



Respectfully submitted this 14th day of July, 2020.

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Date: July 14, 2020

To: The Honorable Bonnie Brigance Leadbetter

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

Re: 2020 Second Quarter Update on the Coordinator's Plan Implementation

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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-sixth report to the Court since the appointment of the Recovery Coordinator by 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 Intergovernmental Cooperation Agreement is fully in place.

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 second quarter of 2020 which concluded on June 30, 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 had been working with the Act 47 Coordinator since the inception of the Receivership. The Act 47 Coordinator continues to perform her duties as assigned which largely includes biweekly check run reviews and cash flow status analysis. She also meets with the City Council President, Wanda Williams and the Finance Director, Bruce Weber, and Bryan McCutcheon, Accounting Manager, regularly to maintain input and status of the Strong Plan Activity until the Intergovernmental Cooperative Agreement is finalized and the City exits Act 47. She reviewed and provided input on the 2020 Annual Budget Proposed and Final 2020 Adopted Budget.

During the past three months (April, May, and June), the Coordinator has 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 second quarter.

The City's General Fund, available cash balance as of June 30, 2020 stands at \$35.4 million. The Neighborhood Service Fund available cash is \$7.6 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 368 MD 2018. 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 report provided here forward.

### **Office of the Receiver/Coordinator**

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

The second quarter of 2020 continues to be impacted by the pandemic. The City of Harrisburg was effectively shuttered from March 22, 2020 to May 29, 2020 as the Governor and the Health Department Secretary have struggled with containing the COVID-19 pandemic. All non-essential businesses within the City limits were closed. This, of course, included the Commonwealth of Pennsylvania's 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. The City entered the Green Phase on May 29, 2020 allowing an ease of business restrictions and permitting businesses to operate under strict guidelines defined by Secretary Rachel Levine, Department of Health. The long-term impact of these closures and restrictions to the economy is not clearly known; however, it will take some time for full economic recovery for the City and the Region.

For the City of Harrisburg, the economic impact of this situation remains a great concern, 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 CARES Act and COVID-19 funding support for businesses and related business activities. The economic support programs for small and large businesses will hopefully keep the economy stabilized during this 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 assure 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, the 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 (NBSP) was formed. This program was a joint effort by the City of Harrisburg and Impact Harrisburg's Board. Impact Harrisburg contributed \$1.25 Million Dollars and the City of Harrisburg contributed \$500,000 for a total of \$1.75 of contributions towards the NBSP program.

As part of this program, qualified individuals could receive grant(s) of up to \$10,000. These grants were offered to the City of Harrisburg's Neighborhood Businesses who were fiscally impacted as the result of the COVID-19 Pandemic. The primary goal of this program was to leverage available dollars to assist Neighborhood Businesses to survive as this health crisis continued into May. The Neighborhood Business Stabilization Program assisted 315 small "mom and pop" businesses and local non-profit entities with up to \$5,000 each. All monies were dispersed in May of 2020. The emergency cash flow that this grant provided helped these small business and non-profit employers sustain their business during this crisis. This joint effort provided business and non-profits sustaining funds that permitted the employer to pay necessary workers, fill inventory, and continue business after the shuttering during COVID-19.

Those eligible for the program must have been City of Harrisburg's licensed businesses located within the City corporate limits. A strong preference was given to businesses which are owned and operated by City residents. Also, a preference was given to Minority Owned Businesses (MBE) and/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 were directed to businesses with annual gross receipts of under \$50,000. These businesses must also demonstrate or project a reduction in monthly revenue of more than 25% as a result of COVID-19. 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, commenced on April 20, 2020 and the applications were considered on a rolling basis, until the funds were depleted. Applications were reviewed by the Special Committee on COVID-19 Response for Small Businesses and decisions were conveyed to the applicants 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. These actions displayed the true capacity for the City's leadership to assist in resolving daunting fiscal and economic issues and related crisis. The NBSP has received accolades for providing grants to a broad cross-section of the city's small business population in a timely, responsible, manner that gave immediate relief to struggling businesses.

During the second quarter of 2020, the Recovery Coordinator 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, Municipal Building facilities, and Public Safety facilities.

As Coordinator, I prepare Cash Flow Estimates based on the City's Check Run activity. During the second quarter, I have reviewed six City of Harrisburg's Check Run and Cash Flow reports. 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. The above also evidences just how serious the 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 Vice-Chair (Interim Treasurer), Gloria Martin-Roberts as 2<sup>nd</sup> 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 their permanent meeting location at the Pennsylvania Housing Finance Agency (PHFA) building. 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 complete on October 31, 2019.

At the Impact Harrisburg organizational meeting held on January 28, 2020, the Board of Directors discussed the prospect of introducing a second round of funding during the second 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 of both fiscal and programmatic actions required for the second round. Subsequently, \$1.25 million was set aside for the Neighborhood Business Stabilization Program (NBSP) that was defined in 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)
13. East Shore YMCA (\$138,592 grant)
14. Tri-County Community Action Commission (\$204,759 grant)
15. 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).

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.

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 Annual 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 has 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 (less than \$5,000) that can assist 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 included significant modernization of the Third Street corridor in the City from Market to Division Streets. This project was finished in 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 slated in the Strong Plan to be available for the initial funding for the OPEB Trust.
- 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 Approved General Fund Budget included 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 original Approved 2020 Budget projected Revenues and Expenditures overall represent an increase of approximately 4.9% over the 2019 budget. The original 2020 Approved 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 budgeted projections that the Coordinator prepared. As for the Neighborhood Services Fund 2020 Final Approved Budget, the Revenues and Expenses total \$17,531,761 each; therefore, producing a balanced budget.

During the first six months of Fiscal Year 2020 General Fund, Budget Amendments were approved by City Council amending the budget to \$76,019,485 for Revenues and \$76,018,858 for Expenditures. Also, during the first six months of Fiscal Year 2020, the Neighborhood Services Fund, Budget Amendments were approved by City Council amending the budget to \$18,547,140 for Revenues and \$18,547,140 for Expenditures.

A review of actual General Fund revenues and expenditures through the end of June 2020 finds that the City's total General Fund revenues were \$33,062,159 (43.0% of the amended 2020 approved budget) while expenditures were \$27,842,532 (36.63% of the amended 2020 approved budget). A similar review for the Neighborhood Services Fund, revenues and expenditures through the end of June 2020 find that the City's total Neighborhood Services revenues were \$8,162,047 (41.0% of the amended 2020 approved budget) while expenditures were \$8,716,264 (47.7% of the amended 2020 approved budget). Given the current COVID-19 Pandemic fiscal crisis, the fact that the City is slightly lower than its six-month normal course of revenues and expenditures through the six-month period, is a positive, although cautious, sign.

Following the June 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 \$7.6 million. The City's bi-weekly General Fund payroll averaged \$950,000 for the second quarter and the Neighborhood Services Fund bi-weekly payroll averaged \$150,000 for the second quarter.

The Coordinator reviews City payables for both the General Fund and Neighborhood Services Fund on a bi-weekly basis. During the second quarter, there were six bi-weekly check runs which were reviewed, and comments were provided to the City.

The City of Harrisburg, Accounting Office anticipates making a scheduled bond payment in September (later than the scheduled March debt service payment from 2019) for the amount of \$6.7 Million Dollars to cover debt service costs.

Due to the significant variances anticipated because of the COVID-19 financial crisis, it is difficult to project budgetary expectations through year-end 2020. Therefore, the General Fund and Neighborhood Services Fund's revenues and expenses will fluctuate significantly from prior years and it will be complicated to render appropriate estimates or forecasts. Given these factors, the 2020 cash flow estimates will not be provided within this report. 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 third quarter, September 30, 2020, the City Finance Department will also be providing the cash flow analysis based on the most recent fiscal reporting for the General Fund and Neighborhood Services Fund, Balance Sheet activity, and the Revenue and Expenditure Report summary. Once this information is compiled, it will be easier to project revenues and expenditures through the end of the fiscal year. Ultimately, the COVID-19 fiscal crisis will impact revenues and expenditures for this year and the coming fiscal year 2021.

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, administration, 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 second quarter of 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 and will soon commence the development of the revenue and expenditure projections for the 2021 budget. The City Council did pass amendment(s) to the

2020 approved budget. The specific amendments to the total revenues and expenditures for the General Fund and Neighborhood Services Fund are noted above.

## **Operational Issues**

During the second 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 closed on June 30, 2020 and some final invoice payments are being processed.

## **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 they conducted 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**

Nona Watson, Director, Department of Economic Development, City of Harrisburg and Jamal Jones, Director of Business Development/LERTA for the City of Harrisburg have assisted the Commonwealth of Pennsylvania's, Department of Community and Economic Development (DCED) with promoting the following programs during the pandemic: The DCED COVID-19 Small Business Grant Program, COVID-19 Rent and Mortgage Assistance Program, and the Neighborhood Assistance Tax Credit Program.

## **Parks and Recreation**

The Bureau of Parks and Recreation has completed 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**

During the past several months, the City Police Commissioner has been engaged in fielding citizen's questions about social justice issues in the wake of the George Floyd killing in Minneapolis in May of 2020. The City's Police Department is a Nationally Accredited Police Department that monitors closely police officer's activities for multiple reporting purposes.

Within the Police Bureau, staffing levels continue to be the primary challenge for the Bureau. In addition, it is anticipated that, during fiscal year 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 firemen 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 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 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 will continue to need additional 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 on their account and then become a repeat delinquent customer account.

## **Traffic and Engineering**

The Traffic and Engineering Division has made progress updating the City's traffic signal infrastructure. 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 inclement weather. The project was completed in late 2019.

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 expired at 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.

### **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. 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 final 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 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 2016, 2017, 2018, 2019, and 2020. 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 patrolman. 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 2020 Operating and Capital Budgets Projections**

As a result of the CODID-19 Pandemic on March 20, 2020, Governor Wolf issued an Executive Order requiring sheltering in place to protect against the spread of the virus. The State Capitol 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 April, May, and June, and perhaps longer as the Pandemic has not yet been fully contained. As a result, demand for parking in the Park Harrisburg system has been significantly reduced.

Reduced demand resulted in lower revenues and a shortfall of meeting the Series B and C debt service totaling \$563,000 and was due July 1, 2020. As only interest payments were due on July 1, 2020, there were still sufficient funds on hand to make the interest payments due on July 1, 2020. The next debt service payment is due on January 1, 2021 and projected shortfalls of interest and principal payments due at that time would likely be advanced from the reserve contracts with the Credit Enhancers.

John Gass from Trimont Real Estate is communicating and seeking advice with Pennsylvania Economic Development Financing Agency (PEDFA) and the Credit Enhancers, Assured Guaranty and Dauphin County on this matter. He is also providing representatives from the City of Harrisburg and the Harrisburg Parking Authority with the monthly cash flow results.

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

## Projected Revenue and Expenditures

The 2020 second quarter (April, May, June) revenues were approximately 35% below for the same period for 2019 revenues. June 2020 revenues were 34.0% less than the June 2019 revenues.

The 2020 second quarter expenses through June decreased approximately 32.0% 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, increase in monthly garage contract parking rate from \$210 to \$217 per month and increase in ticket rates from \$30 to \$40 per ticket. Payments under DGS lease will increase per the terms of the lease. The 2020 budgeted operating expenses were slated to 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 increase 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 July 1, 2020, the City has been paid \$231,331 which represents \$385,403 less than the fully scheduled amount due. Through July 1, 2020, HPA has been paid \$287,388 that represents \$478,796 less than the full scheduled amount due. The City was paid approximately \$770,335 in parking tax in 2020 second quarter.

Through July 1, 2020, no funds have been deposited for Performance Fee or for PEDFA fees.

Through July 1, 2020, no funds have been deposited in the Capital Reserve. The balance in the Capital Reserve account as of 6/30/2020 was \$2,950,000.

## Capital & Operational Improvements

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

The project entered an energy saving program and has saved \$6,000 YTD through June 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.

Note that as there were relatively small amounts of Meter revenues during the second quarter 2020; therefore, a reduced amount for the free 5-7 Parking Program will be calculated and provided to participants.

### **ParkMobile**

ParkMobile, the parking application provider for the meter system, had approximately 40,000 transactions for the period through May 31, 2020.

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**City of Harrisburg  
Parking Revenues**

**Table 1**

Group	Account Description	2014	2015	2016	2017	2018	2019	6/30/20
Parking Taxes	MBP PARKING TAXES CURRENT	3,100,722	3,289,446	3,769,704	3,668,788	3,942,440	4,265,145	1,927,385
Parking Taxes	MBP PARKING FEE	16,721	11,573	13,724	12,580	14,774	9,000	2,151
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	4,320
Parking Fees	METER BAG RENTAL	62,834	21,504	24,116	49,312	53,848	31,912	13,788
Parking Fees	FINE AND COSTS	72,570	49,535	42,244	13,627	28,866	28,751	11,502
Parking Fees	BOOTING FEES	14,595	8,850	3,300	2,925	1,575	2,850	0
Parking Tickets	PARK TICKETS-VIO FINE	475,248	463,641	447,119	376,923	420,396	381,107	95,205
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
	<b>Total Parking Revenue</b>	<b>5,798,593</b>	<b>5,035,203</b>	<b>7,137,933</b>	<b>6,584,482</b>	<b>8,052,120</b>	<b>8,251,882</b>	<b>2,573,070</b>

\*\*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. The program was expanded in 2020 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, Chestnut and Walnut Street Garages. A new roof for the Chestnut Street Garage was installed.
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 second quarter, June 30, 2020, year to date, tonnage from the City disposed of at the Susquehanna Resource Management Complex (SRMC) was 155,454 tons.

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. Now that Dauphin County is in the Green Phase, the Facility was able to open for customer deliveries on Saturday. Concurrently, revised facility hours have been implemented based on customer usage data and business need.

Substantial planned outage work was completed in June, 2020, and the only planned outages in the upcoming summer months are minor two-day boiler cleaning outages. September through December 2020 will be very busy with major planned outages, as some of the work originally scheduled for spring was pushed to the fall due to contractor availability.

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 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.

As the City of Harrisburg’s Recovery Coordinator, I had a lengthy conversation with Brad Jones concerning events and projects for Harristown Development and the Central Business District that surrounds it. Unfortunately, things were dramatically different in the second quarter due to the full-blown pandemic and Strawberry Square and most of the entire City was shut-down until early June 2020.

Despite this circumstance, Harristown managed to renew multiple large leases including Temple University Harrisburg, the Capital Area School for the Arts (CASA), Sellers Dorsey, and a number of other smaller commercial office leases. In addition, Harristown completed an office expansion of about 3,500 square feet for Sellers Dorsey in Strawberry Square. Currently, CASA is under construction for a major 10,000 square feet expansion of their classrooms and offices within Strawberry Square (about a \$1 Million project) which will be completed in August of 2020. Also, the Office of Attorney General within the Commonwealth Tower inside Strawberry Square will also be working with Harristown on about a \$400,000 office renovation project which will be completed this year. A major new Speed Table project is currently near completion at the intersection of Market and Dewberry Streets –about a \$500,000 project which will be a dramatic new pedestrian crosswalk at the Market Street Entrance to Strawberry Square. This project was funded by the

City; however, all engineering and design costs were funded by Harristown and the Strawberry Square and 333 Market Street Condo Associations.

On the small business front, only one business closed due to the pandemic which was an operating gym Fitness U, LLC. It is expected that at least one other retailer will close due to the pandemic and depending on the length of this epidemic there could be more business closings. Since the State Employees are not coming back to the office, the businesses are very concerned about the long-term impact on the food court and restaurant tenants. Harristown has already made substantial rent concessions and forbearance to keep them from bearing too much of the brunt as the businesses have had little to no cash flow over the last four months.

Regarding the residential projects, things are going fairly well. Ninety-three (93) new units were added to the market mostly in January and March. Then in late May, eleven student housing apartments were converted into market rate units to make up for the loss in the student housing market due to international students not being allowed to travel. Overall, the Benmar project which is 74 units is over halfway leased with about 42 units leased and 32 left. The Fox on Washington project which was 8 total units has only one unit left to lease. The "newer" Dewberry Station (11 units) has just begun to lease up at this point.

Regarding energy savings, due to the large commercial office towers being mostly vacant, Harristown, has been saving significant amounts of energy so utility savings have helped to buffet the losses in other areas. Also, Harristown and its affiliate HPS were able to secure about \$1 Million in PPP loan/grant funding as well to help offset losses so far.

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 many businesses have taken advantage of the Neighborhood Business Stabilization Program (NBCP) co-sponsored by the City of Harrisburg and Impact Harrisburg. This program was defined in detail at the beginning of this report.

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

The 3<sup>rd</sup> 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.

Temple University is also part of the educational corridor with its location in Strawberry Square and has also experienced 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. The goal of the Receiver, and now Coordinator, was for the City to enter 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.

## **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.

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 dollars.

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 dollars.

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.

### **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 second quarterly update of 2020, it is with caution and concern. The COVID-19 pandemic has impacted all the major economies of the world. The United States has been particularly hard hit, especially within the North Atlantic Region. The sound and decisive action of Governor Tom Wolf and the Department of Health's Secretary, 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. As we move forward through the summer and more and more individuals and businesses begin to conduct their lives in a less restrictive manner, concerns remain about the continual spread of the virus. New re-closings of businesses and activities have been required in regions where COVID-19 positive cases have increased within the Commonwealth. The health, safety, and welfare of the City residents continue to be the highest priority for the City of Harrisburg's elected and appointed officials.

The local government leadership has immediately taken action to protect the welfare of the people they represent. The Dauphin County Commissioners, Mayor Papenfuse, 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, Members of the Board of Directors, an entity formed by the City of Harrisburg's Act 47 Recovery Strong Plan, have 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 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's objectives which are to encourage and promote economic stability. A total of \$1.75 Million Dollars was dispersed to small businesses and non-profit entities throughout the City. All funds were distributed to the recipients by the end of May 2020.

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 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 been very cooperative and have permitted me to closely monitor the City's progress.

The Final Act 47 Exit Plan provides direction on a number of issues which include financial 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 (ICA) 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 fully 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 by the ICA Board and the Harrisburg City Council. Once this is complete, the Commonwealth Court will have to approve the ICA agreement. On April 30, 2020 the Intergovernmental Cooperation Authority submitted the Intergovernmental Cooperation Authority for Harrisburg, Annual Report to the Governor and General Assembly. The ICA is very helpful in providing input and information to the Coordinator.

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 the Intergovernmental Cooperation Agreement with the City.

Although challenges remain, the City has made significant progress on many fronts. Through the second quarter of 2020, the City's operating position is reasonably healthy and its cash position stable. As of June 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 \$7.6 million dollars. The City's fiscal condition is currently stable under the current situation described earlier; however, concerns remain given the current situation with the pandemic and its impact on multiple economies.

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 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. The City is seeing a number of positive economic benefits in Strawberry Square and the surrounding area including new businesses and residences which will result 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. Obviously, the COVID-19 pandemic has slowed this recovery; however, the hope is that as the City returns to normal the full recovery of the economy will rebound.

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. Construction was halted during the immediate COVID-19 crisis but has resumed once again.

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 collaboratively work with the City to further strengthen public safety, implement additional sanitation system improvements, address City Island matters, and pursue intergovernmental initiatives. I will 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 and 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 mentioned earlier in this report, the North Atlantic Region has been hit hard economically. 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 improved economic performance over the past several years.

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.

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,

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## CERTIFICATE OF SERVICE

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I, Sean Campbell, hereby certify that on this 14th day of July 2020, 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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Date: July 14, 2020

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