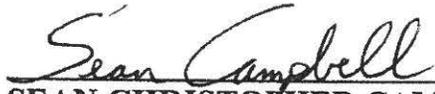


Respectfully submitted this 8th day of January, 2019.



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Date: January 8, 2019

To: The Honorable Bonnie Brigance Leadbetter

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

Re: 2018 Fourth Quarter Update on the Coordinator's Plan Implementation

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

As the Coordinator, in accordance with Act 47, the Municipalities Financial Recovery Program, as amended by Act 199 of 2014, the Recovery Coordinator Team provided the Final Act 47 Exit Plan for the City of Harrisburg on August 8, 2018. The Act 47 Exit plan was not adopted by City Council prior to its effective annulment by the passage of House Bill 2557, which became Act 124 on October 24, 2018. Under the new law, the Coordinator and Strong Plan shall remain in place until the ICA Executive Board and Executive Director are appointed, after which the ICA shall execute an intergovernmental cooperation agreement with the City. Pursuant to section 706(1) of Act 124, the Strong Plan shall continue until the agreement has been executed by the ICA and the City. Under section 706(2), the City's Act 47 distressed status shall automatically terminate once the agreement has been executed.

The City's General Fund, available cash balance as of December 27, 2018 stands at \$23 million; however, \$4.0 million is encumbered for major capital expenses for IT, Public Safety, and Public Works. These capital improvement projects were deemed necessary by the Mayor and City Council during the 2018 budget adoption. This will leave approximately \$19 million in the General Fund at the close of 2018 Fiscal Year. The Neighborhood Service Fund available cash is \$4.8 million dollars.

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

During the past three months, (October, November, December) the Coordinator and the rest of the Coordinator's team have been working with the City of Harrisburg's Mayor, Finance Department, and City Council to review the Annual Budget report submitted by the Mayor at the November 20, 2018 City Council meeting. The final budget was approved on December 27, 2018 at the City Council meeting. Attached for your review is the Coordinator's Budget Review Letter provided on November 16, 2018 that confirms the budget is largely in compliance with the Act 47 Strong Plan.

On May 21, 2018 the Commonwealth of Pennsylvania, et al, filed a complaint against seven professional firms based on the Harrisburg incinerator project and series of financing transactions. The case is filed in the Commonwealth Court at 368MD2018. The Petitioners are represented by Harris, Wiltshire & Grannis LLP.

Office of the Receiver/Coordinator

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

During the fourth quarter of 2018, the Recovery Coordinator oversaw the implementation of the Act 47 Strong Plan modifications. The modifications provide financial projections through 2018 (the five-year initial term of Act 47), along with attendant recommendations that will advance the City's recovery towards the ultimate Rescission or Exit of its Act 47 designation. The modifications recognize the current financial position of the City and provide a fiscal roadmap for City officials to advance their recovery until the ICA enters into an intergovernmental cooperation agreement with the City. Until such time, however, the Strong Plan remains in place and the City retains its Act 47 distressed status.

It also provides opportunities for funding capital improvement programming for services that are essential to improve the City's quality of life and economic vitality, some of which were incorporated into the 2019 approved budget. In fact, the Mayor and City Council have committed \$7.0 million to the capital improvement and investment in the City. Most of the capital improvements are for IT, Public Works, and Public Safety facilities.

As Coordinator, I hold bi-weekly status conference calls with members of our consulting team to coordinate all aspects of plan implementation. The team of professional advisors comprised of the Novak Consulting Group, Pennsylvania Economy League, Campbell Durante and Beatty, Public Resources Advisory Group, and Harris, Wiltshire & Grannis, along with DCED and the Office of General Counsel, has and will continue to support the Coordinator with further implementation of the Strong Plan Modifications and the proposed Act 47 Final Exit Plan.

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

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

Impact Harrisburg

The fourth quarter of 2018 Impact Harrisburg Board continued to move forward with Infrastructure and Economic Development project grants that the Board has awarded. The Board is responsible for the administration of the \$12.3 million set aside as part of the parking transaction to fund both

economic development and infrastructure initiatives to aid the City in strengthening its tax base and addressing critical infrastructure needs, thus enhancing the quality of life for City residents.

The nine-member, Impact Harrisburg Board, was appointed by the Coordinator in January 2015 following the receipt of recommendations from the Mayor, City Council, and Dauphin County. The Board historically has been meeting bi-weekly (beginning January 1, 2018 the meetings were moved to monthly meetings rather than bi-weekly meetings) to address organizational activities and has made considerable progress to date. Officers include Neil Grover as Chair, Doug Hill as Vice-Chair, Brian Hudson as Secretary and Brittany Brock as Treasurer. Sheila Dow-Ford serves as Executive Director. The Board had engaged Vance Antonacci of McNees Wallace & Nurick LLC as counsel to assist with its incorporation with the Department of State and establishment as a 501(c)(3) non-profit organization with the Internal Revenue Service. Articles of Incorporation were filed with the Department of State and approved on March 17, 2015. The 501(c)(3) application was also filed with the IRS in March and approved by the IRS on June 18, 2015.

From the period beginning January 2016 and through December 31, 2018 several significant activities occurred to advance the work of Impact Harrisburg. The organization retained both an accounting and an auditing firm, established a website presence, and hired a web master. In addition, the organization entered into a lease arrangement with the Harrisburg Area Community College to rent office space at the HACC midtown campus, thus establishing a central and convenient location within the city.

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

The Board has established the Pennsylvania Housing Finance Agency (PHFA) as its permanent meeting location. The organization has adopted a Conflicts of Interest policy, a Records Retention policy, an Expense Allocation policy; and a policy on Impact Harrisburg grant/reimbursement drawdowns. In 2017, the organization also underwent its first audit for the fiscal period ending in June 30, 2016; the organization received a "clean" report. The second annual Impact Harrisburg audit for the period ending June 30, 2017 has also been finalized.

Within the operational realm, working as a team, the Board of Directors and the Executive Director had finalized requirements for the three programs to be established and administered:

1) Economic Development; 2) Community Building, and 3: Infrastructure Contingency. Under the established criteria only two entities, the City of Harrisburg and Capital Region Water are eligible for participation in the Infrastructure Contingency program.

Thereafter, the Executive Director convened and attended several formal and informal education sessions at which the Impact Harrisburg grant programs and application process were introduced and discussed with a broad diversity of community participants. In addition, print and television media were used to bring publicity to the grant program.

On July 15, 2016 twenty-five applications were filed seeking Impact Harrisburg funding. Over the course of several days, the board met as a committee of the whole to review the applications in detail, and thereafter determined that 14 projects met the established funding criteria. As of

December 20, 2018, the total amount of the grant awards allotted by Impact Harrisburg to various grantees stands at \$9,962,010.50. This amount represents a subsequent increase in the grant amount provided to one grantee, based upon a request for an amendment to the original grant agreement to accommodate an increase in the project scope due to unforeseen structural issues requiring remediation and other contingencies.

Projects Funded/Grant Amount/Project Status as of December 31, 2018:

Completed Projects:

1. City of Harrisburg Microsoft Office 365 (\$250,000 grant)
2. TLC Construction and Renovations (\$500,000 grant)
3. Webpage FX (\$500,000 grant)
4. Paxton Street Home Benevolent Society (\$100,000 grant)
5. Harrisburg River Rescue (\$81,369 grant)
6. Gamut Theatre (\$250,000 grant)
7. YMCA Camp Curtin (\$500,000 grant)

Outstanding Projects:

1. Capital Region Water/City of Harrisburg Multi-Modal Collaborative Facility (\$5,487,290.50 grant)
2. East Shore YMCA (\$138,592 grant)
3. Tri-County Community Action Commission (\$204,759 grant)
4. Tri-County Housing Development Corporation (\$350,000 grant)
5. City of Harrisburg Playground Resurfacing (\$250,000 grant)
6. Harrisburg Redevelopment Authority (\$500,000 grant)
7. *Community First Fund (\$350,000 grant) (This project is discussed in greater detail within this document.)
8. Salvation Army new multi-purpose facility (\$500,000)

A uniform grant agreement was developed and has been entered into by all grantees with the exception of Community First Fund, with which Impact Harrisburg established a stand-alone agreement because of the unique nature of the purposes of the small business loans which will be utilized with the grant funding.

In addition, to ensure close adherence with all grant program requirements and any applicable state, local or federal laws, the board developed a Request for Proposal under which the organization retained the services of two compliance professionals with extensive expertise in the grant's management area. The two individuals work in close coordination with the Executive Director to provide oversight and technical assistance to grantees, as is necessary and appropriate. The team and Executive Director developed various program templates and processes for working with grantees in a uniform and consistent manner. To date, the compliance consulting team attends many board meetings and provides consistent updates on all projects through a shared drive electronic medium (accessible by grantees and board members) as well as via written reports. After serving in this capacity for one year the board deemed it prudent to extend the compliance contract, given the high quality and value of the work performed by the compliance consultants and the remaining number of grantees with future project start dates.

The Harrisburg Business Opportunity Fund

In March 2018 Impact Harrisburg announced the start of the Harrisburg Business Opportunity Fund (HBOF), a one million-dollar (\$1,000,000) loan fund established to bring low interest funding opportunities to new and existing businesses within the City that traditionally have been excluded from more traditional lending outlets. The initial one-million-dollar capitalization for the HBOF was provided by a three hundred fifty thousand-dollar (\$350,000) grant from Impact Harrisburg, and a six hundred fifty-thousand-dollar grant (\$650,000) grant from the Commonwealth Cornerstone Group (CCG), a wholly-owned subsidiary of the Pennsylvania Housing Finance Agency (PHFA). The HBOF grant fund is administered by the Community First Fund (CFF), a Lancaster City-based community development financial institution, which has established an office in Harrisburg and dedicated support staff to build diversity in economic development opportunity within the region. Under the agreement between and among the parties, CFF will report on HBOF activity on a quarterly basis.

Impact Harrisburg has invited the City of Harrisburg to become an HBOF partner both through a contribution to the fund and through the active development of programs to bring greater financial education and opportunities to actual and potential borrowers in a manner that is consistent with the goals articulated under the Act 47 Harrisburg Strong Plan. Impact Harrisburg has partnered with the City and other local financial services entities including CREDC, the lending arm of the Capitol Region Chamber of Commerce; the Kutztown Small Business Development Center, M&T Bank, and the Harrisburg Young Professionals to establish a consortium that will bring expertise to building a more cohesive and diverse business community and to enhancing entrepreneurship within Harrisburg.

As of December 31, 2018, the Impact Harrisburg Board continues to meet monthly and in accordance with its Bylaws, elected its board leaders at the Annual Meeting. Further, the Finance Committee meets on a regular basis, between meetings of the board, and all members are invited to attend and participate.

A meeting of the Board and the organization's investment advisers, Wilmington Trust, provided an update on the organization's financial standing and reviewed with the Board the feasibility of continuing with the fund allocation policies previously established. The professional recommendation was to continue to adhere to the policy as established, with a continuation of regular reviews and updates, as required.

Harrisburg Supplemental Growth Fund

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

Dauphin County and AGM have expressed concerns over the time it has taken to obtain disbursements under the Escrow Agreement. Following discussions between all parties on how to expedite the allocation and disbursement of the remaining \$6.9 million, PennDOT advised the City to file an application under PennDOT's FY 17/18 Multi-Modal application program for the remaining funds. PennDOT has approved an award of a \$2,236,667 grant to improve the vehicular, transit, pedestrian and bicycle movements in the City and to address several transportation safety issues. At the same time, PennDOT also committed a total of \$6,710,000 over the next three years for City projects. This approach will fully satisfy PennDOT's commitment and is intended to expedite the process moving forward. Design work, and some cases, construction has begun on these projects and the Coordinator will cooperate with the affected parties in connection with the funding to the City and disbursement of escrow proceeds.

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

The City approved the Multi-modal grant reimbursement agreement with PennDOT for the remaining \$2.542 million. This will complete the initial \$3.19 million PennDOT grant. These funds are designated for several City streets to be improved. All environmental clearances had been obtained for the project. Utility companies have finalized their work, which was completed in advance of construction. NRG completed their work at the intersection of Third and Walnut, in advance of street construction. Final design work is complete, and the contract was awarded to Lamb Construction, Inc to commence construction and the contractor will continue through summer and fall of 2018. Crews have been on site and have been aggressively working towards the completion goal. The project includes significant modernization of the Third Street corridor in the City from Market to Division Streets.

Fiscal Matters

The City submitted a copy of its proposed 2019 Budget to the Coordinator on October 16, 2018 to review for compliance with the Harrisburg Strong Plan modifications. The 2019 proposed General Fund budget included projected revenues of \$71,057,716 compared to the 2018 budget of \$72,088,104 and projected expenditures of \$70,900,240 compared to 2018 expenditures of \$72,061,319, which results in a projected 2019 General Fund surplus of \$157,476. This slight surplus is the result of the use of a prior year cash carryover of \$7,028,744. Projected revenues and expenditures represent decreases of approximately 1.5% over the 2018 General Fund Budget. The Neighborhood Services Fund budget totals \$20,138,691 and anticipates the use of \$5,025,310 in fund balance. The Administration presented the budget to council at the end of November. Council hearings on the budget were held through December. City Council adopted the 2019 Budget on December 27, 2018 with amendments.

A review of actual revenues and expenditures through the end of November finds that the City's total General Fund revenues were \$62,869,983 (97.1% of budget) while expenditures were \$57,968,770 (75.9% of budget). The City received \$17,036,230 (98.4% of budget) of current year Real Estate Taxes through the end of November. The City also received significant Earned Income Tax revenues through November bringing the year to date EIT revenue to \$6,596,538 (109.0% of Budget), which has further strengthened its cash position.

Through November 2018, the City will have timely met all of its scheduled debt service payments for the year. The City is to be commended for fulfilling its debt service payments on a timely basis.

Following the December 27, 2018 check run and payroll, the City's General Fund cash balance approximately \$23 million while the Neighborhood Services fund had a balance of \$4.8 million. The City's bi-weekly General Fund payroll averaged \$925,000 for the fourth quarter and the Neighborhood Services Fund bi-weekly payroll averaged \$140,000.

The Coordinator reviews City payables for both the General Fund and Neighborhood Services Fund on a bi-weekly basis. During the fourth quarter, six bi-weekly check runs were reviewed, comments were provided, and check runs were approved. Through the continued diligence of the City's Finance Office, the City has been able to meet payroll and critical creditor obligations through the fourth quarter and has continued to maintain a current status (within 30 days or less) for virtually all payables. The 2018 cash flow summary attached with this report reflects actual revenues and expenditures through November with projections through year-end.

The Strong Plan modifications included several recommendations related to capital improvements. As the City's recovery progresses, it will have to fund capital projects through a combination of grant funds, borrowing and pay as you go (PAYGO). The 2019 budget will take advantage of certain grants and likewise uses a portion of its fund balance on a PAYGO basis to address targeted capital needs primarily in the IT, public safety and public works areas. Through November, the City has spent \$3.0 million of its budgeted \$8.4 million in capital due to the amount of time to plan, acquire materials and schedule the work. The Police substation was delivered in December but is not expected to be fully operative until later in fiscal year 2019.

The Coordinator continues to support the work of the City Controller and Finance Office to provide budget vs. actual reports to the Administration and Council. This information is an important element in having transparent fiscal information available for elected officials to make timely decisions as well as keeping the public aware of the City's financial condition.

The City has received the 2017 FY audit from Maher Duessel, the City's independent auditor.

During the fourth quarter the City continued to provide the appropriate Material Event Notices on EMMA related to debt obligations and has maintained compliance with Securities and Exchange Commission (SEC) reporting requirements.

Operational Issues

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

In August of 2016 the City received an Act 47 grant in the amount of \$465,380 to support implementation of four key Strong Plan initiatives relating to augmentation of managerial capacity. The primary areas of focus relate to the utilization of Act 47 grant resources to augment managerial capacity; enhance IT infrastructure development, strategic planning, project management capacity; and creating lasting improvements in the City's refuse and recycling collection operation.

Operating Departments/Offices

The City of Harrisburg has made progress on several important initiatives in the City's operating departments. A summary of the status of those active projects and initiatives is detailed below.

Treasurer's Office

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

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

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

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

Finance and Administration

In the area of finance, administration, and support services, the City has made progress in a number of key areas and is working on several ongoing projects. The City Administrator is focusing on the development of a strategic operating plan for the City which will include a new organization chart. He is working to clarify and prioritize operating, management, and resource challenges. This is especially important in the City's key support services areas such as Finance, HR, and IT. These will be priority areas of focus for the City's administrative functions going forward. The strategic plan is scheduled to be rolled out to departments in early 2019. The Act 47 Coordinator's team will review the plan for compliance with the City's Strong Plan and broader Act 47 plan initiatives. Further, we will seek to provide implementation support to the City where possible.

In financial management and oversight, Finance Bureau staff have been working on several important projects in the fourth quarter. After completing and releasing the City's annual financial audit at the end of September, the Finance Bureau moved to primarily focus on capital and operating budget development and budget deliberations. After completing the departmental budget development process in August and September, the Finance Bureau and Administration developed a proposed operating budget for review and consideration by the Act 47 Coordinator's team. This proposed budget was delivered to the Act 47 Coordinator's Team in advance of the October 16th statutory deadline and the team completed an exhaustive review of the operating and capital budget to ensure that it complied with both the City's Act 47 Strong Plan and related Exit Plan. The Coordinator's review indicated that the City's requested budget was largely compliant with the City's Act 47 Plans. A copy of the compliance letter is attached. The Administration has been engaged in budget deliberations with The Harrisburg City Council and held budget review meetings on December 11 and December 12. The 2019 budget passed on December 27, 2018 with amendments.

The Finance Bureau and Controller's Officer continue to work closely to monitor and improve the purchasing control process. The City is currently seeking to improve the contract review and management process, which is an element of the purchasing process. The City is seeking to fill an

Assistant City Solicitor position who would take on the responsibility of providing legal contract review with the goal of expediting the contract review process and, as a result, translating into more rapid service improvements in the City. This position, once filled, will report directly to the Business Administrator and service to improve purchasing and contract oversight for the City.

Information Technology

The age and condition of the City's Information Technology infrastructure continue to be a major structural challenge for the City; however, notable progress has been made. The City filled the Deputy IT Director position and filled a mainframe programmer position. Currently, the IT Bureau is at full staffing for the first time in many years. The City has turned its attention toward improving IT infrastructure in the City. To aid in the process of prioritizing investment, The City partnered with Harrisburg University to complete an assessment of IT investment needs. That study, released in November, publication of the HU report in November, identified a litany of investment needs. In response, the Administration's proposed 2019 budget includes over \$700,000 to fund IT upgrades in the City and evaluate the options to create a centralized records management system in the City. That budget includes a \$235,000 allocation for a data redundancy system, along with \$15,000 to store a duplicate data system at a secure, off-site location, as means to generate data security for the City.

The proposed budget also reflects a goal to upgrade the City's mainframe by 2020. The City's mainframe is over 25 years old and operates under a program database, IDMS, that is so old that it is difficult to find employees who are conversant in the programming language. The City has included funds in the 2019 budget to begin the process of replatforming the City's mainframe so that it would better fit the City's environment.

In the fourth quarter the City also finished updating the antiquated Storage Area Network (SAN). This has generated significant additional storage capacity and freed space for operating and administrative departments to improve the use of technology. The City has installed a virtual tape server on the mainframe to replicate their data to an offsite data center. They are testing that process now and plan to have a mainframe disaster recovery test in the first quarter of 2019. On the open systems side, The City has identified two potential co-location data centers and has budgeted for the lease of that space and the purchase of new servers and SAN to replicate what was installed in 2018. The City plans to have the Open Systems site fully functional by the end of 2019. This will dramatically improve data security.

In addition, the City is moving to create a Geographic Information Systems Administrator to integrate special data systems within the City with the goal of generating operational capacity and efficiency for those personnel who rely on GIS to deliver City services.

Community and Economic Development

In the Community and Economic Development area, the City has seen some progress. At the end of 2016, a \$3.5 million state Redevelopment Assistance Capital Program (RACP) grant was awarded to developers to assist with an \$8 million investment in commercial and residential revitalization in mid-town. A second RACP grant of \$3 million was awarded to the City in October to launch the revitalization of an entire neighborhood in Allison Hill (MulDer Square) with new streetscaping, affordable apartments, and retail stores. The Paxton Creek De-Channelization project is underway with the RACP award and the MulDer Square housing project will be completed by the end of the year, with 48 new affordable units and new interest from developers in the downtown area.

One important item relating to community and economic development is that director of community and economic development, Jackie Parker, retired in the fourth quarter and the City will fill the position as part of the approved 2019 Budget.

Parks and Recreation

The Bureau of Parks and Recreation is actively engaged in planning for an estimated \$1.8 million in upgrades to five parks and playgrounds in the City. They have obtained grants from DCNR, DCED, Impact Harrisburg, and Capital Region Water to complete major repairs to the Heights playground, Royal Terrace playground, Penn and Sayford playground, Norwood and Holly playground, and the Fourth and Dauphin playground. Of the five playgrounds, four were completed in November. The fifth playground will be finished in the Spring of 2019. The chutes and ladders playground upgrade at reservoir park was also replaced in November.

Another of the City's park and recreation assets is Reservoir Park. Following DCNR's award of a \$50,000 matching grant to develop a master site plan to reimagine the historic park, the City retained H. Edward Black and Associates as lead consultant supported by Simone Collins landscape architects and Urban Partners to undertake the study. The City has completed a public engagement process to work on a development plan and the City's consultants completed the design process in October.

Police Bureau

In the Police Bureau, staffing levels continue to be the primary challenge for the Bureau. There are currently 14 position vacancies including 13 sworn and one civilian position. The Bureau expects a number of additional retirements between 2018 and 2019, including three to five police officers, one animal control officer (civilian), and one data technician (civilian). In addition, in 2020, The Bureau could lose up to 40% of police personnel in retirements. The Bureau will conduct a new supervisory promotional test in early 2019. In addition, a new recruit class will commence in January 2019.

The Bureau has made positive progress in its effort to maintain the condition and availability of its police fleet. In the past several years, the Bureau has been successful at obtaining grants to update and upgrade vehicles. In 2019, the Bureau intends to expand the existing lease purchase program to lease to include marked cars/patrol vehicles and are currently in the process of ordering 15 new pursuit cars for 2019.

In October 2018, the City entered into an agreement with UMPC Pinnacle Hospital to lease limited office space and garage space for the Traffic Unit to store damaged vehicles and complete administrative duties. The police department's six-person traffic safety unit would operate out of the building. Lastly, the Police Substation Project is nearing completion. The substation will serve as the home of the City's community policing activities and will be complete in February of 2019.

The Bureau finished installation of the Everbridge system in December. It is an automated officer contact system that the Bureau can use to call in personnel during major events or convey messages to officers.

The Bureau also purchased new Motorola 8000 model radios in anticipation of all law enforcement nationwide moving off the current radio network. The first phase (75% of total need – mobile and portable) of radios have been rolled out to patrol. The next phase (25% of total need – mobile

and portable) will be done in 2019 with the rest of the Bureau receiving their radios. This is a major initiative requiring support from the IT bureau.

Fire Bureau

The Fire Bureau is making progress in a number of key areas as well. Currently, the Bureau is staffed with 81 bargaining unit members, two management chiefs, and one management administrative assistant. Total complement is budgeted at 86 personnel. The Bureau administered a civil service exam in December and has established a new hiring list. The Bureau plans on hiring in the spring academy of 2019 from the newly created list to account for anticipated retirements.

The Bureau has also made progress on implementing a long-standing Recovery Plan recommendation to implement a modified fire company inspection program. The Bureau is moving to develop a process whereby fire companies complete basic occupancy "evaluations" to identify and remediate fire hazards in the community. They have purchased and installed Getac tablets in all front-line apparatus which will assist in the task of data collection and record keeping. The Bureau will also be working closely with codes on any implementation and are currently looking to potentially revise the fee structure that will net additional income on the fire prevention permits. This is a best practice and will ultimately enhance the Bureau's fire prevention efforts.

The Bureau made major progress on fire station repair projects. In 2018, the City funded approximately \$1 million in roof repair projects. Station 1 is complete with a new roof and perimeter caulk joints. Station 8's roof and Station 2's roof construction and caulking project was completed in October.

Neighborhood Services Department

The Neighborhood Services Department has been actively engaged in a number of key projects in the refuse and recycling, maintenance, and infrastructure development areas.

In the refuse and recycling areas, the City has completely taken over the front-load commercial refuse collection business in the City. This was accomplished by purchasing the necessary front-loader equipment and working over the past several years to transition all commercial accounts to the City. The only commercial accounts that are not currently serviced by the City are downtown high rises and facilities that have trash compactors. However, the City is developing a plan to purchase the necessary roll-off containers and equipment to take over these accounts in 2019. The roll-off business is proceeding as the City has a 20-year contract that began in September to service the PA Farm Show Complex. The City is taking temporary measures until equipment is purchased in 2019 to service roll-offs. New front loader garbage trucks for commercial accounts were placed into service prior to end of 2018. City has been awarded a PADEP grant to purchase an additional recycling truck.

The City is also making progress in its effort to develop and manage a composting facility in Susquehanna Township. The City and Act 47 Coordinator's team developed a revised PADEP permit application that includes the City and the School District as program participants. The development of a composting site will serve two important goals. First, it will enhance the City's yard waste collection and composting program, which will, in turn, decrease the number of tons of waste disposed of at the Harrisburg incinerator (thus reducing disposal expenses). Second, it will advance intergovernmental cooperation in the Harrisburg metropolitan area. Although at this time it is only the City and School District, the potential exists for other municipalities to utilize the site thus

sharing resources. Due to Act 47 funding uncertainties, additional work on development of the composting facility has been delayed.

The composting application was anticipated for submission to DEP in May 2018. In addition, the City is developing its zoning application to Susquehanna Township to build the composting facility. The zoning application was submitted in November with the first hearing held on December 5th and a second hearing scheduled for January 9, 2019. In addition, the City is currently engaged in a training program to create two state certified compost facility operators in the Traffic and Engineering Division.

The City has also made substantive progress in the area of recycling. In the Fall of 2017, the City began the process of collecting glass recyclables from bars and restaurants in the City's downtown. This program has been successful and, in 2018, the City established a residential glass recycling drop off area so that the program can continue to be expanded. In addition, the City has established a cardboard recycling program targeted at commercial businesses. This program generates revenue for the City and offsets fluctuations and losses in other areas of the recycling commodity market. The City is currently collecting approximately 100 tons of cardboard per month. Overall recycling is about four times higher than when the City entered Act 47.

City Council has also approved the purchase of an application software "Recycle Coach" to provide up-to-date details regarding recycling in multiple languages. Recycle Coach went live in the second quarter for selected users to test the software. Residents and business owners can access the program from their phones to review information regarding recycling rules and schedules. This software was placed into service in mid-2018.

In late May 2017, City administration submitted a revised waste collection ordinance to City Council for consideration. The revision reconciles the ordinance to reflect the current approach to waste and recycling collection, enforcement, fee payment, collection location, waivers, and methods of citation. The Act 47 Coordinator's team reviewed a draft of this ordinance to ensure that it was consistent with sanitation system improvements identified in the Act 47 plan. City Council took up review ordinance and held three public meetings in spring 2018 to hear comment on the proposed changes. Council approved the new sanitation ordinance in mid-2018 prior to the summer recess. The City is already using the enforcement provisions to invoice for additional services and delinquent accounts. City has begun using the enforcement strategy in the new ordinance.

The 2018 capital budget had money for a structure to protect the new garbage trucks from the elements of weather. The City is also progressing with construction of a fabric structure to cover the garbage trucks in early 2019.

A number of active projects are also underway in the Traffic and Engineering area. The City has hired a new facilities manager and is actively working to develop a facilities improvement plan that includes the potential to separate the City Hall and Police Headquarters facilities, sell the current police headquarters, and relocate Police Headquarters into a City neighborhood where they can be more directly connected to key service areas.

Traffic and Engineering

The Traffic and Engineering Division has made progress updating the City's traffic signal infrastructure and has entered into an agreement with a vendor who is willing to provide the City a notable discount for new traffic signal controllers in exchange for the City's old controllers. As of

early September, the City has updated controllers in 87 of 100 signalized intersections. The remaining are proposed for consideration in the 2019 budget process.

The City Engineer, Planning and Economic Development staff, and Redevelopment Authority (HRA) continue to work closely with PennDOT on a plan to make major improvements to the Harrisburg Transportation Center (HTC). The Center serves as a key anchor for the downtown and a hub for both rail and bus service for the City and region. Following last year's award of \$15 million by PennDOT to fund a number of needed physical improvements, PennDOT has moved forward with design work that will address improvements including new roofs, an energy efficient HVAC system, and improved ADA access. PennDOT, as the project lead, is working with Amtrak to acquire the building. Until the building is acquired, PennDOT's renovation efforts will be modest, focusing on roof replacement. The land survey is still underway on Paxton Creek and the City Redevelopment Authority was awarded \$2 million for land acquisition and bridge demolition to begin the Paxton Creek project. The City expects the results of PennDOT's land survey and hydrology assessment in January 2019.

The Federal Courthouse project continues to make progress. President Trump's budget proposal for FY 18 released May 23 included \$137.2 million for construction of a new 243,000 square foot Federal Courthouse at Sixth and Reily Streets. This followed action in January 2017 by the U.S. General Services Administration (GSA) to award a \$9,194,935 contract to Ennead Architects of New York to provide architectural/engineering services for the Courthouse. The services include revising the former approved design concept and completing the design services for the new courthouse. Design services were completed in November 2018.

One of the requirements of the project is that PPL Electric Utilities move its utilities and underground conduit banks to accommodate the development. The General Services Administration (GSA) and PPL could not come to an agreement as to who would own the conduit bank for fiberoptic cable. To facilitate progress on the project, the City has agreed to take ownership of the conduit banks in exchange for a 25-year easement fee which would cover the cost of maintenance.

Over the last quarter, the City has made further progress with the sinkhole mitigation project on South 14th Street in their efforts to address the significant housing and infrastructure issues on this street. In September 2016, FEMA awarded the City \$1.65 million to undertake an initial phase of the project to acquire and demolish approximately 25 homes in the center of the block. As of December, 49 of 53 homes have been acquired and four homes remain to be purchased. Two of these homes are owned by governmental agencies and purchase is imminent while two homes are owned by private owners. The City is negotiating with those home owners. The City is currently slightly behind schedule but grant extensions have been provided. The City has developed bid documents for both demolition and asbestos abatement. Those bids are currently under legal review, but the City has targeted to complete demolition in the winter of 2019.

The Traffic and Engineering Bureau is also actively engaged in several capital improvement projects. The City is currently managing a \$300,000 "Assessable Route Project" to install ADA access ramps at intersections along McLeay Street. Construction began in the fourth quarter and the project is about 50% complete. Additional work will take place over the winter. The Herr Street Accessible Route Project notice to proceed was issued in mid-December and construction is scheduled to begin in July 2019.

The Third Street Multimodal project is underway but has significant delays and over a million dollars in cost overruns due to Capital Region Water's redesign and weather. The substantial

completion date is now set for August 30, 2019, but the contractor is two months behind that schedule. The City government roof replacement projects (specifically the skylight replacement) were completed in December 2018.

In 2014, the Pennsylvania Department of Transportation (PennDOT) committed to providing \$10 million over a five-year period for street-related infrastructure improvements in the City. This commitment stood in addition to PennDOT's planned repairs and projects on Commonwealth managed roads in Harrisburg. In the first and second quarter of 2018, the City has been working primarily on the North Seventh Street portion of this project. They are currently working on the design process for infrastructure improvements in this area with a goal to pave in 2019. However, the paving schedule may be adjusted to accommodate the federal Courthouse development schedule to ensure that new pavement is laid after all additional underground infrastructure work is complete on that project. Traffic and Engineering staff will evaluate this in conjunction with courthouse project progress. Similarly, the City is also in the process of completing a two-way traffic study for Second Street downtown. They expect the study to be complete this September and for design work to begin in 2019. Paving work will be coordinated with Commonwealth Gas's gas main replacement schedule in 2019 and 2020. By the end of this year, the City expects to have approximately \$5.42 of the \$10 million under contract with PennDOT via three Multimodal Reimbursement Grant Agreements (City Paving \$647,500 – Complete; Third St. – \$2,542,348.00 – construction underway; N. 7th – in design). The City expects to have the remaining \$4.57 million awarded via Multimodal Grants for the N. 2nd Street and Berryhill Street projects.

The City is also currently managing a \$2.8 million-dollar paving project for Industrial Road along the major railroad corridor. This is funded with federal grant revenue and will represent a major improvement to a commercial and industrial area in the City.

Lastly, the City kicked off a Vision Zero commitment to eliminate traffic fatalities and serious injuries in the City within 10 years. This was a recommendation in both versions of the draft comprehensive plans. Thus far, the City has received strong support from the public and PennDOT. As the City develops their Vision Zero Action Plan through a grassroots effort with neighborhood groups and the community coming together for the common purpose of traffic safety, they expect to not only save lives but to positively impact community goodwill and City livability.

Solicitor's Office

The Commonwealth of Pennsylvania, et al, filed a complaint against seven professional firms based on the Harrisburg incinerator project and series of financing transactions. The case is filed in the Commonwealth Court at 368MD2018. The Petitioners are represented by Harris, Wiltshire & Grannis LLP.

The City is also in the midst of defending a lawsuit challenging the commercial trash rates, the exclusive use of the incinerator and the put or pay provision of the Strong Plan. In Spring 2018, the commercial property owner plaintiffs filed a Motion to Amend the matter to a class action suit. The Plaintiff alleges the Court should reduce the rates retroactively and provide past, present and ongoing relief. The City will retain outside counsel to file a Reply in Opposition to the Motion to Amend on various grounds. The litigation is ongoing, and the City intends to vigorously oppose the suit.

The City Solicitor's office has filled two new positions, Senior Deputy Solicitor and Deputy Solicitor. In addition, the City retained outside real estate counsel to assist in a variety of title and transfer

issues, both current and historic. The Solicitor's Office also accepted the assignment of a management employee who assists with much needed record keeping system and filing updates.

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

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

This will represent a significant improvement in customer service and serve as an opportunity to generate consistency in cash flow and limit account delinquency. Once this system is in place and fully communicated to the public, the City will cease the practice of granting waivers on penalties for late payments. This not only represents an improved sanitation and revenue collection process but reflects functional cooperation between City Departments and the Treasurer's Office to address operating challenges. This is a fundamental goal of the Act 47 plan and a positive reflection on the City's progress.

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

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

The Strong Plan modifications provided for the City to again retain experienced public-sector employment labor counsel for its labor relations activities including the negotiation of FOP and AFSCME contracts that expired the end of 2016 and the IAFF contract that expires the end of 2017. The City engaged John Dean of Elliott Greenleaf to serve as outside labor counsel to assist with these contracts. During the first quarter 2017, Elliott Greenleaf attorneys successfully negotiated both the FOP and AFSCME contracts and negotiations with the IAFF have recently concluded. The IAFF voted on December 29, 2017 to not to accept the City's proposal. A second proposal was pursued. The City and IAFF reached an agreement for a successor CBA, because of negotiations. IAFF ratified the terms of this agreement on or about February 8, 2018. The agreed upon terms are integrated into current successor CBA and was approved by City Council on July 3, 2018.

Intergovernmental Cooperation

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

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

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

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

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

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

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

Collective Bargaining

The substantial majority of Harrisburg employees are represented by one of three unions: the Fraternal Order of Police Capital City Lodge No. 12 ("FOP"), the American Federation of State County and Municipal Employees District Council 90, Local 521 ("AFSCME"), and the International Association of Firefighters, Local No. 428 ("IAFF"). Each of the City's three unions voluntarily entered into mid-term negotiations to amend their collective bargaining agreements in connection with the filing of the initial Strong Plan in August 2013. The amendments to the prior collective bargaining agreements for the bargaining units, as well as those initiatives for the non-union City

employees, were implemented, and cost reductions resulting from these changes continue to be monitored. Although the formal Amendment documents setting forth the revised contract language were finalized and agreed to by AFSCME and the FOP, an amendment document for the IAFF was never completed. The City prepared a formal Amendment document setting forth the changes in the Tentative Agreement document – which was formally ratified by both the IAFF and the City and provided it to the IAFF for execution – however, the IAFF never responded to this formal Amendment document. The Coordinator has continued to insure implementation of the negotiated changes and assist as necessary with respect to any issues and grievances that arise relating to those changes or to any of the Plan initiatives.

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

Because the CBAs with FOP and AFSCME expired on December 31, 2016, the City entered negotiations with the FOP in September 2016, with AFSCME negotiations starting thereafter. The negotiations for the FOP and AFSCME successor agreements were the first time since the City entered Act 47 that the unions were obligated to negotiate all terms with the City and that the City had the right to renegotiate employment terms with the unions. The City retained the law firm of Elliott Greenleaf to handle its labor negotiations.

Elliott Greenleaf represented the City in its negotiations with the FOP and AFSCME throughout the fourth quarter of 2016 and the first two quarters of 2017. While negotiations with the FOP did not result in a successor contract being reached by the end of 2016, the parties eventually reached an agreement without needing to resort to interest arbitration in March 2017. That agreement has since been executed and ratified by the FOP membership and City Council has passed a resolution approving its terms.

While negotiations with AFSCME started more slowly, the City quickly reached a successor agreement with that union as well. On January 10, 2017, City Council passed a resolution approving the terms of a CBA with AFSCME to cover the years 2017 and 2018; however, at this juncture, the parties do not yet have an executed version of the final contract. Execution of the CBA was stalled originally because the parties required a study from the Pennsylvania Municipal Retirement System (“PMRS”) regarding the actuarial information on the impact of certain provisions in the new CBA. Thereafter, typographical errors were identified in that final contract, which has further delayed execution. Nonetheless, the City has already implemented all other aspects of the CBA as amended and hopes that it will have a contract executed in short order. In the meantime, given that the latest AFSCME contract was only for a two-year term and expires at the end of this calendar year. The City and AFSCME met this summer and settled on agreement after one bargaining session. The City is, and the union are working on integrating the new agreement into an updated contract, which they will present to City Council for approval when it is finalized, presumable before the end of the fiscal year 2018.

The CBA with the IAFF expired on December 31, 2017. At the IAFF's invitation, the Coordinator made a presentation last April to the IAFF's entire membership, providing an overview of the Act 133 Amendments to Act 47 and the terms of the Amended Strong Plan, and opening a discussion up for any questions that the membership might have. The Coordinator felt that this meeting was positive and set the stage for constructive negotiations for a successor agreement. Elliott Greenleaf represented the City as its labor counsel in connection with negotiations with the IAFF. The City and IAFF reached an agreement for a successor CBA because of negotiations. IAFF ratified the terms of this agreement on or about February 8, 2018. The agreed upon terms are integrated into current successor CBA and was approved by City Council on July 3, 2018.

In terms of pending grievances, AFSCME's grievance regarding the manner in which the bonus provision in the current CBA is being interpreted remains pending. In accordance with the current CBA, the City has paid bonuses to "all employees in the bargaining unit as of December 31, 2016..." AFSCME, however, contends that "all employees in the bargaining unit" includes those individuals who were not yet bargaining unit members because of their probationary status and lack of dues obligation. The Coordinator and the City believe that payments have been made appropriately and will prevail if this grievance proceeds to arbitration. Other grievances previously mentioned in prior reports also remain pending, including an FOP grievance that was filed after the police chief would not allow officers to perform off-duty work at the Great American Outdoor Show. An FOP grievance is also pending on an individual employee suspension issue, and there is a pending request for arbitration from the FOP related to a police officer's request to return to work or receive injury-on-duty benefits. There are currently three IAFF grievances pending, but the City does not view them as significant at this time and expects to resolve each. The City Solicitor has a meeting with IAFF leadership scheduled in a mutual effort to resolve these grievances. From the Coordinator's understanding, there is not a significant risk of exposure on any of these pending matters, and the Coordinator will provide further information when it becomes available.

Fire overtime has been a continuing issue for the City since long before the City entered Act 47, as the expenses were constantly exceeding budget. However, the City has been able to significantly reduce its overtime expense after the IAFF CBA was amended in April 2014, one fire station closed, and new firefighters were appointed in June 2014. Through prudent personnel management, the City's Fire Chief has successfully been able to continue to contain Fire overtime costs. For example, for the first quarter of 2014, total overtime (inclusive of premium pay) was \$727,432 or 64% of salary, while for the balance of 2014 total overtime was \$1,100,943 or 32.5% of salary, half of what it had been averaging before the CBA amendment. For the full 2014-year, overtime was 40.5% of salary and 91% of the \$2,000,000 budget for overtime. Positive trends in overtime costs continued in 2015, 2016, 2017 and to date in 2018. The City has also successfully contained additional premium pay over the course of these years. That said, in 2017, the City did exceed its modest \$650,000.00 annual budget for overtime by spending \$935,348.52. Still, this sum is lower than the amount spent annually in overtime in years prior to 2014.

Asset Monetization Matters

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

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

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

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

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

Continuing in the fourth quarter of 2018, PEDFA has engaged in conversations with all affected parties, engaged its professionals and staff to craft an amendment to the bond indenture, and has, as of December 12, 2017, sent to all interested parties an amendment to the bond indenture for their review. PEDFA believes the amendments will resolve the outstanding ambiguities. Payment has been made to SP+. It is PEDFA's desire to resolve the remaining issues regarding the other distributions to the City, HPA and the Capital Reserve as soon as possible.

Harrisburg Parking

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

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

1. Repay the balance of negotiated settlement with Resource Recovery Facility creditors (\$128 million).
2. Pay debt service on GO Bonds for first time since September 15, 2011 (\$6 million).
3. Repay all the Harrisburg Parking Authority's debt (\$99.8 million).
4. Pay \$36 million to the City of Harrisburg to be used to:
 - a. Reduce payables
 - b. Create an OPEB Irrevocable Trust and fund an initial deposit – (The OPEB Board remains to be created by the City; however, the Coordinator has met with the City's Business Administrator, Marc Woolley, City Solicitor, Neil Grover, and City Finance Director, Bruce Weber to discuss its construct. The goal is to have the OPEB Board selected during 2018.)
 - c. Fund deposit to Impact Harrisburg
 - d. Fund a budgetary reserve to get through first three months of each year (This has worked well as the City has not needed to draw on a TRAN)
 - e. Repay Pennsylvania Investment Bank
 - f. Repay agreed upon amounts to equipment lender

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

Park Harrisburg Fiscal Year 2018 Operating and Capital Budgets Projections

The projected revenues were 1.7% higher than the same period in 2017. The expenses through November 2018 were approximately equal to 2017 revenues for the same eleven-month period.

The proposed 2019 operating and capital budgets have not been approved and interim budgets continue to be utilized. In general, the 2019 interim operating budget will reflect the current rates for monthly, transient and meter parking while the DGS lease rate will increase per the terms of the lease. The 2019 interim budgeted operating expenses will be equal to the 2018 budgeted operating expenses increased by Consumer Price Index (CPI). The 2019 interim capital budget will be equal to the amount in the CDM Smith report for 2019, which is \$1,394,580.

Scheduled City/HPA payments year-to-date (through December 1, 2018) - The City has been paid \$1,762,331 and HPA has been paid \$1,238,060.

For other expenses paid at the Subordinate Expense level of the Trustees waterfall, there have been \$122,564 Performance Fee deposits/payments made in 2018 and \$91,355 PEDFA fee deposits/payments made in 2018.

Capital Reserve has received \$1,128,453 through December 1, 2018.

Pursuant to an agreement by all required parties, the Trustee released \$1,979,900 to apply to project obligations.

SP+ was paid \$544,041 in May 2018 for amounts due from the 2014 overpayment. The City, HPA, PEDFA and the Credit Enhancers (Dauphin County and Assured Guaranty) approved the payment. PK Harris paid SP+ the amount of \$40,500 in November 2018 that completed repayment to SP+ of all amounts due for the 2014 SP+ overpayment.

Capital & Operational Improvements

Capital Improvement projects completed in 2018 include concrete repair and generator replacement at Locust Street Garage, concrete repair at Chestnut and 5th Street Garages, roof repair at the Chestnut Street garage, and elevator repair at the Walnut Street Garage.

The parking system entered into an energy saving contract and has saved \$30,280 YTD through November 2018.

5:00 PM -7:00 PM Free Parking Program

Dauphin County, the City of Harrisburg, and the Harrisburg Downtown Improvement District (the "DID") agreed to fund a pilot program where the three parties pay Park Harrisburg in an amount equal to \$270,000 in return for free meter parking in the DID area from 5:00 PM -7:00 PM, Monday through Saturday. The \$270,000 amount is the estimated meter revenue which the system collected from the DID area for the 5:00 PM - 7:00 PM timeframe in 2017. The program commenced on April 1, 2018 and is to last for one year, at which time it will be reassessed by all parties.

ParkMobile

ParkMobile, the parking application provider for the meter system, had approximately 100,000 transactions for the period of January through November 2018.

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**City of Harrisburg
Parking Revenues**

Table 1

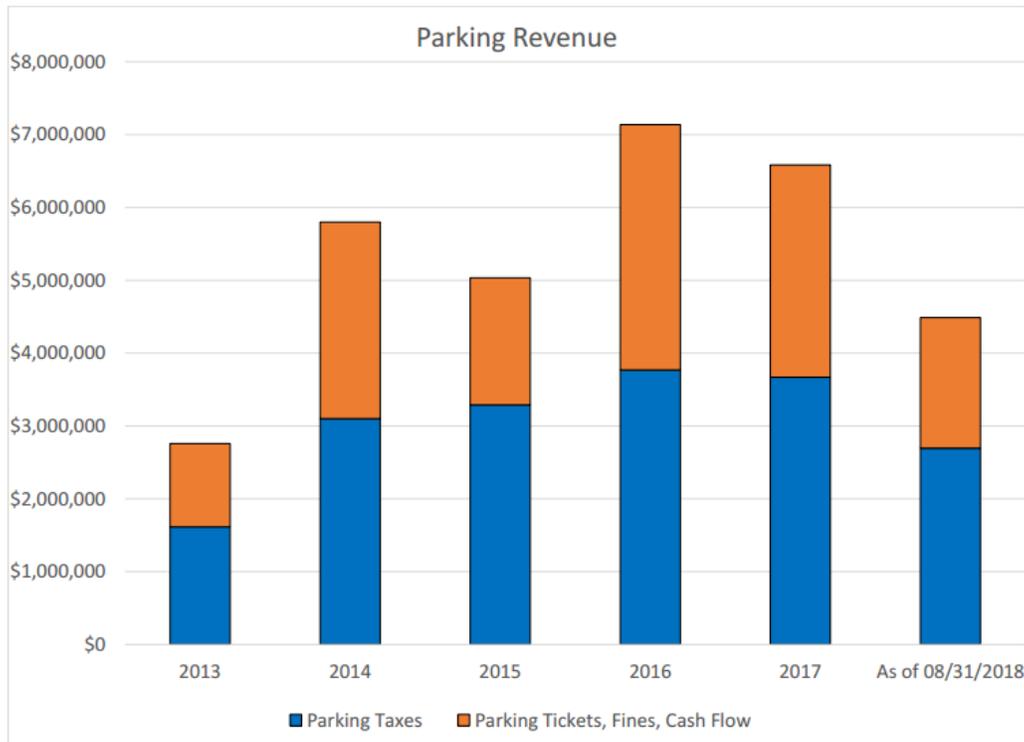
| Group | Account Description | 2013 | 2014 | 2015 | 2016 | 2017 | ** As of 12/31/2018 |
|-------------------------------|-------------------------------|-----------|-----------|-----------|-----------|-----------|---------------------|
| Parking Taxes | MBP PARKING TAXES CURRENT | 1,613,906 | 3,100,722 | 3,289,446 | 3,769,704 | 3,668,788 | 3,942,440 |
| Parking Taxes | MBP PARKING FEE | 13,271 | 16,721 | 11,573 | 13,724 | 12,580 | 14,774 |
| Parking Fees | PARKING LICENSE FEE-PRIOR | 476 | 3,266 | 2,131 | 710 | 4,076 | 0 |
| Parking Fees | PARKING LICENSE FEE-PENAL | 668 | 3,477 | 2,007 | 3,010 | 3,284 | 1,459 |
| Parking Fees | TOWING FEES | 24,954 | 28,360 | 21,665 | 22,595 | 20,706 | 21,144 |
| Parking Fees | METER BAG RENTAL | 149,706 | 62,834 | 21,504 | 24,116 | 49,312 | 53,848 |
| Parking Fees | FINE AND COSTS | 72,919 | 72,570 | 49,535 | 42,244 | 13,627 | 28,866 |
| Parking Fees | BOOTING FEES | 1,925 | 14,595 | 8,850 | 3,300 | 2,925 | 1,575 |
| | | | | | | | |
| Parking Tickets | PARK TICKETS-VIO FINE | 880,585 | 475,248 | 463,641 | 447,119 | 376,923 | 420,396 |
| | | | | | | | |
| Ground Lease Payment | PRIORITY PARKING DISTR. | 0 | 900,000 | 527,900 | 1,093,623 | 974,526 | 1,460,125 |
| | | | | | | | |
| Priority Parking Distribution | PRIORITY PARKING DISTRIBUTION | | 1,100,000 | 636,951 | 1,717,788 | 1,457,735 | 2,097,494 |
| | | | | | | | |
| Rental Income | HPA RENTAL INCOME | 0 | 20,800 | 0 | 0 | 0 | 0 |
| HPA Coordinated Pkg | HBG PRK AUTH COORD PKG | 0 | 0 | 0 | 0 | 0 | 0 |
| | Total Parking Revenue | 2,758,410 | 5,798,593 | 5,035,203 | 7,137,933 | 6,584,482 | 8,052,120 |

****Ground lease payments and Priority Parking payments were inflated in 2018 due to the global settlement reached by all parties (creditors, City, County, PEDFA) in resolving discrepancies with the parking bond indenture.**

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City of Harrisburg Parking Revenues

Table 2



Additional Incentive Programs

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

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

ParkMobile

ParkMobile was selected by Park Harrisburg to replace Pango as the provider for mobile-payment solutions effective March 1, 2017. ParkMobile is the leading provider of mobile-enabled parking and mobility-related services in North America. The company's mobile payments solution allows parkers to use their mobile phones to pay for parking at all of the on-street spaces managed by Park Harrisburg. Customers can pay with their smartphones using ParkMobile's mobile applications for iPhone, Android, and Windows phones, or by calling the toll-free number on the

ParkMobile meter stickers. Park Harrisburg in partnership with the City and ParkMobile has implemented two other promotional programs that can provide a more customer-friendly parking experience. LUV HBG provides 4 hours of free metered parking on Saturdays and provides \$1/hour meter rates from 5:00 to 7:00 p.m. in the central business district. Park Harrisburg and ParkMobile are working with local businesses on other promotional programs utilizing this application.

The ParkMobile application compares quite favorably to the PANGO transactions. Public response to ParkMobile to date has been favorable.

ParkMobile had approximately 100,000 transactions for the period of January through December 2018.

Accruals

The Trustee has provided an opinion on language in the bond indenture related to the waterfall payments and stated that the language related to accruals is ambiguous. PK Harris, the Asset Manager, engaged CDM Smith to update the capital study in order to factor in capital requirements for the system as part of a term sheet. Subsequent to the completion of the updated capital study, AGM and Dauphin County, in their role as credit enhancers and creditors, prepared a proposed term sheet for discussion. Several positive meetings were held between the creditors and the City to discuss the term sheet. It is the Coordinator's belief that a mutually acceptable resolution that balances the needs of the parking system and the City can be reached by the parties.

Capital and Operational Improvements

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

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

Parking Advisory Committee

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

Resource Recovery Facility

Results for 2014 - 2018

The Lancaster County Solid Waste Management Authority (LCSWMA) has operated the resource recovery facility since December 2013. Tonnage from the City, delivered to the Susquehanna Resource Management Complex (SRMC), exceeded the City's minimum required 35,000 tons in 2014, again in 2015 when the City disposed of 36,636 tons (105%), and again in 2016 when the City disposed of 35,953 tons (103%). As of the end of November 2018, tonnage from the City disposed of at the Susquehanna Resource Management Complex (SRMC) was 27,669 tons (78.4%) of the City's 35,000 ton minimum put or pay requirement. It is running slightly below last year at this point but is on target to again meet or exceed the 35,000-ton minimum.

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

The City also receives an annual Host Fee from SRMC. Through August 2018, the City had received \$237,367 in Host Fees.

The "Verizon Bond Matter"

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

Current Status of Commonwealth (formerly Verizon) Tower Project

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

Additional Improvements to Solution to the Verizon Bonds/Building Problem

A recent negotiated settlement relating to the real property assessment of the parcel is expected to yield a significant, beneficial economic impact for the City. As built into the transaction's legal

structure, operating expense savings inure to the benefit the landlord (Redevelopment Authority of the City of Harrisburg - the "RDA") and to the manager of the buildings (Harristown Development Corp.). To the extent additional cash flow - or conditional rent - is directed to the RDA, there is a dollar for dollar reduction in the obligations of the City under its Guaranty of the RDA's Federally Taxable Guaranteed Revenue Bonds, Series A of 1998.

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

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

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

Harristown Development Corporation Activities

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

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

Fresa Bistro, a new 50 seat sit-down restaurant opened and is doing extremely well. It offers a menu of freshly made items, including sandwiches, paninis, salads, wraps and soups. HDC has also signed a lease for a new fast casual Asian Fusion restaurant known as "Freshido." The 2,500-square foot restaurant is located at the corner of 3rd and Market Streets and has seating for approximately 60. The opening of Freshido provides yet another dining option in the downtown.

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

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

Public Financial Management, a major downtown employer relocated its 150 employees to the M&T Bank building taking about 63,000 sq. ft. which is the available office space remaining in this building. The move represents PFM's long-term commitment to the City as one of the leading businesses in the region.

Additions to Strawberry Square complex this year including energy savings results

- New lease signed for 11,000 s.f. inside SSQUARE at end of August which will be SkarlatosZonarich LLC—law firm bringing 35 new employees to SSQUARE expected occupancy date is Feb. 1, 2019 following major renovations to the space (\$1 Million of improvements) press release attached. As discussed in release above, Harristown will be purchasing 17 S. Market Square (currently owned by Skarlatos) and redeveloping that building along with the 21 S. 2nd Street site (vacant lot) into a \$10 Million mixed used project to be completed by 2020.
- Completion of New Public Elevators in SQUARE
- Energy efficiency results continue to be strong and in line with prior years since the major 16 Million capital improvements made in 2015/16.

Recent residential activity this year:

- “Bogg on Cranberry” Street opened as new redevelopment of former office building at 221 N. 2nd Street—this is a 12-unit upscale apartment complex on the edge of Restaurant Row—it opened last week with 8 of 12 units already leased.
- All of Harristown’s entire other 52 units are fully leased
- Harristown and its partners also have plans to produce a 70-unit apartment project converting two office buildings on Pine Street (116 and 124 Pine) converting over 80,000 s.f. of office into apartments. This project will commence in Jan. 2019 and be delivered to the market in fall of 2019.
- The overall vacancy rate for market rate apartments in the City is less than 2 percent according to a July 2018 market assessment by Real Property Research Group sponsored by Harristown, HBG City, and Harrisburg Housing Authority.

Other Activity:

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

In 2016 HDC completed renovations and placed into the market 51 high-end apartments in three complexes: The Flats at Strawberry Square (22 units); F@TT (Fifteen at 22 S. Third) (15 units) and South of Market (SoMa) (14 units). All of these units are occupied and there is a waiting list for openings. HDC is currently constructing two additional units at the Flats and has purchased

three additional row buildings on South Third Street that it is renovating into six apartment units. HDC is also looking for opportunities to convert older class B and C office buildings into apartments given the demand for housing.

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

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

On the educational and technology front, the Blackberry Technology Center opened in the SoMa neighborhood. The project involved the redevelopment of a blighted former hardware store that had been vacant for over 30 years into a three story, 4,500 sq./ft. building that now houses three technology-based companies that employ approximately 30 individuals. All three companies are a product of Harrisburg University's (HU) technology accelerator. HU has been a key player in the development of a burgeoning technology industry in the City as evidenced by a number of technology initiatives. Adjacent to SS, HU has recently completed the build-out of its current building and is pursuing additional space in the downtown area. The technology sector has grown nicely with over 20 firms located in and around downtown employing over 800 individuals. Many of these individuals desire housing in the downtown and contribute to the economic growth evidenced in downtown.

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

Strawberry Square Energy Efficiency Upgrade

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

Senator's Stadium Bonds

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

the parties involved. The City has now assumed responsibility for the "Senators' Stadium" financing matter, though the Coordinator's team continues to be available to assist should the City desire.

The owners of the team held back certain payments to the City in order to fund capital improvements to the stadium, thereby increasing the amount of debt service the City was required to pay under the Guaranty of the bonds. The City had to transfer an additional \$85,000 (beyond a May payment of \$163,061) to meet the debt service requirement for a total of \$248,061 on the bonds for the year. In May 2016, the City made a payment of \$241,362 and in October paid an additional \$91,272 for a total of \$332,634. Annual debt service obligations on the stadium bonds will exceed \$650,000 in 2018. The exact amount the City will need to contribute is unknown, though it is likely to be similar to the 2016 payment which represented about half of the total debt service, unless a resolution is found. The increase in debt service being paid by the City, versus the Strong Plan projections, heightens the reasons for making best efforts to use all resources and capacity available to reduce or eliminate this obligation. A resolution of the Stadium Bonds in a manner where they become self-supporting would save the City hundreds of thousands of dollars in debt service each year.

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

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

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

Water Sewer and Storm Water Operation - Transfer of Assets

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

The transfer, effectuated in late 2013, consolidated the ownership, administrative, operational and financial responsibilities for the drinking water, wastewater and stormwater operations to CRW. All City employees from the Bureaus of Water, Sewerage, and Operations & Revenue became employees of CRW. This transfer and consolidation was supported by the suburban communities served by the water systems, as well as regulators, and has been well-received by the citizens of Harrisburg. The organization is managed by a five-member, City-appointed Board of Directors

with an administration comprised of a Chief Executive Officer, Chief Financial Officer, and Directors of Engineering, Operations and Administration. It has grown from approximately 80 staff to over 115 since late 2013, vastly improving the quality of service being provided to the City's water and sewer customers.

Strategic Planning

Capital Region Water's Strategic Plan was approved and adopted by its Board of Directors at its October 26, 2018 Board meeting.

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

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

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

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

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

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

Wastewater and Stormwater Compliance – Partial Consent Decree

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

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

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

the project was completed as of December 2016 (pending final documentation) and when final costs are tabulated is projected to come in under budget.

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

City Beautiful H₂O

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

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

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

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

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

Project Funding

CRW has been successful in preventing large costs of borrowing by developing successful financial strategies. CRW has completed five successful borrowings since 2013 and was scheduled to complete one additional borrowing in the third quarter of 2018.

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

CRW with two years of financial records and operating history, CRW was able to restore its Water bond rating (to A+ from Standard and Poor) and refinance over \$52 million in water bonds, resulting in a present worth savings of approximately \$9 million.

The rating agency report had several notable remarks including:

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

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

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

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

CRW was notified on July 22, 2016 that Impact Harrisburg had approved a grant in the amount of \$2,743,645.25 to CRW for work associated with the City's Multimodal Project. This funding would offset up to \$8 million in CRW costs for condition assessments, design, bidding, and construction of rehabilitation of drinking water, wastewater and stormwater infrastructure. The project also

includes the incorporation of Green Stormwater Infrastructure as practical in accordance with CRW's City Beautiful H2O wet weather and community greening plan. CRW is working to complete work in coordination with the City. Representatives of both bodies met with the IH Board on August 16, to discuss their plans and address concerns of the Board. The City's projects include: 3rd Street Resurfacing Project; 2nd, 7th and Division St Project; Berryhill Pedestrian Improvements Project; and North 17th Street Reconstruction.

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

During the fourth quarter of 2018 CRW would actively coordinating sewer infrastructure repair work and stormwater collection and management, both green infrastructure and conventional (catch basin) as part of the City's 3rd St improvement project. The timeline is controlled by the City, as CRW's work is supplementary to the primary City work.

Relationship with City

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

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

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

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

CRW is proceeding on the modeling and planning schedule of our Consent Decree with USEPA, PADEP and USDOJ. The analysis was to be largely completed before the end of 2017 with the final plan submission due on August 2018. HTC is in the middle of three sewer sheds, and long-term plans will likely consolidate two or all of those sewer sheds into a single shed. HTC will also likely separate stormwater from the sanitary sewer system in part or all of the area and evaluate the potential for attenuation of stormwater with green infrastructure. These changes will require

substantial investment and infrastructure relocation complicated by the obstacle created by the railroad tracks. The schedule for implementation of such improvements may well be more than ten years out, and the improvements themselves would not address the building back-up issues as they are created by a site impact (roof drainage) and not combined sewer interceptor or creek backwater. CRW will continue to partner with HRA and PENNDOT on the best collaborative solutions for HTC.

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

Forensic Claims

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

On May 21, 2018 the Commonwealth of Pennsylvania on behalf of the City of Harrisburg has filed the Incinerator Lawsuit Complaint against seven firms that provided professional guidance and advice to the City of Harrisburg on the Incinerator Project for engineering and financing. The law firm of Harris, Wiltshire & Grannis, LLP are representing the Commonwealth.

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

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Summary

As I author the fourth quarterly update of 2018, I want to express my appreciation for the leadership exhibited by the City's Elected Officials. As the Coordinator for the past year and a half, I have overseen the Harrisburg Strong Plan and its' related activity. This has given me a chance to understand and become quite familiar with the City's operational needs. The City's Elected and Appointed Officials have worked with me very closely over this past year as we progressed through the Final Act 47 Exit Plan process.

The Final Act 47 Exit Plan provided direction on a number of issues which include fiscal projections for 2018-2021. The Final Exit Plan was submitted to the Mayor and City Council on August 8, 2018 after a period of written and oral public comment. The Act 47 Exit plan was not adopted by City Council because it was effectively annulled by House Bill 2557, which became Act 124. On October 24, 2018, the Act was signed into law and established the Intergovernmental Cooperative Authority (ICA) for the City of Harrisburg. Under the new law, the Coordinator and Strong Plan shall remain in place until the ICA Executive Board and Executive Director are appointed, after which the ICA shall execute an intergovernmental cooperation agreement with the City. Pursuant to section 706(1) of Act 124, the Strong Plan shall continue until the agreement has been executed by the ICA and the City. Under section 706(2), the City's Act 47 distressed status shall automatically terminate once the agreement has been executed.

The enactment of the Strong Plan modifications, when it was adopted in September of 2013, was a critical next step in the City's recovery and its move towards a path of sustainability and a Rescission from Act 47. The modifications recognize the current financial position of the City and provide a fiscal roadmap for City officials to advance their recovery until the ICA enters into an intergovernmental cooperation agreement with the City.

Although challenges remain, the City has made significant progress on many fronts. Through the fourth quarter of 2018, the City's operating position is healthy and its cash position strong. The fourth quarter also saw additional revenue from the Local Services tax along with significant EIT revenues. The General Fund shows a cash balance of \$23 million, with \$4 million encumbered for necessary Capital Expenditures, leaving a cash balance of \$19 million. The City's fiscal health continues to gain strength and stability. The City's cash position is a very positive sign and negated the need for a Tax and Revenue Anticipation Note (TRAN) for fiscal year 2019.

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

Restructuring City operations has played a key role in the City's positive current fiscal position. Ensuring long-term sustainability remains a challenge and requires the revitalization of the City's

tax base to generate sufficient revenues to meet service needs of City residents. Progress on this front is typically slower, though we are seeing many positive signs. With full occupancy of the Commonwealth Tower by almost 800 Pennsylvania Department of Human Services employees, the City is seeing a number of positive economic benefits in Strawberry Square and surrounding area including new businesses and residences resulting in increased tax and parking revenues.

The Commonwealth Tower project, along with the Transit Oriented Development (TOD) study of the Transportation Center area, can serve as further stimulus for additional economic activity in the downtown. The City is also experiencing growth in the technology sector industry that is supported by Harrisburg University and other educational institutions in and around the city. Likewise, the continued advance of plans and funding for the new Federal Courthouse in Midtown will spur further economic activity in that area. The GSA broke ground for the courthouse project on June 18, 2018.

Recent State Redevelopment Assistance grants for revitalization efforts in both Midtown and Allison Hill will further incentivize economic activity, all of which serves to strengthen the City's tax base. It is important that the City continue to build on these successes and partner with governmental and community stakeholders to further advance revitalization efforts.

I, as the Coordinator, and my team will continue to work with Mayor Papenfuse and his Administration, as well as City Council and other City Elected and Appointed Officials to assist the City until rescission from Act 47, Municipalities Financial Recovery Program. Regular interaction with the City Administration on issues involving finance, budget, tax collection, IT issues, planning, sanitation, public safety, parking and human resources is an important element to the City's recovery. The Coordinator and team has worked with City Officials to effectively manage the adopted 2019 budget, including its capital improvement programming component, increase the City's management capacity, and continue to enact sound financial management policies. City Council Finance Chair, Ben Allatt, recommended for adoption two "best management practices," financial management policies: Fund Balance Policy and Debt Management Policy. These policies were adopted at the City Council Meeting on December 2, 2018.

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

I am pleased to inform the court that I have met with Mayor Papenfuse, Solicitor Neil Grover, Finance Director, Bruce Weber, and the Controller Charles DeBrunner to discuss the transfer of the Other Post-Employment Benefits (OPEB) funds of \$3.2 million from the Harrisburg Recovery Coordinator to the City of Harrisburg in the form of an OPEB Trust. I will continue to work with the Mayor and Solicitor to move this effort forward and to begin to construct the OPEB Trust Board. The formulation of this trust will have multiple benefits to the City of Harrisburg including a possible improvement in the City's bond rating. The Recovery Coordinator's Legal team has drafted an OPEB trust agreement which will be submitted to Neil Grover, City Solicitor, for his review before final consideration. The OPEB trust agreement will need to go before City Council in the form of an Ordinance. Once the intergovernmental cooperation agreement has been executed, the Intergovernmental Cooperative Authority will work to form the OPEB Trust Board and the OPEB Trust Agreement.

As the Recovery Coordinator, I want to recognize the significant progress that has occurred since Harrisburg entered the Act 47 Program in 2010. Looking forward, I have an optimistic outlook for the future of Pennsylvania's Capital City and I am proud of its renaissance. It is now a place that individuals want to come to work and live in, to serve their community through service on the City's non-profit boards, and to socialize in and to take in a baseball game on a summer's eve.

Indeed, Harrisburg is a shining example of how, by working collaboratively, engaging in partnerships, and sharing in both the pain and success, a City can transition from near bankruptcy to a City that is fiscally healthy and has a vibrant economy that will carry it forward into the next decade.

**CITY OF HARRISBURG
CASH FLOW**

**City of Harrisburg
General Fund
2018 Estimated Cash Flow**

| | Actual Jan | Actual Feb | Actual Mar | Actual Apr | Actual May | Actual June | Actual Jul | Actual Aug | Actual Sep | Actual Oct | Actual Nov | Estimated Dec |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Cash Summary | | | | | | | | | | | | |
| Unrestricted Cash Balance Beginning of Month | 20,980,423 | 19,166,422 | 22,915,521 | 26,788,212 | 25,654,360 | 26,309,162 | 26,606,813 | 24,606,277 | 26,248,046 | 28,883,304 | 24,178,060 | 26,030,796 |
| Surplus/(Deficit) | -1,824,572 | 3,719,235 | 3,860,288 | -1,133,852 | 628,440 | 270,368 | -2,006,893 | 1,632,731 | 2,596,544 | -4,731,914 | 1,890,837 | -2,411,962 |
| Change in Accounts Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -383,623 | 0 |
| Other items affecting Cash | 10,570 | 29,864 | 12,404 | 0 | 26,362 | 27,283 | 6,357 | 9,038 | 38,713 | 26,669 | 345,521 | 0 |
| Unrestricted Cash Balance End of Month | 19,166,422 | 22,915,521 | 26,788,212 | 25,654,360 | 26,309,162 | 26,606,813 | 24,606,277 | 26,248,046 | 28,883,304 | 24,178,060 | 26,030,796 | 23,618,834 |

Revenues, Expenditures, Surplus/(Deficit)

| | | | | | | | | | | | | | |
|---|-------------------|------------------|-------------------|-------------------|------------------|------------------|-------------------|------------------|-------------------|-------------------|------------------|-------------------|-------------------|
| Revenues without Transfers | 2,348,575 | 7,069,601 | 12,573,345 | 3,653,135 | 5,747,570 | 3,762,367 | 2,256,798 | 5,221,054 | 5,486,775 | 2,753,222 | 5,777,445 | 2,865,387 | 59,515,274 |
| Transfer in from Neighborhood Services Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 811,063 | 405,532 | 1,216,595 |
| Transfer in from Neighborhood Mitigation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfer in from Landfill/Incin Utility Fd | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Public Safety Allocation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,000,000 | 0 | 0 | 0 | 5,000,000 |
| Transfer from Other Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 45,000 | 364,034 | 0 | 409,034 |
| Total Revenues | 2,348,575 | 7,069,601 | 12,573,345 | 3,653,135 | 5,747,570 | 3,762,367 | 2,256,798 | 5,221,054 | 10,486,775 | 2,798,222 | 6,952,542 | 3,270,919 | 66,140,902 |
| Expenditures | | | | | | | | | | | | | |
| Personnel | 3,245,512 | 2,413,192 | 2,713,151 | 2,610,195 | 3,836,295 | 2,724,636 | 2,594,242 | 2,693,739 | 2,873,647 | 6,695,464 | 3,528,637 | 3,541,018 | 39,469,729 |
| Services | 481,016 | 445,896 | 519,514 | 1,360,113 | 476,981 | 415,249 | 410,196 | 419,300 | 492,079 | 576,428 | 532,726 | 886,975 | 7,016,473 |
| Supplies | 124,396 | 250,284 | 114,127 | 136,084 | 163,928 | 165,865 | 149,408 | 198,344 | 165,030 | 144,225 | 237,917 | 568,828 | 2,418,435 |
| Other | 322,222 | 240,994 | 130,919 | 180,595 | 649,141 | 89,714 | 1,109,844 | 180,405 | 518,406 | 114,018 | 762,425 | 589,525 | 4,888,207 |
| Debt Service | 0 | 0 | 5,235,346 | 500,000 | -7,214 | 96,535 | 0 | 96,535 | 3,841,069 | 0 | 0 | 96,535 | 9,858,806 |
| Total Expenditures | 4,173,147 | 3,350,366 | 8,713,057 | 4,786,987 | 5,119,130 | 3,491,999 | 4,263,691 | 3,588,322 | 7,890,231 | 7,530,135 | 5,061,705 | 5,682,881 | 63,651,651 |
| Operating Surplus/(Deficit) | -1,824,572 | 3,719,235 | 3,860,288 | -1,133,852 | 628,440 | 270,368 | -2,006,893 | 1,632,731 | 2,596,544 | -4,731,914 | 1,890,837 | -2,411,962 | 2,489,251 |

Accounts Payable

| | | | | | | | | | | | | |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Accounts Payable Beginning of Month | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 | -1,122,105 |
| Accounts Payable End of Month | -1,505,728 | -1,122,105 | -1,122,105 |
| Change in Accounts Payable | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -383,623 | 0 |

**City of Harrisburg
General Fund
2018 Estimated Cash Flow**

Cash Summary

| | Actual | Actual | Actual | Estimated | |
|---|--------------------|--------------------|--------------------|--------------------|------------------|
| Revenues, Expenditures, Surplus/(Deficit) | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Total |
| Revenues | 21,991,521 | 13,163,071 | 17,964,627 | 13,021,683 | 66,140,902 |
| Expenditures | 16,236,570 | 13,398,116 | 15,742,244 | 18,274,721 | 63,651,651 |
| Operating Surplus/(Deficit) | 5,754,951 | -235,044 | 2,222,383 | -5,253,038 | 2,489,251 |
| <hr/> | | | | | |
| Unrestricted Cash Balance Beginning of Quarter | 20,980,423 | 26,788,212 | 26,606,813 | 28,883,304 | |
| Surplus/(Deficit) | 5,754,951 | -235,044 | 2,222,383 | -5,253,038 | |
| Change in Accounts Payable | 0 | 0 | 0 | -383,623 | |
| Other items affecting Cash | 52,838 | 53,645 | 54,109 | 372,191 | |
| Unrestricted Cash Balance End of Quarter | 26,788,212 | 26,606,813 | 28,883,304 | 23,618,834 | |

Accounts Payable

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Accounts Payable Beginning of Quarter | -1,505,728 | -1,505,728 | -1,505,728 | -1,505,728 |
| Accounts Payable End of Quarter | -1,505,728 | -1,505,728 | -1,505,728 | -1,122,105 |
| Change in Accounts Payable | 0 | 0 | 0 | -383,623 |

City of Harrisburg
2018 Estimated General Fund Revenues

| Revenue Group | Actual Jan | Actual Feb | Actual March | Actual April | Actual May | Actual June | Actual July | Actual August | Actual September | Actual October | Actual November | Estimated December | Estimated Total 2018 | Budget 2018 | Variance |
|-------------------------------|------------------|------------------|-------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|------------------|--------------------|----------------------|-------------------|------------------|
| Real Estate Taxes Current | 335,665 | 2,418,105 | 10,095,808 | 342,149 | 850,676 | 237,296 | 118,557 | 228,401 | 67,950 | 101,444 | 81,910 | 513,919 | 15,391,881 | 15,121,493 | 270,387 |
| Real Estate Taxes Delinquent | 85,471 | 0 | 175,286 | 216,374 | 170,954 | 236,819 | 0 | 336,939 | 369,601 | 503,108 | 63,717 | 91,680 | 2,249,948 | 2,283,377 | -33,428 |
| Tax Liens Principal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tax Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EIT | 540,819 | 1,606,336 | 1,009,734 | 518,401 | 1,607,695 | 907,859 | 494,774 | 1,559,219 | 768,222 | 502,288 | 1,550,802 | 752,922 | 11,819,070 | 11,429,997 | 389,073 |
| EMS/LST | 96,048 | 1,449,198 | 129,103 | 201,991 | 1,300,586 | 167,421 | 237,289 | 1,329,344 | 127,498 | 167,527 | 1,390,531 | 124,034 | 6,720,571 | 6,049,251 | 671,320 |
| Mercantile Business Privilege | 198,894 | 230,573 | 418,632 | 1,228,517 | 432,814 | 137,381 | 106,341 | 229,897 | 78,915 | 186,069 | 219,752 | 43,476 | 3,511,263 | 3,368,550 | 142,713 |
| Other Act 511 Taxes | 58,313 | 36,324 | 28,220 | 3,505 | 87,204 | 496,791 | 76,728 | 42,130 | 41,869 | 59,702 | 101,349 | 52,118 | 1,084,254 | 1,471,000 | -386,746 |
| Capital Fire Protection | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cdbg Reimb. - Demolition | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| District Justice Fees | 31,961 | 26,343 | 34,100 | 35,713 | 39,779 | 36,625 | 33,993 | 38,391 | 33,860 | 29,690 | 41,918 | 26,746 | 409,119 | 383,000 | 26,119 |
| Fed/State(Fed)Pass Thr Gr | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 162,569 | 162,569 | 211,583 | -49,014 |
| Federal Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 51,546 | 51,546 | 51,546 | 0 |
| Fees/Permits | 219,079 | 90,719 | 92,513 | 97,283 | 87,868 | 94,452 | 201,823 | 434,246 | 160,500 | 165,424 | 232,633 | 150,173 | 2,026,712 | 1,350,715 | 675,997 |
| Government Grants | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Grants Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest | 16,459 | 15,413 | 13,621 | 16,817 | 19,377 | 19,678 | 19,230 | 19,816 | 20,172 | 19,932 | 20,390 | 4,703 | 205,608 | 26,566 | 179,042 |
| License | 0 | 146,336 | 19,850 | 0 | 139,313 | 0 | 0 | 141,405 | 7,950 | 0 | 137,338 | 11,795 | 603,986 | 623,493 | -19,506 |
| Miscellaneous | 70,537 | 151,030 | 70,731 | 82,007 | 129,218 | 268,990 | 61,227 | 72,786 | 122,157 | 93,158 | 76,129 | 197,300 | 1,395,271 | 1,821,133 | -425,862 |
| Pension System State Aid | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9,319 | 2,885,583 | 0 | 0 | 0 | 2,894,903 | 2,629,069 | 265,833 |
| Public Safety Fees/Permits | 13,701 | 5,276 | 25,685 | 23,903 | 16,624 | 21,313 | 14,300 | 10,156 | 12,582 | 13,651 | 8,965 | 17,130 | 183,287 | 216,451 | -33,164 |
| Public Safety Grants | 47,218 | 9,539 | 22,986 | 18,977 | 9,897 | 59,019 | 9,570 | 5,035,129 | 13,708 | 203,740 | 18,167 | 5,451,842 | 5,361,556 | 90,285 | |
| Public Safety Reimbursements | 44,858 | 102,794 | 48,129 | 159,939 | 61,196 | 130,696 | 89,523 | 57,134 | 175,405 | 105,274 | 48,262 | 119,128 | 1,142,339 | 1,019,502 | 122,837 |
| Public Works Fees/Permits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 250,000 | 0 | 250,000 | 250,000 | 0 |
| Reimbursements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rental Income | 163 | 163 | 163 | 163 | 163 | 163 | 163 | 163 | 163 | 163 | 163 | 59 | 1,846 | 2,100 | -254 |
| Recreation Fees | 15 | 20 | 30 | 25 | 30 | 220 | 3,656 | 1,125 | 25 | 0 | 35 | 34 | 5,215 | 11,231 | -6,017 |
| Sale Of Assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vehicle Maintenance Charges | 73,792 | 29,728 | 0 | 95,857 | 0 | 36,615 | 74,624 | 0 | 25,374 | 0 | 10,931 | 10,204 | 357,126 | 279,300 | 77,826 |
| PILOTS | 0 | 121,292 | 259 | 0 | 108,142 | 338,978 | 37,345 | 5,861 | 0 | 75,500 | 175,721 | 7,000 | 870,099 | 676,797 | 193,302 |
| Pub Utility Realty Tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 46,660 | 0 | 0 | 46,660 | 45,000 | 1,660 |
| Sewer Maint Charge | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sewer Maint Liens-Penalty | 0 | 0 | 0 | 0 | 0 | 32 | 0 | 257 | 0 | 0 | 0 | 1 | 290 | 214 | 76 |
| Sewer Maint Liens-Princip | 0 | 0 | 11 | 9 | 0 | 39 | 4 | 163 | 36 | 165 | 0 | 16 | 443 | 542 | -99 |
| Sewer Utility Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sanitation Utility Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Neighborhood Services Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 811,063 | 405,532 | 1,216,595 | 811,063 | 405,532 |
| Neighborhood Mitigation Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Landfill/Incin Utility Fd | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Sewerage Utility Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hbg Water Utility Fund | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Hbg Prk Auth Coord Pkg | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers from Other Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 45,000 | 364,034 | 0 | 409,034 | 670,000 | -260,966 |
| Parking Taxes | 313,797 | 373,606 | 283,941 | 330,261 | 374,549 | 309,599 | 321,295 | 399,200 | 272,164 | 374,969 | 359,524 | 200,995 | 3,913,900 | 3,912,500 | 1,400 |
| Parking Fees | 29,944 | 3,146 | 3,530 | 5,709 | 14,399 | 15,134 | 13,052 | 3,573 | 2,470 | 5,912 | 6,026 | 14,755 | 117,651 | 95,020 | 22,631 |
| Parking Tickets | 30,277 | 27,049 | 25,257 | 25,501 | 47,051 | 52,341 | 43,822 | 41,926 | 29,116 | 38,845 | 32,583 | 32,742 | 426,510 | 425,102 | 1,408 |
| Ground Lease Payments | 58,415 | 93,508 | 31,260 | 103,171 | 103,172 | 103,172 | 103,172 | 103,172 | 103,172 | 103,172 | 103,172 | 117,531 | 1,126,086 | 1,238,060 | -111,974 |
| Priority Parking Distribution | 83,152 | 133,105 | 44,497 | 146,861 | 146,861 | 146,861 | 146,861 | 146,861 | 146,861 | 146,861 | 661,854 | 144,646 | 2,095,280 | 1,762,331 | 332,949 |
| THA Shared Service | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Harrisburg Authority | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Revenues | 2,348,575 | 7,069,601 | 12,573,345 | 3,653,135 | 5,747,570 | 3,762,367 | 2,256,798 | 5,221,054 | 10,486,775 | 2,798,222 | 6,952,542 | 3,270,919 | 66,140,902 | 63,597,544 | 2,543,358 |

**City of Harrisburg
General Fund
2018 Estimated Expenditures by Month**

| | Actual Jan | Actual Feb | Actual Mar | Actual April | Actual May | Actual June | Actual July | Actual August | Actual September | Actual October | Actual November | Estimated December | Estimated Total 2018 | Budget Total 2018 | Variance Act - Bud |
|--|---------------|---------------|---------------|-----------------|---------------|----------------|----------------|------------------|---------------------|-------------------|--------------------|-----------------------|-------------------------|----------------------|-----------------------|
| Office of City Council Personnel | 21,113 | 20,780 | 22,023 | 22,023 | 33,034 | 22,023 | 22,023 | 22,023 | 22,023 | 20,780 | 33,034 | 22,023 | 282,899 | 286,888 | -3,989 |
| Office of City Council Services | 21,137 | 3,851 | 481 | 438 | 5,573 | 1,631 | 166 | 0 | 4,143 | 2,060 | 5,769 | 26,978 | 72,227 | 102,080 | -29,853 |
| Office of City Council Supplies | 0 | 545 | 96 | 300 | 1,120 | 167 | 257 | 934 | 2,606 | 1,478 | 481 | 5,730 | 13,713 | 22,000 | -8,287 |
| Office of City Council Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Office of City Council | 42,250 | 25,176 | 22,600 | 22,760 | 39,726 | 23,820 | 22,446 | 22,957 | 28,771 | 24,319 | 39,283 | 54,731 | 368,839 | 410,968 | -42,129 |
| Office of Mayor Personnel | 11,092 | 10,896 | 10,896 | 10,896 | 16,344 | 10,896 | 14,793 | 14,855 | 14,855 | 17,289 | 25,934 | 22,646 | 181,393 | 229,295 | -47,902 |
| Office of Mayor Services | 0 | 2,089 | 96 | 0 | 234 | 32 | 0 | 59 | 23 | 0 | 785 | 2,158 | 5,476 | 11,463 | -5,987 |
| Office of Mayor Supplies | 801 | 0 | 442 | 0 | 0 | 0 | 0 | 695 | 352 | 113 | 361 | 2,058 | 4,822 | 15,010 | -10,188 |
| Office of Mayor Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Office of Mayor | 11,892 | 12,985 | 11,434 | 10,896 | 16,579 | 10,929 | 14,793 | 15,609 | 15,230 | 17,402 | 27,080 | 26,862 | 191,690 | 255,768 | -64,078 |
| Office of City Controller Personnel | 11,284 | 11,910 | 11,609 | 11,590 | 17,425 | 11,622 | 11,622 | 11,640 | 11,613 | 11,605 | 17,433 | 11,888 | 151,241 | 151,595 | -354 |
| Office of City Controller Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 619 | 619 | 10,500 | -9,881 |
| Office of City Controller Supplies | 24 | 44 | 0 | 66 | 33 | 34 | 34 | 0 | 80 | 268 | 260 | 2,185 | 3,027 | 9,207 | -6,180 |
| Office of City Controller Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Office of City Controller | 11,308 | 11,954 | 11,609 | 11,655 | 17,458 | 11,655 | 11,655 | 11,640 | 11,694 | 11,873 | 17,693 | 14,691 | 154,887 | 171,302 | -16,415 |
| Office of City Treasurer Personnel | 25,942 | 26,069 | 26,074 | 26,024 | 39,106 | 26,152 | 26,152 | 26,152 | 26,054 | 26,152 | 39,265 | 26,534 | 339,676 | 340,724 | -1,048 |
| Office of City Treasurer Services | 490 | 0 | 27,835 | 3,378 | -65 | 0 | 89 | 122 | 121 | 40 | 85 | 5,335 | 37,429 | 61,200 | -23,771 |
| Office of City Treasurer Supplies | 1,630 | 125 | 340 | 0 | 0 | 0 | 3,611 | 0 | 70 | 0 | 1,038 | 1,375 | 8,189 | 17,865 | -9,676 |
| Office of City Treasurer Other | 0 | 0 | 5,865 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5,865 | 40,038 | -34,173 |
| Office of City Treasurer | 28,062 | 26,193 | 60,114 | 29,402 | 39,041 | 26,152 | 29,852 | 26,274 | 26,245 | 26,192 | 40,387 | 33,244 | 391,159 | 459,827 | -68,668 |
| Office of City Solicitor Personnel | 21,864 | 25,163 | 29,245 | 28,738 | 43,402 | 31,700 | 31,550 | 29,204 | 29,148 | 29,204 | 43,774 | 30,581 | 373,573 | 455,215 | -81,642 |
| Office of City Solicitor Services | 199 | 9,312 | 5,280 | 9,643 | 30,379 | 5,857 | 17,898 | 21,745 | 31,305 | 5,056 | 22,680 | 53,968 | 213,323 | 236,632 | -23,309 |
| Office of City Solicitor Supplies | 1,297 | 3,003 | 2,116 | 1,849 | 2,932 | 2,135 | 1,951 | 74 | 3,663 | 4,604 | 3,809 | 10,639 | 38,072 | 61,725 | -23,653 |
| Office of City Solicitor Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Office of City Solicitor | 23,360 | 37,479 | 36,641 | 40,231 | 76,712 | 39,693 | 51,399 | 51,023 | 64,115 | 38,863 | 70,263 | 95,188 | 624,968 | 753,572 | -128,604 |
| Office of Business Administrator Personnel | 17,952 | 18,437 | 18,437 | 14,474 | 21,711 | 14,474 | 14,474 | 14,474 | 14,477 | 14,477 | 21,716 | 15,511 | 200,613 | 240,060 | -39,447 |
| Office of Business Administrator Services | 0 | 0 | 0 | 0 | 10,225 | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 5,097 | 5,279 | 45,601 | 65,550 | -19,949 |
| Office of Business Administrator Supplies | 0 | 0 | 470 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 895 | 2,817 | 4,182 | 4,796 | -614 |
| Office of Business Administrator Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Office of Business Administrator | 17,952 | 18,437 | 18,907 | 14,474 | 31,936 | 19,474 | 19,474 | 19,474 | 19,477 | 19,477 | 27,709 | 23,606 | 250,396 | 310,406 | -60,010 |
| Bureau of Financial Management Personnel | 34,134 | 32,781 | 32,982 | 34,121 | 51,181 | 34,121 | 34,121 | 33,965 | 34,121 | 34,121 | 51,181 | 35,352 | 442,179 | 501,659 | -59,480 |
| Bureau of Financial Management Services | 247 | 23,418 | 751 | 60 | 2,395 | 4,393 | 41,943 | 58,285 | 439 | 21,900 | 955 | 16,787 | 171,573 | 266,863 | -95,291 |
| Bureau of Financial Management Supplies | 143 | 1,812 | 484 | 838 | 89 | 215 | 0 | 87 | 349 | 75 | 388 | 4,630 | 9,110 | 12,598 | -3,488 |
| Bureau of Financial Management Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Financial Management | 34,525 | 58,011 | 34,217 | 35,018 | 53,665 | 38,728 | 76,064 | 92,338 | 34,908 | 56,095 | 52,523 | 56,770 | 622,861 | 781,120 | -158,258 |
| Bureau of Communications Personnel | 20,624 | 22,741 | 22,122 | 22,120 | 33,178 | 22,118 | 22,116 | 22,114 | 22,114 | 22,117 | 33,173 | 23,025 | 287,562 | 293,303 | -5,741 |
| Bureau of Communications Services | 60 | 4,188 | 1,457 | 225 | 147 | 151 | 110 | 475 | 425 | 2,313 | 3,619 | 3,269 | 16,438 | 18,000 | -1,562 |
| Bureau of Communications Supplies | 2,304 | 78 | 375 | 112 | 207 | 100 | 50 | 50 | 50 | 50 | 1,801 | 5,047 | 10,223 | 23,793 | -13,571 |
| Bureau of Communications Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Communications | 22,988 | 27,007 | 23,953 | 22,457 | 33,532 | 22,369 | 22,276 | 22,639 | 22,589 | 24,479 | 38,594 | 31,341 | 314,223 | 335,096 | -20,874 |

**City of Harrisburg
General Fund
2018 Estimated Expenditures by Month**

| | Actual Jan | Actual Feb | Actual Mar | Actual April | Actual May | Actual June | Actual July | Actual August | Actual September | Actual October | Actual November | Estimated December | Estimated Total 2018 | Budget Total 2018 | Variance Act - Bud |
|---|---------------|---------------|---------------|-----------------|---------------|----------------|----------------|------------------|---------------------|-------------------|--------------------|-----------------------|-------------------------|----------------------|-----------------------|
| Bureau of Risk Management Personnel | 5,635 | 5,127 | 5,127 | 5,127 | 7,690 | 5,127 | 5,127 | 5,127 | 5,127 | 5,127 | 7,690 | 5,290 | 67,320 | 66,743 | 577 |
| Bureau of Risk Management Services | 0 | 1,158 | 0 | 0 | 0 | 0 | 0 | 1,950 | 988 | 0 | 0 | 1,258 | 5,354 | 15,100 | -9,746 |
| Bureau of Risk Management Supplies | 0 | 0 | 0 | 0 | 40 | 0 | 0 | 69 | 0 | 0 | 441 | 92 | 642 | 3,475 | -2,833 |
| Bureau of Risk Management Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Risk Management | 5,635 | 6,285 | 5,127 | 5,127 | 7,730 | 5,127 | 5,127 | 7,146 | 6,115 | 5,127 | 8,131 | 6,640 | 73,317 | 85,318 | -12,001 |
| Bureau of Information Technology Personnel | 25,442 | 28,887 | 30,122 | 30,026 | 45,039 | 30,026 | 33,559 | 34,739 | 34,739 | 34,739 | 52,109 | 35,957 | 415,386 | 515,762 | -100,376 |
| Bureau of Information Technology Services | 22,853 | 87,730 | 17,514 | 26,507 | 45,733 | 12,998 | 27,225 | 16,828 | 21,344 | 85,584 | 24,217 | 59,295 | 447,829 | 592,963 | -145,134 |
| Bureau of Information Technology Supplies | 27,713 | 12,926 | 8,982 | 6,977 | 14,560 | 5,914 | 7,169 | 5,811 | 13,239 | 7,564 | 15,112 | 14,356 | 140,325 | 196,091 | -55,766 |
| Bureau of Information Technology Other | 597 | 3,260 | 40,601 | 5,725 | 10,852 | 5,725 | 597 | 5,721 | 5,725 | 5,725 | 10,852 | 54,379 | 149,756 | 441,685 | -291,929 |
| Bureau of Information Technology | 76,606 | 132,803 | 97,219 | 69,235 | 116,184 | 54,663 | 68,551 | 63,098 | 75,048 | 133,612 | 102,290 | 163,987 | 1,153,295 | 1,746,500 | -593,205 |
| Bureau of Human Resources Personnel | 19,331 | 19,496 | 19,500 | 19,500 | 34,506 | 23,004 | 23,004 | 23,004 | 23,004 | 23,000 | 34,501 | 23,725 | 285,573 | 334,792 | -49,219 |
| Bureau of Human Resources Services | 648 | 3,864 | 4,116 | 3,229 | 5,519 | 2,891 | 5,342 | 3,644 | 3,562 | 3,437 | 5,189 | 10,532 | 51,973 | 64,903 | -12,929 |
| Bureau of Human Resources Supplies | 0 | 0 | 0 | 0 | 247 | 0 | 0 | 334 | 0 | 42 | 280 | 907 | 1,810 | 2,300 | -490 |
| Bureau of Human Resources Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Human Resources | 19,979 | 23,360 | 23,616 | 22,729 | 40,272 | 25,895 | 28,346 | 26,981 | 26,566 | 26,479 | 39,970 | 35,164 | 339,356 | 401,995 | -62,638 |
| Operations and Revenue (Office of the Director) Personnel | 20,380 | 20,110 | 20,110 | 20,110 | 26,314 | 16,610 | 16,610 | 16,659 | 16,701 | 16,732 | 25,322 | 17,300 | 232,956 | 265,584 | -32,628 |
| Operations and Revenue (Office of the Director) Services | 40,437 | 16,978 | 12,945 | 21,091 | 9,418 | 19,060 | 9,380 | 14,337 | 13,175 | 11,615 | 15,588 | 27,602 | 211,627 | 235,873 | -24,246 |
| Operations and Revenue (Office of the Director) Supplies | 1,346 | 2,554 | 4,799 | 2,012 | 4,099 | 2,770 | 468 | 5,226 | 3,191 | 2,969 | 2,915 | 5,694 | 38,042 | 55,821 | -17,779 |
| Operations and Revenue (Office of the Director) Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Operations and Revenue (Office of the Director) | 62,163 | 39,641 | 37,854 | 43,212 | 39,831 | 38,440 | 26,459 | 36,222 | 33,067 | 31,316 | 43,825 | 50,596 | 482,626 | 557,278 | -74,652 |
| General Expenses Personnel | 1,373,000 | 527,060 | 541,437 | 821,929 | 1,027,914 | 653,024 | 671,940 | 669,299 | 990,173 | 806,554 | 773,602 | 1,509,268 | 10,365,200 | 12,295,898 | -1,930,698 |
| General Expenses Services | 147,743 | 80,417 | 134,382 | 1,077,316 | 125,595 | 145,146 | 67,231 | 113,330 | 81,017 | 149,005 | 72,063 | 152,165 | 2,345,408 | 2,846,788 | -501,380 |
| General Expenses Supplies | 0 | 0 | 0 | 0 | 0 | 0 | 7,369 | 0 | 0 | 0 | 0 | 102 | 7,471 | 25,306 | -17,835 |
| General Expenses Other | 0 | 77,234 | 1,236 | 77,566 | 0 | 0 | 18,396 | 76,852 | 4,730 | 0 | 76,852 | 1,560 | 334,425 | 318,329 | 16,096 |
| General Expenses | 1,520,743 | 684,711 | 677,056 | 1,976,810 | 1,153,508 | 798,169 | 764,936 | 859,481 | 1,075,920 | 955,558 | 922,516 | 1,663,095 | 13,052,504 | 15,486,321 | -2,433,817 |
| Transfers to Other Funds Debt Service | 0 | 0 | 5,235,346 | 500,000 | -7,214 | 96,535 | 0 | 96,535 | 3,841,069 | 0 | 0 | 96,535 | 9,858,806 | 9,866,020 | -7,214 |
| Transfers to Other Funds Other | 0 | 0 | 0 | 0 | 489,681 | 0 | 0 | 0 | 0 | 0 | 263,701 | 219,000 | 972,382 | 723,681 | 248,701 |
| Transfers to Other Funds | 0 | 0 | 5,235,346 | 500,000 | 482,467 | 96,535 | 0 | 96,535 | 3,841,069 | 0 | 263,701 | 315,535 | 10,831,189 | 10,589,701 | 241,487 |
| Office of the Director for the DCED Personnel | 9,999 | 10,103 | 10,103 | 10,599 | 15,899 | 10,599 | 8,281 | 5,962 | 5,962 | 0 | 0 | 0 | 87,507 | 150,710 | -63,203 |
| Office of the Director for the DCED Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,000 | -1,000 |
| Office of the Director for the DCED Supplies | 0 | 0 | 0 | 0 | 130 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 130 | 1,500 | -1,370 |
| Office of the Director for the DCED Other | 0 | 0 | 0 | 0 | 2,000 | 0 | 0 | 0 | 0 | 0 | 0 | 1,917 | 3,917 | 48,000 | -44,083 |
| Office of the Director for the DCED | 9,999 | 10,103 | 10,103 | 10,599 | 18,029 | 10,599 | 8,281 | 5,962 | 5,962 | 0 | 0 | 1,917 | 91,554 | 201,210 | -109,656 |
| Bureau of Planning Personnel | 4,238 | 4,300 | 4,300 | 4,300 | 10,583 | 7,608 | 7,608 | 7,608 | 7,608 | 7,608 | 11,411 | 8,714 | 85,884 | 200,229 | -114,345 |
| Bureau of Planning Services | 3,258 | 462 | 2,127 | 9,319 | 5,540 | 4,868 | 225 | 5,656 | 515 | 7,198 | 1,580 | 17,451 | 58,200 | 108,042 | -49,842 |
| Bureau of Planning Supplies | 0 | 0 | 1,603 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 366 | 1,969 | 6,500 | -4,531 |
| Bureau of Planning Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Planning | 7,496 | 4,762 | 8,030 | 13,619 | 16,124 | 12,476 | 7,833 | 13,264 | 8,123 | 14,806 | 12,992 | 26,530 | 146,053 | 314,771 | -168,718 |

**City of Harrisburg
General Fund
2018 Estimated Expenditures by Month**

| | Actual Jan | Actual Feb | Actual Mar | Actual April | Actual May | Actual June | Actual July | Actual August | Actual September | Actual October | Actual November | Estimated December | Estimated Total 2018 | Budget Total 2018 | Variance Act - Bud |
|--|---------------|---------------|---------------|-----------------|---------------|----------------|----------------|------------------|---------------------|-------------------|--------------------|-----------------------|-------------------------|----------------------|-----------------------|
| Bureau of Codes Personnel | 56,843 | 56,173 | 56,169 | 56,210 | 89,146 | 62,541 | 65,726 | 65,277 | 62,438 | 64,816 | 100,030 | 67,124 | 802,491 | 915,449 | -112,958 |
| Bureau of Codes Services | 202 | 365 | 683 | 995 | 327 | 90 | 991 | 0 | 978 | 661 | 3,301 | 2,184 | 10,776 | 29,250 | -18,474 |
| Bureau of Codes Supplies | 0 | 1,199 | 1,246 | 184 | 1,409 | 3,301 | 834 | 1,520 | 635 | 62 | 1,321 | 1,235 | 12,946 | 20,056 | -7,110 |
| Bureau of Codes Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Codes | 57,045 | 57,737 | 58,097 | 57,389 | 90,882 | 65,932 | 67,551 | 66,797 | 64,051 | 65,540 | 104,651 | 70,542 | 826,213 | 964,755 | -138,542 |
| Economic Development Personnel | 8,905 | 9,004 | 9,004 | 4,311 | 6,467 | 4,311 | 10,159 | 12,664 | 12,664 | 12,664 | 19,012 | 11,694 | 120,861 | 117,878 | 2,983 |
| Economic Development Services | 0 | 0 | 0 | 0 | 1,203 | 0 | 0 | 0 | 0 | 960 | 0 | 4,083 | 6,246 | 5,000 | 1,246 |
| Economic Development Supplies | 0 | 0 | 0 | 0 | 0 | 259 | 0 | 0 | 0 | 0 | 0 | 939 | 1,198 | 2,900 | -1,702 |
| Economic Development Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Economic Development | 8,905 | 9,004 | 9,004 | 4,311 | 7,670 | 4,570 | 10,159 | 12,664 | 12,664 | 13,624 | 19,012 | 16,716 | 128,305 | 125,778 | 2,527 |
| Office of the Police Chief Personnel | 931,238 | 922,695 | 1,084,539 | 874,343 | 1,376,126 | 1,000,141 | 883,955 | 925,466 | 894,417 | 4,304,572 | 1,308,427 | 980,414 | 15,486,333 | 16,740,361 | -1,254,028 |
| Office of the Police Chief Services | 130,071 | 42,406 | 134,225 | 47,120 | 26,960 | 87,924 | 10,687 | 32,542 | 21,250 | 81,813 | 43,537 | 121,328 | 779,862 | 987,972 | -208,111 |
| Office of the Police Chief Supplies | 1,525 | 8,312 | 18,455 | 43,219 | 14,052 | 46,035 | 1,833 | 11,973 | 21,104 | 12,763 | 21,710 | 36,832 | 237,813 | 405,509 | -167,696 |
| Office of the Police Chief Other | 167,636 | 9,750 | 59,494 | 0 | 0 | 0 | 795,250 | 25,587 | 144,920 | 94,483 | 140,643 | 60,465 | 1,498,228 | 2,277,738 | -779,510 |
| Office of the Police Chief | 1,230,469 | 983,163 | 1,296,712 | 964,682 | 1,417,138 | 1,134,100 | 1,691,725 | 995,568 | 1,081,691 | 4,493,632 | 1,514,318 | 1,199,039 | 18,002,236 | 20,411,580 | -2,409,344 |
| Bureau of Fire Personnel | 507,649 | 523,238 | 640,916 | 476,989 | 758,271 | 581,827 | 487,925 | 583,555 | 523,032 | 1,130,665 | 760,090 | 575,326 | 7,549,482 | 7,816,057 | -266,575 |
| Bureau of Fire Services | 22,254 | 17,025 | 28,871 | 20,708 | 51,610 | 26,359 | 29,539 | 11,714 | 29,585 | 21,543 | 39,545 | 106,577 | 405,328 | 456,095 | -50,767 |
| Bureau of Fire Supplies | 8,692 | 37,422 | 1,345 | 1,141 | 6,133 | 6,741 | 41,760 | 21,828 | 10,100 | 19,120 | 39,648 | 143,728 | 337,659 | 355,605 | -17,946 |
| Bureau of Fire Other | 13,000 | 0 | 0 | 0 | 22,215 | 0 | 74,817 | 22,967 | 303,158 | 12,788 | 85,943 | 206,497 | 741,385 | 1,930,694 | -1,189,309 |
| Bureau of Fire | 551,595 | 577,685 | 671,132 | 498,838 | 838,229 | 614,927 | 634,040 | 640,063 | 865,875 | 1,184,115 | 925,226 | 1,032,128 | 9,033,854 | 10,558,450 | -1,524,596 |
| Office of Traffic and Engineering Personnel | 60,544 | 57,952 | 56,701 | 54,341 | 92,973 | 64,020 | 68,029 | 58,791 | 59,096 | 58,641 | 93,108 | 60,054 | 784,250 | 859,940 | -75,690 |
| Office of Traffic and Engineering Services | 65,786 | 130,900 | 129,533 | 125,372 | 133,524 | 83,151 | 171,809 | 117,269 | 246,749 | 156,579 | 240,318 | 169,123 | 1,770,113 | 2,570,003 | -799,890 |
| Office of Traffic and Engineering Supplies | 24,064 | 111,643 | 3,094 | 8,226 | 32,889 | 9,435 | 2,941 | 75,550 | 27,694 | 28,147 | 70,117 | 77,800 | 471,601 | 752,498 | -280,897 |
| Office of Traffic and Engineering Other | 140,989 | 150,750 | 170 | 97,305 | 114,537 | 173 | 154,000 | 36,625 | 0 | 1,022 | 145,644 | 24,000 | 865,216 | 2,336,260 | -1,471,044 |
| Office of Traffic and Engineering | 291,383 | 451,245 | 189,498 | 285,245 | 373,924 | 156,778 | 396,779 | 288,235 | 333,540 | 244,388 | 549,187 | 330,977 | 3,891,179 | 6,518,700 | -2,627,520 |
| Bureau of City Services Personnel | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of City Services Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of City Services Supplies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of City Services Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of City Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Vehicle Management Personnel | 34,516 | 38,876 | 40,199 | 40,785 | 57,961 | 39,565 | 37,747 | 35,187 | 33,851 | 32,310 | 43,872 | 35,861 | 470,729 | 631,060 | -160,331 |
| Bureau of Vehicle Management Services | 22,070 | 20,120 | 18,473 | 11,533 | 17,533 | 8,010 | 1,852 | 11,006 | 7,487 | 15,312 | 16,287 | 66,313 | 215,995 | 458,254 | -242,259 |
| Bureau of Vehicle Management Supplies | 54,712 | 66,401 | 56,936 | 56,218 | 66,900 | 79,018 | 67,426 | 60,105 | 69,176 | 60,532 | 65,941 | 229,501 | 932,865 | 1,186,336 | -253,471 |
| Bureau of Vehicle Management Other | 0 | 0 | 49 | 0 | 9,856 | 0 | 2,824 | 12,654 | 6,637 | 0 | 38,791 | 21,706 | 92,517 | 161,850 | -69,333 |
| Bureau of Vehicle Management | 111,297 | 125,397 | 115,656 | 108,536 | 152,250 | 126,593 | 109,849 | 118,952 | 117,150 | 108,154 | 164,891 | 353,382 | 1,712,106 | 2,437,500 | -725,393 |
| Office of the Director of Parks, Recreation and Enrichment Personnel | 23,786 | 21,394 | 21,538 | 21,640 | 32,025 | 53,129 | 97,723 | 75,974 | 30,432 | 22,290 | 33,955 | 22,733 | 456,620 | 554,164 | -97,544 |
| Office of the Director of Parks, Recreation and Enrichment Services | 3,561 | 1,614 | 747 | 3,179 | 5,130 | 7,688 | 20,709 | 5,339 | 23,973 | 6,355 | 32,109 | 34,671 | 145,075 | 215,756 | -70,682 |
| Office of the Director of Parks, Recreation and Enrichment Supplies | 146 | 4,221 | 13,344 | 14,942 | 19,088 | 9,743 | 13,704 | 14,086 | 12,720 | 6,438 | 11,399 | 22,796 | 142,627 | 194,455 | -51,827 |
| Office of the Director of Parks, Recreation and Enrichment Other | 0 | 0 | 23,504 | 0 | 0 | 83,816 | 63,960 | 0 | 53,236 | 0 | 0 | 0 | 224,517 | 1,499,000 | -1,274,483 |
| Office of the Director of Parks, Recreation and Enrichment | 27,493 | 27,229 | 59,133 | 39,761 | 56,243 | 154,376 | 196,096 | 95,400 | 120,362 | 35,083 | 77,463 | 80,200 | 968,839 | 2,463,375 | -1,494,536 |

**City of Harrisburg
General Fund**

2018 Estimated Expenditures by Month

| | Actual Jan | Actual Feb | Actual Mar | Actual April | Actual May | Actual June | Actual July | Actual August | Actual September | Actual October | Actual November | Estimated December | Estimated Total 2018 | Budget Total 2018 | Variance Act - Bud |
|--|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------|------------------------|------------------------|--------------------------|-----------------------------|---------------------------|----------------------------|-------------------------------|---------------------------------|------------------------------|-------------------------------|
| Bureau of Act, Culture & Tourism Personnel | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Act, Culture & Tourism Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Act, Culture & Tourism Supplies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Act, Culture & Tourism Other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bureau of Act, Culture & Tourism | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 4,173,147 | 3,350,366 | 8,713,057 | 4,786,987 | 5,119,130 | 3,491,999 | 4,263,691 | 3,588,322 | 7,890,231 | 7,530,135 | 5,061,705 | 5,682,881 | 63,651,651 | 76,341,292 | -12,689,641 |

**CITY OF HARRISBURG
BUDGET REVIEW LETTER**

November 16, 2018

The Honorable Eric Papenfuse
City Government Center
10 North Second Street
Harrisburg, PA 17101

Dear Mayor Papenfuse:

Under the Act 199 of 2014 amendments to Pennsylvania's Municipalities Financial Recovery Act (i.e. Act 47 of 1987), Recovery Plan Coordinators have a statutory responsibility related to the municipal budget process.

According to the Act 199 amendments to Act 47, Coordinators for all Act 47 municipalities are now required to review the municipality's proposed budget for compliance with its Recovery Plan. The Harrisburg Strong Plan modifications were adopted by City Council on April 26 and confirmed by Commonwealth Court on July 20, 2016. The Coordinator is then to make any modifications necessary to the proposed budget to meet the Plan's objectives and return it with those modifications at least 45 days before the end of the year, or by November 17. The Strong Plan's budget projections for 2019 were revised by the Coordinator within the 2018 Exit Plan as presented to the City. Because the 2016 modifications did not include 2019 projections, and the Exit Plan did, the Exit Plan's projected revenues and expenditures will be used for our 2019 budget review.

I have reviewed the City of Harrisburg's proposed budget for fiscal year 2019 as submitted on October 16, 2018 for compliance with the Harrisburg Strong Plan modifications. The 2019 proposed General Fund budget includes projected revenues of \$71,057,716 compared to the 2018 budget of \$72,088,104 and projected expenditures of \$70,900,240 compared to 2018 expenditures of \$72,061,319, which results in a projected 2019 General Fund surplus of \$157,476. This slight surplus is the result of the use of a large projected year end cash carryover of \$7,028,744. Projected revenues and expenditures represent decreases of approximately 1.5% over the 2018 General Fund Budget.

Please keep in mind that continued use of fund balance (or cash carry-over amounts) to balance both the General Fund and Neighborhood Services Fund budgets will eventually deplete the City's unassigned fund balance below a fiscally prudent level. It is important to take necessary steps to obtain a structurally balanced budget of revenues and expenditures. A structural balance of revenues and expenses must include capital expenses. Planned capital investments through a Capital Improvement Plan Policy would provide a better opportunity to determine the validity of the capital project and the necessary expense to cover the costs of this long-term investment. Both the original Strong Plan and the approved modifications recommended that the City adopt a capital improvement plan policy, a debt service policy and a fund balance policy in order to prioritize expenditures for capital needs and optimize the use of debt and fund balance.

Moreover, the Harrisburg Strong Plan modifications recommended that the City use a significant portion of its fund balance to reduce or eliminate post-2022 obligations to Ambac (up to \$5.3 million per year) in

connection with the Settlement Agreement between Ambac and the City. This reduction in the obligation to Ambac remains a critical component for the City's long-term fiscal sustainability.

The Neighborhood Services budget continues to rely on the use of fund balance for its capital needs and operating expenses. This structural imbalance within the Neighborhood Services Fund must be addressed, as discussed in the modified Strong Plan.

Total General Fund revenues exclusive of the carryover proposed by the City for 2019 are \$64,028,972 vs the 2018 Exit Plan projections for 2019 of \$66,222,684 for a difference of -\$2,193,712 or -3.3%. Total expenditures proposed by the City are \$70,900,240 vs the 2018 Exit Plan modification projections of \$69,002,883 for a difference of \$1,897,357 or 2.7% over the Exit Plan. In reviewing the City's budget, we looked closely at departmental expenditures to ensure that they conform to the general principles providing for "vital and necessary services".

Overall, General Fund personnel costs for 2019 which represent 61.9% of the budget are \$43,814,012 vs. the Exit Plan's projection of \$43,704,057 for a difference of \$109,955 or 0.3% and are generally consistent with the Exit Plan modifications. The 2019 budget includes several targeted personnel additions. The City is proposing five new full-time positions in the General Fund for 2019. The Coordinator recognizes the need to fill certain critical positions that address public safety and vital city services, though we emphasize, again, that City must be judicious in filling positions and that they be filled only upon justification that they are critical to providing vital and necessary services and that there is sufficient revenue to support those positions.

Additionally, the City has a number of capital projects that it is proposing to undertake in 2019 including significant capital expense for public safety, sidewalks, traffic control, recreation and park facility upgrades and IT system upgrades. This increased capital spending represents the majority of the expenditure increases over the Exit Plan's estimates. Some of these projects are funded in part through grants from the state and Impact Harrisburg although the majority are proposed to be funded through the use of the City's General Fund cash carry-over. As noted above, the Coordinator continues to caution about utilizing cash carry-over to fund these capital projects.

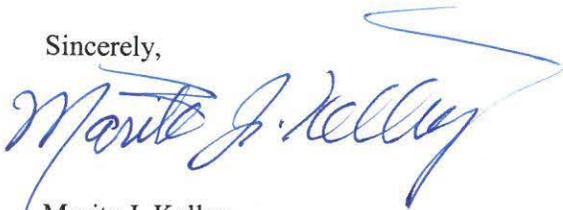
The operational elements of the 2019 Neighborhood Services budget are generally consistent with the Exit Plan and we offer no recommendations for change. However, the capital portion of the Neighborhood Services budget varies significantly from the Exit Plan by \$3,740,859. Although changing circumstances are driving the need for capital spending, we caution the City to prioritize these needs over the next several years and to judiciously consider the best use of the resources available between the funds held in escrow, possible borrowing, and the use of fund balance to meet prioritized capital projects. Moreover, the Coordinator reiterates that the City needs to develop a long-term plan to pay for operations and capital programmatic requirements. The fact that this fund has not been generating sufficient amounts to pay for operations and capital has been known to the Coordinator and the City for several years and must be addressed by the City.

We are providing this letter to confirm our review of your budget as submitted on October 16, 2018. The rest of the document following this cover letter describes our findings and recommendations.

We understand that the next step in this process under Harrisburg's Optional Charter is your budget submission to City Council at the last stated meeting in November. City Council may recommend its own set of changes to the budget during that process, culminating in City Council's adoption of a budget in December. Please keep us apprised of further developments as the budget process evolves. Once City Council adopts the budget, we will provide a letter to the Pennsylvania Secretary of Community and Economic Development reporting whether the final version of the budget complies with the Harrisburg Strong Plan, as now required by law.

We thank you for your cooperation and greatly appreciate your responsiveness to our questions during this process, especially from the Finance Director and his team.

Sincerely,



Marita J. Kelley

Act 47 Coordinator, City of Harrisburg

Budget Compliance

We compared the 2019 Budget to projections developed for the 2019 Exit Plan submission.

General Fund Revenues

| Revenue Group | 2019 | 2019 | Budget vs. Projected | |
|----------------------------------|-------------------|-------------------|----------------------|-------------|
| | Budget | Projected | \$ | % |
| Real Estate Taxes | 17,491,895 | 17,867,860 | -375,965 | -2.1 |
| Realty Transfer Tax | 649,000 | 599,145 | 49,855 | 8.3 |
| Earned Income Tax | 11,544,297 | 12,221,908 | -677,611 | -5.5 |
| Local Services Tax | 5,814,224 | 7,307,196 | -1,492,973 | -20.4 |
| Mercantile Business Privilege | 3,469,050 | 3,517,790 | -48,740 | -1.4 |
| Parking Taxes | 3,962,000 | 3,921,067 | 40,933 | 1.0 |
| Hotel Tax | 900,000 | 840,000 | 60,000 | 7.1 |
| Total Taxes | 43,830,465 | 46,274,966 | -2,444,501 | -5.3 |
| State Aid Pension | 2,885,583 | 2,681,651 | 203,933 | 7.6 |
| Public Safety Allocation | 5,000,000 | 5,000,000 | 0 | 0.0 |
| Fees/Permits/Licenses | 2,610,279 | 2,524,204 | 86,075 | 3.4 |
| Grants | 289,698 | 109,710 | 179,988 | 164.1 |
| Vehicle Maintenance Charges | 279,300 | 340,526 | -61,226 | -18.0 |
| PILOTS | 676,797 | 676,752 | 46 | 0.0 |
| Parking Revenue | 514,825 | 562,474 | -47,648 | -8.5 |
| Ground Lease Payments | 1,275,201 | 1,250,319 | 24,882 | 2.0 |
| Priority Parking Distribution | 2,241,682 | 1,779,347 | 462,335 | 26.0 |
| Transfers from Other Funds | 811,063 | 1,481,063 | -670,000 | -45.2 |
| Other Non Tax Revenue | 3,614,078 | 3,541,672 | 72,405 | 2.0 |
| Total NonTax Revenue | 20,198,507 | 19,947,718 | 250,788 | 1.3 |
| Total | 64,028,972 | 66,222,684 | -2,193,712 | -3.3 |
| Cash Carryover | 7,028,744 | 0 | | |
| Total with Cash Carryover | 71,057,716 | 66,222,684 | | |

Taxes

Real Estate Taxes are budgeted at an increase of 0.5% over the 2018 budget, the projected numbers are used a 0.5% increase over the 2018 Estimated numbers at the time of the plan. This number may be low, however and should be updated once the revised assessed values are received from the county.

Earned Income Tax estimated for the exit plan were increased over the 2018 Estimates at the time of the Plan by 1.0%. The city's budget is a 1.0% increase budget vs. budget.

Local Services Tax estimated for the exit plan used a tax base of 49,000 workers at \$151, resulting in higher collections for the plan. Current estimates for collections are trending slightly lower but still higher than proposed budget. The city's budget is a 1.0% increase budget vs. budget.

Other Taxes vary from the plan slightly based on current collections and efficiencies in the department.

Nontax Revenues

State Aid for Pension is increased for the 2019 Budget by 2.0% over the 2018 Actual received. The Exit Plan increased the 2018 budget by the same rate.

Grant Revenue is increased by additional grants not anticipated when the Exit Plan was developed including revenue originally anticipated in 2018.

Priority Parking Distribution in the Exit Plan was an increase of 1.0% over the 2018 Budget per the indentures at the time. The 2019 budget includes a higher amount per the City.

Transfers from Other Funds in the Exit Plan included a \$670,000 from the Capital Projects Fund not included in the 2019 Budget.

Cash Carry Over in the budget is anticipated to be used for debt and capital projects. The Exit Plan did not show cash carry over as a revenue item but anticipated the City would need approximately \$2.9 million of its Fund Balance to cover expenditures for the year. The timing of capital projects could effect the amount needed.

General Fund Expenditures by Type

| <u>Category</u> | Budget | Projected | Budget vs Projected | |
|----------------------------|-------------------|-------------------|----------------------------|-------------|
| | 2019 | 2019 | \$ | % |
| Personnel | 43,814,012 | 43,704,057 | 109,955 | 0.3 |
| Services | 7,827,127 | 8,083,280 | -256,153 | -3.2 |
| Supplies | 2,731,969 | 2,873,711 | -141,742 | -4.9 |
| Other | <u>1,216,129</u> | <u>1,165,486</u> | <u>50,643</u> | <u>4.3</u> |
| Sub Total Operating | 55,589,237 | 55,826,534 | -237,297 | -0.4 |
| Capital | 5,477,366 | 3,198,431 | 2,278,935 | 71.3 |
| Debt Service | <u>9,833,638</u> | <u>9,977,918</u> | <u>-144,280</u> | <u>-1.4</u> |
| Total GF | 70,900,240 | 69,002,883 | 1,897,357 | 2.7 |

Personnel Costs are slightly below the budgeted figures. Increased pension and additional employee expenditures are offset by decreased medical and vacancies, especially in the police department. New General Fund positions include: HR Specialist, Paralegal in Licensing, Project Manager in Traffic and Engineering and an Assistant Facilities Manager and a Laborer II (75% in GF, 25% NSF) in Parks & Recreation. The Director of Community and Economic Development position was eliminated for 2019.

Service Expenditures overall are slightly below the Exit Plan Figures, however there are some significant swings between line items. The major offsetting variances are an increase in the liability estimate from \$375,000 to \$1.4 million and a decrease in Traffic & Engineering Consulting and Other Services categories of \$665,071 and \$444,631 respectively. Other increases included higher than anticipated maintenance contracts in Police and Parks & Recreation and additional contracted services in HR, IT and Vehicle Management. Web/Software expense was cut by \$268,645 across the board.

Supply Expense was also slightly below the Exit Plan figures. Traffic and Engineering decreased its supply budget by \$364,733. The Information Technology increased its supply budget by \$139,343 with increases in software of \$84,000 and office equipment of \$70,000. Parks & Recreation increased various supply line items totaling \$109,806.

Other Expense is slightly above the Exit Plan. Increases in lease purchases in Vehicle Management, Fire and Council are offset by eliminating transfers to other funds including Special Events, Blight and Federal Grant Funds.

Capital Spending has been revised to reflect updated plans.

Total Expenditure Variances by Department

| Budget Unit | Department | Budget | Projected | Budget vs Projected | |
|-------------|--|-------------------|-------------------|---------------------|------------|
| | | 2019 | 2019 | \$ | % |
| 01000101 | City Council | 418,180 | 410,430 | 7,750 | 1.9 |
| 01000102 | Mayor | 262,015 | 257,139 | 4,876 | 1.9 |
| 01000103 | City Controller | 173,398 | 173,932 | -534 | -0.3 |
| 01000104 | City Treasurer | 421,811 | 466,741 | -44,930 | -9.6 |
| 01000105 | City Solicitor | 743,117 | 736,600 | 6,517 | 0.9 |
| 01010110 | Business Administrator | 314,478 | 315,249 | -771 | -0.2 |
| 01010112 | Bureau of Financial Management | 783,846 | 795,183 | -11,337 | -1.4 |
| 01010114 | Bureau of Communication | 343,784 | 332,952 | 10,832 | 3.3 |
| 01010115 | Bureau of Risk Management | 82,558 | 85,555 | -2,997 | -3.5 |
| 01010116 | Bureau of Information Technology | 1,981,893 | 1,731,838 | 250,055 | 14.4 |
| 01010117 | Bureau of Human Resources | 488,445 | 409,956 | 78,489 | 19.1 |
| 01010124 | License, Tax, Support | 621,738 | 562,648 | 59,090 | 10.5 |
| 01010188 | General Expenses | 15,279,931 | 14,298,427 | 981,504 | 6.9 |
| 01010189 | Transfers to Other Funds | 10,090,416 | 10,511,998 | -421,582 | -4.0 |
| 01030134 | The Dir Dept of Comm & Econ Devel | 0 | 156,244 | -156,244 | -100.0 |
| 01030135 | Bureau of Planning | 289,211 | 318,810 | -29,599 | -9.3 |
| 01030137 | Bureau of Codes | 946,996 | 983,154 | -36,158 | -3.7 |
| 01030139 | Bureau of Business & Resource Development | 179,700 | 118,267 | 61,433 | 51.9 |
| 01040142 | the Police Chief | 19,094,027 | 19,846,474 | -752,447 | -3.8 |
| 01040151 | Bureau of Fire | 8,862,635 | 8,788,879 | 73,756 | 0.8 |
| 01060160 | Traffic and Engineering | 5,071,955 | 4,568,928 | 503,027 | 11.0 |
| 01060172 | Bureau of Vehicle Management | 2,355,732 | 2,212,881 | 142,851 | 6.5 |
| 01080180 | the Director of Parks, Recreation and Enrichment | 2,094,374 | 920,597 | 1,173,777 | 127.5 |
| | Total | 70,900,240 | 69,002,883 | 1,897,357 | 2.7 |

General Fund Summary

| | 2018 Oct YTD | Budget 2018 | % of Budget | Budget 2019 | Projected 2019 | Budget vs Plan 2019 | |
|-------------------|-------------------|-------------------|----------------|-------------------|-------------------|------------------------|------------|
| | | | | | | \$ | % |
| Revenues | 55,917,441 | 63,847,544 | 87.6 | 64,028,972 | 66,222,684 | -2,193,712 | 3.3 |
| Expenditures | <u>52,907,065</u> | <u>76,341,292</u> | <u>69.3</u> | <u>70,900,240</u> | <u>69,002,883</u> | <u>1,897,357</u> | <u>2.7</u> |
| Surplus/(Deficit) | 3,010,376 | 12,493,748 | | -6,871,269 | -2,780,199 | -4,091,069 | |
| Cash Carryover | <u>0</u> | <u>12,512,427</u> | | <u>7,028,744</u> | <u>0</u> | | |
| Net | 3,010,376 | 18,679 | | 157,475 | -2,780,199 | | |

2019 Capital Plan

| Department | Amount | Description |
|------------------------|-----------|---|
| City Treasurer | \$15,000 | Office Remodeling - currently under BU 0180 |
| Information Technology | \$235,000 | Data Center Redundancy - Equipment (Gaming Grant) |
| Information Technology | \$180,000 | VOIP Phone System Replacement - Phase 2 |
| Information Technology | \$45,000 | Morefield - Infrastructure / Security Enhs |
| Information Technology | \$50,000 | Morefield - Fiber Replacement |
| Information Technology | \$50,000 | Workflow & Imaging System - Phase 1 |
| Information Technology | \$15,180 | Data Center Redundancy - Location - Under and Service account (Gaming Grant) |
| Information Technology | \$30,000 | Harrisburg Police - Video Server (Lease for 3 years, \$30k a year thru 2020) |
| Information Technology | \$62,000 | Key Finance - Cisco Server & Nimble SAN Lease |
| Information Technology | \$40,000 | Office365 Licenses (DCED Grant Funded) |
| Information Technology | \$17,881 | Departmental/bureau copier leases |
| Police | \$225,000 | CODY RMS to replace In-Synch |
| Police | \$325,000 | 5 pursuit vehicles & 1 Transport Van |
| Police | \$25,000 | Specialty Unit |
| Police | \$30,000 | Motorcycle |
| Police | \$400,000 | 38 portable, 33 mobile in-car radios |
| Police | \$160,000 | Body Cameras - Under a Service Account |
| Fire | \$125,000 | All Bay Doors/Facilities |
| Fire | \$150,000 | Tower 1 and Squad 8 replacement (10 yr \$1.5m lease purchase w/ half grant from Fireman's relief) |
| Traffic & Engineering | \$345,000 | Riverwalk Over runs and Herr St ADA Curb Ramps |
| Traffic & Engineering | \$32,000 | ADA Curb Ramps Herr St |
| Traffic & Engineering | \$326,469 | Green Light Go Proj 1 Match |
| Traffic & Engineering | \$65,000 | Green Light Go Proj 1 Over runs |
| Traffic & Engineering | \$517,000 | Seventh Street City Share |
| Traffic & Engineering | \$21,000 | Maclay St. Ramp over runs |
| Traffic & Engineering | \$50,000 | Herr St. Underpass City Share |
| Traffic & Engineering | \$270,000 | Mulder Square Construction |
| Traffic & Engineering | \$250,000 | 3rd Street Construction Inspection (Professional Fee) |
| Traffic & Engineering | \$300,000 | N 7th st. Construction Inspection (Professional Fee) |
| Traffic & Engineering | \$140,000 | Mulder Square Construction Inspection (Professional Fee) |
| Traffic & Engineering | \$200,000 | North 2nd Street Final Design (Professional Fee) |
| Traffic & Engineering | \$25,000 | MLK Construction Administration (Professional Fee) |
| Traffic & Engineering | \$100,000 | Green Light Go Project 2 |
| Traffic & Engineering | \$165,000 | Derry St Ada Ramps (CRW will Invoice the City) |
| Traffic & Engineering | \$175,000 | Bucket Truck |

| | | |
|---------------------------------|-------------|---|
| Traffic & Engineering | \$35,352 | Sign Printer |
| Traffic & Engineering | \$10,595 | Sign Laminator |
| Traffic & Engineering | \$10,000 | Traffic Signal CMU upgrades (13 locations) |
| Traffic & Engineering | \$40,000 | Traffic Cabinet Upgrades Damaged Cabinets (1 locations) |
| Traffic & Engineering | \$55,000 | Traffic Signal Controller upgrades (7 locations) |
| Traffic & Engineering | \$60,000 | Video Detection Upgrades at damaged loop locations (3 locations) |
| Traffic & Engineering | \$50,000 | Pedestrian Countdown Signals (remaining locations) 3-4 Phases Remaining |
| Traffic & Engineering | \$20,000 | ADA Style Pedestrian Push buttons |
| Vehicle Management | \$320,000 | VMC Vehicle Leasing |
| Facilities & Parks & Recreation | \$199,950 | MLK & PS Building Remodeling |
| Facilities & Parks & Recreation | \$285,000 | 4th & Dauphin |
| | \$6,247,427 | |

Neighborhood Services Fund

| Revenue | 2019 | 2019 | Budget vs. Exit Plan | |
|---------------------------------------|-------------------|-------------------|----------------------|---------------|
| | Budget | Projected | \$ | % |
| Operations | 14,669,500 | 14,669,500 | 0 | 0.0 |
| Miscellaneous | 439,021 | 121,235 | 317,786 | 262.1 |
| Transfers | 4,860 | 0 | 4,860 | 100.0 |
| Cash Carryover | 5,025,310 | 0 | 5,025,310 | 100.0 |
| Total Revenue | 20,138,691 | 14,790,735 | 5,347,955 | 36.2 |
| Expenditures | | | | |
| Personnel | 5,483,520 | 5,377,718 | 105,802 | 2.0 |
| Services | 9,262,815 | 8,846,148 | 416,667 | 4.7 |
| Supplies | 917,400 | 729,360 | 188,040 | 25.8 |
| Other | 0 | 0 | 0 | 0.0 |
| Lease Purchase | 734,097 | 644,993 | 89,104 | 13.8 |
| Capital | 3,740,859 | 0 | 3,740,859 | 100.0 |
| Transfer to General Fund | 0 | 0 | 0 | 0.0 |
| Transfer to Landfill/Incinerator Fund | 0 | 0 | 0 | 0.0 |
| Total Expenditures | 20,138,691 | 15,598,218 | 4,540,473 | 29.1 |
| Surplus/(Deficit) | 0 | -807,482 | 807,482 | -100.0 |

Revenues

Operations Revenues for the budget are in line with figures used in the 2019 Exit Plan.

Miscellaneous Revenues include a \$310,859 grant not anticipated in the Plan.

Cash Carryover was not a revenue line item in the Plan, however the Plan did anticipate the use of Fund Balance to cover the deficit.

Expenditures

Parks Maintenance functions will now be handled by this department.

Personnel Expenditures are higher than the Exit Plan. The budget includes the addition of several new positions include three Motor Equipment Operators; a Mechanical Equipment Manager; a Custodial Manager; and a 25% share of a Laborer II position.

Services & Supplies are increased over the Plan primarily due to upgrades scheduled for Italian Lake.

Capital Spending has been revised to reflect updated plans.

| Amount | Description |
|---------------------------|---|
| \$2,500,000 | Public Works Building |
| \$250,000 | Demolition |
| \$354,810 | KS State Bank - lease purchase of 7 refuse trucks |
| \$129,588 | KS State Bank - lease purchase of 2 front-end loaders |
| \$211,415 | KS State Bank - lease purchase of 6 dump trucks |
| \$17,401 | KS State Bank - capital equipment lease (back-hoe) |
| \$7,503 | Caterpillar - capital equipment lease (asphalt paver) |
| \$13,380 | Caterpillar - capital equipment lease (skid loader) |
| \$230,000 | 1-ton truck for roll off hauling |
| \$450,000 | 2 New Tri Axle |
| \$229,957 | 1 New 20 CY Recycle Truck (Grant) |
| \$42,982 | 1 New 12' Wood Chipper (Grant) |
| \$37,920 | Recycle Carts (Grant) |
| \$150,000 | Generator & Backup Battery for DPW Building |
| \$10,000 | Trailers for Hauling |
| \$50,000 | Loader |
| \$10,000 | O Turn Mower |
| \$55,000 | Flatbed Truck |
| \$40,000 | Italian Lakes Inline Water Work |
| <u>\$4,789,956</u> | |

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

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

Petitioner,

v.

CITY OF HARRISBURG,

Respondent.

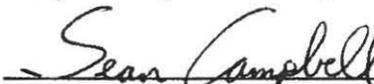
Docket No. 569 MD 2011

CERTIFICATE OF CONFIDENTIALITY

I certify that this filing complies with the provisions of the "Public Access Policy of the Unified Judicial System of Pennsylvania: Case Records of the Appellate and Trial Courts that require filing confidential information and documents differently than non-confidential information and documents.

Respectfully submitted,

BY:


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official capacity as Secretary at the
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CERTIFICATE OF SERVICE

I, Sean Campbell, hereby certify that on this 8th day of January 2019, the foregoing **Status Report of the Coordinator for the City of Harrisburg** has been served upon counsel in the manner indicated below, which service satisfies the requirements of Pennsylvania Rule of Appellate Procedure 121:

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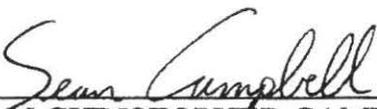
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Date: January 8, 2019


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