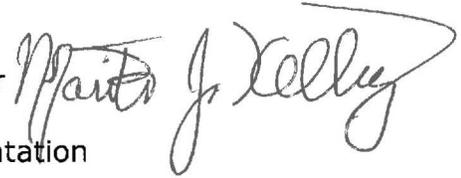


Date: April 17, 2020

To: The Honorable Bonnie Brigance Leadbetter

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

Re: 2020 First 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 twenty-fifth 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 the Harrisburg 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 Intergovernmental Cooperation Agreement (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.

However, the City and the Harrisburg Intergovernmental Cooperation Authority (the "ICA") have not yet executed the Intergovernmental Cooperation Agreement. Further, in the midst of these negotiations, on February 14, 2020, the City of Harrisburg filed a petition for review in this Court (180 M.D. 2020) alleging that the ICA has barred a Harrisburg official who is also an *ex officio* member of the ICA Board from attending executive sessions. Although Act 124 envisioned a quick transition to ICA oversight, nearly eighteen months have passed since its passage and this Court should consider terminating the City of Harrisburg's distressed status and DCED's responsibilities under Act 47 as it deems appropriate.

This memorandum provides the Court with a summary of actions that have occurred and issues that are involved with the continued implementation of the Strong Plan, including the modifications thereto, through the first quarter of 2020.

With the anticipation of the rescission of the City's Act 47 distressed status in the future, on July 15, 2019, DCED suspended the contracts for the Act 47 Consulting team that has been working with the Act 47 Coordinator since the inception of the Receivership. As the Act 47 Coordinator, I continue to perform my duties as assigned which largely includes biweekly check run reviews and cash flow status analysis. I also meet with the City Council President, Wanda Williams and the

Finance Director, Bruce Weber regularly to maintain input and status of the Strong Plan Activity until the Intergovernmental Cooperative Agreement is finalized and the City exits Act 47. I reviewed and provided input on the 2020 Annual Budget Proposed and Final Adopted Budget.

During the past three months, (January, February, March) as the Coordinator I have been working with the City of Harrisburg's Mayor, Finance Department (Accounting Office), and City Council President and Council Members to continue to monitor the budgetary and other related activities through the end of the first quarter.

The City's General Fund, available cash balance as of March 30, 2020 stands at \$35.4 million dollars. The Neighborhood Service Fund available cash is \$7.3 million dollars during the same period.

On May 21, 2018 the Commonwealth of Pennsylvania, et al, filed a complaint against seven professional firms based on the Harrisburg incinerator project and the series of financing transactions. The case is filed in the Commonwealth Court at 368MD2018. The Petitioners are represented by Harris, Wiltshire & Grannis LLP. In early September 2019, the Commonwealth Court held oral argument on preliminary objections filed by the seven professional firms seeking to dismiss the complaint. The parties are awaiting a Court decision.

Please review the progress report provided below.

Office of the Receiver/Coordinator

It has now been just over six years and one month 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 first quarter 2020 report on the City's progress with further implementation activities.

The first quarter of 2020 has been unprecedented as most of the Commonwealth and the City of Harrisburg have been effectively shuttered as the Governor and the Health Department Secretary have struggled with containing the COVID-19 Pandemic. All non-essential businesses within the City limits have been closed. This of course includes the Capital Complex where several thousand workers have been working remotely since March 16, 2020, to effectively reduce the risk of COVID-19 spread and save lives.

For the City of Harrisburg, the economic impact of this situation is alarming, and its full impact will likely be felt for months and even years to come. Both the Federal and State Governments have taken steps to assist local government economies by providing federal COVID-19 economic stability programs for businesses including the Small Business Administration and United States citizens to keep the economy neutralized during the crisis. Given these robust relief efforts, the City Officials along with the Impact Harrisburg Board Members, believed that it was most prudent to examine the Federal/State Economic and Business stimulus packages in order to determine what gaps would remain for the local government to likely fill.

Subsequently, the City of Harrisburg's Mayor and City Council joined forces to ensure that small businesses (especially the Sole-Proprietor or small Family-Owned Businesses that might not

benefit from the federal and state programs) can remain viable during this Pandemic. In an unprecedented move, the Pennsylvania Department of Community and Economic Development represented by the City of Harrisburg Recovery Coordinator, the Dauphin County Commissioners, Mayor, City Council, Capital Regional Economic Development Corporation (CREDC), and Impact Harrisburg, Board of Directors have formed an alliance to create the City of Harrisburg, Special Committee on Covid-19 Response for Small Businesses.

As the result of this collaborative effort, the Neighborhood Business Stabilization Program was formed. This program is a joint effort by the City of Harrisburg and Impact Harrisburg Board. As part of this program, individuals that qualify will receive grants of up to \$10,000 per applicant. These grants will be offered to the City of Harrisburg's Neighborhood Businesses who are fiscally impacted as the result of the COVID-19 Pandemic. The primary goal of this program is to leverage available dollars to assist Neighborhood Businesses to survive as this health crisis continues into its second month. The emergency cash flow that this grant will provide should help these small business employers sustain their business during this crisis. This joint effort should provide a business sustaining funds that permit the employer to pay necessary workers, fill inventory, and continue business after the shuttering during COVID-19.

Those eligible for the program will be City of Harrisburg's licensed businesses located within the City corporate limits. A strong preference will be for businesses which are owned and operated by City residents. Also, a preference will be given to Minority Owned Businesses (MBE) or Women Owned Businesses (WBE).

Applicant businesses should have under \$100,000 in the most recently reported annual gross revenue and at least half of the grants will be directed to businesses with annual gross receipts of under \$500,000. These businesses must also demonstrate or project a reduction in monthly revenue of more than 25% as a result of COVID-19. These grants must also be used in promoting the interests of this program and of the business. This program may be used in conjunction with SBA loan or grant; however, the benefit cannot be duplicated.

The grants may be used for emergency operating funds for neighborhood businesses that have been closed or their customer base severely reduced due to the health crisis. Eligible funding may be used to pay mortgages, utilities, payroll, vendor supplies, and other outstanding vendor invoices.

The program, remarkably, will commence on April 20, 2020 and the applications will be considered on a rolling basis, until the funds are depleted. Applications will be reviewed by the Special Committee On COVID-19 Response for Small Businesses and a decision will be conveyed to the applicant by May 7, 2020.

As the City mitigates this critical fiscal and economic challenge; it is evident that the leadership at the City of Harrisburg, the Mayor and City Council along with the Board of Impact Harrisburg has demonstrated an immense desire to assist the City Neighborhood Businesses. The above program took less than a month to be formulated and executed. This action displays the true capacity for the City's leadership to assist in resolving daunting fiscal and economic issues.

During the first quarter of 2020 as the Recovery Coordinator, I continued to oversee the implementation of the Act 47 Strong Plan modifications. The modifications provide financial projections through the end of the quarter, 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.

The capital improvement programming for services that are essential to improve the City's quality of life and economic vitality, were incorporated into the 2020 approved budget. In fact, the Mayor and City Council have committed appropriate funding for capital improvements and investments in the City's assets. Most of the capital improvements are for IT, Public Works, and Public Safety facilities.

As Coordinator, I prepare Cash Flow Estimates based on the City's Check Run activity. I continue to monitor the implementation of the Strong Plan Modifications and the proposed Act 47 Final Exit Plan until the planned exit from Act 47 is executed.

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

As mentioned earlier in this report, the Impact Harrisburg, Board of Directors has taken significant steps to assist during the COVID-19 Pandemic. In addition to their normal duties, the Impact Harrisburg's Boards' call to action, during this social and economic challenge, was extraordinary. The Board immediately met to discuss the COVID-19 Pandemic crisis and the related shuttering of City of Harrisburg's businesses. It is evidenced above, just how serious this Board's commitment is to the City of Harrisburg. Every Impact Board member and the Executive Director rallied to the need of the neighborhood business community.

The Impact Harrisburg Board has made a commitment to continue to respond to small business needs during this crisis so that the "core," businesses in the City, that make up the economic vitality of the City and Region, can successfully continue to provide important services.

Despite the crisis, 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 1st Vice-Chair (Interim Treasurer), Gloria Martin-Roberts as 2nd Vice-Chair. 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. The 501(c)(3) application was also filed with the IRS in March and approved by the IRS on June 18, 2015.

As Coordinator, I continue to participate and attend the Impact Harrisburg's Board of Directors monthly meetings. I have provided input on contracting, contract compliance issues, disbursements, and related matters.

The Board of Directors 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. The annual Impact Harrisburg audit was completed on October 31, 2019.

At the Impact Harrisburg organizational meeting held January 28, 2020 the Board of Directors discussed the prospect of introducing a second round of funding during the first quarter of 2020. The consensus was to convene the board meeting as a committee of the whole for reviewing all the program requirements established for the first round of funding, and determining the feasibility, both fiscal and programmatic actions required for the second round. Subsequently, \$500,000 was set aside for the Neighborhood Business Stabilization Program that was defined, in great detail, above.

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.

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 15 projects met the established funding criteria. As of December 23, 2019, the total amount of the grant awards allotted by Impact Harrisburg to various grantees stands at \$10,292,420. 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 April 14, 2020:
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)
8. City of Harrisburg Playground Resurfacing (\$250,000 grant)
9. Tri-County Housing Development Corporation (\$370,000 grant)

10. Capital Region Water/City of Harrisburg Multi-Modal Collaborative Facility (\$5,797,701.17 grant)
11. Salvation Army for new facility multi-purpose facility (\$500,000)
12. Harrisburg Redevelopment Authority (\$500,000 grant)

Outstanding Projects:

1. East Shore YMCA (\$138,592 grant)
2. Tri-County Community Action Commission (\$204,759 grant)
3. Community First Fund (\$350,000 grant)

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 grants (less than \$5,000) 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 for one year, 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.

As of April 14, 2020, 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.

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

Impact Harrisburg's Report to the Community has been prepared and is awaiting final review by the Board before the full report is released. This report will itemize the many successful projects the Board of Directors have undertaken.

The Harrisburg Business Opportunity Fund

Impact Harrisburg has decided to shift the focus of this program from a low interest loan to a small grant program that can assist neighborhood businesses with their initial start-up costs. The Board is drafting strict guidelines to assure the proper spending for this programmatic change.

Harrisburg Supplemental Growth Fund

Introduction

In addition to repaying hundreds of millions of dollars in debt of the City, the Strong Plan envisioned an additional approximation of \$26 million infusion of cash that will benefit the City. Of this amount, \$3.3 million dollars would be deposited into an OPEB Trust Fund, and the remaining \$22.7 million would be used for economic development and infrastructure. To achieve a portion of these goals, PennDOT committed the City of Harrisburg to provide \$12.0 million annually over a seven-year period toward infrastructure repair in addition to existing funding commitments.

After closing on the Strong Plan transactions, it was determined to establish **Impact Harrisburg** which would combine the Infrastructure and Economic Development aspects of the plan into one fund. Impact Harrisburg's progress is carefully outlined above.

PennDOT funding. The City received formal approval from PennDOT through grant funding to undertake much of the street related improvements. The project includes significant modernization of the Third Street corridor in the City from Market to Division Streets. This project was finalized January 2020. This project included a complete overlay of Third Street as well as ADA compliance walkways and Traffic Calming intersections.

Future Transfers to OPEB Trust and Impact Harrisburg.

1. OPEB Trust – Now that the Escrow Agreement has been terminated and proceeds maintained thereunder have been distributed, the OPEB Trust Fund documents will need to be finalized. The OPEB Trust, has \$3,300,000 that was stated in the Strong Plan to be available for such purpose.

2. Supplemental Funds – Supplemental Funds include any recoveries from pursuit of Incinerator Claims. Supplemental Funds may eventually also include payments of surplus note amounts to the City pursuant to the parking transaction indenture.

Fiscal Matters

The 2020 General Fund Budget includes Revenues of \$74,317,446 compared to the 2019 budget Revenues of \$70,808,153 and Expenses of \$74,316,819 compared to 2019 Expenses of \$70,808,153. The projected Revenues and Expenditures overall represent an increase of approximately 4.9% over the 2019 budget. The 2020 General Fund Budget did not meet the revenue or expenditure criteria set forth in the Act 47 Final Exit Plan for the City of Harrisburg. This plan is the last budget projection that the Coordinator prepared before the ICA Harrisburg financial plan was put in place; however, the final ICA Harrisburg Agreement has not yet been finalized. As for the Neighborhood Services Fund Budget, the Revenues and Expenses total \$17,531,761 each; therefore, producing a balanced budget.

A review of actual revenues and expenditures through the end of March finds that the City's total General Fund revenues were \$21,520,895 (28.9% of budget) while expenditures were

\$12,149,437 (16.3% of budget). The City received \$ 11,564,408 (65.3% of budget) of current year Real Estate Taxes through the end of March 2020. The City Earned Income Tax (EIT) revenues received through the end of March \$3,457,762 (28.4% of Budget). Given the current COVID-19 Pandemic fiscal crisis, the fact that the City is on its normal course of collection for these two taxes, is a positive, although a cautious sign.

Following the March 30, 2020 check run and payroll, the City's General Fund cash balance was approximately \$35.4 million while the Neighborhood Services fund had a balance of \$7.3 million. The City's bi-weekly General Fund payroll averaged \$1,000,000 for the first quarter and the Neighborhood Services Fund bi-weekly payroll averaged \$150,000 for the first quarter.

The Coordinator reviews City payables for both the General and Neighborhood Services Funds on a bi-weekly basis. During the first quarter, bi-weekly check runs were reviewed, and comments were provided.

Due to the significant variances anticipated due to the COVID-19 financial crisis, it is nearly impossible to project budgetary expectations through year end 2020. Therefore, the General Fund and Neighborhood Services Fund's revenues and expenses will fluctuate wildly, and it will be extremely difficult to render appropriate estimates or forecasts. Given these factors, the 2020 cash flow estimates will not be provided within this report. Therefore, the goal will be to work with the City of Harrisburg's Finance Director and Accounting Manager throughout the next quarter to determine realistic cash flow estimates through fiscal year end. As we approach the end of the second quarter, June 30, 2020, the City will also be providing the cash flow analysis based on mid-year reporting of the General Fund and Neighborhood Services Fund, Balance Sheet activity and the Revenue and Expenditure Report summary. Ultimately, the COVID-19 fiscal crisis will impact Revenues and Expenditures for this year and the coming year.

The Strong Plan modifications included a number of 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 2020 budget takes advantage of certain grants and likewise uses a portion of its fund balance on a PAYGO basis to address targeted capital needs primarily in the IT, public safety and public works areas.

The City received its 2019 audit in mid-September from Maher Duessel, the City's independent auditor. During the first quarter 2020, 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.

The City has completed its 2020 Budget.

Operational Issues

During the first quarter 2020, the City of Harrisburg with the support of the Recovery 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 Fiscal Year 2016-2017 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. This grant is coming to a close on June 30, 2020.

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 for the City of Harrisburg for the past four years. Mr. Miller is working to make the Treasury Department efficient and well run.

Treasurer, Dan Miller completed a review of the recommendations and has executed several internal control recommendations that include the segregation of accounting duties to strengthen and improve the internal controls for the Treasurer's Office.

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. The City Administrator 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, Human Resources, and IT. These will be priority areas of focus for the City's administrative functions going forward.

Updates to the City's Strategic Management Plan were incorporated into the 2020 Budget Process. The Act 47 Coordinator's has reviewed the plan for compliance with the City's Strong Plan and broader Act 47 plan initiatives. Further, the Coordinator will seek to provide implementation support for the plan.

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 important element of the purchasing process.

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 signed an agreement with CODY to migrate the mainframe from METRO and Dispatch database and the In-Synch database to the CODY system. The data migration will be completed this year. In addition, the City has started looking for a vendor to migrate the City finance and revenue databases to a new system. The other system is the Personnel Management System. The data migration for the entire system will take several more years to complete.

The City installed a virtual tape server on the mainframe to replicate its data to an offsite data center as a mechanism for disaster recovery. The process for replicating data offsite for the daily and weekly backup processes has been running successfully so far this year. The City is now working on the process for monthly, quarterly, and annual backups and plans to conduct a

mainframe disaster recovery test in late 2019. The City has also identified two potential co-location data centers and budgeted for the lease of that space and the purchase of new servers and SAN to replicate what was installed.

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 to launch the revitalization of an entire neighborhood in Allison Hill (MulDer Square) with new streetscaping, affordable apartments, and retail stores. The MulDer Square housing project is now 80% complete and is now in the final phase of implementation. This project has produced 48 new affordable housing units. This is the first significant increase in attainable housing in this neighborhood in more than a decade.

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. All five programs and ball fields are fully functional and a great asset to the City.

Police Bureau

In the Police Bureau, staffing levels continue to be the primary challenge for the Bureau. The Bureau hired 7 trainees earlier in 2019 and a recruitment class is currently underway with the goal to develop a revised hiring list by September 2019. In addition, in 2020, the Bureau could lose up to 40% of police personnel due to anticipated retirements. The Police Chief is concerned about the potential notable loss of tenured employees due to retirement. This is the reason that the new FOP contract includes both wage and benefit enhancements for patrolmen. The new contract was passed in December 2019.

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 2019 and has established a new hiring list. The Bureau plans on hiring new patrolmen in the Spring Fire Academy of 2020 from the newly created list to account for anticipated retirements.

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. The City has a contract with the Borough of Steelton to pick up its trash and recycling. This is a major advancement of using the City's resources to assist a neighboring community.

With Act 47 funding and support from the Act 47 Coordinator, a comprehensive sanitation program evaluation was completed by Barton & Loguidice. The study concluded that the sanitation system was broken and unsustainable without significant change and provided a plan to modernize the sanitation operation which built on recommendations from the Strong Plan. Since that study was completed, the City has made considerable progress on the recommended sanitation improvements.

The following discussion will summarize active efforts relating to Public Works and Sanitation system improvements.

The City continues work to upgrade its ability to process unpaid waste invoices. The backlog of unpaid accounts is nearly eliminated. The City attorney assigned to assist BNS with collections on aged accounts has recently achieved some successes and has developed a template that will serve for future account settlements. The lack of retainage of a dedicated attorney has hindered further success.

They will assist the City in getting a DEP permit for the yard waste composting site. A dedicated yard waste site will be a significant step to allow the City to correctly manage its leaf and brush waste. The Act 47 Coordinator's Team has helped the City prepare and submit a revised permit application for this operation, working to meet local and state requirements for a modified operation at the currently proposed site (or, if required, to identify and pursue permitting at an alternate site). The Act 47 Coordinator's team also supported City actions to implement site improvements and provide guidance on equipping and staffing the operation.

The City has done well in assimilating the commercial waste accounts into its service. The City has implemented a roll-off service. Roll-off service combined with front loading dumpsters is a big step forward for the City that is logical, especially the use of roll-off dumpsters for use in the City-performed vacant building demolition. DPW staff has demonstrated commitment in providing quality customer service. In addition to purchasing the roll-off equipment, management tools in the form of route software will greatly aid the City's ability to efficiently provide economical commercial service. DPW staff is getting the message that besides providing good and reliable customer service, the City needs to get paid for the service. On this last item, the City needs legal assistance to recover monies owed on unpaid waste collection bills. While some progress has been made, most of the unpaid bills are from repeat customers who pay a little and then become a delinquent account again.

Traffic and Engineering

The Traffic and Engineering Division has made progress updating the City's traffic signal infrastructure and the project is 90% complete. Funding for the remaining signals is included in 2020 budget.

The Third Street Multimodal project is now complete despite the delays and over a million dollars in cost overruns due to Capital Region Water's redesign and weather. The project was completed in late 2019.

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.

Lastly, the City completed its Vision Zero Action Plan, this commitment is designed 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. The Plan is to be fully implemented by 2028.

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. In early September 2019, the Commonwealth Court held oral argument on preliminary objections filed by the seven professional firms seeking to dismiss the complaint. The parties are awaiting a Court decision.

The Strong Plan modifications provided for the City of Harrisburg's Administration 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. Elliott Greenleaf attorneys successfully negotiated both the FOP and AFSCME contracts and negotiations with the IAFF that resulted in a contract agreement. The City and IAFF reached an agreement for a successor CBA, because of fair collective bargaining 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, 2018. The FOP contract was approved by City Council on December 22, 2019.

Under Section 706 of Act 124, "[t]he distressed status of a city under the Municipalities Financial Recovery Act shall terminate when an intergovernmental cooperation agreement is entered into by the city and an authority under section 203(d)." 53 P.S. § 42706(2). Although the General Assembly passed Act 124 on October 24, 2018, the City and the Harrisburg Intergovernmental Cooperation Authority (the "ICA") have not yet executed the Intergovernmental Cooperation Agreement. In the midst of these negotiations, on February 14, 2020, the City of Harrisburg filed a petition for review in this Court (180 M.D. 2020) seeking injunctive and declarative relief against the ICA. In its Petition for Review, the City alleged that the ICA had barred Bruce Webber, the City's Director of Financial Management and an *ex officio* member of the ICA Board, from executive sessions. On March 6, 2020, an acceptance of service was filed. As a result of the COVID-19 pandemic, the Pennsylvania Supreme Court has currently suspended all judicial deadlines through April 30, 2020 and the litigation remains in the pleading stages.

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.). 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.

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. 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. 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.

The CBA with the IAFF expired on December 31, 2017. At the IAFF's invitation, the Coordinator made a presentation 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.

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. Through prudent personnel management, the City's Fire Chief has successfully been able to continue to contain Fire overtime costs. Positive trends in overtime costs continued in 2015, 2016, 2017, 2018, 2019. The City has also successfully contained additional premium pay over the course of the five-year period.

The City reach an agreement with the Fraternal Order of Police in late December 2019 that provided a more competitive wage for patrolmen. The City has provided information to me that they have renegotiated the Police Department wages under the FOP contract because of high turnover and the loss of skilled and trained police officers to other neighboring municipalities. The City's stated goal is to encourage officers to continue their employment with the City and increase the number of experienced police officers with the renegotiated collective bargaining contract terms.

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.

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 2020.)
 - 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 2019 Operating and Capital Budgets Projections

As a result, of the COVID-19 Pandemic, on March 20, 2020, Governor Wolf issued an Executive Order related to sheltering in place to protect against the spread of the virus. The State Capital effectively closed its offices in the Harrisburg Central Office. Consequently, the demand for parking in the Park Harrisburg System has been reduced significantly during the months of March and April and perhaps longer.

If the current situation continues and the reduction in demand for parking at the Capitol Complex extends into the months of May and June, these cashflow shortfalls in expected revenue from the parking may result in the inability to fully pay for the Class B and Class C bonded debt service which is due on July 1, 2020.

There are reserve contracts with the Credit Enhancers that should provide sufficient liquidity to pay the shortfall of debt service on July 1, 2020.

John Gass from Trimont Real Estate is communicating and seeking advice with the Pennsylvania Economic Development Financing Agency (PEDFA), the Credit Enhancers, Assured Guaranty, and Dauphin County, on this matter.

The comments below take into account the reduced revenues, expenses, and other factors related to issues described below.

Projected Revenue and Expenditures

The 2020, First Quarter (January through March) revenues were approximately 3.3% below for the same period for 2019 revenues. The March 2020 revenues were 17.0% less than the March 2019 revenues.

The 2020, First Quarter expenses through March decreased approximately 10.0% from the same period in 2019. The reductions included staff reductions by the operator due to reduced operations and the reduction of expenses associated with system usage such as bank transaction fees and data fees.

The 2020 operating budget has been approved by the Credit Enhancers. The 2020 operating budget reflects increases in Meter Rates from \$3 per hour to \$4 per hour in the Central Business District, increases in monthly garage contract parking rates from \$210 to \$217 per month and increases in ticket rates from \$30 to \$40 per ticket. Payments under the DGS lease will increase per the terms of the lease. The 2020 budgeted operating expenses will increase by 5% from the 2019 budgeted operating expenses. The 2020 capital budget is under development and an interim capital budget is in place in the amount of \$1,250,000 equal to the amount in the CDM Smith report for 2020.

Note the increases in Meter, Monthly Garage Contract, and Ticket rates that were expected to be announced in March of 2020 have been put on hold pending the resolution of the COVID-19 Executive Order and related closures.

Through March 2020, the City has been Paid \$231,331 which represents \$121,098 less than the fully scheduled amount due. Through March 31, 2020, HPA has been paid \$287,388 which is \$150,431 less than the fully scheduled amount due. The City was paid approximately \$896,383 in parking tax in the 2020 First Quarter.

Through March of 2020, no funds have been deposited in the Capital Reserve. The balance in the Capital Reserve account as of 3/31/2020 was \$2,950,000.

Capital & Operational Improvements

Capital Improvement Projects underway in 2020 include concrete repair at Chestnut Street barrier cable replacement at the 5th Street Garage, and elevator repair at the Walnut Street, Chestnut Street, 5th Street, and River Street Garages.

The project entered an energy saving program and has saved \$5,000 YTD through March of 2020.

5-7 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 5-7pm Monday through Saturday. The \$270,000 amount is the estimated meter revenue which the system collected from the DID area for the 5-7 pm time in 2017. The program commenced on April 1, 2018 and will be reviewed for renewal.

ParkMobile

ParkMobile, the parking application provider for the meter system, had approximately 30,000 transactions for the period through March 31, 2020.

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**City of Harrisburg
Parking Revenues**

Table 1

Group	Account Description	2014	2015	2016	2017	2018	2019	3/31/20
Parking Taxes	MBP PARKING TAXES CURRENT	3,100,722	3,289,446	3,769,704	3,668,788	3,942,440	4,265,145	1,026,237
Parking Taxes	MBP PARKING FEE	16,721	11,573	13,724	12,580	14,774	9,000	1,846
Parking Fees	PARKING LICENSE FEE-PRIOR	3,266	2,131	710	4,076	0	368	0
Parking Fees	PARKING LICENSE FEE-PENAL	3,477	2,007	3,010	3,284	1,459	2,073	0
Parking Fees	TOWING FEES	28,360	21,665	22,595	20,706	21,144	13,705	2,195
Parking Fees	METER BAG RENTAL	62,834	21,504	24,116	49,312	53,848	31,912	3,680
Parking Fees	FINE AND COSTS	72,570	49,535	42,244	13,627	28,866	28,751	454
Parking Fees	BOOTING FEES	14,595	8,850	3,300	2,925	1,575	2,850	
Parking Tickets	PARK TICKETS-VIO FINE	475,248	463,641	447,119	376,923	420,396	381,107	62,962
Ground Lease Payment	PRIORITY PARKING DISTR.	900,000	527,900	1,093,623	974,526	1,460,125	1,275.29	231,330
Priority Parking Distribution	PRIORITY PARKING DISTR.	1,100,000	636,951	1,717,788	1,457,735	2,097,494	2,241,682	287,388
Rental Income	HPA RENTAL INCOME	20,800	0	0	0	0	---	0
HPA Coordinate d Pkg	HBG PRK AUTH COORD PKG	0	0	0	0	0	---	0
	Total Parking Revenue	5,798,593	5,035,203	7,137,933	6,584,482	8,052,120	8,251,882	1,610,092

**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.

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 2019 to include conversion of several additional loading zones in the Harrisburg Central Business District to 15-minute free parking areas.

On April 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.

Accruals

The Trustee has provided an opinion on language in the bond indenture related to the waterfall payments. 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 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 – 2020

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, 2015, 2016, 2017, 2018, and 2019. As of the end of the first quarter, March 31, 2020, year to date, tonnage from the City disposed of at the Susquehanna Resource Management Complex (SRMC) was 77,872 tons. It is running slightly below last year at this point but is on target to again meet the 35,000-ton minimum by December 31, 2020.

The City also receives an annual Host Fee from SRMC.

Resource Recovery Facility COVID-19 Update

According to the report provided by Ms. Sandoe, Chief Commercial Officer, LCSWMA, the impact of COVID-19 was significant for LCSWMA's operations. Following the guidance from Commonwealth agencies, staff began a stringent cleaning protocol very early in the cycle of the COVID-19 Pandemic. Areas of heavy customer usage, such as the scale house, were cleaned hourly.

For the safety of staff and the community, LCSWMA discontinued the collection by weighmasters of paper manifests. Customer-facing staff are also practicing social distancing and wearing facial masks for their safety. No cash will be accepted by customers.

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 1,200 people employed within the Commonwealth Tower. This influx of employees in the central business district has increased Local Service Tax revenues by approximately \$150,000 per year and also spurred increased economic activity throughout the Strawberry Square and Market Street areas. This of course has slowed during the COVID-19 crisis.

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 1,200 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).

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 the past years' 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 COVID-19 Pandemic, it is evident that Strawberry Square and the rest of the Central Business District is clearly impacted by the lack of foot traffic from state and local employees. Most of the businesses are small local vendors and hopefully some will take advantage of the Neighborhood Business Stabilization Program co-sponsored by the City of Harrisburg and Impact Harrisburg. This program was defined in detail at the beginning of this report.

As the City of Harrisburg's Recovery Coordinator, I had a lengthy conversation concerning events and projects for Harristown Development and the Central Business District that surrounds it. Remarkably, Brad Jones reported that Harristown recently completed 84 new apartments (30 already booked and leases signed) in Downtown Harrisburg. The total project was \$13.5 million-dollar investment in Center City.

Several additional projects are slated for later this summer: Menneker Project on 17th Street and the 2nd Street Apartment complex near Pine will provide a total of 30 additional apartments. Another project near Pinnacle Campus adding 12 to 20 units, depending on the size warranted.

The 3rd Street Corridor from Chestnut to Reily Streets will yield \$120 million dollars in investments. The proximity to the new Federal Court House has certainly contributed to the interest and execution of these projects.

Harrisburg University is planning to add a 12 story Science and Technology Building to its campus. This project is early in the architectural and preliminary design phase. Construction is slated for next year.

During normal weekdays, HDC is also hosts 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. Again, this opportunity has ceased until the Pandemic crisis is remedied.

The Downtown Improvement District and Harrisburg Property Services recently partnered to open a new safety and security sub-station in the South Market Street District (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.

Temple University is also part of the educational corridor with its location in Strawberry Square and has also experienced strong growth in both undergraduate and graduate programs. The Capital Area School for the Arts in Strawberry Square is entering its fifth year as a charter school. It now boasts over 200 students and is expected to renew its charter in 2020.

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.

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 obligation costs the City 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 a new permit/lease that ensured 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.

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 storm water) 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 consolidated the ownership, administrative, operational and financial responsibilities for the drinking water, wastewater and storm water 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, 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 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 Storm Water 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.

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.

Fortunately, CRW has complied with all milestones of the Partial Consent Decree entered 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.

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 has recently completed an additional borrowing.

Due to many factors, including purchase of the water system from the City, water system debt service grew to 60% of operating expenses. 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 \$20 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."

Impact Harrisburg Board's desire for collaborative projects and funding 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'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 first quarter of 2020 CRW would actively coordinating sewer infrastructure repair work and storm water 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

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 several 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. CRW conducted street sweeping throughout fiscal-year 2019 and it plans to continue the street sweeping throughout fiscal-year 2020.

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.

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. In early September 2019, the Commonwealth Court held oral argument on preliminary objections filed by the seven professional firms seeking to dismiss the complaint. The parties are awaiting a Court decision.

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 her in this matter.

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Summary

As I author the first quarterly update of 2020, it is with a heavy heart because the world has been turned upside down with the COVID-19 Pandemic that has impacted all corners of the earth. The United States has been particularly hard hit especially, the North Atlantic Region. The sound and decisive action of Governor Tom Wolf of Pennsylvania and the Secretary of Health, Rachel Levine has helped the citizens of this state shelter in place and reduce the potential spread of this dangerous virus. Daily numbers of newly infected and sadly the deaths that have occurred, remind us that without the swift action by the leadership of the Commonwealth the situation could have been far worse.

The local government leadership has immediately taken action to protect the welfare of the people they represent. The Dauphin County Commissioners, Mayor Papenfuss, Mayor of Harrisburg and the City of Harrisburg's City Council members have joined forces to address immediate issues of the business community. The Impact Harrisburg's, Board of Directors, an entity formed by the City of Harrisburg's Act 47 Recovery Strong Plan, has also acted bravely and decisively. The local government entities partnered to form the Neighborhood Business Stabilization Program to assist City of Harrisburg's neighborhood businesses that are struggling through the Pandemic related forced closures. I was asked to participate with the County, City, and Impact Harrisburg's Boards' leadership to play a role in advising the organizations on how this program fits appropriately into the Strong Plan objectives which are to encourage and promote economic stability within the City.

These cooperative efforts by the Elected Officials will help to form sound and effective policies that can and will benefit the small neighborhood businesses within the City of Harrisburg during this Pandemic emergency. The uncertainty that exists under this health and economic crisis requires calm, reasonable, and strong guidance from these officials.

I want to express my appreciation for the leadership exhibited by the City's Elected Officials. As the Coordinator, for the past three years, I have overseen the Harrisburg Strong Plan and its' related activities. 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 provides 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 Cooperation 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 initial five-year financial forecast and preliminary report was submitted and accepted by the Intergovernmental Cooperation Authority Board on May 30, 2019. The next step is for the full ICA agreement to be adopted and executed by the ICA Board and the Harrisburg City Council.

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 and formally adopts Intergovernmental Cooperation Agreement with the City.

Although challenges remain, the City has made significant progress on many fronts. Through the first quarter of 2020, the City's operating position is reasonably healthy and its cash position stable. As of March 30, 2020, the General Fund shows a cash balance of \$35.4 million dollar and the City's Neighborhood Services Fund shows a cash balance of \$7.3 million dollars. The City's fiscal condition is currently stable under the current situation described earlier. The City did not need to pursue a Tax and Revenue Anticipation Note (TRAN) for fiscal year 2020.

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, and bringing all payables into a current status. The City made another bond payment in October 2019 so it will not need to rely on AMBAC to make its bond payments for the City. The City recently hired Marathon Capital, as their Financial Advisors to assist with the negotiations with AMBAC. The Mayor, City Council, Financial Advisors, and AMBAC have reached a tentative agreement to refund the AMBAC Bond Deal. The Coordinator has reviewed the proposal and feels it is fair and equitable should the City move forward with a final deal with AMBAC. The Harrisburg Receiver 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. With full occupancy of the Commonwealth Tower over 1,200 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. Harristown Development Corporation (HDC) continues to promote and improve Strawberry Square into a vital and central component of the City's economic recovery. Much of this will be impacted by the COVID-19 Pandemic closures.

The Commonwealth Tower project, along with the Transit Oriented Development (TOD) study of the Transportation Center area, serves as further stimulus for further 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 and began preliminary engineering and utility construction in January 2019. The courthouse construction has progressed significantly during the past six months. The construction has been halted during the immediate COVID-19 crisis but is expected to resume once the crisis has subsided.

Recently, DCED's Redevelopment Assistance Capital Program (RACP) grant 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 and economic development. 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, will continue to work with Mayor Papenfuse and his Administration, as well as Wanda Williams, President, Harrisburg City Council and other City Elected and Appointed

Officials to assist the City until the 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 are an important element to the City's recovery. The Coordinator has worked with City Officials to effectively manage and adopt 2020 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 by City Council.

I will also work to further strengthen public safety, implement additional sanitation system improvements, address City Island matters, to pursue intergovernmental initiatives 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 \$3.3 million from the Harrisburg Recovery Coordinator to the City of Harrisburg in the form of an OPEB Trust. The transfer of funds will occur once directed by the Court once the ICA Agreement is formally in place.

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, the City has many challenges as the COVID-19 Pandemic has stymied many businesses and several economic concerns remain on the horizon. As outlined earlier in this report, the North Atlantic Region remains the epicenter for the virus and as part of that region the City has many challenges ahead. Mayor Papenfuse and the Harrisburg City Council have begun to address many of the challenges from a Human Services and Economic Development perspective. Once the Pandemic and its impact begin to subside, the City of Harrisburg's Elected Officials stand ready to address each issue and seek remedies for returning to its strong economic performance of the past decade.

Now more than ever, 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 sound. The hope is that this COVID-19 Pandemic crisis will make the City of Harrisburg and its citizens stronger and more resilient.