1982. Hershey (Derry Twp./School District) also impose combined tax rate of 10%.
Landlord License $0.1M	$40	Effectively increases rents.	Imposed since 2004.
Public Utility Realty (PA tax); <$0.1M		None. Statewide rate is utilized.	City's share of PA based on City's relative share of total PA real estate values of taxable utilities.

Tax Rates

Raising additional revenue through higher tax rates and/or new taxes needs to be tempered by the impact they have on economic drivers, business location decision makers, policy makers and, of course, residents. Both short-term and long-term consequences need to be considered, particularly when unemployment remains high, wages are stagnant, Commonwealth personnel are budgeted for reductions and other basic costs such as oil and gasoline are rising. This is particularly true with signs of economic recovery as businesses and other investors consider locations for future expansion and growth.

Major areas where the City presently has additional capacity to tax under the Commonwealth's authorizations are:

[105] Residents residing in a Keystone Opportunity Expansion Zone ("KOEZ") (expire 12/31/2019) may be exempt from the Earned Income and Net Profits Tax. According to the Harrisburg Regional Chamber & Capital Region Economic Development Corporation (CREDC) website, there are 148 approved parcels in the City's KOEZs.

[106] Businesses located in a KOEZ (which expire 12/31/2019) may be exempt from the Mercantile / Business Privilege Tax. See note 4 above.

[107] Lower rates apply to gross receipts exceeding $3.3 million for Retailers (0.0125%) and Other (0.05%) and exceeding $5 million for Wholesaler (0.0125%); these lower rates are imposed by both the City and the School District. In addition to the $40 annual license fee that applies to all taxable businesses, the City imposes an annual license fee on each vehicle transporting passengers or property for hire ($10), vending machine ($25), mechanical device ($50) and juke box ($10).

- Increasing the Real Estate Tax rate on improvements, though the combined tax rates on City property are very high (for improvements, 4.78 mills or 3.37 equalized mills[108]; and for land, 28.67 mills or 20.24 equalized mills);
- Increasing the Earned Income Tax rate on residents and non-residents as authorized under Act 47;
- Imposing an Occupation Assessment Tax on residents;
- Increasing the Parking Tax rate and License fee;
- Pursuing revenue from property now classified as exempt; and
- Increasing collections through amnesty, enforcement and higher penalties.

Commonwealth law establishes administration for the following taxes, with limited or no input by the City:

- Real Estate Tax – Assessment of real property generally by the County; collection by the City Treasurer; assessment and exemption appeals by the County Board of Assessment Appeals. The City has standing to challenge assessments and exemptions.
- Earned Income Tax – Countywide tax collection effective 2012. The City may impose additional penalties.
- Realty Transfer Tax – Collection by the County Recorder of Deeds; determinations generally made by the Pennsylvania Department of Revenue. The City may opt to give explicit authority to the Pennsylvania Department of Revenue to make determinations for additional tax, penalty and interest.
- Hotel Tax – Administered by the County.
- Public Utility Realty – Administered by the Pennsylvania Department of Revenue. The City has standing to challenge assessments.

The City may self-administer or outsource some or all administrative functions for the other taxes including Business Privilege & Mercantile, Local Services and Occupation Assessment.

Real Estate Taxes

When combined with the School District and County rates, the City of Harrisburg's existing real estate tax rates are very high compared to nearby municipalities. Raising these rates would be a further deterrent to home ownership and business occupancy. As noted in the Economic Development chapter, the City has a 42% home ownership rate, the lowest in the region.

As indicated in the table below, on an equalized basis, the City of Harrisburg's property tax rates are significantly higher than those in its largest suburbs but in the middle range of other Third Class cities in the region. The City of Harrisburg levies a tax on the assessed value of land at 28.67 mills and improvements at 4.78 mills. A single rate on land and improvements equates to 10.04 mills. As adjusted by the most recent County Common Level Ratio (70.6%) determined by the State Tax Equalization Board, the equalized rates are 20.24 mills on land, 3.37 mills on improvements and 7.09 mills under a single rate.

[108] *Equalized mills* is the actual mills multiplied by 70.6%, which is the Common Level Ratio for Dauphin County as most recently determined by the State Tax Equalization Board in June 2010 based on 2009 sales data.

All Taxes	City of Harrisburg Tax Rate (expressed in mills) Muni	School	County	Total	Current Common Level Ratio	Total Equalized Mills
Harrisburg - Land	28.67	26.31	7.23	62.21	70.6%	43.92
Harrisburg - Improvements	4.78	26.31	7.23	38.32	70.6%	27.05
Harrisburg - Single Rate	9.76	26.31	7.23	43.30	70.6%	30.57
Harrisburg Suburbs (in order of numbers of commuters to Harrisburg):						
Lower Paxton Township	0.96	13.86	7.23	22.05	70.6%	15.57
Susquehanna Township	2.71	15.97	7.23	25.91	70.6%	18.29
Swatara Township	2.32	13.86	7.23	23.40	70.6%	16.52
Hampden Township	0.18	10.25	2.05	12.48	80.1%	9.99
East Pennsboro Township	0.96	12.90	2.05	15.90	80.1%	12.74
Lower Allen Township	2.05	10.61	2.05	14.71	80.1%	11.78
Derry Township	1.10	16.99	7.23	25.31	70.6%	17.87
Third Class cities in region (in order of proximity)						
York	17.39	29.54	4.15	51.08	79.9%	40.81
Lebanon	25.00	117.51	20.00	162.51	14.2%	23.08
Lancaster	12.04	24.21	3.42	39.67	75.2%	29.83
Reading	14.33	16.46	6.94	37.73	70.1%	26.45
Allentown - Land	50.38	42.17	11.90	104.45	32.2%	33.63
Allentown - Improvements	10.72	42.17	11.90	64.79	32.2%	20.86
Other Class Cities:						
Pittsburgh	10.80	23.50	4.69	38.99	86.2%	33.61
Philadelphia	41.23	49.59	-	90.82	32.0%	29.06
Scranton - Land	92.26	109.24	40.00	241.50	17.0%	41.06
Scranton - Improvements	20.07	109.24	40.00	169.30	17.0%	28.78

Split Rate Tax System

The split-rate tax levy in Harrisburg skews the real estate tax rates heavily towards land and, as a result, can generally benefit the amount paid for residential property taxes. As a result of the 6-to-1 ratio on the City assessment of land-to-improvements, approximately 63% of the City's property tax revenue is from land values.

Owner-occupied households that are qualified homesteads pay about 20% of the total tax on land and about 25% of the tax on improvements. A single rate would increase the overall tax on homesteads by over 6%. It is expected that residential apartments would also have a higher tax under a single rate, particularly for high-rise apartment units with minimal or no excess land.

Although one effect of the split-rate system is to shift the property tax burden from residential to commercial property, the primary rationale advanced for taxing land substantially higher than improvements is to increase land use efficiency. This is particularly true in a city like Harrisburg with limited land that can be privately developed. This is intended to encourage improvements and renovations while discouraging land speculation.[109]

The economic development advantage of the split-rate system is diminished when the rates of the School District and County (neither of which may utilize a split-rate system) are included. Maintaining a split-rate system requires careful diligence on the part of the County Tax Assessment Office and expertise on the part of appraisers in assigning the proper allocation of value between a building and the land on which it sits. It can also be a source of confusion to current and prospective property owners.

The millage limit for Harrisburg under the Third Class City Code is 25 mills for the general purpose levy (increased to 30 mills with permission from County Court) with no limits for enumerated special purposes such as indebtedness of the City.[110] With approval of the County Court of Common Pleas made in annual intervals, this rate cap can be removed while the City is in Act 47.[111] However, as previously indicated, increasing the Real Estate Tax rate is an option that needs to be weighed against the impact it will have on current and prospective property owners, both residential and commercial.

The property tax impact on owner-occupied households can be estimated by considering the average and mean assessments on taxable parcels that have been approved by the County Tax Assessment Office as being qualified homesteads. Based on 2011 Dauphin County Real Estate assessed valuation figures, the average homestead assessed value in the City of Harrisburg is about $57,000, which equalized for the Common Level Ratio is about $81,000. This represents a total City property tax of $527 and total combined property taxes of $2,023, which is 2.5% of the equalized value.[112] As noted above, home ownership in the City of Harrisburg is the lowest in the region (42% compared to 70% or more in the suburbs[113]). The assessed value of owner-occupied tax abatements on new homes and home improvements currently is about $10 million, or slightly over 3% of the total assessed value of owner-occupied homes.

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[109] Pennsylvania's Success with Local Property Tax Reform: The Split Rate Tax by Alanna Hartzok, The American Journal of Economics & Sociology, April 1997.

[110] 53 P.S. § 37531. Pennsylvania's appellate courts have not had occasion to consider whether the rate cap is applied separately for a city that utilizes split-rates or if it would be applied to the single rate computed as if the split-rate system was not utilized.

[111] 53 P.S. § 11701.123. If one or more of the City's pension plans is deemed in moderate or severe distress, the City may raise the real estate tax rate above the limit, the proceeds of which shall be used solely to defray the additional costs required pursuant to Act 205 of 1984, as amended, which are directly related to the pension plans. 53 P.S. § 895.607(f) & (f.1).

[112] Equalized value is sometimes referred to as the "indicated or computed" market value. In property tax assessment appeals, equalized value is used to compare to the market value as of the date of the appeal.

[113] See Economic Development Chapter, note 3.

In contrast, 2011 assessed valuation data shows that the average homestead assessed value in the rest of Dauphin County (mostly comprised of East Shore suburbs) is about $109,000, which equalized is about $180,000. The municipal property tax for the four suburbs which comprise the largest number of commuters from the East Shore varies from $141 in Lower Paxton Township (on an average assessed value of about $147,000) to $334 in Susquehanna Township (on an average assessed value of about $123,000). The combined property taxes for these four suburbs range from 1.5% to 1.8% of their equalized values.

The City's combined rate on business property is uncompetitive with suburban alternatives. The high combined tax rate is a deterrent to businesses that operate with a significant amount of real property, particularly those needing open land area and/or single-story or low-rise buildings. In addition, businesses operating in the City of Harrisburg must factor a gross receipts tax (Business Privilege & Mercantile Tax) that most suburban locations do not levy.

Real Estate Tax Collection
The City Treasurer is responsible for collecting Real Estate Tax for both the City and the School District.[114] The collection rate for the City's current real estate levy has varied per year but has averaged 89.1% for the period 2006 through 2010. This level of collection is comparable to other Third Class cities in Pennsylvania but is lower than the collection rate seen in many townships and some boroughs. Efforts to increase the collection rate will reduce the City's reliance on lien sales for delinquent real estate taxes. Lien sales can reduce the revenue from the delinquent taxes by 10%, and any effort to decrease the amount of property taxes that are subject to lien sale will have a compounding effect on revenue. It is estimated that each additional 1% improvement in current real estate collections will yield over $141,000; to receive that same revenue from a lien sale would require the sale of over $157,000 in delinquent liens.

Real Estate Tax Senior Citizen Rebate
The City provides a rebate equal to the difference in the current 2011 Real Estate Tax and the base year 2006 tax levy on the principal residence of owner-occupants at least 65 years of age whose household income, excluding 50% of Social Security, SSI and Railroad Retirement benefits, does not exceed the U.S. poverty guidelines. The City's Real Estate Tax rate in 2011 is about 17.4% higher than in 2006. Only 10 residents received the rebate in 2010, which averaged $63, with the highest rebate amounting to $92.

This rebate is not authorized by Acts of the General Assembly. Philadelphia is the only municipality with such authorization.[115]

To provide all owner-occupants with property tax relief, a homestead exclusion for school taxes was authorized by Act 1 of Special Session 1 of 2006. Funded by state gaming revenues, for the current school year ending June 30, 2011, the first $16,163 of assessed value of homesteads is excluded, which equates to property tax relief of up to $425.

Property Exempt from Taxation
Based on County assessment records, nearly half of the City's real estate value is tax-exempt and owned by government entities. The table below summarizes the City's tax-exempt property value and the potential tax revenue if the properties were not exempt from taxation. The total value of these exempt from taxation properties was $1,485,851,800 or nearly 48% of the total assessed value of property in the City. For the purposes of comparison, the City's taxable 2011 budgeted assessed valuation is $1,623,014,400.

[114] 53 P.S. § 37532.
[115] P.S. § 4751-24

Properties Exempt from Taxation

Property	Percent of All Exempt	If Taxable (in thousands)
Commonwealth of Pennsylvania	41%	$4,075
PHEAA*	2%	$223
HAAC	5%	$936
City (excluding Authorities)	6%	$988
School District	5%	N/A
Dauphin Co. (excluding Authorities)	9%	$1,137
Redevelopment Authorities	0%	$132
Other Authorities	4%	$582
Federal Government (including Postal Service)	2%	$218
Other Governments	0%	$49
Public Utilities	1%	$257
Parking Authority	3%	$397
Religious	5%	$787
YMCA	0%	$83
Pinnacle (Harrisburg Hospital Polyclinic)*	10%	$1,137
Other NP Healthcare Institutions	1%	$158
Harrisburg University	3%	$225
Other (8 with assessments > $1M**)	3%	$528
TOTAL	**100%**	**$ 11,913**
* PILOT Agreements with Pinnacle (City cannot locate), PHEAA (through 2018), PA Housing, Penn Center and 9 others		
** Cap Center Arts Science, Harrisburg VOA Elderly Housing, Goodwill, Harrisburg Hotel Assoc, Penn Center, Uptown Partners, Red Ross, River Rescue		

Properties Exempt from Taxation, Summary

Category	% of Overall Exempt Properties
Government and Related Entities (excluding Parking Authority)	74%
Parking Authority	3%
Religious (including YMCA)	5%
Nonprofit Healthcare	11%
Public Utilities (PURTA)	1%
Other (8 with assessments > $1M)	5%
TOTAL	**100%**

More than 75% of the tax-exempt value is held by the government or government sponsored organizations, which are, by constitutional or statutory law, exempt. These property owners in the City are: the Commonwealth of Pennsylvania (43% of the total exempt value); Dauphin County (9%); the City of Harrisburg (6%); the Harrisburg School District (5%); the state chartered Harrisburg Area Community College[116] (5%); Federal Government (2%); the Harrisburg Parking Authority (3%); and other government authorities (4%).

The balance of tax-exempt value per the assessment records is principally owned by nonprofit healthcare institutions (11%), religious organizations (5%) and other, mostly nonprofit organizations (5%). To be exempt from taxation, a non-governmental property owner must be an Institution of Purely Public Charity (PPC) and the property must be used and occupied by the PPC and necessary for its occupancy and enjoyment.[117] Act 55 of 1997[118] (Act 55) codified, with modifications, the following five tests, all of which must be met each year to be a PPC, which were established by the PA Supreme Court in 1985[119]: advance a charitable purpose; be entirely free from private profit motive; donate or render gratuitously a substantial portion of goods or services; benefit a substantial and indefinite class of persons who are legitimate subjects of charity; and relieve the government of some of its burden. In litigation that included the City of Harrisburg, the PA Commonwealth Court held in two cases in 1998 that Pinnacle Health did not qualify as a PPC involving both its Harrisburg Hospital and Polyclinic Medical Center facilities.[120]

It is Commonwealth policy to encourage organizations exempt from taxation to make PILOTs. Commonwealth law (e.g. Act 55) encourages PPCs to enter into PILOT agreements with municipalities and other local governments.[121] The City has PILOT agreements with 13 organizations on 16 parcels. The 2010 PILOT revenue was approximately $410,000, over 85% of which was from the following four organizations: Pinnacle Health ($119,000); Commonwealth of PA/PHEAA ($107,000); PA Housing Finance ($88,000); and Penn Center Harrisburg ($44,000).

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[116] Harrisburg Area Community College is a public institution under the Community College Act of 1963, as amended. Public School Code of 1949, as amended, 24 P.S. § 19-1901-A *et seq.*
[117] 72 P.S. § 5020-204(a)(9).
[118] 10 P.S. § 375 *et seq.*
[119] *Hospital Utilization Project v. Commonwealth*, 487 A.2d 1306 (1985).
[120] 708 A.2d 1284 (Pa. Commw. 1998), 708 A.2d 845 (Pa.Commw. 1998). Those properties are now listed as tax-exempt. Pinnacle Health has a PILOT agreement with the City, although a copy has not been located by the City.
[121] 10 P.S. §§ 372(a)(7) & (377(c). PPCs get "extra credit" for PILOT payments in computing whether it donates or renders gratuitously a substantial portion of goods or services.

Since the passage of Act 55 it has been reportedly difficult for local governments (including Philadelphia and Pittsburgh which have substantial amounts of non-government, non-profit organizations) to renew or enlist new PILOT agreements. Pittsburgh has had some success in negotiating a PILOT arrangement under its Act 47 plan. By working with the Pittsburgh Foundation, the Pittsburgh Public Services Fund was established and has resulted in PILOT payments of approximately $4 million annually or about 1% of its budget. The City of Harrisburg should quantify and communicate the value of the services it provides to its larger PPC property owners, pointing out the advantages of the City services that support the organizations' operations.

Although not part of the City's PILOT agreements, during the current fiscal year ending June 30, 2011, the Commonwealth appropriated over $1 million for Capital Fire Protection, including a one-time Community Revitalization Grant of $550,000. Although $987,000 is budgeted by the City for Capital Fire Protection in 2011, the amount proposed in the Governor's Budget for the coming fiscal year is $500,000. Increasing this amount to $1 million or even $2 million is justified based on the values of the properties being protected. A summary of the Capital Fire Protection and Community Revitalization Grants funds is provided below.

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Est.
Capital Fire Protection	$1,020,000	$1,270,000	$1,253,000	$1,000,000	$437,000	$496,000
Community Revitalization Grant	$0	$0	$0	$0	$550,000	$0
Total	**$1,020,000**	**$1,270,000**	**$1,253,000**	**$1,000,000**	**$987,000**	**$496,000**

Also not part of the City's PILOT agreement listing are the portion of lease payments by the Commonwealth for its space at Strawberry Square and 333 Market Street that included payments in lieu of tax amounts that averaged $860,000 per year over the five years ended 2008.[122] These are office buildings that would be available for sale to private investors which would then place them on the tax rolls based on their current market values.

Employment Based Taxes

Earned Income Tax (EIT)

Under the Local Tax Enabling Act, the EIT is capped at 1.0% and split equally with the School District, effectively limiting the tax to 0.5% on residents. The City currently levies the EIT at the maximum rate of 1.0% under the Local Tax Enabling Act,[123] on residents and nonresidents or those working in the City. However, the City is entitled to only a half of the resident levy since the School District has also imposed the tax.[124] The City receives very little revenue from the non-resident tax as the municipality of residence has first right to the tax up to the level they impose under the crediting provisions of the Act.[125]

[122] *Tax Exempt Property and Municipal Fiscal Status*, Legislative Budget & Finance Committee, PA General Assembly, March 2009 at 83. Per Brad Jones, the City's Redevelopment Authority is the land owner of these two facilities with long-term ground leases.
[123] 53 P.S. § 6924.311(3). If one or more of the City's pension plans is deemed in moderate or severe distress, the City may raise the Earned Income tax rate above the limit (on both residents and nonresidents), the proceeds of which shall be used solely to defray the additional costs required pursuant to Act 205 of 1984, as amended, which are directly related to the pension plans. 53 P.S. § 895.607(f) & (f.1).
[124] 53 P.S. § 6924.311. Unlike the City, the School District may not levy the EIT on nonresidents. 53 P.S. § 6924.301.1(f)(5).
[125] 53 P.S. § 6924.317. Out-of-state City workers, which are estimated to comprise less than one percent of the City workforce, are subject to the full 1.0% City EIT rate.

Under Act 47, a higher rate can be imposed on both residents and non-residents as part of a comprehensive recovery plan with approval of the County Court of Common Pleas on an annual basis.[126] A higher City EIT rate will not affect the portion of the EIT to which the School District is entitled. For example, if the City EIT rate is increased to 2.0%, the School District will continue to have an effective EIT rate of 0.5% on residents only.

As indicated in the table below, the highest EIT net ***resident*** rate[127] among the 19 other Act 47 Municipalities is 2.4% levied by the City of Scranton. Other Act 47 Municipalities with EIT net ***resident*** rates exceeding 2% are the Cities of Chester (2.15%) and Reading (2.1%). The highest EIT ***nonresident*** rate exceeding 1.0%[128] among the Act 47 municipalities is 1.1% by the City of New Castle, which has a population of about 24,000 and is the county seat of Lawrence County which borders the State of Ohio.[129] Eleven other Act 47 municipalities levy EIT ***nonresident*** rates exceeding 1.0%.[130]

2011 EIT Rates for Municipalities Under Act 47

Municipality	County	Year Designated	Resident EIT Rate (net of School Tax[131])	Nonresident EIT Rate Exceeding 1.00%[132]
Aliquippa City	Beaver	1987	1.00	0.50%
Braddock Boro	Allegheny	1988	0.60	0.05%
Chester City	Delaware	1995	2.15	0.15%
Clairton City	Allegheny	1988	0.50	0.00%
Duquesne City	Allegheny	1991	1.15	0.30%
Farrell City	Mercer	1987	1.30	0.40%
Franklin Boro	Cambria	1988	1.40	0.30%
Greenville Boro	Mercer	2002	1.15	0.42%
Harrisburg City	Dauphin	2010	0.50	0.00%
Johnstown City	Cambria	1992	0.80	0.10%
Millbourne Boro	Delaware	1993	1.00	0.00%
Nanticoke City	Luzerne	2006	1.50	0.00%
New Castle City	Lawrence	2007	1.70	1.10%
Pittsburgh City	Allegheny	2003	1.25	0.00%
Plymouth Twp	Luzerne	2004	1.50	0.40%

[126] 53 P.S. § 11701.123.
[127] "Net resident rate" is the rate to which a municipality is entitled net of any sharing with the coterminous school district as required by Local Tax Enabling Act, 53 P.S. . § 6924.311.
[128] Since most Harrisburg City Commuters are residents of Pennsylvania municipalities which levy a combined EIT rate of at least 1.0%, for this analysis it is assumed that the nonresident rate to which a municipality is entitled needs to exceed 1.0%.
[129] *Municipal Tax Statistics* for 2011, DCED.
[130] *Id.*
[131] Under the Local Tax Enabling Act when a municipality levies an EIT rate on residents of at least 0.5% the school district is limited to 0.5% on residents. 53 P.S. § 6924.311. The rates shown in this column do not include the school district EIT.
[132] It is assumed that most nonresidents are commuters from Pennsylvania municipalities whose combined municipal and school district EIT rates are at least 1.00%, giving them a credit of at least 1.00% against their nonresident EIT. Under this assumption, a municipality imposing a nonresident EIT would benefit only to the extent the nonresident EIT rate exceeds at least 1.00%.

Municipality	County	Year Designated	Resident EIT Rate (net of School Tax[131])	Nonresident EIT Rate Exceeding 1.00%[132]
Rankin Boro	Allegheny	1989	1.00	0.40%
Reading City	Berks	2009	2.10	0.30%
Scranton City	Lackawanna	1992	2.40	0.00%
West Hazleton Boro	Luzerne	2003	0.50	0.00%
Westfall Twp	Pike	2009	(no EIT levied)	(no EIT levied)

City commuters who are residents of Pennsylvania are credited for the City's EIT up to the combined home municipal/school district EIT tax on their City earnings.[133] If the City EIT rate is increased to 2.0% on residents and the combined home EIT rate for a non-resident is 1.0%, half of the EIT will be retained by City and half of it will be credited to the employee's home jurisdiction.

Many City commuters reside in jurisdictions where the combined EIT rate exceeds 1.0%, including some as high as 2.0% (including the many City commuters who reside in Swatara Township, Lower Paxton Township, East Pennsboro Township, Lower Allen Township and Middletown, Camp Hill and Mechanicsburg Boroughs). The table below lists the combined EIT for school districts in neighboring counties. Most of the Dauphin County jurisdictions with 1.0% EIT rates have the option of raising them to replace their Occupation Assessment Tax[134] which caused the EIT rates in Cumberland and Perry County localities to exceed 1.0%. As a result, the City would only yield additional tax revenue from non-residents from those jurisdictions to the extent the City's rate exceeds the combined EIT of the City Commuters' home jurisdictions.

Non-Resident (Commuter) Tax

The higher EIT rates levied by surrounding municipalities make a practical and effective EIT rate on commuters difficult to enact without correspondingly higher EIT rates on City residents. The necessarily higher EIT rate on Harrisburg City residents will result in a greater tax burden on residents that already have a much lower average wage compared to wages earned by non-residents ($30,056 for City residents compared to $47,008 for non-City residents, according to a 2007 report by Capital Tax Collection Bureau). For this reason, the Coordinator is not able to recommend a non-resident (commuter) EIT rate and has not considered the revenue from such a tax as a practical or equitable revenue source for purposes of this Recovery Plan.

[133] 53 P.S. § 6924.317. For wage earners the crediting process is handled by the tax collectors.

[134] 53 P.S. § 6924.403 authorizes a political subdivision that levies an occupation tax to replace the revenues by increasing the EIT rate. This would be accomplished through a voter referendum following adoption of a resolution by the governing body of the political subdivision. 53 P.S. §§ 6924.406 & 6924.407.

Dauphin County			**Adams County**		
1.	Harrisburg:	1.00%	1.	Bermudian Springs	1.70%
2.	Central Dauphin:	2.00%	2.	Conewago Valley	1.50%
3.	Upper Dauphin:	1.00%	3.	Fairfield Area	1.50%
4.	Lower Dauphin:	1.00%	4.	Gettysburg Area	1.70%
5.	Halifax:	1.00%	5.	Littlestown Area	1.00%
6.	Derry Township:	1.00%	6.	Upper Adams	1.60%
7.	Steelton-Highspire:	1.00%			
8.	Susquehanna:	1.00%	**Lancaster County**		
9.	Middletown:	1.75%	1.	Cocalico	1.00%
10.	Williams Valley:	1.00%	2.	Columbia Borough	1.00%
11.	Millersburg:	1.00%	3.	Conestoga Valley	1.00%
			4.	Donegal	1.00%
Cumberland County			5.	East Lancaster	1.00%
1.	Big Spring:	1.65%	6.	Elizabethtown	1.00%
2.	Camp Hill:	2.00%	7.	Ephrata	1.00%
3.	Carlisle:	1.60%	8.	Hempfield	1.00%
4.	Cumberland Valley:	1.60%	9.	Lampeter-Strassburg	1.00%
5.	East Pennsboro:	1.60%	10.	Lancaster	1.10%
6.	Mechanicsburg:	1.70%	11.	Manheim Central	1.00%
7.	Shippensburg:	1.40%	12.	Manheim Township	1.00%
8.	South Middleton:	1.60%	13.	Penn Manor	1.00%
9.	West Shore:	1.45%	14.	Pequea Valley	1.00%
			15.	Solanco	1.60%
Perry County			16.	Warwick	1.15%
1.	Greenwood:	1.75%			
2.	Newport:	1.60%	**Juniata County**		
3.	Susquenita:	1.80%	1.	Juniata County SD	1.00%
4.	West Perry:	1.70%			
			Lebanon County		
York County			1.	Anneville-Cleona	1.40%
1.	Central York	1.00%	2.	Cornwall-Lebanon	1.00%
2.	Dallastown	1.00%	3.	Eastern Lebanon	1.00%
3.	Dover	1.40%	4.	Lebanon	1.90%
4.	Eastern York	1.00%	5.	Northern Lebanon	1.00%
5.	Hanover	1.00%	6.	Palmyra	1.00%
6.	Northeastern	1.00%			
7.	Northern York	1.25%	**Schuylkill County**		
8.	Red Lion	1.00%	1.	Blue Mountain	1.00%
9.	South Eastern	1.00%	2.	Mahanoy	1.00%
10.	South Western	1.00%	3.	Minersville	1.00%
11.	Southern York	1.30%	4.	North Schuylkill	1.00%
12.	Spring Grove	1.00%	5.	Pine Grove	1.00%
13.	West York	1.00%	6.	Pottsville	1.00%
14.	York City	1.00%	7.	Saint Clair	1.00%
15.	York Suburban	1.00%	8.	Schuylkill Haven	1.00%
			9.	Shenandoah	1.00%
Franklin County			10.	Tamaqua	1.00%
1.	Chambersburg	1.70%	11.	Tri Valley	1.00%
2.	Fannett-Metal	1.00%			
3.	Greencastle	1.00%			
4.	Tuscarora	1.00%			
5.	Waynesboro	1.00%			

Local Services Tax
The Local Services Tax (LST) is levied on persons based upon their location of employment. It differs from the EIT in that the location of the principal employment is the basis for the tax, not the domicile of the taxpayer. The tax rate is a total of $52, shared with the School District - $5 paid to the School District and $47 retained by the City. The table below summarized the revenue received from the LST and EIT.

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Local Services Tax	$3,016,240	$2,865,834	$1,950,541	$2,353,228	$2,217,093	(26.5%)
Earned Income Tax	$3,447,433	$3,732,186	$3,514,282	$3,444,832	$3,149,169	(8.7%)

The revenue received from the LST has been significant for the City, especially since the rate and name changed in 2005. For comparison, in 2006, the City collected slightly more than $430,000 from the EIT (at a rate of 0.5% on wages and net profits) than from the LST levied at a rate of $47 per employee. For the period 2007 through 2010, the amount of LST taxes fell upon the adoption of mandatory income limits, but remained a major new City revenue source that is approaching three quarters of the revenue as received from the EIT.

Business Privilege & Mercantile Tax
The City of Harrisburg levies a Business Privilege & Mercantile Tax (BPMT) on all businesses in the City except for those that are statutorily exempt, such as manufacturers. The BPMT is based on the gross receipts of retailers at 0.075% (0.15% when combined with the BPMT rate levied by the School District); of wholesalers at 0.05% (0.01% combined rate); and of other businesses at 0.2% (0.3% combined rate). The only other municipalities in Dauphin, Cumberland and Perry Counties which impose a BPMT are Swatara Township, Paxtang Borough and Penbrook Borough. All of these municipalities border the City of Harrisburg and have lower combined rates on retailers and other businesses. Among the Third Class cities which are closest in proximity to Harrisburg, the BPMT is levied in York and Reading but not in Lebanon or Lancaster.

Like all political subdivisions in the Commonwealth, the City and School District of Harrisburg are barred from raising their BPMT tax rates.[135] However, this does not prevent increases in license taxes (which are included in the same City of Harrisburg tax account category), interest (now 0.33%/month, which comes to nearly 4% annually) or penalties (now 10% for payments more than 30 days after due date).

In the 2007 PA Supreme Court decision, *V.L. Rendina, Inc. v. City of Harrisburg,* the City prevailed in applying the BPMT to a contractor who had a leased job trailer during its temporary presence in the City. In holding that a base of operations is not necessary for the BPMT to apply, the Court's opinion indicated that business persons without any office in the City but who temporarily engage in business in the City are subject to this tax (*e.g.*, auditors at a client site in the City, an attorney in a Dauphin County Court trial, business associates attending a conference in the City, entertainers performing at a concert in the City or sales persons soliciting potential new business in the City). However, it is apparent that the City is not fully enforcing the BPMT to this extent. There is also pending legislation that would alter this definition and preclude the imposition of the tax on non-permanent work sites.

[135] Local Tax Reform Act of 1988, 72 P.S. § 4750.101.

Fund Transfers and Administrative Charges

Administrative Charges, Transfers and Parking Payments

As previously mentioned, in an effort to compensate for the relatively low tax revenue stream, the City developed a series of payments related to its operation of water, sewer, sanitation (solid waste collection) services as well as Harrisburg Parking Authority contributions through the agreement on the Coordinated Parking Fund. The payments were for: administrative charges for "overhead;" costs incurred by the General Fund; direct transfers into the General Fund; or payments made by the Coordinated Parking Fund. Payments from these sources varied over the period from a low of $16.4 million in 2006 to a high of $22.6 million in 2009. In 2010, the payments dropped significantly to $18.8 million. A summary of those payments is included below.

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Transfers and Administrative Charge Payments	$12,852,316	$13,861,260	$14,800,394	$18,590,844	$16,157,932	25.7%
Coordinated Parking Fund	$3,524,893	$4,005,000	$4,750,000	$4,050,000	$2,664,000	(24.4%)
Total Payments	**$16,377,209**	**$17,866,260**	**$19,550,394**	**$22,640,844**	**$18,821,932**	**14.9%**
% of Total Adjusted Revenue	30.3%	30.4%	32.6%	37.6%	33.3%	

Source: Historical Data from City As Provided

The continuation of these administrative charges, transfers, and parking revenues is dependent on whether the individual fund's operation has sufficient revenue to meet costs and produce a surplus to provide a transfer to the City's General Fund. For the projection period, the total of administrative charges, transfers and parking payments is held constant, as depicted in the table below. However, the funds that contribute the payments are expected to have projected increases in operating costs. Without changes in the funds' individual revenue sources, these increased costs are expected to produce annual operating budget deficits in each fund. Depending on the level of each fund's balance, continuing current levels of fund transfers into General Fund may be in jeopardy

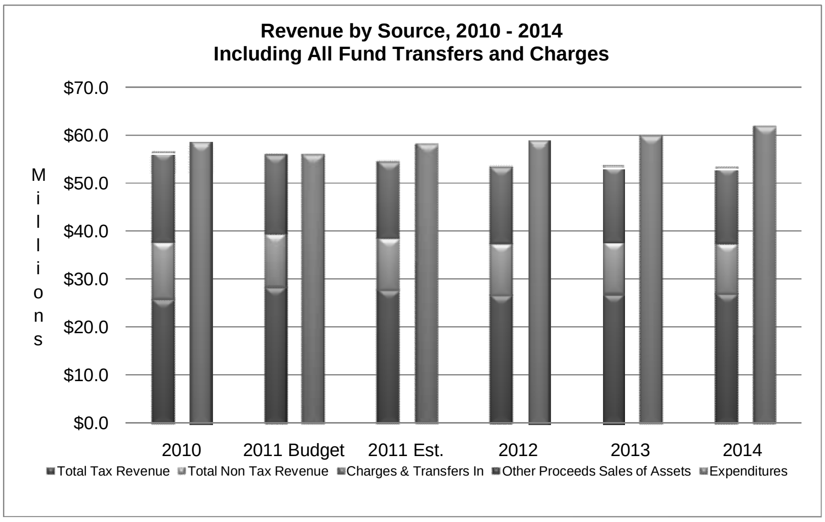
	2010 Actual	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Transfers and Administrative Charge Payments	$16,157,932	$15,990,847	$15,990,847	$15,990,847	$15,990,847	$15,990,847
Coordinated Parking Fund	$2,664,000	$3,600,000	$3,600,000	$3,600,000	$3,600,000	$3,600,000
Total Payments	**$18,821,932**	**$19,590,847**	**$19,590,847**	**$19,590,847**	**$19,590,847**	**$19,590,847**
% of Total Adjusted Revenue	33.3%	35.9%	36.6%	36.5%	36.7%	36.7%

	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Sewer Fund	($2,928,422)	($767,316)	($887,841)	($1,034,551)	($1,191,941)
Sanitation Fund	($261,645)	($284,784)	($314,614)	($353,394)	($399,543)
Water Fund	$0	($126,317)	($264,770)	($420,096)	($577,256)

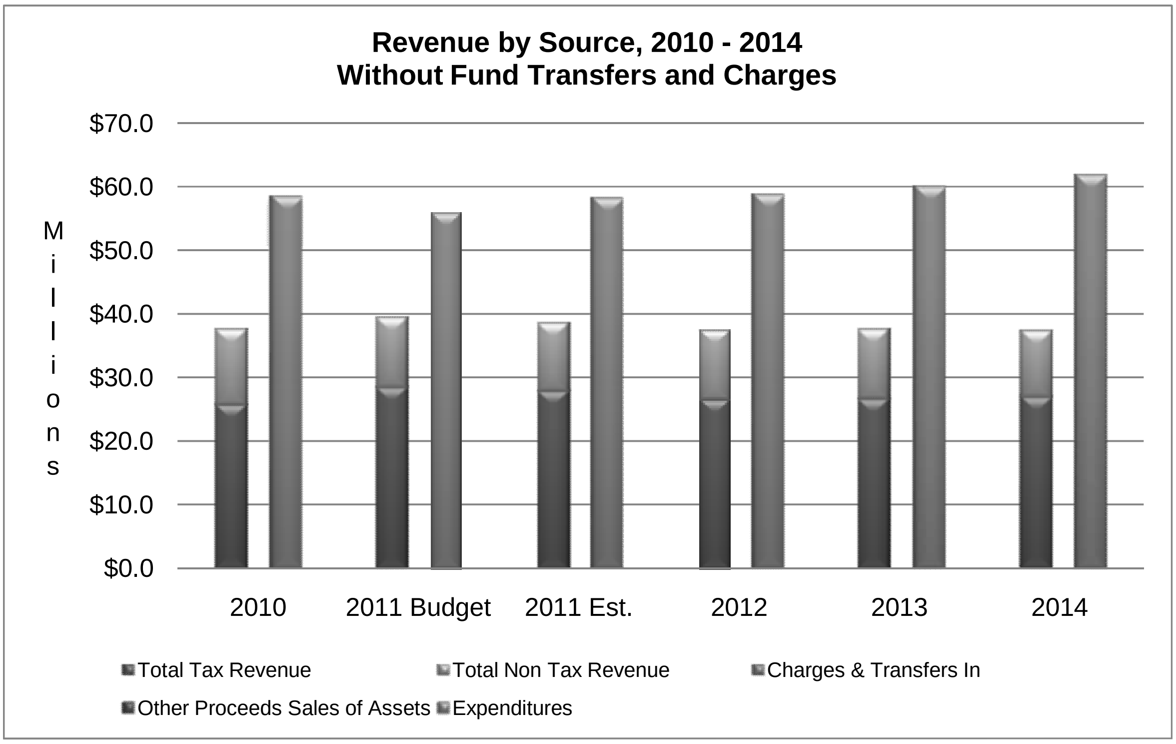
The total payments to the City's General Fund represent a significant source of revenue to the City. For 2011 the total payments equal:

- Nearly the same (92.8%) as the total of all real estate based taxes;
- Nearly three times (294.4%) the revenue from all employment based taxes;
- More than three times (312.1%) the revenue from all other taxes; and
- More than one-half (57.5%) the revenue from all taxes combined.

The following figure demonstrates the relative contribution to the General Fund of all revenue and sources as compared to expenditures.



For comparison, the amount of new revenue and sources that would be necessary to meet projected expenses in the absence of all transfers and charges is shown in the following chart.



Assessment of the Lease, Sale or Refinancing of City Assets

The City of Harrisburg owns a wide variety of properties, either wholly or in combination with other component units of government. Assets of real property can be sold at market value, operations that maintain facilities on City owned real estate may purchase or lease the land critical to their uses, and through the lease back method of finance, the City may receive up front funds from a multi-year lease of property that it currently controls and maintains with multi-year debt payments to another component entity. In 2010, the City prepared an RFP for appraisal of the City's holdings and included a review of: parking facilities; land under parking facilities; City Island, including all sports facilities; Broad Street Market; water utility and systems; sewerage utility and systems; National Civil War Museum; and the National Fire Museum. The City did not award a contract based on the RFP. The Harrisburg Authority received independent valuations on the value of its RRF. The Parking Authority received valuations on their garage facilities as well as the City owned land sited under the garages.

Water System Valuation

The water system is included in THA's operations. The City has a management agreement with THA and is compensated for expenses related to the operation of the system. The water system includes supply, treatment and distribution systems for customers in the City of Harrisburg, Penbrook Borough and parts of various other municipalities. The system includes approximately 142 miles of distribution lines, one reservoir with watershed protected acreage and several finished water storage reservoirs. The water system has approximately 21,000 metered customers.

A valuation of the operations, revenues and liabilities of the water system would rely on the value of the underlying operation, the net assets of the operation and the nature of the prospective purchaser. Potential private operators of the water system will be under the authority of the

Pennsylvania Public Utility Commission. A purchaser that is another public authority may have a different valuation method applied based on its ability to pay and whether or not it falls under Public Utility Commission jurisdiction.

Valuations of water systems for sale generally consider the following conditions:

1. Customer count is based on water meters not population.
2. Rate base is total plant in service at original cost less accumulated depreciation and contributed property (developer mains, grant funded infrastructure).
3. Sales between regulated utilities consider the rate base or the return on investment allowed through rate recovery as a key consideration.
4. Recent private sales examined averaged about $2,700 per customer.
5. Engineering estimates of fair market value for regulated water utility assets can range up to three times the rate base but generally are estimated at a multiple of two. This range of estimates provide the per customer price at about $3,000-$7,000 per customer meter.
6. The value of a water system is impacted by the condition of the existing infrastructure, mandated future investment, customer base growth potential and economic viability of the community.
7. Regardless of the valuation model, the necessary timing of the sale and motivation of the seller results in the actual sale price.

It is important to note that the time to complete either type of transaction (private entity or public authority) will vary based on the proposals and the ability of each entity to provide the necessary due diligence and required capital as well as the effect on the underlying bonds, notes or other financial instruments currently in place.

Additional details of the water system assets are included in the table below.

Asset	Potential Value	Comments
Water System	Based upon a recent average of $2,700 per customer could exceed $50 million. However, debt and condition of the infrastructure would be critical to a final selling price.	Sale to a private company or public utility would affect final realization from asset.
	Impact of sale on City General Fund	Loss of $1.3 million transfer for 2011, sale would also impact employment of City employees that operate the water system.
Watershed Land	Based on quantity of available land. The Game Commission previously offered to purchase three parcels of this land from THA for less than $1 million.	Sale to Commonwealth to become part of contiguous holdings of state lands to preserve watershed
	Impact of sale on City General Fund	Property titled to THA - asset sale will require an agreement between the City and THA as to the disposition of funds to the City's General Fund

Sewerage Utility

The sewerage utility is operated by the City through a lease agreement with THA for sewerage conveyance and treatment at the Advanced Wastewater Treatment Facility. The major revenue sources include metered and unmetered wastewater. The facility services the City of Harrisburg and six municipalities. As is usual in wastewater operations, the treatment plant also receives revenues from the treatment and handling of septage and sludge, laboratory fees and industrial user charges.

Additional details of the sewerage utility assets are included in the table below.

Asset	Potential Value	Comments
Sewerage Utility	Difficult to determine as a standalone utility, may be marketable as a joint water/sewer operation	Environmental updates to collection lines and treatment plant updates for nutrient removal may require significant capital expenditures.
	Impact of sale on City General Fund	Loss of $7.275 million transfer for 2011, sale would also impact employment of City employees that operate the treatment system.

Parking System Valuation
Revenue from the lease of the HPA system would be more easily available through two approaches: 1) leasing of the system, in whole or in part, on a City wide concession basis to a private interest or to another public entity; or 2) the use of refinancing to monetize the asset equity of the facilities as well as the projected revenue stream less the required repayment of the refinancing vehicle.

The HPA has received a proposal from a private entity that would yield net revenue of up to $105 million based on the length of the concession period. The HPA has also considered a refinancing of its operation with the intention of removing the City's guarantee of its debt and providing revenue based on a long term lease of the land under three garages along with a projected cash payment based on the long term refinancing of THA's operations. A total value of this revenue was not available to the Act 47 Coordinator; however, estimates provided within the discussion of such an arrangement estimated that up to $50 million was possible under a long term (50 year) lease of the land under the garages and a possible cash payment from refinancing of up to $70 million. It is important to note that no firm offer was provided by the HPA to the Act 47 Coordinator and that a thorough financial analysis would be necessary to provide the actual one time revenue available under a monetization of the system. It is also important to note that the time to complete either transaction (long term lease or monetization) will vary based on the proposals and the ability of each entity to provide the necessary due diligence and required capital as well as the effect on the underlying bonds, notes or other financial instruments currently in place.

Additional details of the parking system assets are included in the table below.

Asset	Potential Value	Comments
Parking Concession and System	Offers received for more than $200 million for a 99 year lease	Debate over long term lease of parking concession and future rates and terms.
	Alternative of parking authority refinancing operations and long term lease of land under garages	
	Impact of sale on City General Fund	Loss of yearly transfer to General fund.

Other Classification of Assets - Museums, Historical Artifacts and Recreational Facilities

The City also controls some less conventional assets that could be the source of additional one time revenue. These include recreational areas such as City Island and other waterfront property, the Broad Street Market, two National museums and the acquired holdings of the proposed Wild West Museum. No estimate of the value of these holdings was able to be prepared under the statutory time limits for preparation of this Recovery Plan.

A concentrated and deliberate effort to divest the City of holdings that do not directly enable the City to provide or maintain essential services must be undertaken at a pace and level of thoroughness so that the sale of any items can occur under the general principle of an informed seller and knowledgeable buyer. Undue haste to divest items can lead to an under realization of value due to factors such as a temporary adverse market condition for the asset or the need to properly consider the civic and economic impact on City and regional resident from the disposition of an asset.

Additional details of these other assets are included in the table below.

Asset	Potential Value	Comments
City Island	Requires independent appraisal	Restrictions on sale and use are possible as well as location for stadium and other facilities make sale extremely unlikely.
City Hall	Requires independent appraisal	Second Street location has value, current layout of building may make adaptation difficult
Broad Street Market	Requires independent appraisal	Private use and value unclear.
Museums and Holdings	Requires independent appraisal	Difficult entities to market, valuations for historical items subject to changing market demand and pricing for artifacts. Private sector purchaser to operate as a museum may not be likely - would have to consider sale of assets for repurposing.

City Real Estate Owned Whole or in Part

An estimate of the market value of real estate owned by the City in whole or in part can be made based upon Dauphin County assessed valuations after applying the County's CLR as determined by the State Tax Equalization Board. As previously noted, in 2009, the most recent year available, the County's CLR of assessed value to market value was calculated at 70.6%.

<table>
<tr><th>Asset</th><th colspan="2">Potential Value</th><th>Comments</th></tr>
<tr><td></td><td>Number of Parcels</td><td>Estimated Market Value</td><td></td></tr>
<tr><td>City Owned</td><td>155</td><td rowspan="2">Independent appraisal required</td><td rowspan="2">Many cannot be easily sold and are critical to the operation of the City. Some parcels may be marketable as properties depending on funding used.</td></tr>
<tr><td>City and Redevelopment Authority Ownership</td><td>426</td></tr>
</table>

City owned parcels include many building and lots that contain structures essential to the operation of the City and cannot easily be turned into revenue except through a financing mechanism that would add to the City's debt burden in exchange for one time revenues. There are a number of lots (approximately 120) with estimated market values below $50,000 that may be disposed of for revenue; however an in depth review and appraisal must be completed to fully develop the revenue source and to verify the accuracy of the appraisals.

Initiatives

The City of Harrisburg shall pursue the following initiatives as means to increase tax and other revenues, reduce tax collection expenses and improve voluntary compliance.

REV01.	**Increase the real estate tax rate**	
	Target outcome:	Increased revenue
	Five year financial impact (annual amounts per mill shown):	Yield per mill [equalized mill]: • Land $350,000/mill [$247,000/equalized mill] • Improvements $1,241,000 [$876,000] • Single Rate $1,591,000 [$1,123,000] Little change in yield/mill expected for 2012-2016
	Responsible party:	Mayor and City Council

The yield per mill of real estate tax is not projected to grow significantly during the period covered by the Recovery Plan financial projections. Any increase in real estate tax revenue will result from increases of the millage rate levied on land and improvements.

REV02.	**Terminate senior citizen property tax rebate with deferral**	
	Target outcome:	Remove unauthorized and inefficient provision
	Five year financial impact:	Not available - Minimal
	Responsible party:	City Solicitor, City Treasurer and City Council

The City shall formally repeal the Senior Citizen Property Tax Rebate. It is not authorized and has benefited very few residents. The currently authorized school tax homestead exclusion provides a much larger and wider benefit. Low-income senior citizen property tax relief is already available under the State Property Tax Rebate Program. Any additional City relief provided to low income senior citizens shall only be by means of a deferral authorized by the Real Estate Tax Deferment Program Act.[136]

[136] 53 P.S. § 8571 *et seq.*

REV03.	Review real estate taxable assessments	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	City Treasurer in conjunction with the County Assessment Office and the School District Business Manager

The last county-wide reassessment was conducted about a decade ago and became effective in 2002. There is no Pennsylvania statutory mandate for conducting periodic reassessments, though the Commonwealth Constitution requires that assessments of all properties be uniform. In the meantime, the City and the School District each have standing to challenge assessments of individual parcels, with an annual deadline to file an appeal of existing assessments beginning August 1, with the effect of any change made the following January 1.

The City Treasurer shall initiate a joint effort with the School District to identify under assessed or tax exempt properties, which should entail engaging a qualified appraiser in making preliminary reviews. If determined that the assessment is not equitable for the property, the City shall appeal (either alone or jointly with the school district) the assessment valuation.

REV04.	Review and increase utilization of PILOT Agreements; consider impact in sale of government-owned property	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	Mayor and Chief of Staff/Business Administrator in conjunction with the County Assessment Office and School District Business Manager; City Solicitor to review PILOT Agreements and negotiate multi-year commitments

The City shall take the following actions:

1. Determine the impact on property tax revenues as part of the due diligence of selling government owned property to for-profit organizations.
2. Solicit voluntary contributions from government and government sponsored organizations to reimburse the City for all or a portion of the services provided by the City. The City shall review the implementation of an Act 55 format for the formal agreement and payment of specified PILOT revenue from organizations exempt from property taxation.
3. Review the status of the qualification and PILOT agreements with the nonprofit healthcare institutions and the other private organizations with large tax-exempt assessments (starting with those of at least $1 million in value). Seek voluntary contributions / PILOTs with non-profit organizations, starting with those having the highest tax-exempt values and those who utilize substantial amounts of the City services.
4. The City shall prepare a report on the cost of the City provided fire protection to the Commonwealth capital properties. The City shall prepare this report prior to the introduction of the 2012-13 Commonwealth budget and shall provide to the appropriate state officials the

information. The City shall request an increase in the Commonwealth's Capital Fire Protection appropriation to a level that reflects the cost of the service provided as well as the cost avoidance that is enjoyed by the Commonwealth as a result of not having a dedicated Capital Fire Department.

REV05.	**Increase the Earned Income Tax rate**	
	Target outcome:	Increased revenue
	Five year financial impact:	0.25% increase: $7,600,000 (residents) 0.50% increase: $15,100,000 (residents) 0.75% increase: $22,700,000 (residents) 1.00% increase: $30,300,000 (residents) 1.25% increase: $37,800,000 (residents) 1.50% increase: $45,400,000 (residents)
	Responsible party:	City Council and Tax Enforcement Administrator

The City's Tax Enforcement Administrator shall confirm with the newly-appointed county-wide EIT tax collector that any EIT levied under Act 47 will be covered by the services provided in administering other EIT. This shall only be pursued to the degree necessary to balance the budget.

REV06.	**Increase business license fees; improve compliance with Business Privilege & Mercantile Tax.**	
	Target outcome:	Increased revenue and reduced tax administration/collection costs
	Five year financial impact:	Not available
	Responsible party:	City Council and City Tax Administrator

License fees shall be adjusted to inflationary index. The City currently imposes annual license taxes or fees on all businesses subject to the BPMT ($40), Landlords ($40), public eating and other establishments subject to the Health License ($25 to $200) and others ($10 to $200). Most of these flat taxes have been in effect for several years.

The City shall increase fees to an appropriate level based upon the inflationary index at least and, if possible, to the maximum of $100 permitted for general revenue purposes.[137] Any license taxes or fees that currently exceed $100 shall be reviewed to see if they are subject to this cap. At 4% per year, the interest rate is comparable to the variable rate currently imposed on late payments of PA state tax (3%) and federal tax (3%). As the benchmark short-term federal government bond rates increase, the City shall adopt a variable rate, referenced to no less than the state tax interest rate. For example, Philadelphia imposes interest at 12% per year for unpaid Business Privilege Taxes.

The City shall increase the penalty, presently 10% of tax, referenced to no less than the Federal tax standard. Federal taxes are subject to a combined civil penalty of up to 50% of tax for failure to file (5% per month up to 25%) and pay (0.5% per month up to 25%).[138] Philadelphia imposes a penalty

[137] 53 P.S. § 37601.
[138] 26 USC § 6621(a).

of 30% of unpaid tax for the first year and 15% for each subsequent year. The City shall institute civil and criminal penalties for fraud or willful intent to evade the BPMT.

The City shall institute a limited amnesty period during which penalties, and possibly interest, are waived upon voluntary filing and payment of delinquent BPMT. The City of Philadelphia has successfully utilized such amnesties for its Business Privilege Tax.

The City shall review the cost effectiveness of the administration and enforcement of the BPMT in order to maximize current collections and reduce the amount of delinquent tax owed.

REV07.	**Increase enforcement of the Local Services Tax**	
	Target outcome:	Increased revenue and reduced tax administration/collection costs
	Five year financial impact:	Not available
	Responsible party:	City Council and City Administration

The City imposes the maximum rate of $47 per year under the Local Services Tax (LST); the School District imposes a rate of $5 per year. As with the BPMT, the City shall increase penalties and institute an amnesty for a limited time period.

Capital Tax Collection Bureau currently administers the LST for the City and the School District. With the change in EIT tax collector starting in 2012, the City shall review the potential for one collector of both EIT and LST utilizing the countywide EIT collector. If the consolidation of tax collections is deemed to be impractical, the City shall request proposals to most efficiently collect the LST from both the current and new tax collection organizations.

REV08.	**Increase parking tax & license fee**	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	City Council; City Tax Administrator and Harrisburg Parking Authority

Since 1985, for nonresidential parking lots the City has imposed: (a) a tax of 15% on the consideration paid by patrons collected by the operators; and (b) an annual license fee of $1 per space for lots on operators with more than 40 spaces. The City shall adopt a parking tax rate of 20% and shall also increase the per space fee to $2 per space.

As discussed in Initiative HPA04 “Increase the parking gross receipts tax from 15% to 20%,” pending legislation is before the City Council regarding an increase to the gross receipts tax. This additional revenue has already been included in the Act 47 Coordinator’s projected revenues for the City.

REV09.	Pursue PILOT for Parking Tax lost to Commonwealth paid parking spaces	
	Target outcome:	Increased revenue
	Five year financial impact:	Estimated at up to $720,000 per year
	Responsible party:	Mayor, Chief of Staff/Business Administrator, City Tax Administrator and Harrisburg Parking Authority

The Commonwealth provides many parking spaces within the City of Harrisburg. Due to its unique position, the Commonwealth provides these spaces to Commonwealth employees and guests at no charge. Because of this, the current parking fee of 15% and $1 per space rates do not apply to these spaces but would apply if the Commonwealth charged market value for these parking spaces.

In March 2011, WilburSmith Associates prepared a business valuation for the Harrisburg Parking Authority System and provided a comprehensive parking inventory from all providers of parking spaces. As shown in the table below, the estimated value of the Commonwealth provided parking spaces is approximately $4.8 million per year with an estimated parking tax loss of $720,556 per year.

2010 Commonwealth Parking Uses	Spaces in Structures	Spaces on Surface Lots	Total Spaces[139]
Parking Spaces	2,899	782	3,681
HPA Monthly Rate	$145	$145	—
HPA Reserved Space Utilization	75.0%	75.0%	—
Monthly Value of Reserved Parking	$315,266	$85,043	$400,309
Annual Value of Reserved Parking	$3,783,195	$1,020,510	$4,803,705
Harrisburg City Parking Tax	15.0%	15.0%	—
Estimated Annual City Tax If Paid	$567,479	$153,077	$720,556

The City shall prepare a report on the number of Commonwealth parking spaces and the estimated market value of those spaces and the lost tax revenue suffered by the City. The City shall prepare this report prior to the introduction of the 2012-2013 Commonwealth budget and shall provide to the appropriate state officials the information so that an appropriate PILOT request can be considered for the Commonwealth's 2012-2013 budget.

[139] Inventory of spaces from WilburSmith March 2011 HPA Business Valuation

REV10.	Pursue Department of Revenue Determination for Additional tax, penalty and interest regarding the Realty Transfer Tax	
	Target outcome:	Increased revenue and reduced tax administration/collection costs
	Five year financial impact:	Not available
	Responsible party:	City Council

The City last amended its Realty Transfer Tax Ordinance in 1990. The Commonwealth, under Act 40 of 2005, gives the City the option to have the Pennsylvania Department of Revenue make determinations for additional tax, penalty and interest.[140] For this service, the Department of Revenue may impose a cost of up to 10% of the tax, penalty and interest collected on behalf of the City.[141]

The City shall implement this option to reduce the costs of tax administration and increase the net receipts from tax underpayments, penalty and interest. This tax is collected by the County Recorder of Deeds.

REV11.	Increase interest & penalty provisions where permitted	
	Target outcome:	Increased revenue
	Five year financial impact:	$90,000
	Responsible party:	City Council and Tax Enforcement Administrator

The Local Tax Enabling Act authorizes the City "to prescribe and enforce reasonable penalties" for nonpayment.[142] Taxes covered under this Act include the Business Privilege & Mercantile Tax, Local Services Tax, Parking Tax and the Occupation Assessment Tax. Under this authority, the City provides a 10% penalty and interest at the Federal rate (presently 3% per year) for late payments of these taxes, as well as civil and criminal penalties.[143] The amount budgeted in 2011 for interest and penalties is $35,200, or about 0.55% of amount budgeted for these taxes of more than $6.4 million.

The City shall increase the amount of penalties to 30% for the first year and 15% for each subsequent year, plus interest at 12% per year. This increase is projected to yield $90,000 over the next five year.

Financial Impact

2011	2012	2013	2014	2015	Total
$18,000	$18,000	$18,000	$18,000	$18,000	$90,000

[140] 72 P.S. § 8109-D(a).
[141] Act 40 of 2005.
[142] 72 P.S. § 6924.706.
[143] City Ord. No. 33-1993, City Code § 5-717.99.

REV12.	Improve taxpayer information	
	Target outcome:	Improved service and access to information
	Five year financial impact:	Not available
	Responsible party:	Tax Enforcement Administrator and Director of IT Bureau

The City of Harrisburg website (www.harrisburgpa.gov) does not contain a central repository of tax information nor does it include access to the relevant tax ordinances, regulations or website links. To improve voluntary compliance and administrative efficiency, the City shall create a tax webpage within the City website that includes all tax forms (in PDF print and interactive formats), tax instructions, tax ordinances, tax regulations, taxpayer information phone numbers and addresses (both e-mail and regular mail), and links to outside tax collectors, relevant County offices (Tax Assessor, Board of Assessment Appeals, Recorder of Deeds), School District, and the Pennsylvania Department of Revenue.

REV13.	Improve real estate taxpayer collection rate	
	Target outcome:	Increased revenue
	Five year financial impact:	Each 1% increase in collection rate produces over $140,000 in current revenue
	Responsible party:	City Treasurer, Chief of Staff/Business Administrator and Tax Enforcement Administrator

The City Treasurer is responsible for collecting the real estate tax for both the City and the School District. The collection rate for the City's current real estate levy has varied per year but has averaged 89.1% for the period 2006 through 2010. Efforts to increase the collection rate will reduce the City's reliance on lien sales for delinquent real estate taxes. Increasing the current collection rate for real estate taxes will become more important as the City begins to rely on multi-year sales of liens for revenue from delinquent tax accounts. It is estimated that each additional 1% improvement in current real estate collections will yield over $140,000; to receive that same revenue from a lien sale would require the sale of over $157,000 in delinquent liens.

The City Treasurer, Chief of Staff/Business Administrator and Tax Enforcement Administrator shall review the status of real estate tax collections for the current year no less than every three months and especially after the face period for redeeming tax bills. The City Treasurer shall develop and implement a system to enhance the City's notification of current unpaid tax accounts so that property owners are reminded that taxes are due and that there is time to avoid penalty costs for late payment of real estate taxes.

REV14.	Generate revenue through Market Based Revenue Opportunities	
	Target outcome:	Increased revenue and cost replacement and avoidance
	Five year financial impact:	$800,000
	Responsible party:	Chief of Staff/Business Administrator

Market based revenue opportunities (MBRO) have been used by many municipalities in Pennsylvania and around the country to produce revenue from advertising, service concessions, marketing and sponsorship opportunities. The City's location as a tourist destination as well as a regular venue for meetings and business visitors to the State Capital makes an MBRO initiative an important alternative to increases in local fees and taxes.

The City shall pursue an RFP process to select a broker to help identify potential City assets for an MBRO program, assist with establishment of a policy framework and market available and approved opportunities. Channel 20, the City's cable access channel, shall also be included in this review. The MBRO program shall be implemented no later than July 1, 2012. As estimated in other municipal MBRO plans, the City can expect approximately 1% of General Fund revenues once an MBRO program is fully implemented. The estimated five year revenue is based on the estimated percentage of City revenues and the anticipated time to develop and implement MBRO initiatives.

Financial Impact

2011	2012	2013	2014	2015	Total
$0	$100,000	$150,000	$250,000	$300,000	$800,000

REV15.	Implement full cost recovery from fees and services provided	
	Target outcome:	Increased revenue, cost recovery and elimination of enterprise fund deficit operating balances
	Five year financial impact:	Not available
	Responsible party:	Mayor, City Council, City Treasurer and Chief of Staff/Business Administrator

During the development of this Recovery Plan, the City has issued an RFP for a Full Cost Recovery Fee study. The advantages of a cost recovery system include:

- Increased revenues for the General Fund, both from internal and external sources;
- Greater equity in charges to identifiable service recipients;
- A comprehensive cost accounting framework for determining the cost of City operations; and
- Better information upon which to design future efforts aimed at improved productivity.

If the City has not awarded an appropriate contract by the date of this Recovery Plan adoption, the City shall review the results of the RFP and determine if any changes to the scope or budget are necessary to accomplish a full cost recovery program. The City shall award a full cost recovery contract no later than September 1, 2011. Implementation of the recommendations contained in the study shall be initiated as soon as possible.

In addition, as noted elsewhere in this Recovery Plan, the City's separate enterprise funds are projected to have operating budget deficits over the period covered by this Plan. These enterprise funds provide operating funds for the City's General Fund. The Recovery Plan projects that the level of fund transfers will remain at the 2011 level throughout the Plan period. Accordingly, each revenue base and fee charged for the services provided by these enterprise funds shall be examined for full cost recovery as well as provision of fund transfers at the level anticipated by this Recovery Plan. The City shall avoid operating fund deficits within these funds and maintain a sufficient rate and fee structure to fully fund the enterprise funds.

REV16.	**Evaluate and develop valuations for city owned property and operations**	
	Target outcome:	Increased revenue
	Five year financial impact:	($65,000)
	Responsible party:	Mayor, City Council, THA and HPA

The City shall pursue an independent evaluation of its assets that may be available as sources of revenue. The City shall begin an evaluation and issue an RFP from qualified firms to begin the necessary appraisals. In the case of public services or parking concession leases, the City shall cooperate and assist in all aspects of review with the Act 47 Coordinator so that the process of asset conversion will be accomplished in the appropriate time and with the most thorough examination as to the effects on the City, its budget and the applicable valuation for each asset.

The City shall follow the terms of its 2010 RFP for the provision of professional appraisals. The 2010 RFP required that the appraiser must be competent to conduct appraisals of residential, commercial, industrial and public property and properties with complex uses and encumbrances, e.g. leases, public financings, park land, etc. Assets to be appraised may include, but not limited to, the following:

- Parking Facilities;
- Land under Parking Facilities;
- City Island, including all sports facilities;
- Broad Street Market;
- Water utility and systems;
- Sewerage utility and systems;
- National Civil War Museum; and
- National Fire Museum.

The financial impact below reflects the estimated cost of appraisals.

Financial Impact

2011	2012	2013	2014	2015	Total
($65,000)	$0	$0	$0	$0	($65,000)

REV17.	Sell City acquired historical assets	
	Target outcome:	Increased revenue
	Five year financial impact:	Estimated at $500,000 a year, total value subject to appraisals
	Responsible party:	Mayor and City Council

The acquisition of display items for the planned City museums resulted in holdings of assets that have no immediate use for the operation of the City. The holdings will be appraised as part of the required overall asset value study and the City shall prepare and dispose of the items in a manner that results in the highest possible proceeds from the sale. The City shall consider the current market conditions for items of historical interest prior to committing to a sale and may consider several sales over an extended time period to avoid the unnecessary loss of value due to adverse market conditions. The City shall also consider the use of qualified, professional brokerage services knowledgeable in the specialized area of the artifacts to sell items directly to interested parties.

It is estimated that these sales could generate $500,000 a year; however, total values are subject to appraisals.

Financial Impact

2011	2012	2013	2014	2015	Total
$500,000	$500,000	$500,000	$500,000	$500,000	$2,500,000

REV18.	Evaluate the sale of excess acreage of The Harrisburg Authority property surrounding the DeHart Dam	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	Mayor, City Council and PA Game Commission

THA currently owns approximately 8,200 acres surrounding the DeHart Dam and Reservoir. The property is being maintained as a buffer to protect the watershed and the water quality of the reservoir. The amount of property may exceed what is necessary to protect the watershed and may be declared surplus. THA currently allows some logging on the property and has budgeted $115,000 in revenue from timber and pulp sales for 2011. In negotiation with the Commonwealth over purchase of a portion of the property, an independent evaluation showed a net present worth of forest management in excess of the amount offered for purchase of the property. The offer was slightly less than $1 million. This was eventually resolved through the granting of an easement.

The 8,200 acres represents a sizeable asset for THA and its water operations. The use of sale proceeds for the operation of the City's water system will provide capital that may be needed to maintain the financial support for the City's General Fund from the water system. Valuation and proper use/disposal of this property will have a significant impact on finances. Accordingly, the City shall:

- Coordinate the sale of any excess acreage with THA and the Pennsylvania Game Commission; and
- Establish reasonable watershed protection boundaries, based on an assessment by a qualified consultant.

IX. Combined Solution

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Combined Solution

Throughout the development of this Recovery Plan, the Act 47 Coordinator has discussed the need to solve two problems – the existing structural deficit and the crushing debt of the RRF. This chapter describes how the two solutions work in tandem to meet the requirements of Act 47 and eliminate deficits across all funds.

Structural Deficit

The City of Harrisburg is facing a severe structural deficit crisis. Tax and fee revenues and other money received by the City have not been enough to meet its current operating costs. The City has closed the budget deficit in prior years by making one time transfers and, when ultimately forced, by eliminating personnel. The City is dependent upon transfers of funds from its operation of water, sewer and sanitation services and the Coordinated Parking Fund. Now these funds are facing operating deficits as well. Clearly, these annual transfers to the General Fund do not represent a long term, fiscally responsible means of balancing the City's annual operating budget.

Based on the financial analysis completed by the Act 47 Coordinator, the estimated gap between 2011 General Fund revenues and expenditures is $3.46 million. The City also has a 2010 deficit carryover of more than $2 million. The 2012 General Fund projected deficit is $5.3 million.

To put this crisis in perspective, the projected deficit is equal to the following:

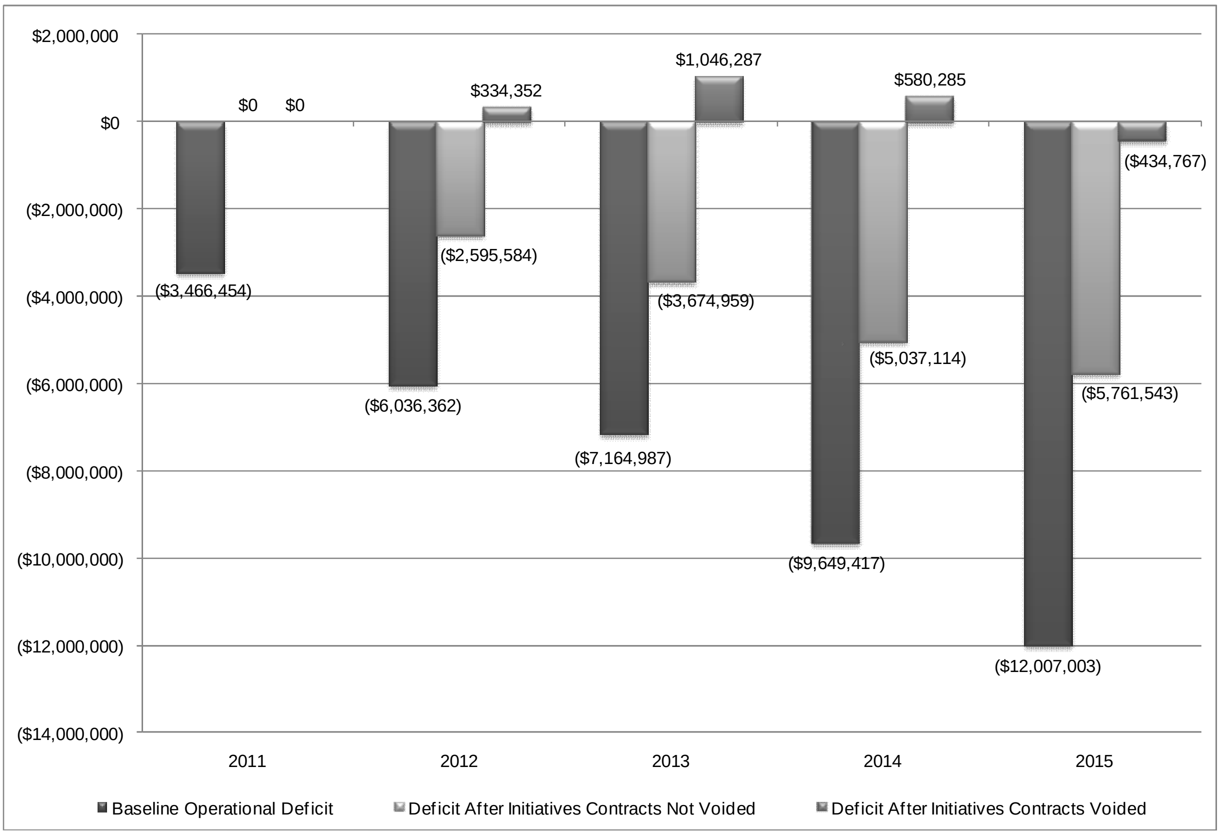
- 37.2% of current real estate taxes;
- 1.7 times the current earned income taxes collected;
- Nearly 10% of total estimated 2011 General Fund revenues;
- Over 9% of total estimated 2011 General Fund expenditures; or
- 22.5% of total 2011 budgeted salaries and wages.

To address the deficit, this Recovery Plan identifies nearly 150 non-tax priority initiatives the City must implement. In the aggregate, these expenditure-focused measures will eliminate much of the City's recurring deficit and put the City on a course to fiscal stability. A complete list of initiatives contained in this Recovery Plan can be found in Appendix F.

However, as discussed in detail in the Workforce chapter, the City must move quickly to pursue legal action and void the premature extensions of the collective bargaining agreements entered into by the prior administration. Voiding the premature extensions allows the City to thoughtfully enter into real negotiations with each of the Collective Bargaining Units. If the contract extensions continue in effect, there will be zero financial impact and zero cost savings from 28 initiatives in this Recovery Plan until after 2014, since none of these initiatives can be implemented under the existing collective bargaining agreements. Therefore, the financial impact of the initiatives detailed in this Recovery Plan is based on the assumption that the contract extensions are void or voidable and the existing contracts are continued through the following dates: FOP through December 31, 2011; IAFF through December 31, 2012; and AFSCME through December 31, 2011.

Voiding the contracts, combined with the initiatives of the Recovery Plan, will eliminate most of the City's projected baseline deficit. However, for 2011 these initiatives alone will be unable to close the combined 2010 and 2011 budget gap, as shown below.

Combined Fund Projections with Initiatives, 2011 – 2015

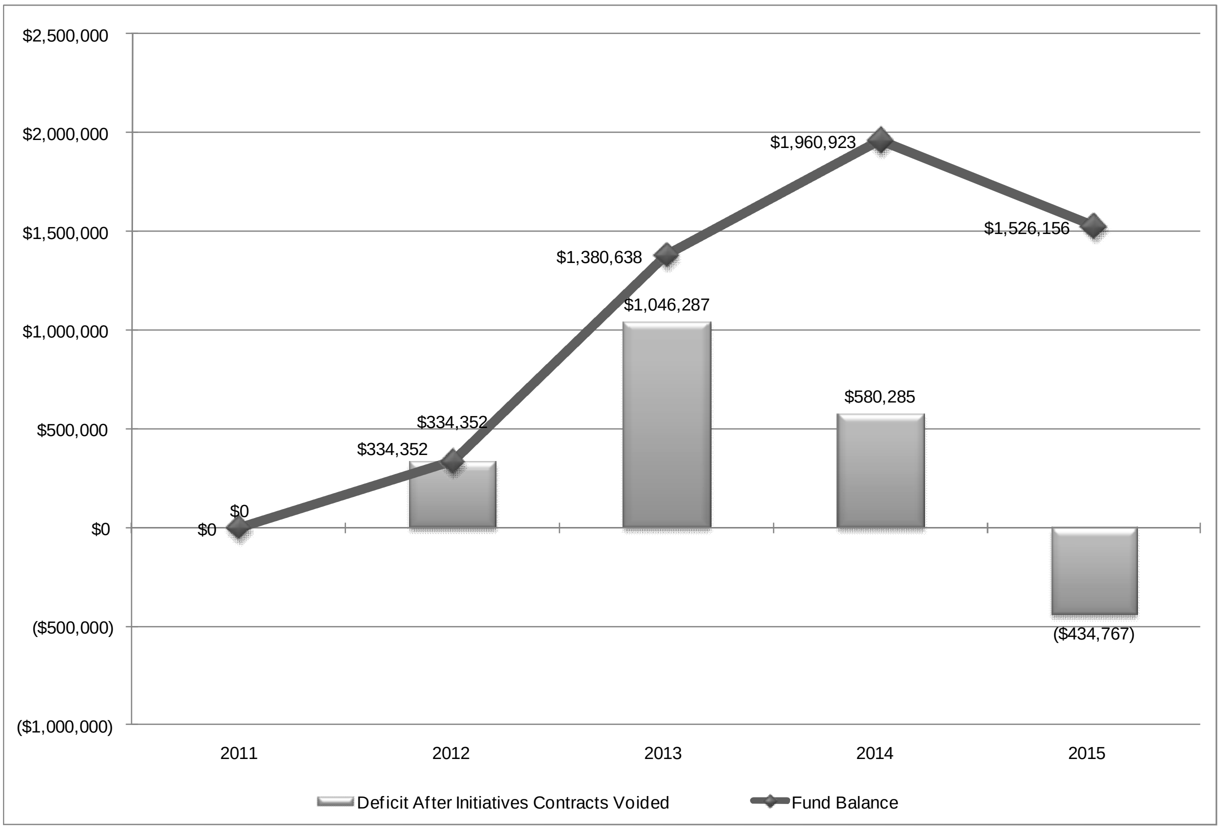


Due to the City's current debt load, unfunded borrowing is not recommended as a reasonable or viable solution to address the 2011 shortfall. Rather, it is the recommendation of this Recovery Plan that the City pursue a one-time revenue source such as the sale or lease of assets.

Absent a one-time infusion of revenues in 2011, the City will be unable to pay vendors or employees beginning in the fourth quarter of 2011.

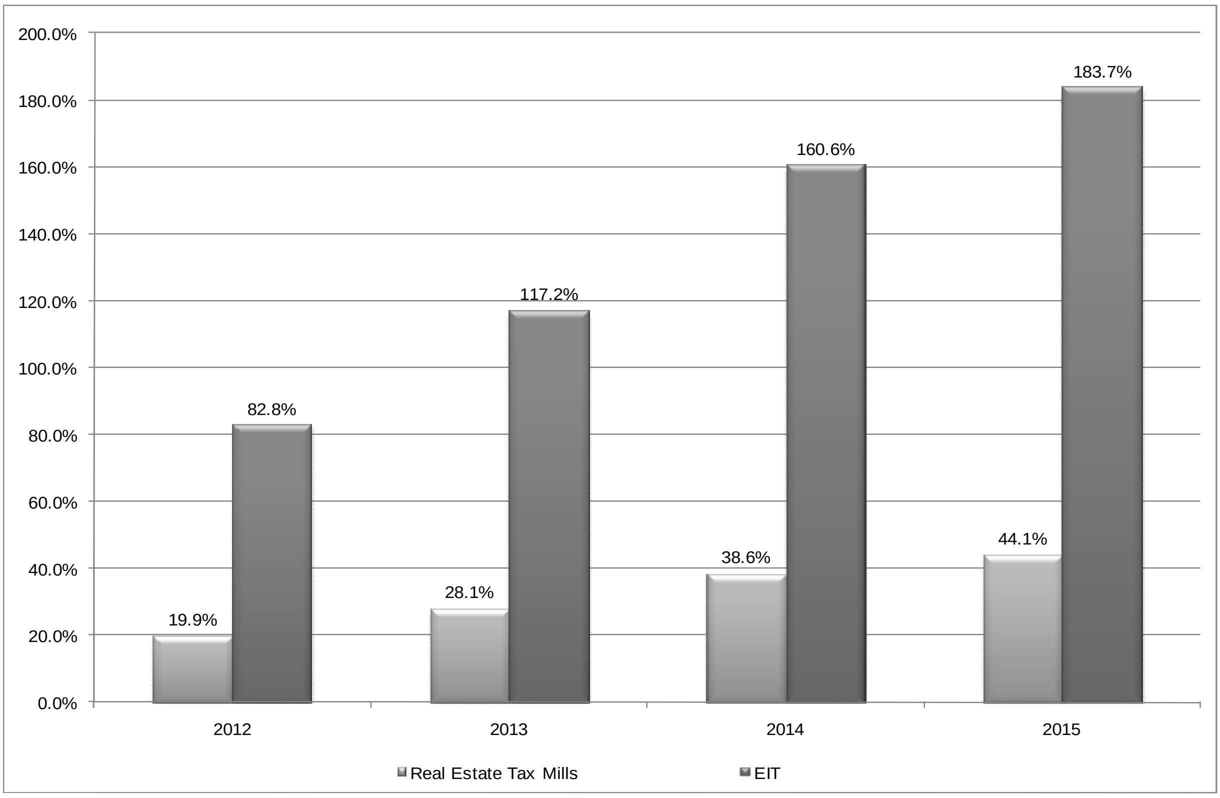
Execution of these actions (e.g. elimination of current 2011 operating deficit, voiding contract extensions and implementing all Recovery Plan initiatives) will result in a budget surplus by 2012, as shown above. With careful management, these surpluses will compound and help the City reverse its current negative fund balance and provide a source of one time funds for capital improvements.

Projected Annual Surpluses and Fund Balance, 2011 – 2015



If collective bargaining agreements are not substantially altered via negotiations, the City will be forced to raise additional revenue through significant tax increases. From a policy perspective, the level of poverty in the community makes these significant tax increases unadvisable. In order to generate adequate revenue without voiding contract extensions, the City would need to raise property taxes by nearly 20% or raise the EIT by more than 80% for 2012, with additional increases in each of the following years.

Required Cumulative Tax Increases Without Voiding Contract Extensions



As described in the CIP chapter of this Recovery Plan, the City is in dire need of capital funding to repair, restore and maintain its significant infrastructure. Conservatively, over $4.5 million is needed annually to address basic capital needs. Therefore, it is recommended that a significant portion of fund balance be used to fund priority capital needs, as determined by the development of a detailed capital improvement plan.

Debt

The impact of solving the default on the RRF debt is a reduction of available revenue for the City's General Fund by a minimum of $2.5 million a year. The necessary recovery of these lost revenues is accomplished through implementing the initiatives contained in the Debt Solution section – a combination of increased taxes and a new revenue stream.

	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Net City Operating Surplus/(Deficit)	$334,352	$1,046,287	$580,285	($434,767)
Net Effect From Lease/ Sale of HPA	($2,500,000)	($2,500,000)	($2,500,000)	($2,500,000)
Additional Initiatives Required	$3,000,000	$3,000,000	$3,000,000	$3,000,000
Net City Annual Surplus/(Deficit)	**$834,352**	**$1,546,287**	**$1,080,285**	**$65,233**

If the amount of funds required to repay the stranded debt exceeds the estimate or are otherwise not made available, further reductions in expenditures, including personnel, and additional revenue generating initiatives must be implemented.

Balanced Budget

The following series of tables demonstrates that the Act 47 Coordinator's Recovery Plan eliminates the City's fund deficits and secures a balanced budget in all funds.

The first table demonstrates that the operating deficit (prior to addition of the Debt Solution) is resolved through the implementation of over 150 initiatives contained in the Recovery Plan.

	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Total Baseline Deficit All Funds	($3,466,454)	($6,036,362)	($7,164,987)	($9,649,417)	($12,007,003)
2010 Ending Cash & Payables	($2,093,251)	$0	$0	$0	$0
Initiatives	$1,376,454	$6,370,714	$8,211,274	$10,229,702	$11,572,236
One Time Revenue	$4,183,251	$0	$0	$0	$0
Net Operating Surplus/(Deficit)	$0	$334,352	$1,046,287	$580,285	($434,767)
Fund Balance	**$0**	**$334,352**	**$1,380,638**	**$1,960,923**	**$1,526,156**

The following table shows a balanced budget after adjusting for the loss of revenue from the sale of parking assets and the additional debt service from refinancing the stranded debt.

	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Net Operating Surplus/(Deficit)	$0	$334,352	$1,046,287	$580,285	($434,767)
Effect from Sale of HPA	$0	($2,500,000)	($2,500,000)	($2,500,000)	($2,500,000)
Additional Initiatives Required	$0	$3,000,000	$3,000,000	$3,000,000	$3,000,000
Net Annual Surplus/(Deficit)	$0	$834,352	$1,546,287	$1,080,285	$65,233
Capital Improvements	$0	($750,000)	($1,000,000)	($1,000,000)	$0
Surplus/(Deficit) after Capital Improvements	$0	$84,352	$546,287	$80,285	$65,233
Fund Balance	**$0**	**$84,352**	**$630,638**	**$710,923**	**$776,156**

Failure to Adopt

Act 47 contains specific provisions that go into effect should the City fail to adopt the Coordinator's Recovery Plan. Specifically, the Act states in Section 246:

> *If the governing body of a municipality that operates under an optional plan form of government or a home rule charter enacts an ordinance directing implementation of the coordinator's plan and the chief executive officer refuses or fails to issue an order as provided in section 245, or if the governing body refuses to enact an ordinance approving the coordinator's plan, then the chief executive officer, within 14 days of the action or refusal to act on the ordinance by the governing body, shall develop a plan, including a signed order implementing it, which shall be the subject of a public meeting no later than ten days following its completion.*

Following this, the City Council may enact an ordinance, including necessary related implementing ordinances or revisions to ordinances, approving the plan. The plan is then submitted to DCED for review. The Secretary must then determine if the plan will in fact overcome the municipality's fiscal distress.

Failure to adopt an Act 47 Recovery Plan also triggers Sections (251 and 264) of the Act. Section 251 provides for the withholding of certain Commonwealth funds, specifically:

> *(a) Withholding of certain Commonwealth funds. – Except as provided in section 302(b), upon certification by the secretary that a financially distressed municipality has failed to adopt a plan or implement an adopted plan as proposed under this act or has adopted a plan which is inadequate to address the municipality's financial distress, the municipality shall not receive a grant, loan, entitlement or payment from the Commonwealth or any of its agencies. Moneys withheld shall be held in escrow by the Commonwealth until the secretary has rescinded the certification.*

Section 264 provides:

> *Section 264. Suspension of Commonwealth funding.*
> *(a) General rule. – A municipality which remains classified as financially distressed by the department and has failed to adopt or implement a plan within a period set by the Federal court, or has failed or refused to follow a recommendation by a coordinator, shall be notified in writing by the coordinator that he is requesting the secretary to issue a suspension of Commonwealth funding to the municipality for its failure to take the steps enumerated in the notice.*
> *(b) Municipality's response. – The municipality shall have ten days from the date of the coordinator's notice in which to show cause to the secretary and the coordinator why Commonwealth funding to the municipality should not be suspended.*
> *(c) Certification. – If the municipality has not adequately shown cause to the secretary and coordinator why such action should not be taken, the secretary, within 20 days of the coordinator's request, shall certify to the municipality in writing that each grant, loan, entitlement or payment by the Commonwealth or any of its agencies shall be suspended pending adoption of a plan calculated to fully resolve the municipality's financial distress. Suspended funds shall be held in escrow by the Commonwealth until the secretary has rescinded the certification.*

Plan Adoption

The Act 47 Coordinator does not expect that any single stakeholder group will like this Recovery Plan. All stakeholders: residents, employees, the City, the County (and by inference all residents of Dauphin County) and AGM all loose something in this Plan. In that way, the Plan does do what many called for: “share in the pain.”

While people will feel both justice and injustice is served by “sharing the pain,” it is the expectation of the Act 47 Coordinator that everyone, including the Commonwealth, will be pleased to share in the rebirth of its Capital City. Recovery will be a long battle, but as the City experiences revitalization, new energy can and will captivate the residents of Harrisburg, and those who govern them, and restore community pride – in the City, the County and the Commonwealth.

X. Appendix

Appendix A

Recovery Plan Participation

METTE, EVANS & WOODSIDE
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June 17, 2011

Julia D. Novak, President
The Novak Consulting Group
210 Glenmary Avenue
Cincinnati, OH 45220

VIA E-MAIL AND FIRST CLASS MAIL
Act47PlanInput@thenovakconsultinggroup.com

RE: City of Harrisburg Act 47 Recovery Plan - Dauphin County Comments

Dear Ms. Novak:

As you know, we are special counsel to the Dauphin County Board of Commissioners in connection with the debt obligations of the City of Harrisburg (the "City") and The Harrisburg Authority (the "Authority") relating to the Authority's Resource Recovery Facility ("RRF"). On behalf of the County we are hereby providing to you, as the Plan Coordinator, the County's comments to the Recovery Plan for the City prepared by you pursuant to Act 47.

The County's comments are as follows:

1. At page 2 of the Plan's Executive Summary you set forth a table showing the debts owed by the City with respect to the RRF. Certain adjustments or corrections are required with respect to amounts shown for Dauphin County. On May 27, 2011, the County was required to make a Swap/Cap payment on the Series D1 and D2 Revenue Bonds of 2003 pursuant to the County's secondary guaranty in the amount of $541,089.65. That payment does not appear to be included in the category "Amounts Paid Under County Guaranty" set forth in the table. In addition, the designation "Refinance Series 2007 C and D Notes" is not accurate. The Notes were not refinanced. Instead, the County financed, on its own, the amount required to satisfy its secondary guaranty with respect to the 2007 C and D Notes. Accordingly, we suggest that this item be relabeled as "Guaranty Payment Regarding Series 2007 C and D Notes." For your information, we enclose herewith a statement of the guaranty payments made by Dauphin County with respect to the RRF as of the date of your report. We also note that these items, over time, will increase as additional guaranty payments are made by the County and as interest and expenses accrue on those payments.

2. We also believe the Plan should reflect that under the County's 2003 Bond and Swap Guarantys, the County is required to make monthly payments to the 2003 Debt Service Reserve Fund and to make required Swap/Cap payments on June 1 and December 1 of each year, upon the failure of the Authority and City to do so. In that regard, the County, on June 15, 2011, made a required payment on its guaranty with respect to the Series D and E 2003 Bonds in the respective amounts of $391,209.22 and $289,979.08, or a total of $681,188.30.

3. At page 380 of the Plan, you set forth a table showing RRF Obligations 2011-2015. Included in the table is a "County's PNC Note" listing the County as a guarantor. The PNC Note is not an obligation of the RRF and it is not guaranteed by the County. The County is the obligor on that Note which was issued by the County to provide funds for meeting the County's secondary guaranty obligation with respect to the 2007 C and D Notes. Accordingly, we do not believe this item should be included in the table. We also note, as you indicate in the preceding paragraph, that the Note will mature on December 15, 2013, at which time the principal amount is due. The obligation of the City and the Authority to the County with respect to the 2007 C and D Notes is the full amount thereof ($34,685,000) plus interest and costs, which you have accurately reflected on page 2 of the Executive Summary.

4. On page 50 of the Plan, the increase in the County's tip fee sought by the Authority in 2008 was $150 per ton, not $100 per ton.

5. Finally, as we indicated during your presentation to the Dauphin County Commissioners, the Plan lacks certain detail with respect to the Debt Solution and in particular does not set forth all of the obligations or risks which would be assumed by Dauphin County upon implementation. We have prepared a list of the items which Dauphin County will be required to assume or undertake in connection with the Debt Solution. We suggest that these items be embodied or referenced within the Plan.

Should you have any questions concerning these items, please do not hesitate to contact the undersigned.

Very truly yours,

Charles B. Zwally

CBZ:njc
Enclosures
cc: Pennsylvania Economy League
John Espenshade, Esquire
O'Donnell Associates
The Honorable Jeffrey Haste, Chairman
The Honorable George P. Hartwick, III
The Honorable Mike Pries
Laura E. Evans, Esquire, Chief Clerk
William T. Tully, Esquire, Solicitor
Jay Wenger

Payments made by Dauphin County per the Harrisburg Incinerator Guarantees as of 5/31/11

Date	Amount	Description
5/29/09	$ 775,652.93	6/1/09 Swap/Cap Payment on the Series D-1 and D-2 Revenue Bonds
11/27/09	$ 859,616.00	12/1/09 Swap/Cap Payment on the Series D-1 and D-2 Revenue Bonds
11/27/09	$ 996,562.25	12/1/09 Series E of 2003 Bonds payment
11/30/09	$ (41,031.07)	Rebate on 12/1/09 Swap payment as a result of the Harrisburg City payment
12/1/09	$ (98,321.60)	Additional Rebate on 12/1/09 Swap payment as a result of the Harrisburg City payment
12/1/09	$ (209,358.25)	Rebate on 12/1/09 Bond payment as a result of the Harrisburg City payment
1/15/10	$ 64,420.22	Payment to 2003 Series E Debt Service Reserve Fund for 6/1/10 payment (pymt 1 of 5)
2/12/10	$ 64,420.22	Payment to 2003 Series E Debt Service Reserve Fund for 6/1/10 payment (pymt 2 of 5)
3/15/10	$ 64,420.22	Payment to 2003 Series E Debt Service Reserve Fund for 6/1/10 payment (pymt 3 of 5)
4/15/10	$ 64,420.22	Payment to 2003 Series E Debt Service Reserve Fund for 6/1/10 payment (pymt 4 of 5)
5/17/10	$ 64,420.22	Payment to 2003 Series E Debt Service Reserve Fund for 6/1/10 payment (pymt 5 of 5)
5/27/10	$ 804,151.99	6/1/10 Swap/Cap Payment on the Series D-1 and D-2 Revenue Bonds
9/13/10	$ 1,482,329.36	6/15, 7/15, 8/15, & 9/15 payments to the 2003 Series D Debt Service Reserve Fund
9/13/10	$ 1,184,729.76	6/15, 7/15, 8/15, & 9/15 payments to the 2003 Series E Debt Service Reserve Fund
10/15/10	$ 370,582.34	10/15 payment to the 2003 Series D Debt Service Reserve Fund
10/15/10	$ 296,182.44	10/15 payment to the 2003 Series E Debt Service Reserve Fund
11/15/10	$ 370,582.34	11/15 payment to the 2003 Series D Debt Service Reserve Fund
11/15/10	$ 296,182.44	11/15 payment to the 2003 Series E Debt Service Reserve Fund
11/29/10	$ 675,761.78	12/1/10 Swap/Cap Payment on the Series D-1 and D-2 Revenue Bonds
12/1/10	$ 34,685,000.00	Payment to Trustee re the 2007 notes
2/15/11	$ 783,622.54	1/15 and 2/15 payments to the 2003 Series D Debt Service Reserve Fund
3/16/11	$ 247,564.44	3/15 payment to the 2003 Series D Debt Service Reserve Fund
4/15/11	$ 274,592.85	4/15 payment to the 2003 Series D Debt Service Reserve Fund
5/27/11	$ 541,089.65	6/1/11 Swap/Cap Payment on the Series D-1 and D-2 Revenue Bonds
	$ 44,617,593.29	**Total Payments to Date**

CITY OF HARRISBURG - ACT 47 PLAN

CONTRIBUTIONS AND RISKS ASSUMED BY DAUPHIN COUNTY

AS PART OF DEBT SOLUTION

The following is a list of the costs and financial risks which Dauphin County would assume in connection with the debt solution proposed by the Act 47 Plan:

1. Dauphin County will waive recovery of accrued interest and collection expenses which the City is obligated to pay under the City guarantys in the amount of $1,906,377. See Table at top of page 12 of Act 47 Plan.

2. Dauphin County and Assured will guaranty and insure respectively the $26 million restructuring loan to be issued by the City to ensure reasonable borrowing costs. Assured and the County will waive their fees with respect to the City's restructuring debt.

3. The proposed sale to the Lancaster County Solid Waste Management Authority will required substantial risks and guarantys by Dauphin County including the following:

- The County's tipping fee will be increased from $72 per ton to $90 per ton which will permit reduction in the City's tipping fee from $205 per ton to $90 per ton, or parity with the County fee;
- The County will lose approximately $640,000 per year in administrative fee revenue;
- The County will be required to guaranty tipping fee revenues under a "put or pay" disposal agreement with the Lancaster Authority for a term of 20 years;
- The County will be responsible for all offsite ash disposal costs of approximately $2.3 million per year, which costs are anticipated to escalate annually; this will also be for a term of 20 years;

- The County and Assured will assume the risk of subordinated debt to be issued by the Lancaster Authority in order to increase the purchase price to provide sufficient funds to satisfy all current RRF debt. The County's share of such subordinated debt is anticipated to be approximately $1.5 million, recovery of which will be uncertain, at best.

4. In addition to the above, the Plan requests that Dauphin County provide gaming fund grants to the City in the amount of $2 million annually for a period of 5 years, or a total of $10 million. (Plan, p. 382).

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June 29, 2011

Julia D. Novak, President
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VIA E-MAIL AND FIRST CLASS MAIL
Act47PlanInput@thenovakconsultinggroup.com

RE: City of Harrisburg Act 47 Recovery Plan - Dauphin County Supplemental Comments

Dear Ms. Novak:

As special counsel to the Dauphin County Board of Commissioners, we are hereby providing you with certain comments supplemental to our letter of June 17, 2011, relating to the Act 47 Recovery Plan prepared by you for the City of Harrisburg (the "City").

Our supplemental comments are as follows:

1. Per your inquiry, the Dauphin County Commissioners have requested me to advise you that they support gaming fund grants to the City as proposed by the Act 47 Plan, subject to the City making proper application for such grants consistent with procedures adopted by the County. In addition, the annual grants would be subject to the City adopting and implementing the Act 47 Plan.

2. The County suggests that the Debt Solution portion of the Plan contain more specificity with respect to implementation of the sale of assets. The Plan should provide guidance as to times and procedures for completing the sale of assets. For example, upon adoption of the Plan, the Harrisburg Parking Authority should be directed to engage in negotiations with respect to the LambdaStar proposal and those negotiations should be completed within a period of thirty days. If such negotiations are unsuccessful then the Plan should require a process for securing and acting upon alternate proposals resulting in a definitive agreement by the end of the current calendar year. We also suggest that the Mayor and City Council each appoint representatives to

participate in the negotiations with the Harrisburg Parking Authority and that other stakeholders, such as the County and Assured Municipal Guaranty, be allowed to participate as well.

With respect to the sale of the RRF to the Lancaster Authority, those negotiations should commence immediately upon adoption of the Plan. We also suggest that representatives of the County be invited to participate in those negotiations since the County is the principal supplier of waste flow to the RRF and since the County will be required to provide substantial financial support in connection with the Lancaster sale.

Should you have any questions concerning any of these items, please do not hesitate to contact the undersigned.

Very truly yours,

Charles B. Zwally

CBZ:njc

cc: Pennsylvania Economy League
John Espenshade, Esquire
O'Donnell Associates
The Honorable Jeffrey Haste, Chairman
The Honorable George P. Hartwick, III
The Honorable Mike Pries
Laura E. Evans, Esquire, Chief Clerk
William T. Tully, Esquire, Solicitor
Jay Wenger

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June 17, 2011

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VIA E-MAIL AND FIRST CLASS MAIL
jnovak@thenovakconsultinggroup.com
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RE: City of Harrisburg Act 47 Recovery Plan – Assured Guaranty Comments

Dear Ms. Novak:

We write on behalf of Assured Guaranty Municipal Corp. ("Assured"). We have reviewed the Municipal Financial Recovery Act Recovery Plan ("Plan") filed with the City Clerk on June 13, 2011, and have the following comments:

1. At pages 12 and 381 of the Plan, the amount due to Assured is stated as $6,166,345. At page 12, the amount is described as "payments made under the insurance," while at page 381, the same amount is described as including "legal fees and expenses, and penalty interest." In either case, the amount of Assured's claim is not accurately stated. As of June 15, 2011, the amount owed to Assured for draws under its various policies is $4,853,557.55 (this represents the sum of $4,638,314.98 drawn under the policies plus $215,242.57 in interest accrued thereon). Assured has also incurred, as of May 31, 2011, $1,827,436 of expenses in attempting to enforce its rights under the Indentures and City Guarantees, for a total of $6,680,993.55. The expenses and interest on the amounts drawn under the policies continue to accrue, and other payments may be made under the policies, thereby increasing the amount of its claim over time.

2. Additionally, we believe the discussion in the Plan relating to the sale of assets and distribution of any such proceeds is vague and difficult to follow. More important, however, the Plan either fails to mention or misstates certain significant contributions to which Assured has agreed in principle in its previous discussions with the Plan Coordinator. These include the following:

a. The Plan states that it "includes an escrow of $6 million in the first year" and that "those monies or monies from the immediate sale or lease of City parking assets shall be used to make up the projected shortfall." It was Assured's understanding that the proposed plan would limit the funds available to assist the City in closing its budgetary shortfalls to the $6.0 million escrow. Assured agreed in principle to the creation of a $6.0 million escrow from the sale/lease proceeds of the Resource Recovery Facility ("RRF") and the parking system; however, all other proceeds of the sale/lease of assets not used to pay off the parking authority debt, should be used to retire the existing RRF debt;

b. Assured agreed in principle that it would be willing to forgive over $2.0 million in expenses and interest due on amounts drawn under the various insurance policies, but no mention of the amount of such forgiveness appears in the Plan; and

c. Assured agreed in principle to insure without fee, one-half of the non-Covanta subordinate debt (with certain limitations, including the principal amount of such debt) that is proposed to be issued by the Lancaster County Solid Waste Management Authority as part of the sale of the RRF, the proceeds of which will be used to repay the remaining amounts of RRF debt, with the County agreeing to guaranty the other half of the non-Covanta subordinate debt.

3. The Plan contains a number of discussions of the Act 47 Plan Coordinator's view as to the legal effect of certain actions or potential future events, including the effect of a Chapter 9 bankruptcy filing on claims, voting rights, etc. While Assured does not believe that a number of these interpretations are correct, there is no need to detail these misinterpretations of law since they are not a substantive part of the Plan.

We would be happy to discuss these comments with you further at your convenience.

Sincerely,

James S. Gkonos

cc: Pennsylvania Economy League
John Espenshade, Esquire
O'Donnell Associates

ASSURED GUARANTY®
FAMILY OF COMPANIES

June 24, 2011

Julia D. Novak, President
The Novak Consulting Group
210 Glenmary Avenue
Cincinnati, OH 45220

RE: City of Harrisburg Act 47 Recovery Plan
Assured Guaranty's Contributions

Dear Ms. Novak:

I am writing on behalf of Assured Guaranty Municipal Corp. ("Assured") to clarify the contributions that Assured is willing to make pursuant to the Municipal Financial Recovery Act Recovery Plan (the "Plan") filed with the City Clerk on June 13, 2011 if approved by the City of Harrisburg and fully implemented. The following is a list of the costs and financial risks that Assured expects to assume:

1. Forgiveness of Assured's legal expenses and interest on advances under insurance policies of over $2.0 million to date;
2. Termination of all litigation brought by Assured;
3. Assured will credit enhance $26 million of new GO restructuring debt to be issued by the City of Harrisburg and guaranteed by the County. Assured will waive all fees associated with this transaction;
4. Assured will assume the risk of approximately $1.5 million of subordinate debt to be issued by the Lancaster County Solid Waste Management Authority ("LCSWMA") in connection with its acquisition of the RRF, the proceeds of which will be used to repay the remaining amounts of RRF debt; and
5. Assured will agree to the deposit of $6 million from the sale/lease of the Parking System and the RRF into an escrow fund that will be available to fund, at the City's discretion, any operating or capital expenses in its current or future fiscal years.

As you know, the Plan contemplates that all the RRF debt will be discharged from the proceeds of the sale/lease of the Parking System and the RRF, from the proceeds of the subordinate debt issued by the LCSWMA and the restructuring debt issued by the City, and from the contributions provided by Assured, the County, the Commonwealth and others. Assured has also been asked to accelerate the RRF debt so that it can be paid at par.

Subject to the approval and implementation of the Plan by the City and by the other parties to this restructuring, including the County and the Commonwealth, as set forth in the Plan or as otherwise has been communicated to us, Assured agrees in principle to make the contributions described above.

If you have any questions, please feel free to call.

Very truly yours,

ASSURED GUARANTY MUNICIPAL CORP.

By: Holly Horn
Holly Horn
Chief Surveillance Officer – Public Finance

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July 5, 2011

Gerald Cross
Executive Director
Pennsylvania Economy League, Central PA, LLC
88 N. Franklin Street, Suite 200
Wilkes-Barre, PA 18701-1393

Re: THA Involvement in Act 47 Plan

Dear Mr. Cross:

Allow this letter to confirm that, subject to its written comments submitted on July 1, 2011, The Harrisburg Authority (THA), intends to pursue the requests made of it in the Act 47 draft plan submitted to the City of Harrisburg, including the sale of the Harrisburg Resource Recovery Facility (RRF) to the Lancaster County Solid Waste Management Authority (LCSWMA), or a sale similar thereto, and studying the feasibility of The Harrisburg Authority (THA), becoming an operating authority for city utilities as proposed in the Act 47 Plan.

Due to the inability to predict the outcome of future negotiations or the outcome of the forensic audit currently underway, The Harrisburg Authority (THA), does not commit to the specific terms set forth in the "sources and uses of funds" published for the June 28, 2011 public hearing.

As you can appreciate, The Harrisburg Authority (THA) commits itself to good faith pursuit of these initiatives and can no way promise successful completion at this time.

Sincerely yours,

J. Marc Kurowski, Chairman
The Harrisburg Authority

JMK: aml
cc: Shannon G. Williams, THA, Interim Executive Director
Royce L. Morris, Esquire

I:\Act 47\THA Involvement in Act 47 Plan 7-5-11.doc

Appendix B

Recovery Plan Public Input

COMMENTS SUBMITTED

BY

AFSCME DISTRICT COUNCIL 90

TO THE

DEPARTMENT OF COMMUNITY AND

ECONOMIC DEVELOPMENT

ACT 47 COORDINATOR

REGARDING

THE CITY OF HARRISBURG

PROPOSED RECOVERY PLAN

June 28, 2011

HARRISBURG, PA

Public Comments regarding the Proposed Recovery Plan for

the City of Harrisburg

Thank you for your consideration of our comments. My name is Mary Schwanger. I am honored to serve as the Council Director for AFSCME District Council 90, the American Federation of State, County and Municipal Employees of Dauphin County. Our offices are located at 4031 Executive Park Drive, Harrisburg, PA 17111.

AFSCME District Council 90 is the exclusive representative for AFSCME Local 521, which represents the non-uniformed employees at the City of Harrisburg and a second bargaining unit representing the non-professional employees at the Harrisburg Parking Authority.

Most of the following comments are specific to the proposed Financial Recovery Plan. However, we would be remiss if we did not remind the ACT 47 Team of two concerns:

1. This crisis is due in large part to the actions of the Harrisburg Authority. The Proposed Act 47 Plan makes the majority of its recommendations concerning the $3.4 million structural debt and the operations of the City of Harrisburg and not the $220

million deficit related to the mismanagement of the Harrisburg Resource Recovery Facility managed by Harrisburg Authority. The failure to review that operation and make recommendations concerning its management greatly concerns our membership.

2. As many stakeholders have also expressed, we are concerned about shared sacrifice. The AFSCME Local 521 City of Harrisburg bargaining unit is the only bargaining unit that has experienced reductions in force as a result of the Management Partners Five Year Plan that was submitted to the City of Harrisburg in March of 2010.

The Plan proposal regarding the Harrisburg Communications Center has been implemented and finalized this week with the transfer of all City of Harrisburg 911 calls and the related police dispatch work to Dauphin County. The transfer of that body of work resulted in the elimination of fourteen AFSCME positions in June of 2011. In addition, the Management Partners Report recommended the closure of the Harrisburg Human Relations Commission office. That office was closed in January of 2011 and the closure eliminated an additional two AFSCME positions. During 2009 and 2010, AFSCME positions have been abolished in the Treasury Office and the Office of the City Clerk.

In addition, our sacrifice related to the debt of Resource Recovery Facility dates back to 2007 and the decision by the Harrisburg Authority to outsource fifty-three (53) AFSCME bargaining unit positions to Covanta. AFSCME has been available to collaborate with the City to make the difficult sacrifices such as furloughs, wage freezes and benefit co pays many times in the past.

RESOURCE RECOVERY FACILITY DEBT PROPOSALS

Since 2007, the Harrisburg Authority has outsourced the AFSCME bargaining unit work at the RRF and as a result, we have a few concerns regarding the sale or lease of this facility. However, we have our continuing concern regarding the lost revenue associated with the outsourcing, leasing or the sale of any City Operation, which generates revenue and how that lost revenue affects the fiscal health of the City. We disagree with Coordinator's key goal to outsource service delivery as outlined in the June 13, 2011 DCED Press Release. Our concern is related to areas where the service generates significant City revenues such as the Harrisburg Parking Authority.

STRUCTURAL DEBT PROPOSALS

Service Delivery

Requiring increase coordination between the Chief Executive (Mayor) and City Council by co-locating and sharing resources, which eliminates one additional clerical position, does nothing to increase coordination. Much of the decision-making and the bulk of the resources in these offices involve management personnel. If any position should be shared, it should be a management position with the power to effect change in these offices not the clerical support staff with little ability to effect change or bring the parties together. Imitative MCC03

Requiring increased coordination between the City Treasurer and Bureau of Financial Management by sharing staff, which would transfer staff to the Bureau of Financial Management, is an initiative we fully support. AFSCME strongly supports any initiatives to streamline revenue collection and prevent duplication.
Initiative TR03

Modernizing the approached to residential sanitation collection, which will improve service and worker safety, is also an initiative that is supported by AFSCME. We have partnered with Public Works management regarding implementation of the new route system. Moreover, we support the container-based initiative if it truly provides for much needed worker safety in the Bureau of Sanitation. Initiative PW01

Outsourcing Commercial Sanitation Collection is opposed by AFSCME. This initiative if performed in-house could generate significant revenue for the City of Harrisburg. Initiative PW02

AFSME opposes the outsourcing of recreation to a community based non-profit. Again this initiative impacts the revenue generated by the recreation department. Currently, AFSCME represents only three full-time employees in the Bureau. Approximately 30 to 40- seasonal employees who do not receive benefits under the AFSCME collective bargaining agreement annually operate the recreation programs. These programs are not operated with taxpayer funds. These programs are funded through grants and sponsorships. If the City continues to fund recreation through a non-profit entity, how does this initiative provide cost-savings or ensure vital oversight by City Leaders to maintain these important services? PRE01

Combining Park Maintenance in the Department of Public Works may reduce the amount of maintenance performed in the City Park system. However, re-organization is a management prerogative under the AFSCME collective bargaining agreement, and therefore we do not oppose this proposal. However, we are opposed to outsourcing mowing and tree triming functions. Initiative PRE02

AFSCME supports modifying the schedule of Public Safety employees especially in Parking Enforcement to increase revenues. However, additional staff is needed to cover extended meter hours. Initiative POL13

AFSCME is opposed to the elimination of the Park Ranger Program. Replacing a Park Ranger at a starting salary of $25,844.32 with a Police Officers who makes $ only stretches a reduced Police complement further. We would support the transfer of the Park Ranger staff to the Police Department. Initiative PRE03

avu. any of the resources r As many other stakeholders have testified, it is the failure of The Harrisburg Authority to make their debt payments that has created the huge debt burden for the residents of the City of Harrisburg, many of which are members of AFSCME District Council 90.

In order to address this crisis, one must examine the financial management of The Harrisburg Authority not just the financial management of the City of the Harrisburg.

We urge the Department of Community and Economic Development to examine The Harrisburg Authority's financial management since its inception in the early 1990's.

We believe that the examination of The Harrisburg Authority's practices and strong recommendations from this review will prevent further abuses, which could again result in harm to the City of Harrisburg's financial future.

In conclusion, it is our hope that the Act 47 program can provide the necessary services to the City to develop a consensus among a majority of the elected City officials to resolve this crisis. If not, all the stakeholders in the City will continue to suffer with this crushing debt that only results in diminished services and a resulting decline in the City's population.

Thank you again for your consideration of our comments.

Statements and Recommendations on the Preliminary Act 47 Plan

Brad Koplinski

June 28, 2011

The following comments are given with the hope that they will be utilized in the formulation of the final Act 47 plan to be presented to City Council on or about July 8, 2011.

The Act 47 plan is designed to work through the city's two main financial concerns – 1) The $310 million in debt associated with the Harrisburg Authority's Resource Recovery Facility and 2) The structural deficits which lead to budget shortfalls each year.

Debt Related To The Resource Recovery Facility

With regard to the greater debt problem, I agree with the plan's proposal to place the Resource Recovery Facility (RRF) for sale to a municipal authority. It is my understanding that the asset evaluation performed by R.W. Beck of the facility valuated the facility at $160 million. The current offer of the Lancaster County Solid Waste Municipal Authority (LCSWMA) is $124 million – with additional subordinate financing of $25 million to service the Covanta loan – for a total $149 million.

However, the proposal includes $46 million in subsidies from Dauphin County from 20 years of yearly $2.3 million payments for ash disposal. So it appears that the offer from LCSWMA is actually $103 million. This would be significantly less than the $160 million in the Beck proposal. Please clarify this issue.

There is also concern with the Harrisburg Parking Authority's garages. I agree that one option is to look at the sale or lease of those units. However, if that is the case, the process for the sale or lease should be a completely transparent one, with a new Request For Proposal process. As we have seen with parking garage transactions in Chicago and other cities, parking can be a premium asset which should be leveraged for its greatest possible worth. As you know the recent Wilbur Smith appraisal of the parking garages, a 30 year lease has been valued at $215.5 million.

As I have always stated, I do not support the sale or lease of multi-million dollar assets unless that it is part of a global solution to completely eradicate our city's debt load. Accordingly, I have a very difficult time agreeing with any Act 47 debt reduction plan that leaves the city with any stranded debt. The current plan leaves the city with a debt load of $26 million and no direct and assured way to pay it. If the city is willing to monetize two of its greatest assets – it must be part of a plan that completely removes Harrisburg's debt.

Accordingly, it is imperative that the final Act 47 plan eliminate the debt as a whole. To that end, I am advocating that any stranded costs after a proper and completely transparent sale of assets be covered by additional monetary contributions by Dauphin County, Assured Guaranteed Municipal, and the Commonwealth of Pennsylvania. If those entities do not agree to this, then a sales tax, at the percentage of whatever is needed to close the stranded costs, should be levied throughout Dauphin County.

I make this statement because this should not be a Harrisburg vs. Dauphin County issue. The citizens of the city of Harrisburg and those in all of Dauphin County are in this position because of transactions that occurred in 2003 and 2007. In those years, elected officials in Harrisburg and Dauphin County took the advice of certain professionals with regard to the RRF – including the fact that there was no performance bond for work on the facility. These individuals and entities authorized the transactions that created this crisis. Accordingly, both the citizens of the city and the county at large must shoulder this responsibility together and they should demand to know what happened and how we got here.

I will find it extremely difficult to support this or any plan that does not include a continuation of the forensic audit that was initiated by the Harrisburg Authority. I would also advocate for a state grant to help pay for the work related to this audit.

Additionally, the lawsuits currently filed against the city by Dauphin County and AGM with regard to the RRF must be withdrawn.

Further, no law firms, financial advisors or underwriters who acted as principals in the 2003 and/or 2007 bond transactions should be involved in the restructuring of this debt.

The final plan must confirm how long the gaming funds will be available to the city from Dauphin County. The plan only discusses about five years of benefit from that source. If Harrisburg would only receive $10 million in gaming funds to make up for lost revenue from the HPA no longer controlling the parking garage system, that would a significant deficit in later years.

Structural Deficit Concerns

On issues related to the structural deficit concern, there are some very difficult choices, but many of them are necessary for our city to solve its chronic yearly budget crisis. For the most part, these are in the same vein as the tough decisions that a majority of City Council made when re-writing the 2011 City Budget. Like many families in our city, we did and must continue to make the tough choices to rebuild Harrisburg and make it a thriving city again.

As public safety is the most important job that a city can provide its residents, I believe it is imperative that there be no or minimal loss to the fire and police departments. I do not agree with the recommendation that Station 6 should be closed and the apparatus associated with that point be retired. As stated above, public safety is paramount and I do not believe that the cost savings are even close to being sufficient to cause this decrease in these vital city services.

Additionally, the local unit of the International Association of Fire Fighters (IAFF) has devised a voluntary cost savings plan for the city's fire department. I would ask that you work with the representatives of the IAFF to take steps to implement parts of their proposal.

Also, I disagree with the plan on the cuts that are suggested to the police department, in the Foot Patrol, among other units, as part of the contingency plan, in case certain revenue sources do not come to fruition. Again, public safety is paramount and should not be compromised.

Staff and workspace of the Mayor and City Council should not be merged as suggested. There are concerns regarding separation of powers with regard to the Executive and Legislative branches. Those entities should remain separate physically and as it pertains to staffing.

Establishing a process regarding the Home Rule Charter is not necessary. While there is a perception regarding disputes between City Council and the Mayor's office, I do not equate that concern with the Strong Mayor/Council form of government.

Consider establishing a four-day work week for city employees ten times a year. This could save significant amounts of money, without loss of positions.

One of the greatest risks that the city must take is not with regard any one item in the plan, but with the fact that the City of Harrisburg is the only entity in the plan that <u>must</u> adhere to the plan. It only serves as an advisory document to Dauphin County, AGM, The Harrisburg Authority and other entities. For the city to accept the plan, there must be agreements with the Act 47 team or DCED to carry out the initiatives with the plan. That is vital if the city is expected to accept the plan. Additionally, it may be very beneficial to have all major parties meet to work through and discuss the plan before the final vote.

Please clarify the official position on tipping fees. On page 383, a decrease in tipping fees per the LCSWMA proposal, is discussed as a way to offset any property tax increase. However, on page 257, there is another discussion of not decreasing sanitation related fees to help pay for increased funding of recycling and sanitation operations. These two statements seem to contradict each other. The final plan must clarify these seeming conflicting points.

Please advise an investigation into the revolving loan program formerly administered by the Mayor's Office of Economic Development and determine the best ways to collect the debts owed by business owners. There are potentially hundreds of thousands of dollars of loans that could, if collected properly and thoroughly, add significant funds to our city's coffers.

The initiation of the single tax rate will prove to be a disproportional tax structure in the city and will be unfair to many taxpayers. I do not support the shift to a single rate property tax structure.

A commuter tax should also be researched further as a potential alternative to a property tax increase. The property tax increase as proposed appears to have a much greater effect on many homeowners than the fifty dollars stated in the plan. Because of the significant daytime population in Harrisburg, a commuter tax may be a better option, in that it is fairer and would share the pain throughout the community.

Thank you for considering my comments, as well as the others that you have received during this process.

June 28, 2011

Act 47 Plan Coordinators
PA DCED
Harrisburg, PA

Dear Plan Coordinators:

My name is Brooks Mountcastle. I reside at 909 Penn Street in Harrisburg. Thank you for the opportunity to comment.

It pains me to share these comments. Seven years ago, myself and a handful of citizen activists, tried to prevent the retrofit of the incinerator for some of the very reasons that we now find ourselves in such unfortunate and dire circumstances.

The City needs to develop a recovery plan that not only gets it through to the next month, quarter, or year, but rather the next five, ten, and fifteen years. To that end, Plan Coordinators cannot just look at what an individual city government program costs annually, but rather what are the total costs of the program over five and ten years.

In determining what programs should be kept and which ones should be cut, I believe the only programs that should be kept are those that are **vital to the health, safety, and welfare of the citizens.** However, programs which are important for maintaining an attractive image and environment for investment, such as the maintenance of parks and communities should not be high priority targets to eliminate entirely.

Just as the Plan Coordinators need to develop a long range recovery plan for the City, there needs to be a long range plan developed in concert with the Incinerator plan. For example, the debt payments will actually increase in the middle to later years of the Incinerator's lifespan. How is the City or Covanta Energy going to deal with increased federal Clean Air Act requirements that will add to the operational costs, the increased maintenance from wear and tear, and rising disposal costs?

Everyone needs to do their share and every form of revenue generation from a commuter tax, to increased parking permit fees, and raising parking ticket fees should be on the table. I will support a small increase in taxes implemented over several years to avoid the shock of one large tax increase in one year. But, I will only accept a tax increase under the following conditions: all of the fat has been trimmed from the City's budget such as the continued funding of Harrisburg TV 20 and the Mayor's security detail; something is done to address the disparity in trash rates for Harrisburg residents who pay $200 per ton versus those outside the city who pay $72 per ton who also use the Incinerator and generate more waste; and if the pain is shared across the board for residents, businesses, and landlords.

I sympathize with anyone who loses their job in this tough economy. I am currently one of the unemployed. However, please do not use the fear of job cuts for not including it in the recovery plan to bring expenses into check. The fear of losing 45 jobs was used during the incinerator debate in early 2000 and unfortunately it figured prominently in the decision to move forward with the incinerator retrofit. Consider a reduce work day week for all city departments where it is possible without significantly jeopardizing services.

The following suggestions (in no order) could also be considered to save money.

1. **Street cleaning could be changed from two times a month to one time per month for certain areas in the city where there is not a lot of pedestrian or vehicle traffic.** In areas where there are fewer street cleaning days, city residents and neighborhood community groups could be asked to do their share to help keep the streets and sidewalks clean, especially. Street cleaning could be increased in less frequented areas, seasonally or following intense wind or rain activity to address leaf and twig litter, which is one of the justifications used for frequent street cleaning.

2. **Change recycling pick-up days from weekly to bi-Monthly.** Dauphin County could make more recycling dumpsters available at key locations throughout the city for those residents who recycle more than the average and who do not have the room in their homes or apartments to store recycled items until the next pick-up.

3. **Hire an independent consultant that is intimately familiar** with the costs of operating and maintaining an incinerator to provide a lifetime cost assessment of the Incinerator, including proposed regulatory costs and disposal costs.

4. **Fix the broken steam line** that prevents the incinerator from operating at its greatest efficiency and potential.

5. **Require the purchasing of all hybrid and fuel efficient vehicles for the city's fleet** to soften the city's carbon foot-print and to insulate against the sticker shock of rising gas prices. Replace any city owned vehicle that needs to be replaced with a hybrid vehicle or the most fuel efficient vehicle possible. While a fuel efficient vehicle may cost more up front, it will save taxpayer dollars over the long run by gas savings.

The last time residents debated the incinerator retrofit virtually no one was talking about selling City assets. I do not support selling the City's **drinking water and sewer services to a private entity.** When private companies purchase municipal water and sewer services they generally raise the fees on the users and lower the quality of service. Harrisburg residents cannot afford to be held hostage by another exorbitantly priced utility and the most important – water.

If residents are called upon to take a greater role in sharing the burden, they will understand and step up to the challenge. I encourage all parties to make the tough choices that most have been unable and unwilling to do. Let's stop kicking the can down the road and putting the problems onto the next generation in Harrisburg.

We need to develop short and long range recovery plans that provide comfort to the citizens and puts Harrisburg on a path to recovery. We are ready to work with you. Thank you very much.

Sincerely,

Brooks Mountcastle
909 Penn Street
Harrisburg, PA 17102

Candace H. Stowell, AICP
P.O. Box 368
Minden, NV 89423-0368

June 28, 2011

Dear Ms. Novak:

Thank you for the opportunity to submit comments on the draft Act 47 Plan for the City of Harrisburg. As the former Planning Bureau Director for the City of Harrisburg (August 2008- December 2010), I would like to provide several comments and corrections to the material presented in the Act 47 Plan, as presented below.

GIS - The Act 47 plan states that GIS functions ended in 2005 (p. 171). This is incorrect. The City Engineer's office and the Planning Bureau had personnel who carried out GIS functions. The Zoning Officer who resigned in December 2010 supported GIS for DBHD as well as other City departments. Creating a sustainable GIS bureau within IT or under Public Works or DBHD which supports all City departments is critically important.

Governance - The Act 47 plan should focus on changing the type of governance (Page 104) in the City of Harrisburg. The City became a Mayor-Council form of government in a 1982 election. It is time to explore changing the City to a Council-Manager form of government that includes a professional City Manager. The Act 47 plan prepared for New Castle, PA specifically includes this recommendation (as stated in the Cravath Swain report to City Council) and the Act 47 plan for Harrisburg should do so as well. Many of the problems that plague the City and will continue to impact the City are caused by the outdated strong Mayor-Council form of government.

Department of Building and Housing Development - The Act 47 plan states that DBHD must develop a new Comprehensive Plan but does not stress the importance of adopting the Draft Zoning Code that is now before City Council. In addition, the report fails to mention that the position of the Planning Bureau Director was eliminated for the 2011 budget. The adoption of the new Zoning Code will help facilitate development in the downtown area, increase opportunities for small home-based businesses and create more sensible and streamlined development regulations.

Economic Development - The discussion of the City's tax abatement program is seriously flawed and basically represents only one viewpoint. At a time of serious revenue shortfalls, it is absurd to suggest that the City should implement a ten year 100% tax abatement program that contradicts state enabling legislation. The City Council adopted a more focused tax abatement program in December that reigned in the program and tried to spur more focused development in specific census tracts in the City of Harrisburg. The Act 47 plan does not include any mention of the Tax Abatement recommendations submitted to City Council last August (see attached) nor any of the other redevelopment strategies available to the City (Tax Increment Financing, Keystone Opportunity Zones).

Parks, Recreation, and Enrichment - The recommendation to disband the Parks, Recreation, and Enrichment Department is alarming and misguided. This is a core function and the City of Harrisburg has a long and successful record in developing and enhancing its park system.

Thank you for your time and consideration of these comments.

Sincerely,

Candace H. Stowell, AICP
Former Planning Bureau Director
City of Harrisburg

Public Comment
Provided June 28, 2011
To the Act 47 Consultant

By Cordell Affeldt, 109 Cumberland St., Harrisburg PA 17102

Regarding Act 47 Recovery Plan
as filed with the City of Harrisburg Clerk
on June 13, 2011

I am a resident of the City of Harrisburg. For over 27 years I have owned and lived in three residential properties in Midtown, numbers 115, 113 and 109 Cumberland Street. I inform myself on public affairs. I vote in every election, primary and general. I love the city, its diverse population, its role as state capital, and its natural beauty.

The Act 47 Recovery Plan includes substantive analysis and recommendations on day-to-day operational management of city affairs. I appreciate the inside examination and practical paths for addressing apparently long-standing deficiencies.

My concerns focus on three elements of the Plan. I list them, and then explain my concerns with each:

- restructuring property tax liability without public debate
- rushing sale of assets, increasing City debt, by $26 million
- minimizing Dauphin County's responsibility for the incinerator

Restructuring property tax liability without public debate, p. 366
No new monies would be generated. The Plan states on p. 349, "Raising real estate rates would be a further deterrent to home ownership and business occupancy. " Instead, residential taxes would increase to make up for businesses' lowered taxes.

Given Harrisburg's likely continuation of a ten-year tax abatement for new businesses, the proposal only raises the question of why the issue hasn't been treated through the routes already available that would better lend themselves to public debate. The Plan on p. 18 laid out that Harrisburg has declining population, a stressed economic base, and a high percentage of tax-exempt property. The Plan on p. 366 further identifies that the shift focuses on . . . "businesses needing open land area and/or single-story or low-rise buildings."—not a likely scenario for Harrisburg.

I am opposed to short-circuiting citizen participation. Please know that this is coming *from a citizen, me, whose property taxes under the Plan would be lower.*

Rushing sale of assets, increasing city debt by $26 million, p. 381
The clever term "stranded debt", referring to $26 million additional debt the Plan would create for Harrisburg belies that the Coordinator is to present a plan that ". . . eliminates

deficits and deficit funds." (p. 379). Quick sale, everything-must-go tactics are unlikely to yield legitimate values. I am opposed to forcing Harrisburg to give up assets at fire-sale prices, thereby leaving the city with further debt.

Minimizing Dauphin County's responsibility for the incinerator, pp. 380 ff.
If I understand correctly, the listing of incinerator obligations, 2011-2015, p. 380, shows that Dauphin County, jointly with Harrisburg Authority, has obligations for Bonds and Swap Caps totaling over $39 million. Additionally, Dauphin County has sole responsibility for $3.5 million in Swap Caps. Because Dauphin County is a joint party, engaging in upgrades to the incinerator for its taxpayers, and arranging that its residents rely on the Harrisburg incinerator and not another facility, Dauphin County is not an innocent bystander, but an active partner.

If I understand correctly, Assured Guaranty Municipal Corporation bonds Dauphin County's obligations, along with Harrisburg's. AGM made a business decision, a bet that they would get their money back from the County, and from Harrisburg. I believe the Plan minimizes the responsibility Dauphin County has in resolving the incinerator obligations.

Thank you for reviewing my concerns.

Act 47 Testimony
Tuesday, June 28, 2011
David Black, President
Harrisburg Regional Chamber & CREDC

Thank you for the opportunity to provide comments to the Act 47 Team on the Plan you prepared for the City of Harrisburg. As I have stated publically, while not perfect I generally like the plan. It provides a clear direction on elimination of the debt problem; it brings partners to the table in the form of Dauphin County and AGM and; it sets a clear course for the fundamental reinvention of Harrisburg City Government for the 21st Century.

As I stated in my testimony in the original Act 47 hearing a few months back, the majority of real estate taxes paid in the City are paid by commercial property owners. When combined with large residential units like Pennsylvania Place, that percentage increases. With real estate taxes paid along with payment of municipal services tax paid and parking fees paid by those of us working in the City make the business community both taxpayers and stakeholders in our City. We want to see our City succeed.

While many of us do not live in the City, we believe it will take both residents and businesses long term commitment to get our City on the road to recovery.

My comments tonight will be brief and offer some suggestions to the plan per the purpose of this hearing. Many of these suggestions you have heard and I trust will seriously consider in the final version of the plan.

The first issue is public safety. There clearly is concern about cutting police positions in this plan; however in reading the plan in detail while there are cuts the goal is to maintain police on the street at current levels. We are all aware of the crime problem in our City and to the degree the proposed cuts could be scaled back or implemented over time while providing a better explanation of the redeployment of police personnel resources would be helpful to make the plan more acceptable.

The plan calls for a return to a single assessment on properties rather than the current system of splitting land from improvements. There was an allegation made that the commercial sector would fare better in this scenario. I don't know if this is true or not, but I would ask that you check those numbers. I believe that the commercial sector is looking to carry their fare share in the proposed real estate tax increase being asked by the plan. To that end, if it is best for equity between residential and commercial properties and of course the bottom line, leave the split assessment in place and spell that out or delete that suggestion in the plan.

Moving on to the solution to Resource Recovery Facility, there seems to be a belief among some that moving towards or into bankruptcy would strengthen the City's position to negotiate on debt. I might suggest that positive action towards a recovery plan will immediately strengthen the City's position. Getting agreements in place to sell the Incinerator and to lease the Parking Garages give the City immediate credibility to negotiate on Stranded Debt.

There is no harm in talking, assuming the City speaks with a unified voice. I think the City is in a better place to negotiate after making some positive movement. This plan represents some negotiation done on the City's behalf. By showing progress with an agreement on the Incinerator and Parking Garages, this places the City in a much stronger position for negotiation. While we can't write the outcome of negotiations into a plan, you could write a sincere attempt at negotiations into the plan.

Regarding the garage leases, the plan is not clear how that will be accomplished. I believe it would be best to issue a new RFP for the Lease of the Garages. It may also be worthwhile to consider leasing the Garages to more than one group to promote competition, or perhaps actual sales to local interests in some cases.

It is important that the terms of these leases are reasonable and do not add unreasonable burden on the City for events that would limit usage of a garage by a temporary closure or and act of nature as have been rumored on prior agreements. I believe given the complexity of these types of transactions, the Act 47 team should be willing to provide some technical and legal expertise in negotiating and reviewing these transactions.

There have also been comments as to the ability and willingness of Dauphin County and AGM to fulfill their obligations as outlined in the plan. I don't believe the willingness to stop court action, guarantee debt and provide operating dollars for public safety would have been in the plan if Dauphin County and AGM were not willing to live up to the plan. In fact I know that is the case with Dauphin County.

While I don't think it is necessary to put something in the plan, it is my assumption that these parties would be willing to outline their positions in writing as an act of good faith. I think it would be helpful to also include a similar resolution of City Council as well as to demonstrate their good faith.

I have read a few Act 47 plans in my career. They are not riveting reading, pretty nuts and bolts when you get right down to it and for the most part this plan is no different. I think we all understand that things will change over the next 5 years as this plan is implemented. I have found Act 47 teams to be reasonable in mid-course corrections if necessary, provided progress is being made by the municipality.

While the future of our City of Harrisburg will largely rest on a critical vote by City Council later this month, over time it will prove to be the first in a number of difficult votes needed to get this city on the road to recovery.

I thank you for the opportunity to be here and would be happy to answer any questions.

DEBT WATCH HARRISBURG
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COMMENTS OF DEBT WATCH HARRISBURG IN ACCORDANCE WITH THE MUNICIPAL FINANCIAL RECOVERY ACT ON THE PROPOSED RECOVERY PLAN FOR THE CITY OF HARRISBURG

June 28, 2011

I. DEADLINE FOR PUBLIC COMMENTS UNFAIRLY RESTRICTED

On June 13, 2011, the Coordinators appointed by the Pennsylvania Department of Community and Economic Development (DCED), caused a proposed Recovery Plan to be filed with the Secretary of DCED and the City Clerk of Harrisburg. The Act 47 Team then required all written or oral Comments to be due by June 28, 2011.

The Act 47 Team and DCED previewed at least some recommendations and/or negotiated some its provisions with persons or entities outside the four (4) separate entities that make up the Act 47 Team, as confirmed by public statements and discussions since the filing. They did not similarly preview these recommendations with the general public, our organization or our local elected municipal officials, and so provided some creditors with a preview to prepare their response but did not do so for the public. This is inherently unfair.

It is worthy to recall that the approval of Mayor Thompson's Application for distressed municipality status under Act 47 was approved by the Secretary of DCED in mid-December 2010. An initial "emergency" appointment of Mr. O'Donnell occurred in late 2010, with the full Team was on board and appointed by the Secretary by early January 2011. The Secretary, DCED and the Act 47 Team together managed to extend the statutory time to craft a Plan to address these complex problems far beyond the 90-day statutory limit, by first approving pay vouchers or purchase orders to fund the professional work at hand and leaving the execution of the required formal Contract to begin in February. The last necessary signature from the Commonwealth was not set down until on or about April 4. This effectively provided the Team 8-10 extra weeks to draft a plan.

This recitation is presented to assist everyone's understanding of what should be obvious: this public has not been provided enough time. We need time to review the Team's 422-page Proposal, time to determine its full impact and time to draft full, meaningful comments that address the impact of these proposals on our lives. DCED and the Act 47 Team were able to work in tandem to afford themselves more time. So too can they find a way to afford us more time. Accordingly, the Act 27 Coordinators should not ADJOURN the June 28 Public Meeting, but instead take a formal recess of the proceeding so as to keep the record open for additional ORAL AND WRITTEN COMMENTS to be received at a later specified date. We propose an additional 15 days.

II. FACTUAL ERRORS and FAILED INVESTIGATION

The June 13 Proposed Plan contains numerous factual errors and gaps in required information. Some errors are minor, some material in nature. On page 47, before stating initial conclusions, the Proposal reports that:

> In preparation of Recovery Plan, the Act 47 Coordinator has requested large quantities of financial and other data from the City of Harrisburg. Because of time and other practical constraints, the Act 47 Coordinator has not independently verified the accuracy or completeness of the data. In certain cases the data received seemed to be inconsistent or incomplete. In other cases, the data and information was either not available or readily available for the required analysis. Therefore, either secondary sources or best estimates were utilized.

With this disclaimer of reliability in mind, the task of coordinating constructive comments has proven impossible, as readers have been unable to glean from the Act 47 report which of the cited details are grounded on actual reliable data. This has been exacerbated by a plethora of complaints and oral comments from individuals with knowledge of some given topic(s) set forth in the report, citing misstatements of the facts in the document.

There are too many to absorb and report, but examples include the statutory permissible limits on Game Commission payments for use or lease of land ($400 per acre instead of $1500); what public or private entity holds actual title to lands or other property; the amount of NEW TAXES to be payable by mot local residents just from the face of the report; the fact that the report requires that the local government NOT pass on savings from any reduction in trash rates to the City; the dates of events; the statutory role and powers of this body; the number of employees; and much more.

The public requires accurate information to make informed decisions. It has been a series of past decisions that ignored or overlooked the facts that brought Harrisburg to this catastrophic tipping point. The Team should continue their research, independently determine and confirm all the facts they rely upon in their decision making, and reissue their recommendations in a modified report.

III. DEBT WATCH HARRISBURG'S OBJECTIVES

DWH has been attempting to introduce reason and a practical approach to this financial crisis. We have demanded the taxpayers' interest should be the foremost consideration in addressing the crisis. We expressly asked to meet with representatives from each entity of the Act 47 Team and to be advised how the Coordinators' was proceeding and viewing the problem. The Team sent Robert O'Donnell to pacify our request, while extensively meeting with outside legal counsel for Dauphin County and others.

We expressed our concern that the sale or lease of the garage system in its current monopoly configuration was bad policy and an outright betrayal of the interests of local citizens, business owners and taxpayers. We expressed that any sale of the Resource Recovery Facility (RRF) in a manner that left local taxpayers on the hook for unfunded stranded debt payments was a formula for further harm to the City. We outlined a multi-pronged structure for a rational approach to negotiating and resolving the crisis, which required exercising the actual power of government to bring all responsible parties to a negotiation table to forge a practical result on the basis of the assets, liabilities, rights, defenses and of the parties.

Our approach, our interests, our concerns and our recommendations may have received politically correct lip service, but in fact the Act 47 Team has rejected the taxpayer as someone with whom they must concern themselves. Somehow, the Coordinators have misconstrued their job description as finding out what the creditors of Harrisburg want to happen and then helping those creditors.

This approach will not benefit the City, save the City or correct te problems that plaque the City. The report demonstrates a remarkable absence of insight, imagination or courage when addressing the Harrisburg Debt Crisis. It is a regurgitated, consultant report ripped from the pages of past consultant reports.

Moreover, the Act 47 Term, DCED or both were involved in circulating a Term Sheet to "secure" an outline of commitments in principal from various stakeholders and interested parties or bidders. The Team did not make the document or its terms part of the Plan, meaning that the public remains purposely uninformed on the steps to be taken by the Act 47 Team.

We seek candor. We seek non-politicalization of the creation of a Solution. That has not happened.

IV. FAILED DESIGN OF A PLAN

The details outlined in the Proposed Act 47 Plan are unworkable. The Plan repeatedly relies on bad facts and offers incomplete information. The Plan repeatedly proposes action steps for which it cannot determine in any way the anticipated economic impact for Harrisburg. Will the step save money, cost us more money or be revenue neutral? The Team does not attempt to predict the impacts, yet concludes overall these steps somehow must make the City on the road to fiscal recovery.

V. OTHER OPTIONS

The City of Harrisburg has other options.

- The City can reorganize its parking system so that it generates significantly more revenue, while not transferring a public asset to purely profit-driven private investors. By itself, that reorganization, with rational rate and fine increases, can close the entire structural budget gap of Harrisburg.

- The City can transfer control of the Parking System to a nonprofit consortium, to generate up-front payments to pay toward larger debt service obligations such as the guaranties on the RRF. This would maintain the public interest nature of our parking system and secure streams of revenue for the consortium to aid local services to the public, relieving the City itself from some of those constant demands.

- The City can take back the RRF under the Municipal Authorities Act, thereby helping to instantly salvage The Harrisburg Authority so that it can proceed with its other public functions in an unencumbered manner.

- The City can cease providing public services to all other governmental bodies who do not contribute the actual fair value of those services, including police, fire and sanitation.

- The City could consolidate its law enforcement services with the Capital police, saving on the costs of fleets, training, personnel and overtime.

- A dedicated 1% or less sales tax could be implemented with a sunshine provision to raise dedicated, restricted funds at the City, County or regional level. This would address not only the debt issue, but other needs for securing funds for roads, schools, and emergency services.

- The City could implement a long term plan for the slow transfer of public parking facilities to the private sector, one (1) or two (2) per year. This will create a competitive market for not only the buildings, but for the price of parking in our area.

- The City could turn its development attention away from pure office space and move to cluster particular industries here in the City with the significant open, unused spaces throughout the City, such as pharmaceutical companies, medical supply distributors, computer and electronic research houses and developers and more. It would be a future driven, long-term focus.

- The City could move for aggressive exercise of annexation rights on neighboring communities who utilize City services and monies.

DWH is not suggesting the adoption of the entire list of the above options. In fact, we cannot determine what options were considered, vetted and rejected by the Ac 47 Team. The list is not intended to be exhaustive. We understand some of these ideas were suggested. We are NOT claiming each of these ideas are options we want implemented. We are simply pointing to these possibilities as potential components of a complete recovery plan. We need to work through these proposals in more detail, just as you as paid professionals on the Act 47 Team have been hired to work through the options.

Likewise, we do not reject all of the options and steps in the Proposal. But the Proposal as a whole does not work. It must be re-worked. It must be future looking. It must not pray for the pardon of creditors, but take a hardline with those entities who have paid their lobbyist to drop the lion's share of the costs of this debacle on the doorsteps of City residents, as they exit to their suburban enclaves. If that reworking does not happen, in all likelihood, the City will likely lose most of the taxpaying residents a long time before the Act 47 control comes to an end, which means Act 47 control will never end.

These Comments are incomplete in drafting, construction and recommendations. This is directly because of the time constraints placed upon the public. Therefore, we must request additional time to fully comment and respond and so hereby expressly reserve the right to do so.

Respectfully,

By: ______________________
Neil A. Grover

Counsel for Debt Watch Harrisburg

Testimony Given June 28, 2011 at Harrisburg High School commenting on the Act 47 Recovery Plan

I am Joshua Vincent, Executive Director of the Center for the Study of Economics, and I respectfully disagree with the Act 47 Plan for Harrisburg to eliminate the split-rate or land value tax.

Having worked with city administrators since 1975, CSE has adjusted and formulated rates that have helped the city meet fiscal goals and tax liability outcomes in a small, landlocked city that is nearly half-exempt from taxation. Since then, land value tax has served - both in tax theory and in practice - the city well since 1975. Taxes have remained reasonably low for an impoverished city, but at the same time, cut taxes for appropriate commercial uses of land, such as Strawberry Square, the recent building boom in both lodging and office facilities.

We believe that that Harrisburg and its hard-pressed residents and productive businesses need the incentive effect of a permanent abatement on capital investment in structures, instead of an incentive to hold land vacant or underused.

Specifically, the recommendation to remove the split rate is predicated on the benefit of *"Increased competitiveness and tax efficiency."* Yet, economists know that the most efficient tax, that is the tax with the least "drag" or deadweight loss on an economy, are taxes on those items which cannot be moved or destroyed through taxation. Land value is the one taxable entity in the Commonwealth that fits that description.

A higher tax on buildings will have the effect of reducing incentives to build and maintain buildings. As noted in the report, taxes will go up for homeowners, multi-family properties, as well as desirable urban non-residential uses that build up, rather than out. The report's concern for firms that may require lots of open land or exurban densities does not fit in with current paradigms of urban revival and spaces; this is not an issue of real property but one factor of real property: land.

Harrisburg's CBD needs to be encouraged to build densely, without costly subsidies; a lower tax on buildings provides that.

Yet, a lower tax on land as proposed will encourage vacant landowners to hold onto their land for a longer period waiting for their speculative price and avoiding paying a fair share of taxation for city services.

Remember, it was at the recommendation of the DCA (now DCED), that in 1975 Mayor Swenson and Council implemented the split rate land value tax. Since that time, the city has expanded the tax on land to six times the rate of buildings starting from a two to one ratio.

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Our first two attachments indicate several changes in the Harrisburg CBD since introduction of LVT. The difference is startling, with the newer skyline. Residential building permits issuances measured against an analog city, Albany, NY are but the latest of a line of studies that have indicated that Harrisburg's economy was able to take advantage of the real estate boom, unlike most aging post-industrial northeastern cities.

The report notes that the city now collects nearly 65% of tax revenue from land values. Again, that revenue source is fixed and immobile. Reverting will cause an opposite collection rate, that is to say the majority from buildings in the order of 75%. That means that what Harrisburg will need to recover: buildings, neighborhoods and a strong CBD will be adversely impacted.

The last two charts show the significant change in tax on structures and improvements if this recommendation is followed.

The Center would suggest that a tax structure in place for 36 years is likely not as confusing as some might think. Nearly 20 cities of the 3rd and 2nd Class use the tax on land values. I should note that Altoona, is now the first city in the USA to have no tax on buildings, and revenues have stabilized during their 10-year implementation.

We would recommend that land value tax be expanded to raise revenues and plug budget holes, much like Altoona and Washington, PA have done. We would recommend that the school district finally be permitted to use a split rate on real property.

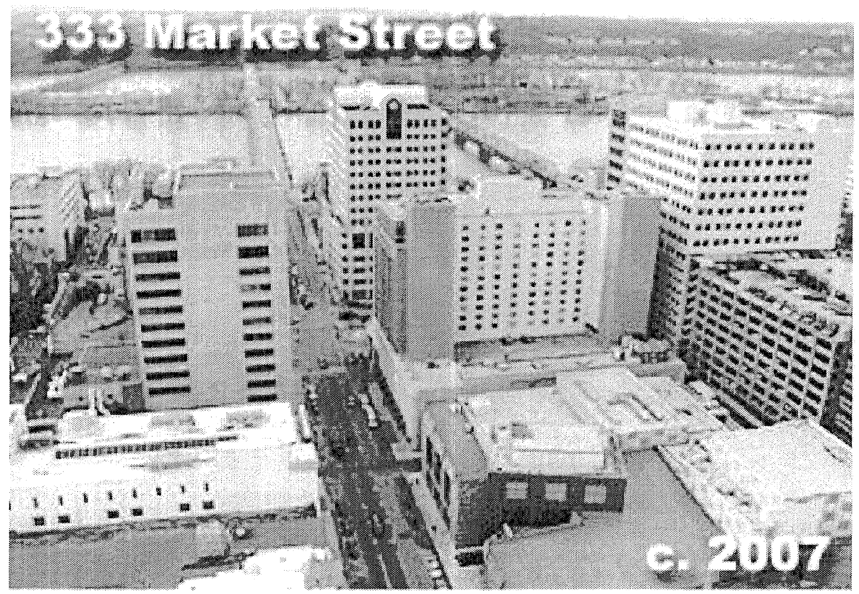
Finally, the Center, with its long history of helping and assisting Harrisburg will conduct research on a parcel-by-parcel basis for the city. Granular analysis, including patterns of exempt and absentee ownership will be examined. We believe that a higher tax on land values may prove to be a better solution to the revenue issue from property taxes as Harrisburg recovers from its recent problems. Thank you.

The Center for the Study of Economics is a 501 c (3) non-profit educational research foundation that has worked with dozens of municipalities over the past 30 years to research, make recommendation and - if appropriate – assist in administration and implementation of the split-rate tax, more appropriately known as the land value tax.

Harrisburg

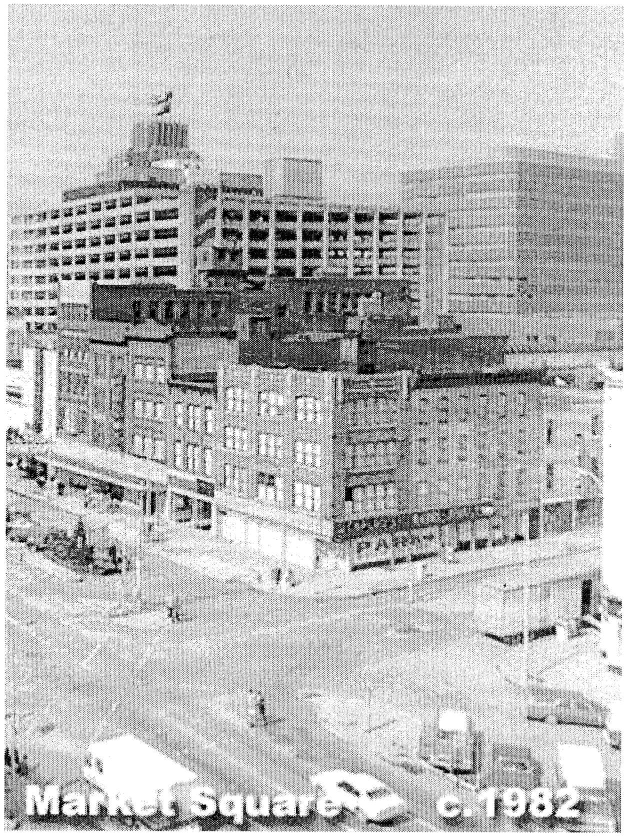
Early LVT

Late LVT



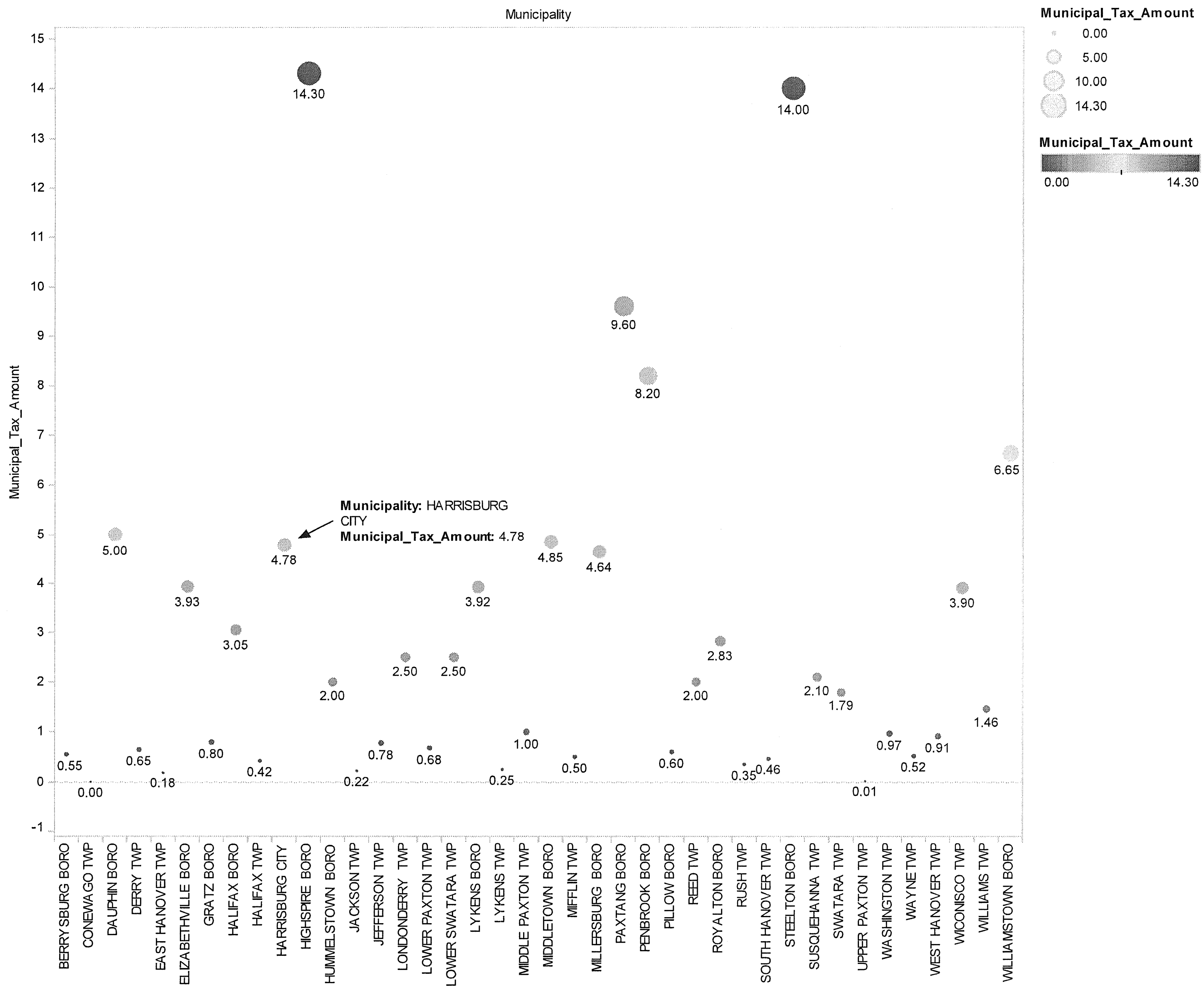
Harrisburg

Early LVT



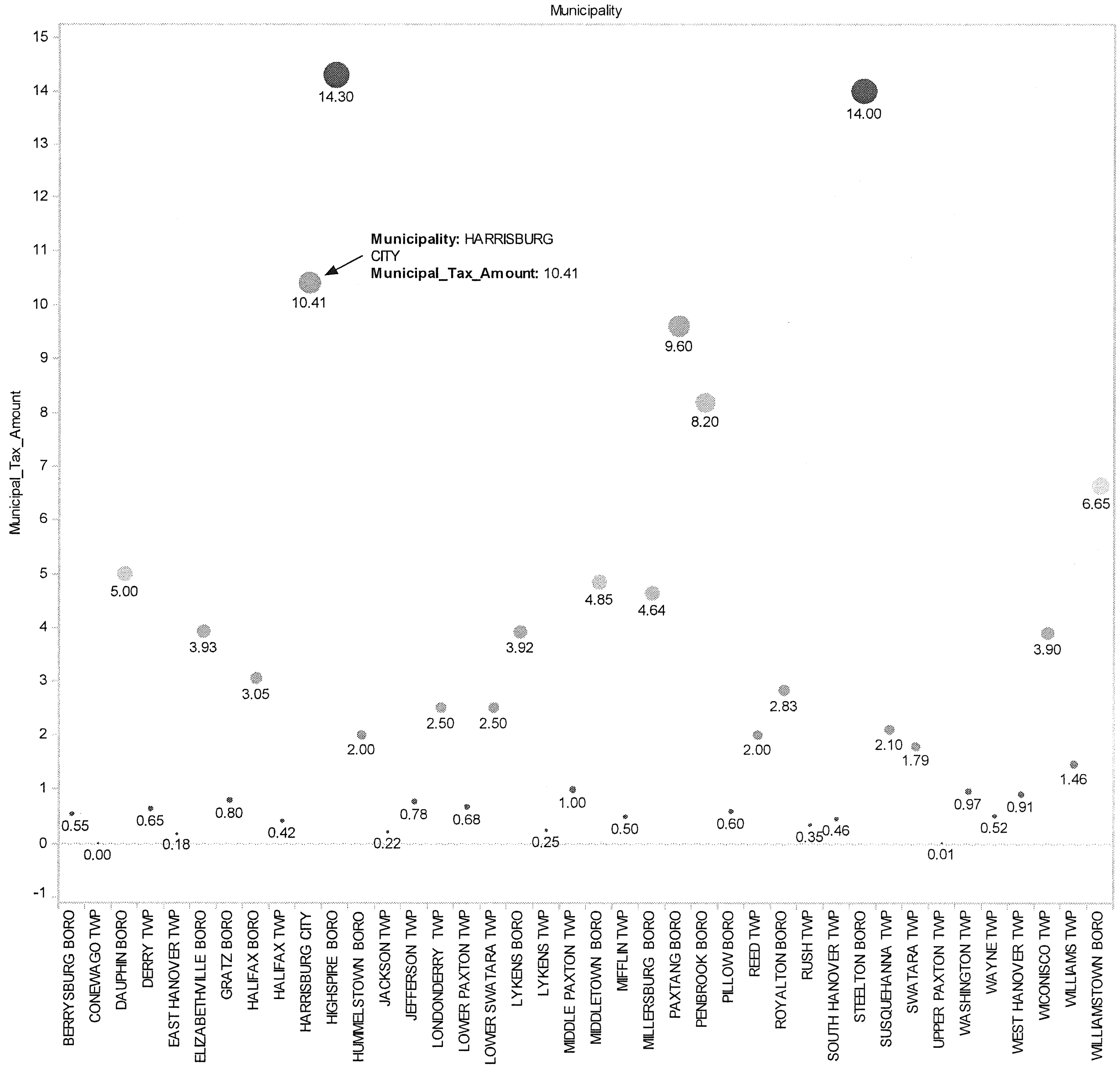
Late LVT

Harrisburg Current Tax on Buildings

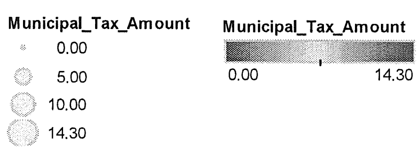


Sum of Municipal_Tax_Amount for each Municipality. Color shows sum of Municipal_Tax_Amount. Size shows sum of Municipal_Tax_Amount. The data is filtered on Tax_Name, which keeps Real Estate - Buildings (mills) and Real Estate - General Purpose (mills).

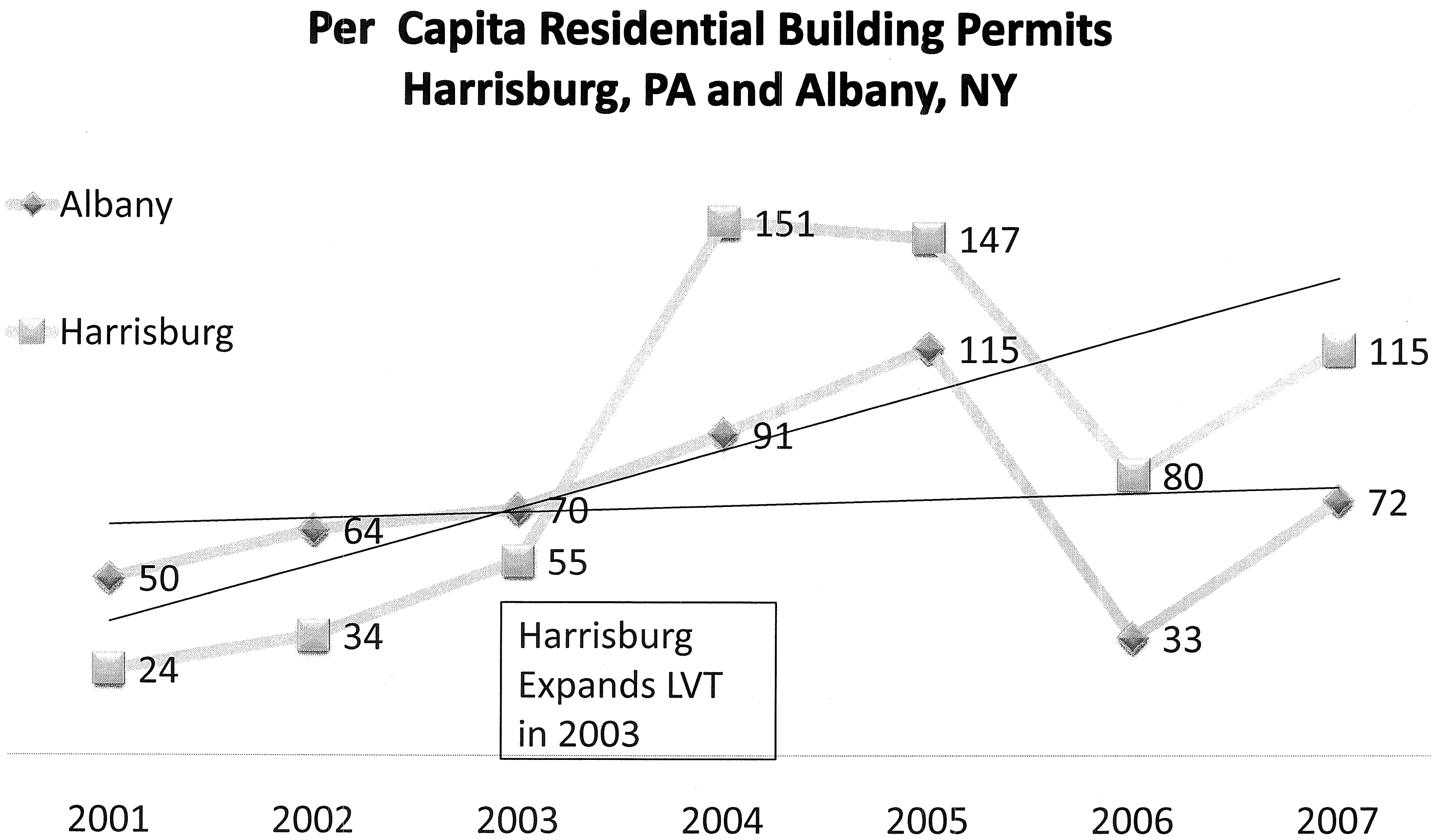
Harrisburg Blended Rate



Sum of Municipal_Tax_Amount for each Municipality. Color shows sum of Municipal_Tax_Amount. Size shows sum of Municipal_Tax_Amount. The data is filtered on Tax_Name, which keeps Real Estate - General Purpose (mills).



What Happens With LVT? 2007



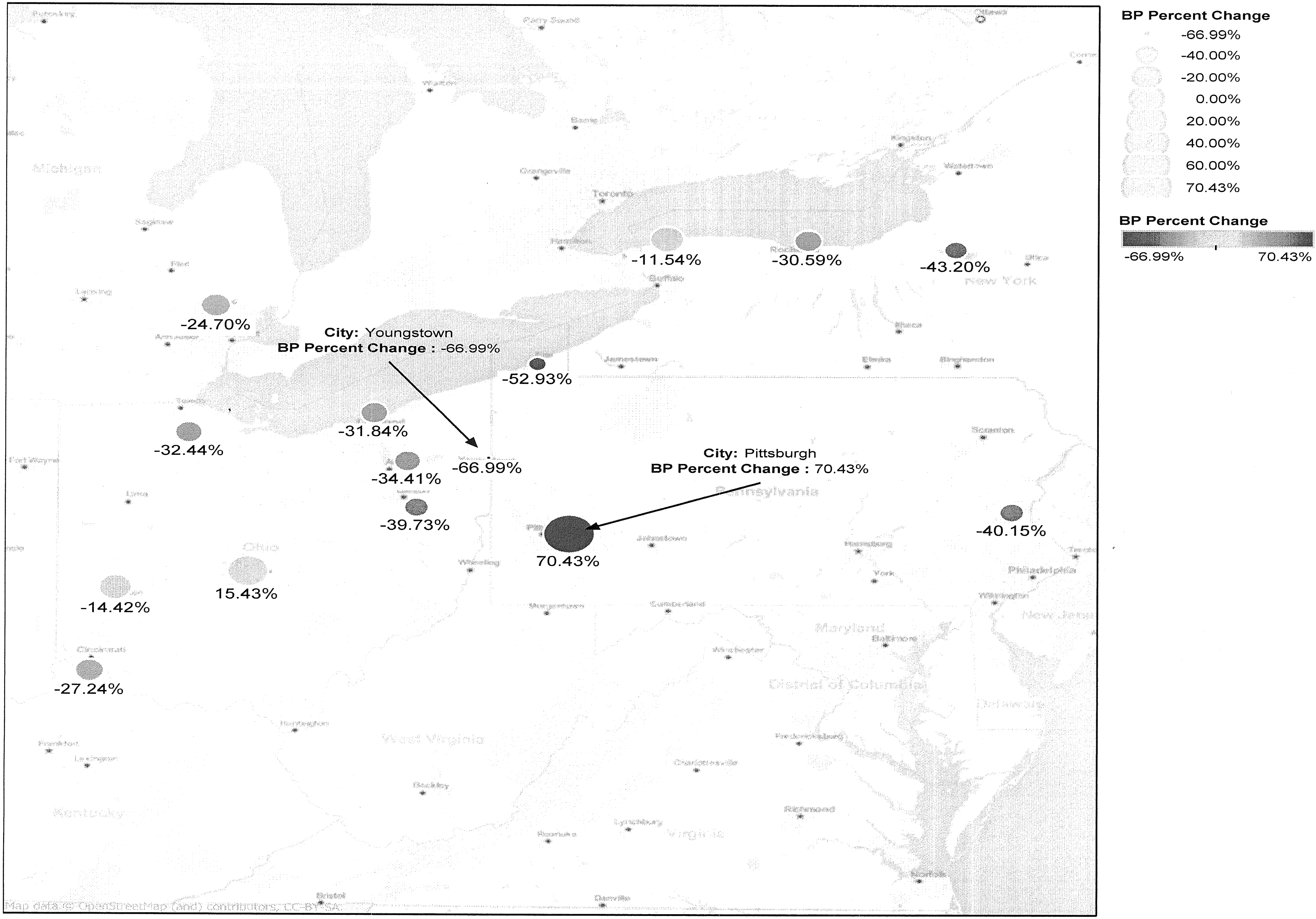
What Happens With LVT?

Building Permit Changes 1979-1982	Average Building Permits From Three Years Before and Three Years After LVT
Scranton (1979 LVT Increase)	23%
Wilkes-Barre	-47%

Building Permit Changes 1980-1983	Average Building Permits From Three Years Before and Three Years After LVT
McKeesport (LVT 1980)	38%
Duquesne	-20%
Clairton	-28%

Building Permit Changes 1982-1985	Average Building Permits From Three Years Before and Three Years After LVT
New Castle (LVT 1982)	70%
Farrell	-66%
Sharon	-90%

Building Permit Change in Pittsburgh compared to analog cities



Color shows sum of Building Permit Percent Change From 1960-1979, and then 1980-1989
Size shows Percent Change . Details are shown for City and State.

Comments Regarding Act 47 Recovery Plan
For the City of Harrisburg
June 28, 2011

Dear Act 47 Plan Coordinator:

Thank you for the opportunity to comment on the "Municipal Financial Recovery Act Recovery Plan, City of Harrisburg" ("Plan"). I appreciate your careful consideration of these comments and request that you make this submission of comments accessible for public review as well as part of the record of public commentary regarding the Plan.

<u>The Plan's One-Sided Approach</u>

While the Plan acknowledges that the "crushing debt burden" associated with the Regional Resource Facility ("RRF") is a "regional problem" (Plan, p. 379) and underlies the City of Harrisburg's ("Harrisburg" or "City") severe financial distress, the Plan's recommendations offer little in the way of "shared pain." Despite its claims to the contrary (p. 398), the Plan takes a one-sided approach, essentially placing the financial burden on Harrisburg. Its recommendations and initiatives, if implemented, would place the City in a weakened negotiating position with respect to other relevant parties and would further exacerbate the City's financial distress by causing it to expend more resources than it might have had to pay had the Plan not given other interests "a pass." Additionally, the Plan could have secured its status as a good-faith broker among stakeholders by providing an honest history of how and why the debt burden came about.

It is critical for any policy analysis such as the Plan's to offer recommendations on what other entities such as Dauphin County ("County") or Assured Guaranty Municipal Corporation ("AGM") could or should do to ameliorate this "regional problem." It does not follow that because the Act 47 Coordinator cannot compel those entities to take particular actions that the Plan should not proffer specific actionable initiatives that these entities could and should take. This document has "moral suasion" in public discourse and could provide moral and political support to the City in the process of negotiating with the other parties. Regrettably, this Plan's one-sided approach, along with its conspicuous silence with respect to potential concessions by others, has raised substantial concerns by many residents about the desirability of adopting its recommendations.

The Plan ignores an important source of potential relief for the City—how much of the debt related to the RRF other parties might be willing to reduce in order to obtain the City's full cooperation and the avoidance of bankruptcy. The Plan chooses to focus instead on what the City can give up to make other parties relatively "whole," such as selling and/or leasing City assets, improving operational efficiencies within City government, and raising revenue through a number of initiatives whose net impact falls adversely on City residents.

Why, for example, did the Plan fail to propose that the County and AGM reduce whatever remaining debt exists if the City sells or leases the RRF and the Parking Garages in good faith based on their reasonable values? The Plan's failure to address these types of issues, even for the purpose of explaining why they are not feasible, is troubling. The Plan at times seems to be a negotiating-position document drafted by counsel for the County and AGM rather than a document reflecting a neutral facilitator trying to find common ground and achieve a workable regional solution with "shared pain" for all.

The Plan's silence on some obvious possible solutions raises concerns about its objectivity. Why, for example, was the Plan not more creative in crafting initiatives that would spread "the pain" a bit more evenly among regional stakeholders and AGM so that the City, already in a weakened state, would have a better chance of making the Act 47 process a success? There are a number of innovative policy options that could have been proposed to deal with the structural deficit/debt challenge, such as commuter taxes, an optional county sales tax, a regional assets tax, and a service fee on nonprofits. Such an approach could have provided much-needed help for a struggling City and would also have involved the region in helping to solve what the Plan concedes is a regional problem. This approach would additionally have assured City residents that the Plan was designed to help them, rather than "stick them with the bill" and relieve others who had a role in creating the debt problem from accountability or financial responsibility.

Assessing the Net Impact of the Plan's Revenue Recommendations

A number of initiatives and recommendations the Plan makes would unfairly benefit businesses and commercial interests at the expense of City residents. Indeed, another reason why many City residents are wary of the Plan is because residents would bear the brunt—both financially and in terms of quality of life—of the impact of a number of proposed recommendations. Whether intended or not, many of the Plan's provisions place the interests of businesses over those of the City's residents. The following items provide a few examples of this prevalent approach taken by the Plan.

Item: REAL ESTATE TAX. DS03 (pp. 383, 349-355). Increase Property Taxes through a Single-Rate System

The Plan's analysis and representative example erroneously suggest that adopting a single-rate system and increasing the property tax by .8 mill would only lead the typical resident to expect a 6-percent increase in property taxes, equal to a negligible $50, which the Plan intimates would be offset by reductions in tipping fees. (That residents would be the beneficiaries of the "tipping fee offset" is not clearly demonstrated.). A more realistic analysis done by the City Controller's office (www.harrisburgcitycontroller.com), however, demonstrates that this increase would more likely be on the order of $230 a year, which equals a 56-percent increase when applied to the Plan's example. The controller's analysis suggests that City residents would likely see an increase in their property taxes in the range of 27 to 61 percent, with a 45-percent increase being the more realistic expected outcome.

Moreover, the Plan should have more clearly delineated the extent to which moving to a single-rate system shifts the tax burden primarily from downtown commercial interests to homeowner-residents. The Plan acknowledges in passing that the current split-rate system favors residents; however, the Plan then attempts to justify the preferential treatment afforded business interests by offering unsubstantiated claims (pp. 351 and 366, REV02) that the split-rate system makes the City commercially “uncompetitive” and that there is limited land that can be developed in the City.

Item: EMPLOYMENT-BASED TAXES. Increase the Earned Income Tax (EIT) rate “to the degree necessary to balance the budget.” (REV06, p. 368)

The Plan’s open-ended approach to EIT rates is particularly troubling. Despite displaying sample rate increases ranging from .25 to 1.5 percent, the Plan effectively removes any limit on rate increases and makes EIT rate-payers a financial “backstop” for repaying the County and AGM. (The Plan should have costed out REV06 on a taxpayer per-capita basis in order to provide a realistic and honest basis for policy discussion.).

The open-ended nature of this particular provision and the likelihood of its abuse make any Plan with this recommendation unacceptable to the citizens of Harrisburg. Why would City residents forego any current legal protections against uncapped EIT rates and adopt a Plan that burdens them with unlimited liability? This provision is facially unfair and should be invalidated. Further, from a recovery perspective, this provision creates serious disincentives for current residents to remain in the City or new residents to move into the City. Accordingly, the Plan must stipulate a maximum EIT rate in order to protect City residents, to promote recovery, and to reduce uncertainty.

Item: ED03, Revise the City’s tax abatement policy to adopt a 10-year 100-percent tax abatement program (p. 331)

This provision lends credence to those who believe that the Plan unfairly favors business and commercial interests at the expense of City residents. This provision could require City residents to pay significantly higher taxes (especially an increased Earned Income Tax rate) to cover any losses in revenue that would occur by changing Harrisburg’s current tax abatement policies.

The “studies” cited by the Plan (p. 332-333) are unreliable for a number of reasons, not the least of which is that the “studies” were completed by self-interested parties. Additionally, it is far from clear that the comparisons to Philadelphia and other cities are valid.

It is also important to note that this particular provision has long been sought by development interests, who have failed to convince the City’s elected leadership of its necessity. Its inclusion in the Plan raises questions about whether these special interest groups are using the Act 47 process and Harrisburg’s current financial crisis to obtain an advantage they otherwise could not have achieved.

Even if we grant that such a policy could, at the margin, stimulate some economic development, the Plan fails to demonstrate the net benefit of such a strategy to the City given the potential loss of revenue and the adverse impact on residents, who would be already heavily burdened by many of the Plan’s recommended tax increases. This provision is an unnecessary and unwarranted giveaway to property development interests and should not be included in the Plan.

All of us who care about the City's recovery and future prospects want to support a balanced plan that will "share the pain," not just for the sake of equity, but for the practical reason that overburdening any one stakeholder will lead to instability and will likely impede the City's ability to recover. These three revenue-related items alone reinforce the suspicion by many City residents that supporting the Plan is not in their interest. The Plan should revise these provisions and consider other revenue options, such as a commuter tax, which would reduce the burden on City residents and involve others in the region, who bear relatively little burden in the Plan's current form.

The Bankruptcy Option

Another glaring weakness of the Plan involves its inadequate consideration of the City's bankruptcy option and its importance as a bargaining tool in negotiations with other parties. The Plan makes a number of specious claims to support its sweeping conclusion that "bankruptcy should be avoided." (p. 381) For example, the Plan asserts, without substantiation, that the borrowing costs for the Commonwealth and other Pennsylvania municipalities would rise significantly if the City filed bankruptcy. Since the City's financial situation has been widely covered in the financial media, it is highly likely that the market for municipal bonds has already "priced in" the risk of insuring municipalities in the Commonwealth and has also concluded that Harrisburg is in a unique position. However, even if the City's declaration of bankruptcy would adversely affect lending rates for other Pennsylvania cities, the Plan's task is to recommend what is best for Harrisburg at the present time; the Act 47 team's role is not to attempt to stabilize the municipal bond market. Regrettably, this is another example of how the Plan places the interests of others ahead of the interests of Harrisburg.

The Plan makes the bold and unsupported assertion that bankruptcy is "the least desirable alternative" and one that is likely to be "expensive" and "time-consuming" (p. 395). However, the Plan provides no cost-benefit framework for this claim. Moreover, the Plan fails to provide even a serious qualitative analysis to permit the evaluation of this allegation.

Additionally, the Plan fails to compare the costs and benefits of the bankruptcy option with the advantages and disadvantages associated with adopting the Act 47 process. Relevant questions include: What is the success rate of the more than two dozen Pennsylvania cities that have utilized Act 47? How long did the Act 47 process take for these cities? (And are the cities still in Act 47?) What is the current financial condition of these cities? The fact that the Plan neglects to fully address these questions suggests that the Act 47 process has not lived up to its promised success for the vast majority of cities that have implemented Act 47.

The Plan in Its Current Form Will Not Revitalize the City

Along with the concerns outlined earlier, the Plan's blithe dismissal of the bankruptcy option is likely to lead many City residents to the reasonable conclusion that the Plan in its current form will not succeed in revitalizing the City and actually works against the interests of the people who would have to live with it, namely, the citizens of Harrisburg. Importantly, the adverse impact of the Plan's current recommendations would go further than just financial hardship for City residents. The proposed budget cuts in public safety and reductions in firefighting and police protection would literally endanger our lives, given Harrisburg's relatively high crime rate.

Public opinion suggests that most Harrisburg residents would prefer to avoid the bankruptcy route. However, the Plan, in its current form, does not provide a reasonable alternative to bankruptcy. I strongly urge the Act 47 Team to overhaul the Plan in good faith based on my comments and those of other non-commercially interested City stakeholders in order to ensure the full recovery of the City of Harrisburg.

Respectfully submitted,

/signed J. Kevin Collins/

J. Kevin Collins
242 Hamilton Street
Harrisburg, PA

Dear Ms. Novak and the rest of the Act 47 Team:

My name is Mike Alexander and I live at 1929 Market Street, in Harrisburg. I am a 50 year old renter, who is living on Allison Hill one of the most impoverished and crime stricken areas of the city. I have lived in the same apartment for over 20 years and have seen my immediate neighborhood deteriorate but I have no plans to move because it is close to where I work and it is affordable.

I also work in the city at a hotel as a Night Audit Supervisor and earn a modest income. Like many people, I did not pay much attention to city politics and overall I thought Mayor Reed had done a good job. Since learning of the financial crisis I have become very involved. I attended the first public hearing that the Act 47 Team held, I attended panel discussions held by Harrisburg Hope and Debt Watch Harrisburg. I have collected every article the Patriot News has published about the financial condition of Harrisburg and Act 47 and have also conducted extensive Internet research on the various issues facing Harrisburg.

I was not going to submit written testimony but after attending the meeting last Wednesday night that was sponsored by Debt Watch Harrisburg, I became alarmed about a few specific things contained in the current Act 47 Plan. Because of the lack of time and my limited resources I have decided to focus on the following areas:

- Public Safety
- Privatization
- Taxation
- Community Involvement

In 2009, I left my back door unlocked by mistake and my apartment was burglarized. All of my electronic equipment, including all of my computer hardware was stolen. After that I put metal bars across my basement and back doors, metal screens on my windows, and a motion sensing light on the back porch. A year later, someone tried to get in again but this time my back door was locked and braced. Last year, two ladies were robbed at a bus stop right down the street from my house. A bus stop where I often wait for the bus to go downtown. Therefore, public safety is very important to me.

I am thankful that your team chose not to reduce the number of police officers initially. However, I am alarmed that you would even consider incorporating specialized police units that have a proven track record of reducing crime in high crime areas like mine into the patrol platoons. I understand that hard fiscal decisions have to be made but the numbers prove that the Street Crimes Unit and foot patrols in high crime areas are working. Your analysis used 2009 FBI numbers but a recent Patriot News Article was able to use 2010 numbers.[1] Layoffs in the area of public safety should be a last option only, especially in a city where people are scared. You may never have lived with fear. Many in Harrisburg do.

I am also concerned by your analysis of the Fire Bureau. You quote many statistics and use many examples of other fire departments but in reconfiguring the shifts and closing a fire station there is a disagreement between you and the fire fighter's union chief, Eric Jenkins. On page 231 of your report you write,"the Bureau has a minimum daily staffing level of 16 which is reasonable and appropriate based upon the total call volume for the community and hazards of fire response within the City's built environment." At the meeting last week, Mr. Jenkins indicated that 16 firefighters and one officer per shift were following the minimum National Fire Code. He went on to say, anything less than that would put the firefighters and the public at risk. At some point he indicated the Act 47 Plan as currently written may contemplate shifts of 11 firefighters and 1 officer. I Goggled "standard shifts for firefighters" and found a wealth of material. I'm going to quote verbatim from an article on the August, 2009 Fire Engineering.com by Kevin "Willy" Wilson in which he quotes the "**National Fire Protection Association (NFPA) Handbook, 19th Edition (2003)**

"Between 19 and 23 personnel typically constitute the first alarm assignment to a confirmed single-family dwelling fire as observed by evaluation teams.

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1 "Violent crime drops in Harrisburg since specific police unit has hit the streets" **Patriot News** (3/7/11)

Not fewer than 16 firefighters, one chief officer, a safety officer, and a rapid intervention team should respond to high-hazard occupancies (apartments, offices, mercantile, and industrial occupancies not normally requiring extensive rescue or firefighting forces).

“Not fewer than 24 firefighters and 2 chief officers, one or more safety officers, and a rapid intervention team (s) should respond to high-hazard occupancies (schools, hospitals, nursing homes, explosive plants, refineries, high-rise buildings, and other high-life hazard or occupancies with large fire potential).

Even small businesses and scattered dwellings require 12 firefighters.”

The article reinforces these standards by quoting **The International City Management Association (ICMA) in “Managing Fire Services”** that “if about 16 trained firefighters are not operating at the scene of a working fire within the critical time period, then dollar loss and injuries are significantly increased, as is fire spread.”

Finally, the article concludes that many city and towns which have understaffed their fire departments due to budget constraints, or lack of knowledge of the minimum National Standards increase their costs in time-lost injuries, on-the-job injuries or line-of-duty-deaths. Harrisburg can not afford these increased costs even in the future.

Any cuts below these minimum standards now, or in the future, would endanger the lives of both the firefighters and the residents of Harrisburg who may be unlucky enough to need the Fire Bureau. As your report notes and Mr. Jenkins, confirmed the 3 city volunteer fire companies do not have enough active members to be counted on in the case of a fire and as the regional fire chiefs told you they felt they would be stretched if they had to respond into the city much more often than they do now.

Finally, in one of the articles I read it said that some courts and occupational safety regulators have held that fire personnel, fire departments and cities have been held liable for not following national industry standards.[2] I assume that might mean that DCED and the Act 47 Team might open themselves to litigation if you suggest staffing the Fire Bureau below the National minimum industry standards now or in the future no matter what the fiscal crisis of the city is. You might be able to raise the fiscal crisis as a defense but a judge or jury may not accept it if someone were to be injured or property lost due to layoffs below the minimums.

The second area I want to focus on is your reliance on privatization. You want to outsource or privatize a number of services or assets the City operates currently. Some seem like good ideas like hiring a civilian administrative assistant instead of a fireman doing those duties in the Fire Bureau. However, other ones seem to be bad for Harrisburg’s long-term interest. Take for example, your suggestion to outsource the Park Rangers to a Non-profit. On the face of it, this may seem like a sensible proposal, however, the problem with it is that I can think of no local non-profit who would be willing or have the capability to take on the job. If you were from around here you would know that almost all of the non-profits have had an increase in the need for their services, a decrease in their staff, and a reduction in their funding. If a non-profit isn’t willing to take on this challenge then what? What is the back-up plan?

Similarly, the selling or leasing of the parking garages and parking meters. I understand that we would get an immediate infusion of cash and that the gaming money from Dauphin County might make up any short fall in revenue but Dauphin County’s cooperation isn’t guaranteed and I am very wary of Lambdastar’s offer. As a recent Huffington Post Article put it, “The finances of Harrisburg, PA., are so desperate that local officials are considering a deal they fear will ultimately make the city more miserable. Some city leaders harbor a growing fear that Harrisburg will be forced into a deal that will bleed its coffers over the the course of decades, after it surrenders valuable assets to a profit-driven company with the power to raise rates on a captive base of customers. But these misgivings may not matter, as a budget crisis chokes Harrisburg into submission.”[3]

2 “An Effective Staffing Plan for the Poquonnock Bridge Fire Department” (Floyd, **USFA**, 2010 pgs14-15)
3 “Harrisburg’s ‘Bad Deal’: City Forced To Pursue Parking System Lease Despite Fears” (**Huffingtonpost.com**, 6/15/11)

That same article talks about the horrific experiences that Chicago had after they agreed to to lease their parking meters. What about us? After we sell most of our assets, where will our future revenue streams come from? I'm not thinking a year from now, or even five years from now. What about ten years or twenty years from now. That only a very few Act 47 municipalities have come out of Act 47 and some have been under Act 47 for decades does not instill confidence that the private sector has the regular citizen's interests as their paramount concern. I also get concerned because a corporation is often not as accountable to the people as the City Council, or Mayor is. This is especially true if they are not based in this area.

The taxation policies contained within the report seem misleading at best. Most of the early reporting of the roll-out of the Act 47 report discussed the .8-mill property tax increase equal to about $50 for the average property owner. In the discussions with City Council and in the interviews with the Patriot News, Ms. Novak, exclusively mentioned the .8 mill property tax and the $50. It wasn't until the meeting last week that I learned about your proposal to move from a two tiered property tax system to level tax system. The way the system is set up right now as Dan Miller, the City's Controller, was able to demonstrate so effectively that businesses and people who own property downtown will be the winners in this change. The losers will be property owners outside of the downtown area. Their property taxes could go up anywhere from 27%-61%. Seeing that mainly poorer residents live in the outer areas of the city (IE., Allison Hill) this seems overly burdensome on them. In addition, some research I looked at seemed to suggest that the exact thing Mr. Miller suggested is correct. "The study indicated that the shift to a level tax would negatively impact the residential tax burden for residents, especially high density buildings such as apartment buildings and townhouses. The tax would reduce the burden on the commercial and industrial properties where the land is not assessed at its true value."(pg2)[4] This seems even more out of balance since many developers will be getting a 10 year tax abatement.

This brings me to my final area of concern. Before this whole process began I had never heard of Act 47. Before I worked at the hotel, I worked in human services for over twenty years and was a Disabilities Consultant and Trainer. When I was hired as a Consultant, one of the first things I would always do would be to meet with all the stakeholder groups. That is the only way I would ever get any "buy in" especially from intransigent individuals. I needed to understand their perspectives, feelings, and knowledge. I have read Act 47 and I know that it does not require you to meet with all stakeholders but as the PA. Economy League's and Public Financial Management presentation to the Municipal Analysts Group of New York put it, plan development should have considerable municipal stakeholder input. As I reviewed your methodology of gathering information and the entities you met with I did not see listed groups that represented the interests of the primary minority populations in Harrisburg (African-American, Hispanic,) and the poor. Meeting with representatives that know these populations I think would have been helpful to you in your crafting of the plan. It would have been easy for you to meet with the Executive Directors, board members or members of the United Way; the African American Chamber of Commerce, Community Action Commission, the Hispanic Center, local church leaders etc. In addition, although the Act does not require it of the Coordinator, I think it would have been helpful if you had included someone on your team from the City of Harrisburg that has the respect of people but has not been tainted with the problems. I know PEL and Stevens and Lee have offices and practices in Harrisburg and Central PA.. but I will always advocate to have one whose life will be effected by the decisions made by policy makers be on the decision making team.

My assumption is that the Act 47 plan will be adopted hopefully with some modifications. Perhaps as you move into the implementation phase you can reach out to a broader audience especially those who feel most disenfranchised and powerless by the whole process.

Than you for taking the time to read my comments.

Sincerely,

4 "Improving-Act-47" **Empoweredmunicipality.com** (6/28/11; pg 1-5)

Mike Alexander

Martin Luther King Leadership Development Institute

MLK - LDI

Comments on the Harrisburg Municipal Financial Recovery ACT 47 Plan

As residents of Harrisburg and other locales within Dauphin County, we have followed the discourse and deliberations of the ACT 47 Team with great interest. Harrisburg is rare as a capital city in that its income potential is hampered by having:

A. 45% of its structures classified as tax exempt state and federal buildings;
B. No major anchor university to buoy its economy, such as Austin, TX (Univ. of Texas); Columbus, OH (Ohio State); Providence, RI (Brown); Raleigh, NC (NC State) or Columbia, SC (Univ. of SC),
C. Only 8 square miles (Providence, RI is 18.5 square miles);
D. No annexing authority;
E. Few revenue producing commercial properties and,
F. Over 27% of families living below the poverty line.

Considering these facts and having reviewed the full ACT 47 Team's report as well as consulted with a diverse team of professionals from various economic and ethnic backgrounds, particularly within our region, we offer the following recommendations with hope that they are adopted by Harrisburg's elected officials:

1. We concur with the idea of selling the incinerator to generate revenue and reduce the voluminous debt incurred over more than a decade. The sale to a successful purchaser should include a 20-year Flow Control Agreement that ensure rates do not prematurely and precipitously escalate for Harrisburg residents.

2. We oppose selling or leasing the parking garages for the documented fact that revenues from the Authority routinely account for 30% or more of Harrisburg's annual revenue. While selling the garages would generate an "immediate" infusion of cash, it would leave the city devoid of its most profitable future revenue generator.

   Alternatively, we recommend Harrisburg's parking authority approve a 20% parking fee increase, essentially monetizing the structures' revenue capability, and seek multiple investors to provide immediate capital – based on predictable returns over a ten year life of the bonds.

3. We concur with having Harrisburg solicit Request- for-Quotes (RFQ) from waste management companies that can provide commercial solid waste removal services.

4. Likewise we recommend Harrisburg solicit RFQs relating to residential collection services. When considering privatization, the RFQs received should be compared to the cost of keeping these services "in-house." The intangibles provided by the private sector includes an educated and experienced staff, continuous training in best industry practices and environmental knowledge.

5. We oppose the recommendation to apply for annual gaming revenues of $2 million. First, relying on gaming receipts to shore up Harrisburg's budget is dangerously speculative and unwise. Secondly, applying for funds does not guarantee receipt, in the best of times, due to competing requests for this money. Finally, as more contiguous states approve gaming, the total revenues will likely be reduced. For example, Atlantic City's revenue declined when Pennsylvania's gaming cannibalized its client base.

6. Instead, we recommend Dauphin County enact a 1% county sales tax that enables Harrisburg to provide a more predictable and sustainable debt retirement revenue source. Why? The City of Harrisburg is the largest constituent of Dauphin County. Most of the region is dependent on Harrisburg's success and has benefited greatly from city amenities as well as services over the past two decades.

7. All teams selected to implement the ACT 47 Plan, as modified, should primarily consist of Dauphin County residents and reflect the ethnic diversity of the City of Harrisburg. Subject to this and our other herein proposed modifications' incorporation into the ACT 47 Team's plan, we recommend its adoption by Harrisburg's elected officials.

8. Additionally, concerning the proposed legislation sponsored by our own State Senator Jeffrey Piccola, we oppose this legislation because it fundamentally discourages any faltering 3rd class municipality from looking towards ACT 47 as a remedy for fear of being forced to choose between accepting wholesale recommendations proposed by a team of likely outsiders or being overtaken by the State and neutering its elected officials.

Finally, we wish to commend Dauphin County for honoring its commitments to date. We further recognize the efforts of City Council to enlist competent advice on this matter and the Controller as well as the Mayor for supporting an ACT 47 intervention from the Commonwealth. If there is one glaring omission in the ACT 47 Team's approach, as earlier indicated, it is the failure to include local people in the analysis of this problem and field a team that resembles the population being studied. This has made the disproportionate impact of ACT 47 Team's recommendations on Harrisburg residents and people of color, particularly, suspect. If we are to build a beloved community, those planning it must resemble those who will dwell therein. In this and other regards, we respectfully request that a meeting occur before July 8, 2011between the ACT 47 Team and representatives from The MLK LDI's Blueprint for Prosperity Economic Development Task force.

Thank you for affording us the opportunity to address you this evening. Should you have any questions, please advise.

Submitted June 28, 2011
by
The MLK LDI Blueprint for Prosperity Economic Development Task Force
For additional information contact Tyrone A. Powell
717-512-4521

Nevin J. Mindlin
2550 N. 3rd Street
Harrisburg, PA

Harrisburg Act 47 Plan
Public Hearing

June 28, 2011

The express purpose of Act 47 is "to foster fiscal integrity of municipalities so that they provide for the health, safety and welfare of their citizens." Clearly, the act's purpose also includes righting the reasons for a municipality's fiscal distress, both in terms of the municipality properly meeting its financial obligations and in carrying out its financial and managerial responsibilities. The authority of the Act is limited to the municipality petitioning for relieve. The Act does not authorize, as the coordinators have repeatedly stated, the ability to impose solutions on related governmental and non-governmental entities beyond the petitioning municipality, nor does it have the authority, rightfully to impose on the municipality liabilities and responsibilities of other related entities.

It is a matter of fact that it was the City of Harrisburg that petitioned for review and assistance under Act 47. No other municipal entity did so - not the The Harrisburg Authority, and not the County of Dauphin. Consequently, the solutions proposed under authority of Act 47 for Harrisburg under the plan must be limited to the true liabilities of the City of Harrisburg within the context in which they exist.

Notwithstanding that limitation, the stated intent and purpose of the Act 47 Plan concocted for Harrisburg is designed to extend beyond that limitation, and is, therefore, contrary to the express purpose and reach of the authorizing statute. Accordingly, the Act 47 plan for Harrisburg lacks authority, and is unenforceable beyond its reach.

Because the Act 47 plan is flawed in its premise, the results are flawed, both in terms of the incinerator debt problem that it correctly addresses as core to the fundamental issue, and the city's structural deficit issue that would not require Act 47 intervention, were it not for the incinerator problem falsely stated here and elsewhere for so long. Consequently and moreover, as written, the Act 47 plan for Harrisburg lacks integrity and honesty – in its approach, in its presentation, and in its faithfulness to the facts and where they lead.

It is the financial distress of the incinerator operations and the debt load associated with those operations that is the proximate cause of the Act 47 authorization, the ensuing investigation, and the report that was the result. This single statement acknowledges and summarizes that fatal flaw of the report and the reason why it must be re-written:

> From the outset, the Act 47 Coordinator approached the debt issue with the intent of creating a regional solution to what is widely acknowledged as a regional problem: *the need to satisfy the debt of the RRF and provide for its continued operation as a regional waste management facility.* (emphasis added) (page 379 of the report)

The plan immediately goes on to say, "Act 47 does not allow the Coordinator to compel a regional solution." Likewise, as noted above, Act 47 also does not authorize the Act

47 Coordinator to solve this regional problem, which it is, on the back of the citizens of the City of Harrisburg.

No where in the report is there a recitation of the context of the regional solid waste management program to which the incinerator is central, or the details of that arrangement.

Decades ago, and others are better armed with the details, the Dauphin County solid waste management program included a solid waste management authority, and a so-called menu approach to solid waste disposal that included various land fills (notably including what is most recently named "Dauphin Meadows".) Over the course of various decisions made over more than a decade, driven both by necessity of court order and more practical needs, Dauphin County and the City of Harrisburg entered into an Intergovernmental Cooperation Agreement that provided the county with its (and I underline "its") solid waste management program required by state law, as I understand, using the Harrisburg owned incinerator as the only disposal point. At the time that the agreement was concluded, the county dissolved its solid waste management authority – an authority no longer needed. The Dauphin County solid waste management program is an incinerator centered program for the entire county enforced by a county ordinance that required all County waste to be disposed in its program's facility.

The incinerator project was seriously flawed and has been a debacle, repeatedly papered over with public debt, which should not have occurred. It is and was a Ponzi scheme that is, and continues to be, with the help of the Act 47 Coordinators, a means of protecting investors and consultants who knew or should have known that the project was not investment grade. There has been a great deal of effort to obscure this fact, and understandably so. A sale of the incinerator to the Lancaster County Solid Waste Management Authority, which, in and of itself, may be a sound idea, further obscures the fact patterns, because it will almost assuredly end the forensic audit that would help to disclose this likely conspiracy.

Suffice it to say, the true measure of the problem that we are facing is the financial distress of Dauphin County and its Dauphin County Solid Waste Management Program, not just of the city. Let me highlight that point again, the financial distress analyzed by the Act 47 Coordinators, by their own statement, is the financial distress of Dauphin County, not solely that of the City of Harrisburg.

The incinerator debt, so assiduously analyzed, cannot be looked at in a vacuum, or merely on its face; it must be understood in its context. Taken in context, so plainly acknowledged by the Act 47 report, the real issue is the Dauphin County regional solid waste management plan, which includes the incinerator. The debt, therefore, is a shared debt for a program arrived at cooperatively by the county and the city. The means of sharing the financial burden was the debt restructuring that was done over time. It did not require a sale or a transfer of any assets or the re-issuing of debt instruments, but it did require a sharing of the financial responsibilities. It is for that reason that the county took on the guarantees that it did.

As currently structured, the Act 47 plan arranges the transition of the Dauphin County's failed solid waste program to the Lancaster authority (an example of a well-run and conceived program). This provides a broader regional program that includes the two counties. For that new arrangement to work, Dauphin County will guarantee part of the debt for that purchase. And, Harrisburg is being forced to assume and discharge the debt of the Dauphin County solid waste program – the only entity that the Act 47 coordinators have the authority to force to do so in order to preserve a regional solid waste program.

Consequently, the following plan revision is proposed, which is consistent with the shared responsibilities of the parties involved and within the boundaries of Act 47:

The total debt number for the incinerator is $278,875,500, as detailed in the plan (pages 48 & 49). As a joint responsibility, half of that debt is the moral and financial obligation of the county and half of it is the moral financial obligation of the city - an amount that is equal to$139,428,750. Interestingly, the Dauphin County's guarantees amount to $142, 820,000, which the roughly half of the total.

The Lancaster purchase offer for the incinerator is $124,000,000. If you reduce the total debt of $278,857,500 by the purchase offer, the remaining debt equates to $154,857,500. Half of that remaining debt equals $77,528,750. It is that amount, and that amount only for which the city is responsible. [How Dauphin County discharges its share of this joint liability is its problem. Dauphin County has a population of roughly 268,000, approximately five and a half time the size of Harrisburg. Given its population, the County is in a position to assume easily it share of the debt.]

The great irony of the legal situation is that the only legal means by which to force all of the related parties to a resolution of this multi-governmental and multi-private entity problem is through bankruptcy. A fair assessment would require that the Act 47 report include that option.

Now, let us deal with the city's financial obligation for the regional solid waste management debt of $77,428,750. Given the fiscal mismanagement of Harrisburg City government for years, and up to the present, there is no capacity to underwrite that level of debt, except for the sale of assets.

But before we do that, there needs to be an honest accounting of all of the assets. A documentable was brought to the attention of the Act 47 team that was not identified in the report. At one point in time the deed/title to the Harristown properties (Strawberry Square and 333 Market St.) were held by the City of Harrisburg. They were listed on a list of properties that I had requested from the county under Open Records. A subsequent title search to verify ownership disclosed that the title was sold to the Harrisburg Redevelopment Authority several years ago, probably to help balance the city's budget. The report makes note of many properties owned by the Redevelopment Authority, but does not note the Harristown properties. Honesty would require disclosure of this valuable property. The details of all of the intertwined deals are not known; they should be made known under the circumstances. It may well be that the Harristown property alone might be sufficient to discharge Harrisburg's remaining incinerator liability. This is commercial property that is absolutely "nonessential". Likewise, it may well be that the assets are so encumbered that there remains little or no value to the City. In fact, it may well be found that the City was, yet again, placed in a position of underwriting a project the value of which is less than what is owed. And, we should know that.

Much has been made of the city's reluctance to sell property to discharge its obligations. In reality, the issue has been less a reluctance to sell property than a resistance the terms of the sale of assets - be they the parking garages, or any other assets - that would put the taxpayers in the position of guaranteeing investors' profits and insuring against their losses. The Act 47 plan must include a caveat against that type of financial arrangement with regard to any asset sale or lease. It must prohibit any arrangement that makes city taxpayers responsible for the losses (and profits), or taxes or other financial responsibilities of the purchaser or lessee.

A list of all city property assets should be compiled, listing the assets individually in order of their value to the city as essential/non-essential, so that decisions can be made what needs to be sold to discharge the City's actual liability. A debt liability of $77,428,750 does not require the sale of all of the garages as a system.

The second element of the Act 47 report, which comprises most of the report, despite the fact that the declared problem is the incinerator, is the so-called structural debt. Let us be clear, without the incinerator debt hanging over the city, the structural debt could be solved by mayoral leadership competent to carry out the responsibilities of office. Performance management is not, as they say, "rocket science," but it does take ability. None of what exists under the rubric of structural deficit needs to be mandatory, with the proper assignment of debt related to the incinerator.

The report should recommend that the Commonwealth, under authority of Article VI, Section 7 of the Pennsylvania Constitution, remove the Mayor for incompetence, which is misbehavior in office. That incompetence is a substantial factor in the lack of management of the city, and the ability of the City to extricate itself from its financial problem. There is nothing is the litany of management recommendations that requires an Act 47 mandate, and that could not and should not have already begun.

There is more that is flawed in the attention given to the structural deficit. Beyond making some admittedly good management suggestions, the report actually recommends financial decisions that contravene the statutory mandate of Act 47 "to foster fiscal integrity of municipalities *so that they provide for the health, safety and welfare of their citizens*." (emphasis added)

First, the question of public health and safety:

- Harrisburg has the highest violent crime rate of any Pennsylvania city. That has been true since, at least, 2005. The report itself notes that "the overall level of crime in the City remains unacceptably high." (Page 187) Yet, the report establishes caveats for the reduction of the number and level of policing in order to meet the false premise of the incinerator debt and its "residual" debt. (The issue of higher taxes, as an alternative, is addressed later.) The report goes on to say that "the Bureau remains largely reactive in its approach to crime." Changing the focus of the goals of policing, from making arrests to preventing crime, is simply inadequately addressed.

- The discrepancies in the recommendations under the Fire Department are deferred to our firefighters to detail. The report notes that the fire complement is declining, that staffing levels are not excessive, that these levels of staffing are for safe operations, that we have a challenging environment, and that we have a higher average number of calls. The only reason you can suggest decreasing the firefighting force and decreasing safety is for financial reasons. That caveat is irresponsible.

  One interested oddity in a report that purports to rely in consulting expertise is the suggested closing of a particular fire station. After which the report suggests the need for a response analysis to determine which station might be best appropriate for closure – to which should be added, "if any" – all for a savings of less than $15,000.

Second, the question of taxation and fiscal integrity:

The Act 47 report notes that, "the City of Harrisburg's property tax rates are significantly higher than those in its largest suburbs" (read "immediate competitors." (p;. 349) Immediately before this statement, the report states, "Raising these rates would be a further deterrent to home ownership and business occupancy."

The public presentation stressed a 0.8% millage increase on property taxes, which would be off-set for residents by reductions in garbage fees. Absolutely no mention was made of the mandatory shift from a split rate to a single rate and its impact on homeowners, or the combined impact of both. The text suggests an overall increase on homesteads of 6 percent (p.367). The numbers in the appendix (p. 414) document an overall increase in receipts of over 27% in 3-4 years. That is the first misrepresentation on taxation. The second involves the impact. What the report does not make clear is that the tax burden is shifted from businesses, many of whom do not live in the city, to homeowners, who do. Home ownership is the lowest in the region (p. 351). This is a substantially huge tax increase and burdens both those who own their homes and those who rent.

The rationale is unforgivable. The argument is that the combined rate is "uncompetitive with suburban alternatives," and that it is "a deterrent to businesses that operate with a significant amount of real estate, particularly those needing open land and/or single-storey or low-rise buildings.' This is an absurdity. A city does not compete on a suburban model. Even suburban municipalities are finding the suburban model less attractive as the down-side of sprawl becomes more a factor. What business in the city or likely to come into the city needs a lot of land. Cities build on intense land use, not low density land use. To be clear, land value taxation drive the highest and best use of land; it should drive development, because it enable a land owner to build above the tax and realize a square footage tax savings; and, it deters land speculators. High value land, because of its location and economic development value, gets taxed higher, and lower value land gets used for lower value purposes. This is an early means toward sustainability. [By the way, there are reputable economists who would attribute the reversal of Pittsburgh's fortunes under David Lawrence, in part, to the use of the land value tax there.]

The only purposes of this policy shift can be to (1) give businesses a tax break at the expense of homeowners, and (2) give land speculators an opportunity in a depressed market (and links quite well to the references under the Redevelopment Authority – the great engines of economic taking by government in the past from small economic interests, then given to big economic interests.

This tax scam raises a final point. Beyond the financial changes proposed, the report seeks to change policies that shift tax dollars to business from taxpayers. The single tax rate is one. The 100% tax abatement for 10 years is another. The list of mandated economic development projects (pages 328-330) are yet another, while calling for a citizen driven comprehensive planning process. All of these items have nothing to do with sound practices, which the comprehensive plan could be, and everything to do with using state power to give to business by fiat what they could not get by democratic means.

As presented, this Act 47 plan does not address the overriding problem of the County's solid waste management program, nor does it responsibly address the City's structural deficit problem. The incinerator project has been a political Ponzi scheme perpetrated by a bi-partisan political faction between city and county actors. You should have disclosed what is becoming more obvious to everyone, rather than merely try to paper it over.

Unless the report is corrected, it is unfounded by the facts and not credible.

William J. Junkin III

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July 1, 2011

Act 47 Team or Whom it may concern,

My name is Bill Junkin. I am a resident, employee of the city of Harrisburg. I also am appointed by the Gov. of Pennsylvania to represent members in two of three pensions under the city of Harrisburg as a PMRS Board Member. It is my intent to participate in your June 28 public input hearing. Given the length of report I will follow this transaction with concerns and recommendations in the area of public safety, pensions, and taxation on residence. I found your report shallow with many untold truths and deceptive as all hell to present a false imagine to the uninformed public in your "coordination" of "economic reform".

Example, Highlighted areas are suggestions, modification to your plan as presented in the draft date June 13, 2011.

First, as a resident and property owner I have found the following to be an untold truth and deceptive in your presentation. **REV02. Move to a single rate tax structure page 366, states "A single rate would increase the overall tax on homesteads by over 6%."** I pay $593 in city real estate tax annually. Using your assessment and proposed mill rate the increase is $63 or a little more than 10.6 %. I agree with your assessment. However, the deceptive nature of your report is combination with **REV01. Increase the real estate tax rate states "The yield per mill of real estate tax is <u>not projected</u> to grow significantly during the period covered by the Recovery Plan financial projections."** My city real estate taxes would be $281 or a little more than 47%. Your report is deceptive and should show what resident property owners can really expect in taxes.

Second, I am appointed by the Gov. of Pennsylvania to represent members in two of three pensions under the city of Harrisburg as a PMRS Board Member. If one thing was done correctly over the years for the exception of privatizing the Police Pension Plan under Mayor Reed, The City of Harrisburg has maintained and provided through PMRS a stable and effective Pension System. It begs the question How a distress city can have a surplus in its pensions. Utilizing Act 205 with your "Retirement Benefits" section from pages 90 to 100; The following observation were made on your report an actuarial surplus of 19 million (non-uniformed plan) and 12 million (firefighters plan), and a MMO for the police private pension plan of $285 thousand (cost to the city). You correctly identified with non report police pension enhancements that the MMO is over 1.5 million for 2011. Your report failed to report the retirement of a General Obligation Pension Bond that was paid off in March of 2010. Your report identified that Pension State Aid is received by the City of Harrisburg. Your report failed to calculate or make assumption for state aid that will be lost. Given the General Obligation Pension Bond retired and using the Act 205 unit value to determine state aid; the City of Harrisburg should be entitled to 2.4 to 2.6 million in state aid in October of 2011. Given the surplus in the non-uniformed and firefighter plans and a MMO of 1.5 million, the city will only receive 1.5 million of state aid. There is an estimated loss of 1 to 1.1 million in revenue for the City of Harrisburg. My suggestion is to use they State Aid vehicle to negotiate with non-uniform and firefighters through pension modification to achieve your labor recommendations within their particular contracts.

In regards to **RET01. Prospectively reduce the level of benefits, your reports states "to cap service increments at 60%."** Let me make this perfectly clear. The commonwealth through several case law rulings and by referendum of the voters have decided time and time again ***that an existing employee can not have a diminished Pension benefit***. Even if accepted through collective bargaining, a current employee can not accept a diminished benefit in which they were previously entitled. My suggestion is to use RET01 through negotiations with the labor unions for new hires. This will allow stability in the three pension systems over time.

Another point to consider, Police and Firefighters do not pay social security tax and therefore and not entitled to this federal benefit when the set age is met. As your example, a cap of 60% for non-uniform retiree plus social security will render a post retirement benefit of 85% to 90%. A Police Officer or Firefighter will be limited at 60%, therefore a cap of 60% is bias and punishes the employees of Police and Fire Bureaus.

In RET02, your report recommends to not consider pension benefit enhancements through collective bargaining. I would suggest again, through negotiations with the labor unions to trade this horse to receive the goals and initiatives listed elsewhere in your report.

In RET03, your report recommends the "Consolidate administration of the City's three retirement plans". Further your report states "The city shall conduct a study comparing the total cost of administering the Police Police…..shall be consolidated in to one master trust. This consolidated structure may result in significant cost efficiencies." I agree with your assessment that through PMRS administration cost will decrease. In this example, the Police Pension Plan may save a few hundred thousands in administrative costs. However, to enter PMRS the police plan must be made whole. The current MMO for 2011 is 1.5 million. Given the Act 205 standard that means the City of Harrisburg has to come up with about 15 million to enter PMRS. A savings of significant cost efficiencies would result in a few thousand saved in administrative cost to spend millions to catch up the Police Pension Plan. My suggest is let the Police Pension Plan fail until it reaches distress status and Utilize Pension State Aid until the State Aid is the lesser compared to the MMO. Upon reaches a distress status per Act 44 a pension plan that is determined under 50% funded will be enrolled into PMRS chapter 7 of Act 15. This action will render your goal of combining a master pension trust, achieve a lower benefit for new hires in the police pension plan and/or allow the police pension to rebound through the private market returns.

In RET06, your report recommends to "Update PMRS Agreement to reflect recent changes in the Firefighters' Plan." I agree will this recommendation, it bears no additional cost and does allow consistency with the approved codified city ordinances.

In RET07, your information was deceptive and made false assumptions. Although its bears no cost since the non-uniform plan operates with a surplus, it does present that all non-uniform employees enjoy tax deferred liability until receiving a pension benefit. However, your report fails to show plan A and plan B members. Currently, there are only about 6 to 7 plan a members. Through attrition consistency will result.

In RET08, your report recommends to “Amend Non-Uniformed collective Bargaining agreement.” Your report references a 2003 ordinance and the fact that such changes should not be in effect and should be revoked. Again, action was taken by the legislation branch (city council) as January 2, 2009, therefore the benefits as adjusted are in effect for current employees. The fact that the City/PMRS contract does not show these benefits does not allow for diminished benefit. My suggestion here is to pursue the action to formally revoke the amendment but honor current members and the property right they have obtained in eligibility requirements through an act of congress or city ordinance.

Third, in my opinion through observation, I am appalled that your “expert” from a suburban/rural Wisconsin fire service recommends any strategic or tactical element for an urban northeast fire department as the Harrisburg Bureau of Fire has become and what they are today, a very efficient and customer service related organization. The Bureau of Fire in its tradition has put fire out and stopped fire spread using its 16 firefighter complement, an industry recommend standard (Missing from your report). Historically, in the past (1960’s and 1970’s) many fires went uncontrolled in the city due to reduction in firefighters. The city even has a neighborhood titled “lotsville” due to urban decay and wide spread structural fire loss during the above mentioned times. Obviously, the name is given due to the amount of empty lots. Your plan calls for reduction to a point of eleven ff’s. I suppose stopping the fire at the Susquehanna River or Paxton Creek is the expectation your think is sufficient for the Health, Welfare, and Safety for the City of Harrisburg and its visitors.

Moving on, Fire01 recommends to “change current work schedule” in accordance with the FLSA. The deceptive nature of your report presents an imagine that firefighters employed by the City of Harrisburg are not complying with the standard and should adjust accordingly. Your report failed to mention that labor agreements that offer more generous provisions and pay; in such, those provision are valid and backed by various case laws. My suggestion here would be to negotiate a new schedule with IAFF for exchange of a zero cost items such as revoking the residency requirement or firefighters or a tax abatement/reduction for resident firefighters.

Fire02, your report presents the image that premium time is in violation of the FLSA. Please refer to my suggestions above in Fire01.

Fire03, your report suggests the "close a station and place a ladder truck out of service". Your report outside the Fire Bureau portions claims that the average daily influx of non resident commuters is about 34,000 persons. Your report suggests closing the downtown station six. Given a conservative idea that has an influx of persons working downtown of 17,000 and a cost savings a little over $16,000; you have placed a one dollar value on the Health, Welfare, and Safety of these individuals while requirement to pay the annual $52 Emergency Service Tax. I agree with your recommendations to close station six if absolutely needed. I would suggest detailing the ladder truck at Fire Department HQ during daylights to maintain an effective and responsible response during times of influx for the City of Harrisburg. During non influx times, staffing can be given to boost the remaining fire station staffing.

In **FIRE04, "Implement an engine company inspection program",** your reports suggested revenue from inspection fees at a goal of 20 inspections. I agree with your assumption of income based on the fee schedule suggested. Your report is deceptive and incomplete. Your report fails to mention the cost of hiring a City Fire Marshall from FIRE01, "The position shall be a management position, exempt from the collective bargaining unit, and will require a minimum qualification as a certified fire inspector/plan reviewer." Your report has also failed to account for training to the required level to conduct inspections. This cost at HACC to be certified as an inspector for 78 ff's at the cost of $325 would be an expense exceeded $20,000. Additionally, the city currently employees a Deputy Fire Chief at over $60,000 with ***zero*** certifications or industry recognized professional qualification. It begs the question, what would a City Fire Marshall cost with qualifications as suggested in Fire01. My guess would be at least $60,000. I agree with this initiative, however would like to see your report reflect it cost and true revenue.

Fire05, 06, 07, I agree with and they should have been implemented yesterday. Fire07 is a bid position and should be negotiated out with the labor union in exchange for a no cost item.

FIRE08. Adopt and implement new County-wide accountability system, I agree with this recommendation for the safety of employees with the Harrisburg Bureau of Fire. I would suggest solicitation of the Harrisburg Volunteer Fire Relief Association to accept cost of this initiative under Act 84 allowing purchases, in which just happens to be approved through Pennsylvania Department of Community and Economic Development.

The remaining Fire initiatives deal with contractual negotiations and should be exchange with terms both sides can meet with to include pension modification window to allow higher paid employees to leave service in exchange for lower cost new hires and or your proposed reduction in the Fire Bureau, removal of residency requirement, and or combination of both. The above views are the sole opinion of this author in his capacity as a private citizen. Although the information and internal insights are valid through the author capacities as a Pension Board Member and employee within the Harrisburg Bureau of Fire, it shall not be deemed to be accurate but is truthfulness is based on observations of an independent opinion.

Graciously Submitted,

William J. Junkin III

Appendix C

Department of Community & Economic Development
Harrisburg Act 47 Funding Requests

Section 302 (a) of Act 47 allows a municipality or the recovery plan coordinator to apply for financial assistance after a fiscally distressed municipality has adopted a recovery plan. In conjunction with the City of Harrisburg's Act 47 Plan, the Coordinator recommends the following high priority requests to meet critical short- and mid-term needs after plan adoption.

Management Capacity and Implementation Support

- ***$150,000 Management Assistance over Two Years:*** The Act 47 Coordinator recommends funding for temporary additional management capacity. The Chief of Staff/Business Administrator position is not filled and will likely not be until the salary is raised. With minimal management capacity, the Act 47 Coordinator recommends that a contract for management assistance be funded to be onsite in Harrisburg to help manage implementation of the Recovery Plan for the first two years of the plan. Funding may also be used to increase the salary for the Chief of Staff/Business Administrator to ensure a qualified professional is retained for this critical management position.

- ***$100,000 Accounting Support over Three Years:*** The Act 47 Coordinator recommends funding to provide professional accounting support to the Bureau of Financial Management. The individual selected must be a certified public accountant. This position will provide a continuation of the financial operations support services funded in FY2010. This position will be responsible for preparing audit documents, ensuring financial compliance with Federal and Commonwealth grants and instituting or updating financial and purchasing policies as appropriate. The Act 47 Coordinator requests funding on a declining scale over three years.

Planning and Economic Development

- ***$80,000 for Comprehensive Plan:*** The Act 47 Coordinator recommends $80,000 in one-time funding for the City to update its comprehensive plan. The City's Comprehensive Plan has not had a complete review and update since 1974. The updated comprehensive plan will help the City identify its long-term development goals and set a course to achieve those goals.

- ***$25,000 for Housing Strategy Update*:** The Act 47 Coordinator recommends $25,000 in one-time funding to assist with an update of the City's housing strategy analysis and planning. This may include an update of the City's vacancy inventory and reinvestment strategies or other analytical support for designing a housing strategy as requested by the Administration and City Council.

Technology

- ***$50,000 for Telecommunications Study:*** The Act 47 Coordinator recommends funding for a comprehensive needs assessment of the existing phone system and components and a feasibility study for the replacement of the City's phone system for a Voice Over Internet Protocol (VOIP) telephone system. This study will include an audit of the existing phone services the City uses to eliminate unnecessary services or inaccurate billing. The study will identify the most effective solution for telecommunications services for the City.

- ***$80,000 for IT Strategic Plan and Enterprise Resource Planning (ERP) Needs Assessment:*** The Act 47 Coordinator recommends funding for a strategic plan and a comprehensive needs assessment for an ERP. The strategic plan will identify user needs, evaluate options with other government entities and serve as an overall roadmap for future IT investments. The ERP needs assessment will identify the best way to move all essential applications off the mainframe platform to a server or cloud-based environment and provide an implementation plan. It will also consider a shared services approach with other City entities and/or the County.

Appendix D

Suggested Performance Measures

Department/Bureau/Office	Suggested Performance Measures
Elected Offices (Mayor, City Council, Treasurer, Controller)	• Percent of meeting minutes completed within 7 days of meeting • Average response time for information or records requests • Percent change in the number of citizen requests received • Percent change in total revenue received • Ratio of revenue collected to budgeted
Law	• Average cost of contractual services (by type) • Percent of legislation prepared as scheduled • Percent of legal opinions prepared as scheduled • Percent of contracts prepared as scheduled
Administration	<u>Financial Management</u> • Number of compliance citations in the annual audit • Number of audit adjustments passed in the annual audit • Percent change in the number of general ledger corrections made • Ratio of budgeted to actual expenditures • Percent of operating budget supported by tax revenues (by type) • Ratio of actual year end fund balance to projected • Average annual rate of return on investments • Percent of available funds invested • City Bond rating <u>Operations and Revenue</u> • Percent change in collections processed (by type) • Number and dollar value of outstanding delinquencies • Percent of delinquency collections • Percent of payments posted accurately <u>Human Resources</u> • Percent of payroll checks/direct deposits processed without error • Percent change in the value of worker's compensation claims filed • Percent change in the number of worker's compensation

	claims filed • Percent change in the number of safety incidents reported • Percent change in the number of property loss claims filed • Turnover rate • Working days to complete a recruitment • Number of employee grievances and appeals per FTE • Percent of grievances resolved before passing from management control • Benefit funding level per employee per year <u>Information Technology</u> • Number of help desk calls received per FTE • Percent of help desk calls resolved within 4 and 8 hours of call • Percent of telephone issues resolved within 24 hours • Total IT expenditures as a percentage of total city operating expenditures • Average number of network outages • Average duration of network outages
Police	• Number and type of calls for service • Average call response time (in minutes; from dispatch to arrival) • Crime rate (major crimes per 1,000) • Clearance rate (by crime type) • Percent change in business crimes (e.g., commercial break-ins; commercial vandalism; shoplifting; commercial auto thefts) • Percent change in juvenile crimes (e.g., Reported crimes on school grounds; Police reports of incidents where suspect is under the age of 18) • Percent change in vehicle-related incidents (e.g., vehicle crashes, vehicle crashes with serious personal injuries or fatalities, traffic-related pedestrian injuries or deaths, etc.) • Ratio of recorded crimes to arrests • Juvenile crime arrests (as a percent of all arrests) • Sworn officers per 1,000 residents • Total hours of in-service training conducted • Required accreditation standards in compliance • Average overtime hours worked per FTE • Percent change in overtime worked per FTE
Fire	• Number of calls for service by type • Number of call for service by district • Fire rate • Fire spread • Response and control times for fires

	• Average response time for first suppression unit • Fractal measures of initial and full alarm assembly • Rate of civilian fire death and injury (fire incidents) • Rate of firefighter fire death and injury (fire incidents) • Number of human saves and rescues (fire incidents) • Number of property saves (fire incidents) • Rate of structure fires in inspectable properties • Fire loss in inspectable versus non-inspectable properties • Number of inspection/code violations and rate of correction • Average overtime hours worked per FTE • Percent change in overtime worked per FTE
Public Works	<u>Engineering and Project Management</u> • Cost per CIP project managed • Percent of CIP projects completed within budget • Percent of CIP projects completed on schedule • Number of projects managed per FTE • Number of reviews completed per FTE <u>Vehicle Maintenance</u> • Percent of preventative maintenance completed as scheduled • Average number of calendar days to complete a work order • Overall fleet availability • Hours worked per vehicle or equipment • Percent of fleet expenditures contracted out <u>Street Maintenance</u> • Cost per repair completed (by type) • Number of staff hours per snow event worked • Street sweeping expenditures per linear mile swept • Percent of work orders completed within 3 working days • Average number of calendar days required to complete work (by type) • Percent change in the tons of debris collected through street sweeping • Percent of preventative maintenance completed as scheduled • Percent change in the number of snow events responded to • Percent of streets cleared within 24 hours of a snow event • Road rehabilitation expenditures per paved lane mile <u>Building Maintenance</u> • Number of custodial project work orders per FTE • Average response time for custodial non emergency repairs • Average number of calendar days required to complete

	work order (by type) • Percent of preventative maintenance completed as scheduled • Percent of repair work orders completed within 5 and 10 days <u>Park Maintenance</u> • Average number of calendar days required to complete work (by type) • Percent of preventative maintenance completed as scheduled • Percent of emergency work orders completed within 24 hours of receipt <u>Water and Sewer</u> • Average number of calendar days required to complete work (by type) • Cost per linear foot of pipe maintained (by type) • Percent of inspections completed as scheduled (by type) • Percent of preventative maintenance work completed as scheduled (by type) • Percent of work orders closed within 48 hours of receipt (by type) • Percent of emergency calls responded to within 4 hours <u>Sanitation</u> • Average waste per household • Average recycling per household • Average yard waste per household • Cost of recycling per household • Cost per ton of yard waste and/or leaves collected • City diversion rate • Percent of waste stream that is recycled • Percent of waste stream that is diverted as yard waste
Building, Housing and Development	<u>Code Enforcement</u> • Average number of calendar days from permit application to issuance (by type) • Number of cases managed per FTE • Voluntary compliance rate • Rate of forced compliance • Average number of calendar days from case initiation to voluntary compliance • Average number of calendar days from case initiation to forced compliance • Number of calendar days from first complaint to investigation

	• Percent of first inspections completed within 24 hours of receipt of complaint • Percent of violation cases carried over to the next month <u>Planning</u> • Number of applications received per year (by type) • Number of recommendations provided by staff per year (by type) • Percent of applicants receiving response letter within 14 days of submittal (by type) • Number of applications reviewed per FTE involved in application reviews • Percent of total staff time spent on special projects • Percent of total staff time spent providing administrative services for Boards and Commissions (e.g., training) • Percent of total staff time spent providing customer service not related to application review <u>Permitting and Inspections</u> • Average number of calendar days to complete one round of plan review (by type and discipline) • Percent change in the number of plans reviewed (by type and discipline) • Percent change in the number of building permits issued (by type) • Percent of first round of reviews completed within 14 days of submittal • Total number of permits issued (by category) • Average time from customer submittal of application to permit issuance (includes correction time) • Percent of permits issued same day • Residential building permits issued within 2 calendar days • Average number of calendar days to complete an inspection (by type) • Percent of inspections completed within 4 calendar days (by type) • Average number of inspections performed by day per FTE <u>Economic Development</u> • Percent change in the number of economic development agreements executed • City vacancy rate • Percent change in the number of businesses contacted through business retention efforts

Appendix E

Department of Building and Housing Development
Fee Schedule

Plumbing Inspection Fees-Enacted 2003

Description	Current Fee
Plumbing Fixture and Trap	$15
Building or Trailer Sewer	$15
Sewer Ejector	$20
Repair/Alteration to Drainage	$25
Installation/Alteration or Repair to Water Piping	$20
Interceptor/Grease Trap	$20
Water Heater and Vent	$20
Water Storage Tank-Up to 250 gals.	$20
Over 250 gals.	$20
Swimming Pool Piping	$20
Rain Water Leader Per Trap*	$20
Water Service Installation**	$25
Sewer Line Installation**	$25
Rough-In Per Bathroom (ea)	$20
Sump Pits (ea) Batch Basins	$20
Sewer Cut Offs (ea)	$15
Re-Set/Replace Fixtures (ea)	$12
Water/Wastewater Holding Tank	$30

* This fee only applicable if leader connected to the public system.
** Water Bureau charges for a water tap and Engineering charges for a sewer tap.

Fire Prevention Code Fees-Enacted 2003

Description	Current Fee
Automotive tire rebuilding plant	$60/year
Automotive truck wrecking yards, junk yards and salvage yards	$60/year
Automotive undercoating areas	$60/year
Bowling lanes and the refinishing thereof	$30/year
Bowling pin refinishing	$30/year
Cellulose nitrate motion picture film use or storage thereof	$30/year
Cellulose nitrate plastic (pyroxylin) manufacture or assembly	$30/year
Child care facilities	$60/year

Description	Current Fee
Coal fired heating appliance, boiler, furnace or domestic hot water heater	$20/installation
Combustible fiber storage, over 100 use flammable (Flammable 1,000 cu. Ft. non-flammable 6,000 cu. ft.)	$60/year
Dry cleaning plant	$30/year
Explosives, ammunition, blasting agent use of or storage	$45/year
Educational facilities	$75/year
Feed mill (dust explosion)	$30/year
Fire Systems:	
New:	
Fire alarm system	$30/inspection
Fire pump (installation)	$45/inspection
(testing charge)	$30/inspection
Fire suppression hood system	$30/inspection
Detection system	$45/inspection
Automatic suppression system (all types)	$75/inspection
Smoke control system	$75/inspection
Alterations:	
Fire alarm system	$30/inspection
Fire suppression hood system	$30/inspection
Detection system	$45/inspection
Automatic suppression system (all types)	$50/inspection
False fire alarms (annual):	
1 to 2 false alarms	No charge
3 to 4 false alarms	$50/alarm
5 to 7 false alarms	$100/alarm
7 or more false alarms	$250/alarm
Fireworks display	$45/inspection
Flammable finish use (more than 1 gal. per day, spraying or dripping)	$60/year
Flammable and combustible liquids storage, handle, use, delivery of flammable liquid below 200 degrees F., any amount including asphalt	$60/year
Fruit ripening process	$30/year
Fumigation/thermal insecticidal fogging	$20/job or $30/year
Garage, repair or service of vehicles or dispensing of fuel	$60/year
Hazardous chemicals, storage or handling	$60/year
Heliports, helistops, airports	$60/year
Liquified petroleum gases installation	$45/installation
Lumber yards, woodworking plants	$60/year
Magnesium, use of 10 lbs. or more	$30/year

Description	Current Fee
Matches, manufacture or storage, more than 25 cases	$60/year
Oil burning equipment:	
Installation of boiler	$20/job
Installation of tank	$20/job
Replacement of oil burner or tank	$20/job
Organic coating manufacture	$30/year
Ovens/furnaces/boilers (industrial)	$45/job
Places of assembly:	
Class A. 1,000 and over	$100/year
Class B. 300 to 999	$75/year
Class C. 50 to 299	$45/year
Storage of more than 25 cases of items	$60/year
Storage, readily combustible materials, over 2,500 cu.ft.	$60/year
Tent or air-supported structure over 120 sq.ft. (erection thereof)	$45/year
Video movie outlet, store	$30/year
Waste material handling plants	$60/year
Welding and cutting operation:	
Welding, cutting or soldering site	$45/inspection
Storage of cylinders and containers	$45/inspection
Acetylene generator use carbide cap. Over 5 lbs.	$45/inspection
Wood stove, wood burning appliances, residential and commercial installation	$45/inspection
Connecting to Municipal Fire Alarm system	$275/installation
Telephone circuit alarm to City Fire dispatch	$100/installation
Re-connection fee	$150
Temporary permits	$30
Bonfire permit	$50
Torch-paint removal	$50

Health License Fees-Enacted 2002

Description	Current Fee
Public Eating & Drinking	
Occupancy 0-49	$75
Occupancy 50-99	$100
Occupancy 100+	$150
Multi: Any Restaurant Category + Catering + Special Events	$200
Miscellaneous	
Off-site catering within the City	$75
Special Events I Separate Application Required	$15 per day
Market Style Food Vendor	
Base Fee	$25
Meat I Poultry I Seafood I Bakery I Add -7	$75
Wholesale Option	$50
Grocery / Convenience Store: Total Floor Area	
499 Square Feet or less	$50
500-999 Square Feet	$75
1000-4999 Square Feet	$100
5000 Square Feet	$150
Bakery, Deli, or Meat Department, then add ->	$50
Food Wholesale	
Distributor	$100
Non-Profit: Must be a 501 (c)	
Social Kitchen	$25
Institutional / Commercial	$50
Application Fee Add	$25

Appendix F

Recovery Plan Initiative Summary

	Initiative	2011	2012	2013	2014	2015	Total
PI01	Conduct regular Recovery Plan implementation meetings	$0	$0	$0	$0	$0	$0
PI02	Assemble and deploy Recovery Plan implementation teams	$0	$0	$0	$0	$0	$0
PI03	Obtain temporary management assistance for Recovery Plan implementation, as needed	$0	$0	$0	$0	$0	$0
PI04	Initiate procedure for adopting Home Rule charter	$0	$0	$0	$0	$0	$0
PI05	Develop a performance management system	$0	$0	$0	$0	$0	$0
DS01	Sell or lease assets related to the Harrisburg Parking Authority and the Resource Recovery Facility; negotiate with Dauphin County to restructure the stranded debt	$0	$0	$0	$0	$0	$0
DS02	Apply for $2 million (annually) in Gaming Funds from Dauphin County	$0	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$8,000,000
DS03	Increase property taxes by 8%	$0	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$4,000,000
IGR01	Identify and implement intergovernmental cooperative initiatives	$0	$0	$0	$0	$0	$0
IGR02	Pursue membership in the Capital Region Council of Governments	$0	($750)	($1,500)	($1,500)	($1,500)	($5,250)
WF01	Explore and pursue legal action concerning void nature of extensions of collective bargaining agreements	$0	$0	$0	$0	$0	$0
WF02	Use professional assistance for labor negotiations	$0	$0	$0	$0	$0	$0
WF03	Establish a labor/management committee for all employee groups	$0	$0	$0	$0	$0	$0
WF04	Limit new contract enhancements	$0	$0	$0	$0	$0	$0
WF05	Ensure future collective bargaining agreements remain compliant with Recovery Plan	$0	$0	$0	$0	$0	$0
WF06	Implement a three year wage and step freeze	$0	$529,922	$1,231,679	$1,898,453	$1,370,907	$5,030,961
WF07	Implement a new pay scale for new police officers	$0	$17,078	$33,602	$45,984	$52,178	$148,842
WF08	Implement a new pay scale for new firefighters	$0	$0	$29,212	$40,644	$46,354	$116,210
WF09	Freeze longevity pay and eligibility	$0	$46,777	$115,575	$192,239	$190,973	$545,563
WF10	Reduce paid holidays and personal leave to 10 days annually	$0	$537,431	$583,858	$583,858	$583,858	$2,289,005
WF11	Adjust overtime eligibility thresholds to reflect hours actually worked	$0	$0	$0	$0	$0	$0
WF12	Adjust minimum overtime provisions	$0	$0	$0	$0	$0	$0
WF13	Reduce vacation leave	$0	$440,093	$494,142	$474,617	$490,823	$1,899,675
WF14	Reduce sick leave allotments	$0	$0	$0	$0	$0	$0

	Initiative	2011	2012	2013	2014	2015	Total
WF15	Implement a court-related overtime reduction strategy	$0	$40,519	$40,519	$40,519	$40,519	$162,076
WF16	Redesign employee health care	$0	$1,327,251	$1,486,522	$1,664,904	$1,864,693	$6,343,370
WF17	Contain post retirement healthcare cost	$0	$0	$0	$0	$0	$0
WF18	Enhance light duty program	$0	$0	$0	$0	$0	$0
WF19	Retain flexibility to fill vacant positions after six months	$0	$0	$0	$0	$0	$0
WF20	Provide management right to limit bumping rights within departments or similar positions	$0	$0	$0	$0	$0	$0
WF21	Limit compensatory time	$0	$0	$0	$0	$0	$0
RET01	Prospectively reduce the level of benefits	$0	$0	$0	$0	$0	$0
RET02	Freeze benefit levels for all plans	$0	$0	$0	$0	$0	$0
RET3	Consolidate administration of the City's three retirement plans	$0	$0	$0	$0	$0	$0
RET4	Seek IRS determination letter for Police Plan	$0	$0	$0	$0	$0	$0
RET5	Update Police Plan governing documents based upon results of actuarial study	$0	$0	$0	$0	$0	$0
RET06	Update PMRS Agreement to reflect recent changes in the Firefighters' Plan	$0	$0	$0	$0	$0	$0
RET07	Resolve discrepancies between the Non-Uniformed Plan and the the Non-Uniformed PMRS Agreement	$0	$0	$0	$0	$0	$0
RET08	Amend Non-Uniformed collective bargaining agreement	$0	$0	$0	$0	$0	$0
IRM01	Fund risk management services	($6,863)	($27,450)	($27,450)	($27,450)	($27,450)	($116,663)
IRM02	Revise terms of brokerage service agreement	$5,146	$20,582	$20,582	$20,582	$20,582	$87,474
IRM03	Remarket all lines of insurance	$0	$0	$0	$0	$0	$0
IRM04	Engage an actuarial firm to evaluate the City's ultimate liability and projected payments	$0	$0	$0	$0	$0	$0
IRM05	Seek competitive bids for Worker's Compensation Claims Management Services	$0	$0	$0	$0	$0	$0
IRM06	Revise collective bargaining agreements to allow for flexible Light Duty Program	$0	$0	$0	$0	$0	$0
IRM07	Create a safety program to manage risk of vehicle liabilities	$0	$0	$0	$0	$0	$0
IRM08	Conduct a cost-benefit analysis of self-insurance verses purchasing insurance for physical damage coverage	$0	$0	$0	$0	$0	$0

	Initiative	2011	2012	2013	2014	2015	Total
IRM09	Conduct a cost benefit analysis to determine adequate Umbrella Excess Liability coverage	$0	$0	$0	$0	$0	$0
MCC01	Review progress on Financial Recovery Plan implementation monthly and quarterly	$0	$0	$0	$0	$0	$0
MCC02	Amend and pass City ordinances, fees and taxes as outlined in the Recovery Plan	$0	$0	$0	$0	$0	$0
CONT01	Support Recovery Plan Implementation as related to financial process improvements	$0	$0	$0	$0	$0	$0
CONT02	Communicate and collaborate with Mayor, City Council, City Treasurer, and Department of Administration	$0	$0	$0	$0	$0	$0
CONT03	Use code and statutory authority to ensure sound financial practices	$0	$0	$0	$0	$0	$0
TR01	Communicate and collaborate with the Mayor, City Council, Administration, and City Controller on major financial issues, including cash flow and Recovery Plan implementation	$0	$0	$0	$0	$0	$0
TR02	Implement online credit card payments in 2011	$0	$0	$0	$0	$0	$0
TR03	Transfer the Deputy Treasurer, Assistant Deputy Treasurer, Lead Cashier, Cashier II (2) and Accounting Clerk II positions from the Office of the City Treasurer to the Bureau of Financial Management under the Director of Financial Management	$0	$0	$0	$0	$0	$0
ADMIN01	Implement quarterly financial reporting and associated review process	$0	$0	$0	$0	$0	$0
ADMIN02	Develop comprehensive Citywide financial policies	$0	$0	$0	$0	$0	$0
ADMIN03	Implement a standard budget development calendar	$0	$0	$0	$0	$0	$0
ADMIN04	Establish standard position control system	$0	$0	$0	$0	$0	$0
ADMIN05	Conduct comprehensive review of City purchasing policies	$0	$0	$0	$0	$0	$0
ADMIN06	Modify existing chart of accounts to track Commonwealth and Federal grant program funds on individual basis	$0	$0	$0	$0	$0	$0
ADMIN07	Eliminate the bulk copy service in the City's Duplication Center and eliminate one position	$9,871	$39,485	$39,485	$39,485	$39,485	$167,811

	Initiative	2011	2012	2013	2014	2015	Total
ADMIN08	Increase hiring salary range for Chief of Staff/Business Administrator.	($10,500)	($42,000)	($42,000)	($42,000)	($42,000)	($178,500)
ADMIN09	Eliminate manual data entry processes in the Bureau of Financial Management	$0	$0	$0	$0	$0	$0
ADMIN10	Add a Senior Accountant position to the Bureau of Financial Management	($13,750)	($55,000)	($55,000)	($55,000)	($55,000)	($233,750)
IT01	Replace mission critical IT components	$0	$0	$0	$0	$0	$0
IT02	Discontinue vendor contract for disaster recovery	$0	$45,000	$45,000	$45,000	$45,000	$180,000
IT03	Replace outdated personal computers (PCs)	($20,000)	($20,000)	($20,000)	$0	$0	($60,000)
IT04	Eliminate all personal printers and maintenance on printers	$0	$0	$0	$0	$0	$0
IT05	Develop Custom Interface Between County Dispatch System and METRO	$0	$0	$0	$0	$0	$0
IT06	Eliminate manual entry between Pentamation and mainframe applications	$0	$0	$0	$0	$0	$0
IT07	Conduct a needs assessment for an ERP	$0	$0	$0	$0	$0	$0
IT08	Complete a needs assessment and audit of existing phone system and components	$0	$0	$0	$0	$0	$0
IT09	Pursue long-term strategic IT initiatives	$0	$0	$0	$0	$0	$0
LAW01	Use professional assistance for labor relations activities	$0	$0	$0	$0	$0	$0
LAW02	Increase the number of staff attorneys from one to three	$0	$0	$0	$0	$0	$0
LAW03	Complete, recodify and enact the Code of the City of Harrisburg	$0	$0	$0	$0	$0	$0
POL01	Restructure the Patrol Duty Schedule	$0	$26,250	$26,250	$26,250	$26,250	$105,000
POL02	Implement a vehicle replacement policy	($200,808)	($200,808)	($200,808)	($200,808)	($200,808)	($1,004,040)
POL03	Review and revise stipend for newly promoted investigators	$0	$3,920	$2,714	$1,418	$29	$8,081
POL04	Implement a proactive crime analysis and crime reduction strategy	$0	$0	$0	$0	$0	$0
POL05	Increase complement of Vice Unit	($3,446)	($13,784)	($13,784)	($13,784)	($13,784)	($58,582)
POL06	Assign representative to the District Attorney's Office Narcotics Task Force	$0	$0	$0	$0	$0	$0
POL07	Participate in Dauphin County Forensic Team	$0	$0	$0	$0	$0	$0

	Initiative	2011	2012	2013	2014	2015	Total
POL08	Transfer prisoner booking responsibility to Dauphin County	$0	$0	$377,978	$389,318	$400,997	$1,168,293
POL09	Fill supervisory positions; Reduce out of title pay	$0	$0	$0	$0	$0	$0
POL10	Appoint a Civilian Manager for Parking Enforcement Office	($15,450)	($61,800)	($61,800)	($61,800)	($61,800)	($262,650)
POL11	Replace electronic parking ticketing devices	($5,610)	($22,440)	($22,440)	($22,440)	($22,440)	($95,370)
POL12	Increase operational efficiency in Parking Enforcement Office	$30,030	$120,120	$120,120	$120,120	$120,120	$510,510
POL13	Implement a new schedule for Parking Enforcement Officers	$0	$0	$0	$0	$0	$0
POL14	Increase current parking ticket fees	$377,109	$1,508,437	$1,508,437	$1,508,437	$1,508,437	$6,410,857
POL15	Evaluate the consolidation of Specialized Units	$0	$0	$0	$0	$0	$0
POL16	Enhance leave supervision	$9,415	$37,663	$37,663	$37,663	$37,663	$160,067
POL17	Evaluate false alarm fee for burglar alarms and aggressively collect fees due	$0	$0	$0	$0	$0	$0
FIRE01	Change current shift schedule	$0	$0	$323,210	$323,210	$323,210	$969,630
FIRE02	Eliminate premium pay	$0	$0	$297,000	$297,000	$297,000	$891,000
FIRE03	Evaluate taking one piece of equipment out of service and increasing compliment on remaining.	$0	$0	$0	$0	$0	$0
FIRE04	Implement an engine company inspection program	$0	$0	$0	$0	$0	$0
FIRE05	Increase billing/collection of emergency response and vehicle extrication fees	$3,437	$13,750	$13,750	$13,750	$13,750	$58,437
FIRE06	Adjust false alarm fees to more accurately reflect costs and impacts	$4,000	$16,000	$16,000	$12,000	$12,000	$60,000
FIRE07	Civilianize Bureau's Administrative Assistant position	$0	$0	$30,000	$30,000	$30,000	$90,000
FIRE08	Adopt and implement new Countywide accountability system	($1,000)	$0	$0	$0	$0	($1,000)
FIRE09	Mandate formal Safety Committee review of every work-related injury in Bureau	$0	$0	$0	$0	$0	$0
FIRE10	Establish a formal in-house training program, including a shift swap system, that allows in-house trainers to lead events	$0	$0	$0	$0	$0	$0
FIRE11	Initiate discussions with HACC Public Safety Center regarding possible training collaboration	$0	$0	$0	$0	$0	$0
FIRE12	Revise turnout gear replacement practices in current collective bargaining agreement	$0	$0	$41,500	$1,500	$1,500	$44,500

	Initiative	2011	2012	2013	2014	2015	Total
FIRE13	Revise IAFF collective bargaining agreement to allow more efficient and effective use of resources	$0	$0	$0	$0	$0	$0
PW01	Implement container based collection system for residential solid waste and recycling	$550,000	$150,000	$150,000	$150,000	$150,000	$1,150,000
PW02	Enforce City's right to commercial collection and contract with private collector for collection of comercial waste	$0	$135,000	$135,000	$135,000	$135,000	$540,000
PW03	Increase recycling through education, accessibility, and enforcement - Sanitation Fund	$0	$300,000	$650,000	$1,020,000	$1,020,000	$2,990,000
PW04	Aggressively manage fleet make-up and quantity	$0	$200,000	$200,000	$50,000	$50,000	$500,000
PW05	Create Central Fleet Agency with Combined Facilities and Fleet Manager	($20,000)	($20,000)	$0	$0	$0	($40,000)
CIP01	Establish and maintain a multi-year (5-7) Capital Improvement Program	$0	($4,454,768)	($4,398,890)	($4,273,890)	($4,550,000)	($17,677,548)
CIP02	Establish a CIP development process	$0	$0	$0	$0	$0	$0
CIP03	Establish and maintain an asset management system	($75,000)	($37,500)	($37,500)	($37,500)	($37,500)	($225,000)
CIP04	Investigate the sale and leaseback of City buildings	$0	$0	$0	$0	$0	$0
PRE01	Transfer responsibility for recreation programming to a non-profit entity	$0	$193,474	$193,474	$193,474	$193,474	$773,896
PRE02	Transfer park maintenance responsibility to Department of Public Works and evaluate outsourcing opportunities	$0	$0	$0	$0	$0	$0
PRE03	Eliminate Park Ranger Corp	$33,707	$134,828	$134,828	$134,828	$134,828	$573,019
THA01	Expand THA responsibilities to include Stormwater management and combined sewers and create a Stormwater Management Utility	$0	$600,000	$600,000	$600,000	$600,000	$2,400,000
THA02	Negotiate Payment in Lieu of Tax (PILOT) agreements with the City of Harrisburg	$651,166	$651,166	$651,166	$651,166	$651,166	$3,255,830
THA03	Expand Stormwater Management Ordinance regarding discharges - THA	$0	$0	$0	$0	$0	$0
THA04	Develop a CIP for THA to ensure the viability of assets THA	$0	($6,589,048)	($6,473,048)	($6,983,048)	($6,924,131)	($26,969,275)
HPA01	Increase the parking gross receipts tax from 15% to 20% (Cord. Park Fund)	$0	$0	$0	$0	$0	$0
BH01	Increase fees, fines, and charges based on fee study results	$0	$0	$0	$0	$0	$0

	Initiative	2011	2012	2013	2014	2015	Total
BH02	Quantify extent of inspections backlog and hire additional codes enforcement officers to clear and prevent backlogs	$0	$0	$0	$0	$0	$0
BH03	Contract for demolition of blighted structures	$0	$0	$0	$0	$0	$0
BH04	Assemble and systematically deploy code enforcement teams	$0	$0	$0	$0	$0	$0
BH05	Adopt legislation requiring a local responsible agent for all rental property within the City	$0	$0	$0	$0	$0	$0
BH06	Adopt modifications to the Buyers Notification Program	$0	$0	$0	$0	$0	$0
BH07	Fill vacant CDBG funded positions	$0	$0	$0	$0	$0	$0
BH08	Update the City's Comprehensive Plan	$0	$0	$0	$0	$0	$0
HS01	Designate a Housing Coordinator	$0	$0	$0	$0	$0	$0
HS02	Develop a comprehensive Housing Strategy	$0	$0	$0	$0	$0	$0
HS03	Utilize the Vacant Property Reinvestment Board	$0	$0	$0	$0	$0	$0
ED01	Designate an Economic Development Coordinator	$0	$0	$0	$0	$0	$0
ED02	Develop a coordinated long-term economic development strategic plan	$0	$0	$0	$0	$0	$0
ED03	Evaluate revising the City's Tax Abatement Strategy	$0	$0	$0	$0	$0	$0
ED04	Improve management of the City’s MOED Loan Portfolio	$0	$0	$0	$0	$0	$0
REV01	Increase the Real Estate Tax rate	$0	$0	$0	$1,256,275	$2,889,433	$4,145,708
REV02	Terminate or replace senior citizen property tax rebate with deferral	$0	$0	$0	$0	$0	$0
REV03	Review Real Estate Taxable Assessments	$0	$0	$0	$0	$0	$0
REV04	Review and increase utilization of Payment in Lieu of Property Tax (PILOT) Agreements; consider impact in sale of government owned property	$0	$0	$0	$0	$0	$0
REV05	Increase Earned Income Tax (EIT) Rate	$0	$0	$0	$0	$0	$0
REV06	Increase business license fees; improve compliance with Business Privilege and Mercantile Tax	$0	$0	$0	$0	$0	$0
REV07	Increase enforcement of the Local Services Tax	$0	$0	$0	$0	$0	$0
REV08	Increase parking tax and license fee	$0	$0	$0	$0	$0	$0
REV09	Pursue PILOT for Parking Tax lost to commonwealth for paid parking spaces	$0	$720,000	$720,000	$720,000	$720,000	$2,880,000

	Initiative	2011	2012	2013	2014	2015	Total
REV10	Pursue Department of Revenue determination for additional tax, penalty and interest regarding realty transfer tax	$0	$0	$0	$0	$0	$0
REV11	Increase Interest & Penalty Provisions Where Permitted	$18,000	$18,000	$18,000	$18,000	$18,000	$90,000
REV12	Improve Taxpayer Information	$0	$0	$0	$0	$0	$0
REV13	Improve real estate taxpay collection rate	$0	$0	$0	$0	$0	$0
REV14	Create revenue through market based revenue opportunities	$0	$100,000	$150,000	$250,000	$300,000	$800,000
REV15	Implement full cost recovery from fees and services provided	$0	$0	$0	$0	$0	$0
REV16	Evaluate and develop valuations for city owned property and operations	($65,000)	$0	$0	$0	$0	($65,000)
REV17	Sell City acquired historical assets	$500,000	$500,000	$500,000	$500,000	$500,000	$2,500,000
REV18	Sell excess acreage of THA property surrounding the DeHart Dam	$0	$0	$0	$0	$0	$0

Appendix G

City of Harrisburg General Fund Projections
Without Act 47 Recovery Plan Interventions, 2011-2015

Revenue Group	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Real Estate Taxes Current	14,156,000	14,156,000	14,156,000	14,156,000	14,156,000
Real Estate Taxes Delinquent	1,803,450	0	0	0	0
Tax Liens Principal	1,275,408	1,800,000	1,800,000	1,800,000	1,800,000
EIT	3,136,000	3,167,360	3,199,034	3,231,024	3,263,334
EMS/LST	2,295,642	2,295,642	2,295,642	2,295,642	2,295,642
Mercantile Business Privilege	2,974,000	3,020,830	3,068,480	3,116,963	3,166,295
Parking Taxes	810,133	917,749	917,749	917,749	917,749
Other Act 511 Taxes	1,372,500	1,384,500	1,396,860	1,409,591	1,422,704
Capital Fire Protection	500,000	500,000	500,000	500,000	500,000
CDBG Reimbursement - Demolition	160,000	160,000	160,000	160,000	160,000
District Justice Fees	735,400	735,400	735,400	735,400	735,400
Fees/Permits	1,493,049	1,501,049	1,509,209	1,517,532	1,526,022
Government Grants	11,146	11,146	11,146	11,146	11,146
Grants Fund	90,000	80,000	80,000	80,000	80,000
Interest	95,800	95,800	95,800	95,800	95,800
License	577,000	577,000	577,000	577,000	577,000
Miscellaneous	487,800	487,800	487,800	487,800	487,800
Parking Fees	1,500	1,500	1,500	1,500	1,500
Parking Tickets	1,700,000	1,700,000	1,700,000	1,700,000	1,700,000
Pension System State Aid	1,551,579	1,551,579	1,551,579	1,551,579	1,551,579
Public Safety Fees/Permits	293,735	293,735	293,735	293,735	293,735
Public Safety Grants	1,031,000	991,703	961,703	519,000	519,000
Public Safety Reimbursements	562,697	562,697	562,697	562,697	562,697
Public Works Fees/Permits	3,500	3,500	3,500	3,500	3,500
Rental Income	22,588	22,588	22,588	22,588	22,588
Recreation Fees	78,100	78,100	78,100	78,100	78,100
Sale Of Assets	50,000	50,000	50,000	50,000	50,000
Vehicle Maintenance Charges	902,226	933,972	969,750	1,015,448	1,015,448
PILOTS	430,003	430,003	430,003	430,003	430,003
Pub Utility Realty Tax	38,000	38,000	38,000	38,000	38,000
Sanitation Utility Fund	2,810,843	2,810,843	2,810,843	2,810,843	2,810,843
Sewer Maint Charge	901,500	901,500	901,500	901,500	901,500
Sewer Maint Liens-Penalty	1,000	1,000	1,000	1,000	1,000
Sewer Maint Liens-Principle	4,000	4,000	4,000	4,000	4,000
Sewerage Utility Fund	7,275,386	7,275,386	7,275,386	7,275,386	7,275,386
Hbg Prk Auth Coord Pkg	3,600,000	3,600,000	3,600,000	3,600,000	3,600,000
Hbg Water Utility Fund	1,398,118	1,398,118	1,398,118	1,398,118	1,398,118
One Time Revenue	0	0	0	0	0
Dauphin County Gaming Fund Distribution	0	0	0	0	0
Total	**54,629,104**	**53,538,500**	**53,644,122**	**53,348,643**	**53,451,888**

City of Harrisburg General Fund Projections
Without Act 47 Recovery Plan Interventions, 2011 - 2015

Expenditure Type	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Salaries/Wages	23,691,960	24,449,947	25,103,757	25,776,937	26,423,016
Temporary Wages	207,136	207,136	207,136	207,136	207,136
Overtime	2,380,100	2,451,940	2,507,975	2,565,691	2,625,139
Sick Time Buyback	180,000	180,000	180,000	180,000	180,000
Medical & Life Insurance	7,925,306	8,873,343	9,935,144	11,124,361	12,456,284
Fringe Benefits	5,275,425	4,103,281	4,123,933	4,145,272	4,163,679
Total Employee Expenses	**39,659,926**	**40,265,647**	**42,057,945**	**43,999,397**	**46,055,255**
Communications	384,189	385,917	387,854	390,372	393,328
Professional Fees	385,052	390,596	396,823	404,935	414,483
Utilities & Services	774,510	796,433	821,881	856,240	898,574
Insurances	1,276,391	1,285,074	1,294,692	1,307,028	1,320,681
Rentals	26,950	27,205	27,527	27,893	28,307
Maintenance & Repairs	812,766	820,300	829,735	840,509	852,716
Contracted Services	429,048	431,942	435,386	439,534	444,289
Supplies And Expenses	1,727,005	1,784,917	1,851,886	1,940,886	2,049,001
Minor Capital	5,000	5,034	5,072	5,121	5,178
Lease Purchase	336,481	340,897	345,819	352,173	359,569
Grants	290,110	290,110	290,110	290,110	290,110
Transfer to Debt Service Fund	11,208,129	11,548,690	10,711,921	10,605,917	10,605,917
Fines & Settlements	780,000	150,000	150,000	150,000	150,000
Total Non Employee Expenditures	**18,435,631**	**18,257,116**	**17,548,708**	**17,610,718**	**17,812,151**
Total Expenditures	**58,095,557**	**58,522,763**	**59,606,654**	**61,610,115**	**63,867,406**

City of Harrisburg General Fund Projections
With Act 47 Recovery Plan Interventions, 2011 - 2015

Revenue Group	2011 Estimated	2012 Projected	2013 Projected	2014 Projected	2015 Projected
Real Estate Taxes Current	14,156,000	15,156,000	15,156,000	16,412,275	18,045,433
Real Estate Taxes Delinquent	1,803,450	0	0	0	0
Tax Liens Principal	1,275,408	1,800,000	1,800,000	1,800,000	1,800,000
EIT	3,136,000	3,167,360	3,199,034	3,231,024	3,263,334
EMS/LST	2,295,642	2,295,642	2,295,642	2,295,642	2,295,642
Mercantile Business Privilege	2,974,000	3,020,830	3,068,480	3,116,963	3,166,295
Parking Taxes	810,133	3,317,749	3,317,749	3,317,749	3,317,749
Other Act 511 Taxes	1,372,500	1,384,500	1,396,860	1,409,591	1,422,704
Capital Fire Protection	500,000	500,000	500,000	500,000	500,000
CDBG Reimbursement. - Demolition	160,000	160,000	160,000	160,000	160,000
District Justice Fees	735,400	735,400	735,400	735,400	735,400
Fees/Permits	1,493,049	1,501,049	1,509,209	1,517,532	1,526,022
Government Grants	11,146	11,146	11,146	11,146	11,146
Grants Fund	90,000	80,000	80,000	80,000	80,000
Interest	95,800	95,800	95,800	95,800	95,800
License	577,000	577,000	577,000	577,000	577,000
Miscellaneous	487,800	487,800	487,800	487,800	487,800
Parking Fees/Taxes	1,500	1,500	1,500	1,500	1,500
Parking Tickets	2,107,139	3,328,557	3,328,557	3,328,557	3,328,557
Pension System State Aid	1,551,579	1,551,579	1,551,579	1,551,579	1,551,579
Public Safety Fees/Permits	293,735	293,735	293,735	293,735	293,735
Public Safety Grants	1,031,000	991,703	961,703	519,000	519,000
Public Safety Reimbursements	562,697	562,697	562,697	562,697	562,697
Public Works Fees/Permits	10,937	33,250	33,250	29,250	29,250
Rental Income	22,588	22,588	22,588	22,588	22,588
Recreation Fees	78,100	0	0	0	0
Sale Of Assets	50,000	50,000	50,000	50,000	50,000
Vehicle Maintenance Charges	902,226	933,972	969,750	1,015,448	1,015,448
PILOTS	1,081,169	1,081,169	1,081,169	1,081,169	1,081,169
Pub Utility Realty Tax	38,000	38,000	38,000	38,000	38,000
Sanitation Utility Fund	3,360,843	3,095,843	3,095,843	3,095,843	3,095,843
Sewer Maint Charge	901,500	1,501,500	1,501,500	1,501,500	1,501,500
Sewer Maint Liens-Penalty	1,000	1,000	1,000	1,000	1,000
Sewer Maint Liens-Principle	4,000	4,000	4,000	4,000	4,000
Sewerage Utility Fund	7,275,386	7,275,386	7,275,386	7,275,386	7,275,386
Hbg Prk Auth Coord Pkg	3,600,000	0	0	0	0
Hbg Water Utility Fund	1,398,118	1,398,118	1,398,118	1,398,118	1,398,118
Transfers from Other Funds	0	0	0	0	0
One Time Revenue	4,167,569	0	0	0	0
Dauphin County Gaming Fund Distribution	0	2,000,000	2,000,000	2,000,000	2,000,000
Total	**60,412,414**	**58,454,873**	**58,560,495**	**59,517,291**	**61,253,693**

City of Harrisburg General Fund Projections
With Act 47 Recovery Plan Interventions, 2011 - 2015

Expenditure Type	2011 Revised Estimated	2012 Revised Projected	2013 Revised Projected	2014 Revised Projected	2015 Revised Projected
Salaries/Wages	23,678,321	22,970,163	22,258,933	22,214,342	23,350,834
Temporary Wages	207,136	171,293	171,293	171,293	171,293
Overtime	2,380,100	2,385,171	2,144,206	2,201,922	2,261,370
Sick Time Buyback	180,000	180,000	180,000	180,000	180,000
Medical & Life Insurance	7,925,306	7,546,092	8,448,622	9,459,457	10,591,591
Fringe Benefits	5,275,425	4,059,289	4,079,942	4,101,281	4,119,688
Total Employee Expenses	**39,646,287**	**37,312,008**	**37,282,996**	**38,328,296**	**40,674,777**
Communications	384,189	383,267	385,204	387,722	390,678
Professional Fees	387,769	352,464	358,691	366,803	376,351
Utilities & Services	774,510	796,433	821,881	856,240	898,574
Insurances	1,276,391	1,285,074	1,294,692	1,307,028	1,320,681
Rentals	26,950	23,005	23,327	23,693	24,107
Maintenance & Repairs	832,766	612,720	602,155	762,929	775,136
Contracted Services	429,048	401,192	405,386	409,534	414,289
Supplies And Expenses	1,732,615	1,759,647	1,826,616	1,915,616	2,023,731
Minor Capital	25,000	25,034	25,072	5,121	5,178
Lease Purchase	537,289	541,705	546,627	552,981	560,377
Grants	290,110	290,110	290,110	290,110	290,110
Transfer to Debt Service Fund	11,208,129	12,848,690	12,011,921	11,905,917	11,905,917
Fines & Settlements	780,000	150,000	150,000	150,000	150,000
Total Non Employee Expenditures	**18,684,766**	**19,469,342**	**18,741,684**	**18,933,694**	**19,135,127**
Total Expenditures	**58,331,053**	**56,166,081**	**55,409,411**	**56,646,720**	**59,194,635**