Municipal Financial Recovery Act

Harrisburg Strong Plan

City of Harrisburg

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

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Table of Contents

Introduction

The challenges Harrisburg faced when it entered Act 47 in December 2010 were overwhelming and the threat of municipal bankruptcy loomed as a dark cloud over Pennsylvania's capitol city. The path Harrisburg followed in the ensuing years was difficult, yet through the perseverance of elected officials, the active engagement and participation of numerous key stakeholders, extremely hard work and willingness to make difficult decisions, Harrisburg was able to emerge from the fiscal emergency declaration issued by the Governor in October 2011 and move along a path towards sustainability. Indeed, Harrisburg has made great strides since the confirmation of the Harrisburg Strong Plan in September 2013 and has been viewed on a national platform as a model of how to effectively address what seem like overwhelming fiscal challenges. However, more needs to be done and it is now up to the elected officials of the City to ensure a stable and healthy future.

The City has resolved the oppressive debt it faced in 2010. It has broken the string of consecutive years with annual operating deficits and growing structural deficits and with the help of the Strong Plan built a very modest cash reserve while also improving day-today financial management. The City finished 2014 with its annual revenues balanced against its annual expenditures, and with a resolution of the Commonwealth's budget and receipt of the $5 million public safety appropriation should be very close to being balanced for 2015. Harrisburg, as with all cities in Pennsylvania, faces fiscal pressures in addressing its ongoing operational budget and providing quality services to its residents. The limited growth of its tax base, deferred capital needs and the pressure to strengthen municipal services especially in the public safety area all remain to be more fully addressed for the City to have a sustainable future. Crumbling infrastructure, outdated or inadequate technology, and aging equipment and vehicles, all make the job of recovery more difficult. Moreover, the City's financial condition forced the City to trim services and to meet service demands with limited front-line staff and management capacity. Since 2009, the City has eliminated 100 positions from the City budget, representing a 17% decrease over the 2009 budgeted staffing levels. As demonstrated in the table below, no City department has been immune to staff reductions.

Budget FTE – 2009 through 2016

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	Total FTE Increase/ (Decrease)	Percent Increase/ (Decrease)
General Government	42.4	3								
Mayor's Office		4	3	3	3	4	4	4	0	0
City Council		9	8	8	8	9	9	9	0	0
Controller		3	3	3	3	2	3	3	0	0
Treasurer		7	6	7	6	5	5	6	-1	-14.3%
Law Bureau		4	3	4	4	5	4	6	2	50%
Department of Administration (Finance, IT, HR, O&R, RM& Parking)	39.6	38	30	32	20	17	25	27	-12.6	-31.8%
Department of Community & Economic Development (formerly DBHD) (now Planning, BHD, BD, Arts, Culture & Tourism)	17.34	17	15	14	13	15	13	14	-3.34	-19.3%
Codes Bureau		12	11	12	12	12	11	13	1	8.3%
Police Department	219	200	176	163	145	150	148	165	-54	-24.7%
Fire Department	93	84	71	71	65	76	76	85	-8	-8.6%
Department of Public Works (Engineer, Neighborhood Services, Vehicle Maint.)	53	37	42	49	50	46	52	25	-28	-52.8%
Sanitation Utility**	28.5	23	20	20	19	20	24	72	43.5	152.6%
Department of Parks, Recreation and Enrichment (Now in DCED)	31	22	14	4	4	4	4	5	-26	-83.9%
TOTAL GENERAL FUND FTE	**495.34**	**463**	**441**	**429**	**333**	**341**	**354**	**362**	**-133.34**	**-26.9%**
Water Utility Fund (CRW)	34.33	29	28	27	0	0	0	0		
Sewerage Utility Fund (CRW)	37.83	34	31	32	0	0	0	0		
TOTAL UTILITY FUNDS FTE	**100.66**	**86**	**79**	**69**	**19**	**20**	**24**	**72**		
TOTAL FTE	**596**	**526**	**461**	**449**	**352**	**365**	**378**	**434**		

Source – City Finance Office

**Will be renamed Neighborhood Services in 2016. This number includes City Services, Sanitation, and Host Fund FTEs

An important element of the Coordinator's role in providing oversight to the City's recovery process is the need to periodically revisit the plan to survey and assess what has been accomplished to date and to evaluate, from a holistic perspective, how best to respond to evolving conditions, challenges, and successes. As informed by the Receiver's team and by a national consultant City Council retained to review the Strong Plan, the Strong Plan was far superior than pursuing options through bankruptcy court, and was a good start, though; **i.** the projections were subject to uncertainty and variation depending on evolving events, **ii.** some assumptions inevitably will not materialize, **iii.** unanticipated events and circumstances will occur, and **iv.** therefore the actual results achieved may vary materially. In addition, given the City's relatively stagnant tax base and because over 70% of the City's budget is wages and benefits, and wages and benefits increase in cost, a structural deficit is beginning to appear. To that end, as we move through the second half of 2015 the Coordinator has determined to update the financial projections generated in 2013 that were important elements of the Strong Plan in order to assist the City with creating a structurally balanced budget for 2016 and beyond. It bears repeating that the projections were based on the best available information at the time, most of the projections are within an acceptable margin of error for projections, however as with other Act 47 recovery plans, it is common to make certain modifications to the plan every few years based on actual performance. This Amended Plan projects that the City will have annual operating deficits as soon as 2016 unless it takes corrective action to prevent them. Although the City has done an excellent job of managing expenditures and staying under budget, continual growth in the cost of employee pensions and retired employee health insurance pushes the City's spending higher. Increased pension costs primarily with the police pension fund due to the phase out of the smoothing provisions will result in a substantial increase in pension costs for 2016 – 2018. On the revenue side earned Income Tax (EIT) revenue although based on best available information has been under budget by approximately 10%. While parking revenue has exceeded the amount contemplated under the confirmed Strong Plan, the City had budgeted up to the maximum possible transfer to the City under the Trust Indenture and Asset Purchase Agreement and the parking cash flows are not supporting these maximum revenue figures due primarily to parking fine revenue underperforming expectations. Finally, the Strong Plan had contemplated that money created by the parking monetization and set aside for economic development and infrastructure repair would have been spent in 2014 and 2015 and would be the seeds to growth in the real estate tax base, among other things. This money has been available since 2013, but has not yet been utilized on behalf of the City. These trends, coupled with limited tax base growth and increases in personnel costs, push the City's finances out of balance again. Taken together, and assuming the increase in personnel being recommended by the Mayor, most of which are projected by the Administration to pay for themselves eventually, but for now are adding to the recurring cost structure of the City, the coordinator is estimating a $1.8 million structural imbalance in 2016 rising to $3.8 million in FY 18 that must be addressed.

Further, significant amendments to Act 47 were enacted at the end of 2014, and these present an opportunity to make further modifications to the Strong Plan. Act 199 which amended Act 47 last year has now provided certain options on revenue alternatives that were not available when the Strong Plan was enacted, the Mayor has requested that the City be permitted to avail itself to one of these alternatives, and thus it is appropriate that these options be considered as part of plan modifications. Finally, certain changes to the Strong Plan are now required by Act 199 in order to provide financial projections through 2018 which represents the initial five-year term for a municipality to be under the provisions of the Act. The Act now prescribes a firmer date for the City to leave Act 47 status. During the fifth year a review is to be undertaken by the Coordinator and recommendations made as to whether the distressed designation should be rescinded; the Receivership provisions of the Act invoked; a dissolution process undertaken (in limited instances); or a three year exit plan be prepared. Given these matters, the Coordinator and his Team have worked closely with City officials in the preparation of a further modification to the Strong Plan that will provide financial projections for 2016 through 2018 (the five year initial term of Act 47) along with attendant recommendations that will advance the City's recovery towards the ultimate rescission of the Act 47 designation.

The goal of this 2015 Modified Act 47 Recovery Plan (Amended Recovery Plan) is to provide Harrisburg officials with a roadmap that will assist the City's decision-makers as they continue to build upon their achievements made pursuant to the Strong Plan, address the aforementioned issues and position the City for eventual rescission of its Act 47 status under the Municipalities Financial Recovery Act. The Amended Recovery Plan presents a strategy for keeping the City's finances balanced using the limited tools that are solely within City government's discretion. It describes preferred alternatives for meeting the same objectives in a way that is less burdensome to taxpayers and current employees, and gives the City's elected and appointed leaders and employees flexibility to manage toward that end. It provides more funding for improvements to City services that are essential to the financial stability, quality of life and economic vibrancy of any city that are necessary for the City to successfully exit Act 47.

Accomplishments to Date

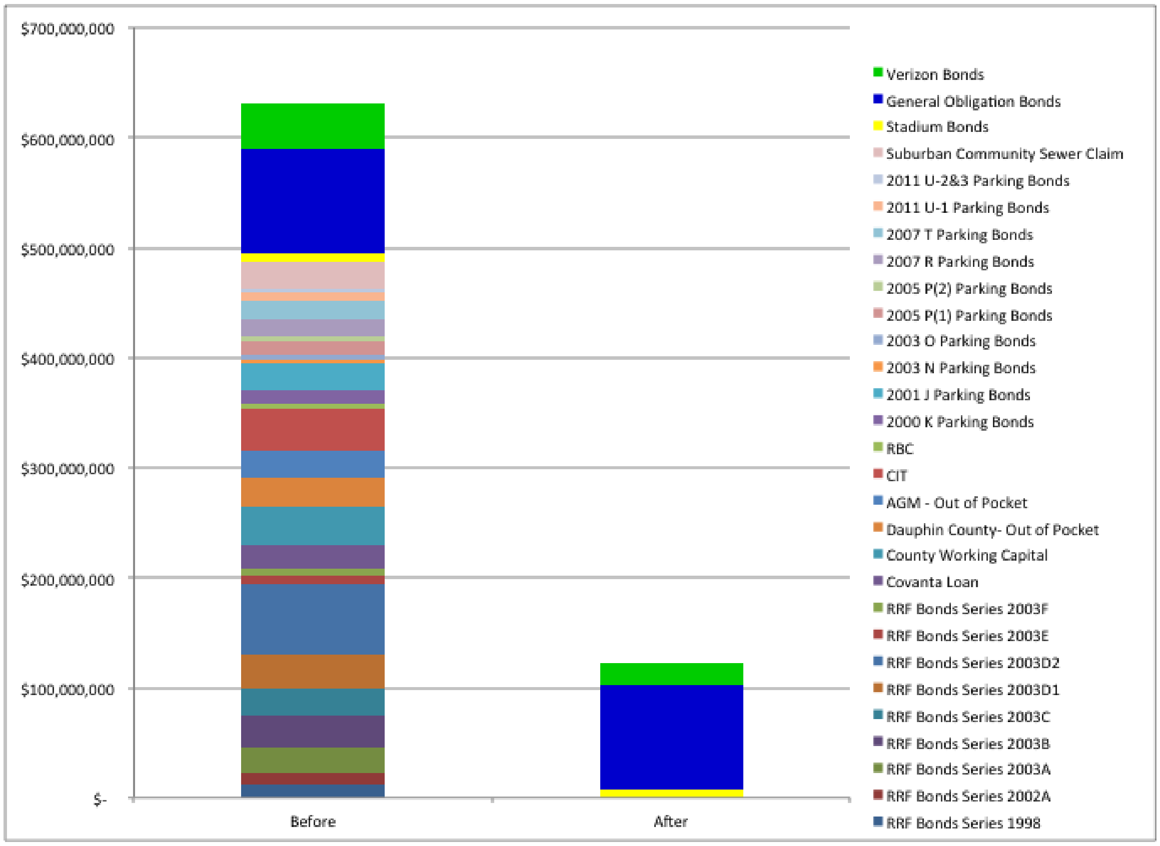
On February 6, 2012, the Receiver for the City of Harrisburg filed a recovery plan containing 130 recommendations designed to address the City's significant structural budget deficit, enhance City operations, and address the City's untenable debt liabilities. The Receiver's Plan was subsequently confirmed by Commonwealth Court on March 9, 2012. This plan provided a long-term road map to improving the City's financial condition and City services, though it recognized that the plan also serves as a living document that must respond to changing conditions and priorities to remain relevant and meet its ultimate objective. The plan recognized the challenge in resolving the City's significant outstanding debt. It laid out an open and transparent process to sell the resource recovery facility, monetize the City's parking facilities and provide for a balanced City budget. It recognized that all stakeholders in the Harrisburg community would need to participate in a solution for it to be successful. The plan recognized that once further actions on these matters had occurred that a more definitive plan would be brought back to the Court for consideration.

Following months of meetings, discussions and significant work by the Receiver's Team in concert with City officials, City employees and creditors, the Receiver in August 2013 filed a modified plan with the Court known as the Harrisburg Strong Plan. This plan addressed a resolution to the significant debt obligations related to the Harrisburg Resource Recovery Facility (RRF) through the sale of the facility to the Lancaster County Solid Waste Management Authority and the monetization of the City's parking facilities. The Strong Plan addressed the consensual resolution of numerous outstanding creditor obligations, including those from the RRF and suburban municipalities. The Strong Plan also provided for the transfer of the City's water and sewer operation to The Harrisburg Authority (now Capital Region Water), renegotiated collective bargaining contracts with City employees, imposed an increased Earned Income Tax and created non-profit entities to administer funds provided to the City from the parking monetization for infrastructure, economic development and OPEB liabilities. These latter funds were directed to the City in an effort to provide residents of the City with an improved quality of life and a sustainable future. The plan was never touted as a guaranty that the City was fixed forever, and that City officials would not have to make difficult decisions and prepare and implement balanced budgets yearly, the same as required of all cities in the Commonwealth. Following a hearing on the plan, Commonwealth Court confirmed the Harrisburg Strong Plan on September 23, 2013.

A key milestone of the Harrisburg Strong Plan was reached with the closing on the sale of the Resource Recovery Facility and monetization of the parking assets that occurred simultaneously on December 23, 2013. This step represented the consummation of the Harrisburg Strong Plan and notice of said consummation was provided to the Court at that time.

Results of the Plans consummation were significant and are summarized below.

- At the time of filing of the Strong Plan, it was estimated that under then current market conditions, the incinerator could generate a net sale price of between $126 million and $132 million. The final net sale price after pricing the bonds in the capital markets was $129.9 million.
- At the time of filing of the Strong Plan, it was estimated that under then current market conditions, the parking monetization would generate a lease price of between $258 million and $268 million. The final net sale price paid was $267.5 million.
- Upon closing on these transactions and paying off creditors of the City of Harrisburg, the debt load in the City was reduced by approximately $490 million. Unlike under the prior structure, the City is not a guarantor of the debt service payable on the RRF by LCSWMA or on the debt service payable on the parking bonds by PEDFA. This was not merely a restructuring of the City's liabilities, it was an elimination of debt (see chart below).



- Tipping fees were reduced somewhat and the City is now receiving approximately $285,000 per year as a Host Fee from LCSWMA.

- The City immediately enjoyed an increase in parking tax receipts as approximately $1.6 million per year that had been pledged to parking bonds issued by HPA that were paid off using proceeds from the parking monetization.

- All parking bonds that were guaranteed by the City have been fully repaid or an irrevocable escrow has been established to provide for payment when the bonds are redeemed in accordance with their terms.

- The City used $6 million of parking bond proceeds on December 23, 2013, to pay debt service on its General Obligation Bonds. This was the first time the City was able to pay any of its General Obligation Bond debt service since 2011.

- The City used $4.5 million of parking bond proceeds on December 23, 2013, to repay nearly 40% of the obligations owed to the Suburban Communities resulting from alleged over charging of sewer rates.

- All amounts promised for deposit for the City for economic development, infrastructure improvements and OPEB were deposited with Metro Bank on December 23, 2013.

- The City ended FY 13 with in excess of $4 million of fund balance and accounts payable of less than $2.7 million.

End of Receivership

The Strong Plan contemplated a point in time when the fiscal emergency would end and as a result the receivership would be vacated or terminated. At that time ongoing Plan implementation would be accomplished by a Coordinator in accordance with the provisions of Section 221(b)-(d) of Act 47.

Upon petition by the Receiver, Commonwealth Court extended the initial two year term of the Receivership on November 27, 2013. Subsequent to this action significant benchmarks occurred in December 2013 in implementing the Strong Plan, most notably the successful closing and funding of the Harrisburg Strong Plan's two keystone transactions – the sale of the City's incinerator and parking system – both of which occurred on December 23, 2013. The closing and funding of the incinerator and monetization of its parking system transactions conclusively resolved the outstanding emergency fiscal conditions that had existed since 2011 and which gave rise to the fiscal emergency. Specifically, the closing and funding of the aforesaid transactions had the effect of retiring the City's outstanding RRF debt and, consequently, rendering moot the imminent and pending creditor actions arising from the RRF debt that previously threatened to drain the City's coffers and preclude the provision of vital and necessary services. Additionally, the consummation of the Plan also resulted in the infusion of sufficient additional reoccurring revenues into the City's general fund that would put it in a position to maintain a structurally balanced budget through the recovery period ending December 31, 2016, if the City otherwise conducted its operations in conformity with the Plan.

The Receiver filed a Notice of Consummation of the Harrisburg Strong Plan on December 23, 2013, advising the Court that the Conditions to Consummation had been satisfied, indicating that the asset transactions were completed and were effective; the various settlement agreements that were material to the Strong Plan had all been executed and were effective; and that the required payments or distributions to the City of Harrisburg and to the various creditors as contemplated by the Strong Plan had been made. Thus, as of December 23, 2013, the statutory criteria set forth in section 602(b) of Act 47 no longer existed: the City no longer was insolvent , nor was it unable to ensure the continued provision of vital and necessary services, and the City had adopted, and was in the process of implementing, the court-confirmed Harrisburg Strong Plan.

While the City of Harrisburg still faces many challenges, including the continued implementation of various components of the Strong Plan, designed to ensure the provision of core municipal services, address operational efficiencies, enhance the quality of life for residents, and foster economic development and private investment in the City, thereby increasing its tax base and providing for a sustainable future; the conditions precedent to a fiscal emergency outlined in the Governor's Declaration of Fiscal Emergency and supporting Concise Statement of Facts dated October 24, 2011, no longer existed. We emphasize that while the fiscal emergency is over; there will continue to be significant challenges on a daily basis for Harrisburg as there are with other Act 47 cities. In his February 6, 2012 plan, the Receiver noted that:

1. Approximately half of the property in Harrisburg is exempt from real estate taxes;
2. The revenue sources of core communities such as Harrisburg are insufficient to provide it with the resources to handle unanticipated financial events and the City will constantly be on the razor's edge providing core government services;
3. Cities are not given significant powers to control labor costs which are approximately 70% of their budget; and
4. Legacy costs will continue to mount as the workforce ages and people continue to live longer. The Receiver acknowledged in the February 6, 2012 plan that these general policy matters went beyond his powers under Act 47. He concluded that the City must focus on its core services and have other services handled through intergovernmental cooperation or third party arrangements.

As to this last suggestion, the City will continue to have significant work to do with regard to building relationships with a host of entities that can provide it with additional capacity and resources. The recent agreement with the Visitors Bureau is an example of how this can work well; the decline in shared services between the City and CRW to $400,000 per year and inability of the City to recoup some or all of the $1.35 million being held by LCSWMA in an escrow account are examples of where more work is needed.

Thus, in recognition of the end of the fiscal emergency in the City of Harrisburg, and pursuant to Section 608(a) of Act 47, the Secretary of the Department of Community and Economic Development on January 16, 2014 certified that the economic conditions that led to the Declaration of Fiscal Emergency had been alleviated and the statutory criteria prerequisite to the existence of a fiscal emergency were abated. He further requested that the Court terminate the Receivership effective March 1, 2014, acknowledged that the City shall continue to be subject to the provisions of Act 47 and requested approval of his appointment of Fred Reddig as Coordinator to oversee the continued implementation of the Harrisburg Strong Plan.

Commonwealth Court Judge Bonnie Leadbetter then issued an order on February 25, 2014 vacating the Receivership effective March 1, 2014. The order further authorized the appointment of a Coordinator who serves as the successor to the Receiver and is authorized to perform all functions and responsibilities vested in the Receiver as to the further implementation of the Strong Plan. Finally the order provided that the Court retained jurisdiction over the provisions of the Strong Plan and any subsequent modifications to the Plan.

Following the plan's consummation work then shifted to place an even greater emphasis on operational issues and on certain additional work necessary to implement actions related to both the Resource Recovery facility and the parking system.

Accomplishments - Monetizations

The following section will provide a summary of the significant accomplishments that occurred as part of the consummation of the Strong Plan and the resolution of other debt related matters.

Lancaster County Solid Waste Management Authority (LCSWMA)
The Lancaster County Solid Waste Management Authority (LCSWMA) assumed operation of the Resource Recovery Facility, now known as the Susquehanna Resource Management Complex (SRMC), on December 23, 2013.

DPW Relocation - Pursuant to the terms of the sales agreement with LCSWMA, the City was required to relocate its public works facility. The City was under a March 23, 2014 deadline to complete the move in order to receive a $300,000 payment from LCSWMA. Although it was a significant challenge the City was able to meet this deadline and entered into a lease for a former automobile dealership on Paxton Street. The LCSWMA subsidy will pay for rent on the new facility for approximately 20 months. The City is currently negotiating an extension of the 2 year lease to provide time to consider a long term plan to address the needs of its public works operation.

Put or Pay - Tonnage from the City of Harrisburg, that was delivered to the SRMC in 2014 was 36,982 tons which exceeded the City's minimum required 35,000 tons, and the City is on target to meet or exceed the 35,000 tons for 2015. With the hiring of a recycling coordinator and the deployment of new recycling receptacles, the City has experienced a significant increase in recycling volume. The more the City recycles, the less it has to pay for disposal.

Host Fees - The City is now receiving approximately $285,000 in annual Host Fees from SRMC which are being used for a variety of purposes including subsidizing the salary of a recycling coordinator. Tipping fees charged for trash originating from the City have not increased for 2015 or 2016 as agreed to in the transaction.

Escrow Account - The City has approximately $1.35 million in an escrow account securing its obligations to LCSWMA to pay ongoing tipping fees. It has several options relating to liquidating this account and providing alternative security. Transfer of these amounts could help the City pay for new equipment or other necessary capital items. The Coordinator has recommended that the City work cooperatively with LCSWMA and consider taking appropriate actions to satisfy LCSWMA so that such money can be released to the City.

Since LCSWMA's acquisition of the SRMC, the site has undergone quite a transformation. The extensive changes implemented at the site demonstrate both LCSWMA's standard of excellence, as well as their commitment to restoring the facility into a community asset once again.
As of the third quarter of 2015, LCSWMA had invested approximately $8.6 million in the SRMC. LCSWMA's investment has been in three key areas: 1) improved customer experience, 2) substantial improvements to site infrastructure and aesthetics, and 3) community engagement.

Improved Customer Experience

The experience of both hauling and residential customers is of utmost importance to LCSWMA. As such, they strive to make enhancements in all areas of their operations as it affects their valued partners. Advances at the SRMC in this area include:

1. **Improved site traffic flow and reduced on-site/cueing time by an average of 50%.** This was accomplished by moving the main entrance to 19th Street, installing a new scale house with separate inbound and outbound scales, and construction of a $5 million transfer building for deliveries of construction/demolition waste and smaller customer deliveries. These improvements provide operational redundancy, reduces the volume of vehicle traffic moving through the main tipping floor building, and increases tipping floor safety for customers and LCSWMA staff.
2. **Enhanced facility operations** through improved traffic management on the tipping floor, use of tare weights on fixed container vehicles, expanding facility waste acceptance hours, providing timely and helpful communications regarding adjustments to operating hours or potential delays, and offering various tools and resources to expedite customer on-site time.
3. **Strengthened customer relationships** by hosting a customer appreciation day, in addition to an annual customer meeting for the purpose of sharing information and updates with the management of hauling customers, as well as to engage in discussion of how LCSWMA can continue to improve customer service and build valuable relationships.

Substantial Improvements to Site Infrastructure and Aesthetics

Operational efficiency and site appearance represent two additional qualities for which LCSWMA is known. LCSWMA devotes the necessary resources to ensure the functional preservation of its sites and continues to improve its aesthetic appearance. Images of the improvements made to the SRMC, including before and after photos, can be viewed at www.lcswma.org/srmc.

Some of the improvements include:

1. Replacing boiler air heater tubes and grate tiles and installing soot blowers in all three boiler units.
2. Constructing a new access road into the ash landfill and addressing numerous issues related to long-neglected leachate lines.
3. Completing extensive site clean-up, including the demolition of numerous obsolete buildings, removal of scrap equipment and steel, grubbing of trees and brush, grading and seeding green spaces, and extensive landscaping.
4. Adding new perimeter site fencing with privacy slats, reactivating on-site street lamps, and placing new signage around the site and on several buildings.

Community Engagement

In addition to the significant investment made for improved customer experience and site infrastructure/aesthetics—efforts that will continue over the next several years—LCSWMA has also supported the local community in numerous ways:

1. Ongoing recompense to the City of Harrisburg in the way of host fee payments typically exceeding $285,000 annually.
2. Furthering local clean-up and beautification efforts around Harrisburg, including waving tipping fees for hundreds of tons of litter collected from public areas and providing supplies for *The Great Harrisburg Litter Clean-Up* and other community clean-up events.
3. Donating 500 waste receptacles (25% of the total need) to the *Better, Cleaner City of Harrisburg* campaign in an effort to provide local residents with the resources necessary to contain trash and ultimately reduce litter.
4. Supporting local non-profit organizations in a variety of initiatives to improve the livability of the local area. Such focus areas include fostering open space, restoration of much-needed lighting and arts and culture.

Parking

The parking assets as of the Plan consummation were acquired by the Pennsylvania Economic Development Authority (PEDFA) who has engaged the Capital Area Regional Economic Development Corporation (CREDC) to oversee the operation and management of the parking operation. Standard Parking Corporation (SP+) is now managing day-to-day operations of the facilities and Trimont Real Estate Advisors is managing the parking assets.

A Parking Advisory committee comprised of a representative each from CREDC (as the representative of the Authority); Trimont Real Estate Advisors, the Asset Manager; Standard Parking Corporation, the Operator; the Parking Authority; the Mayor; City Council; DGS; Assured Guaranty; and the County has been established and is meeting periodically. The Advisory Committee is intended to serve 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. The Advisory Committee has no decision-making authority; but is empowered solely to provide input to the parties. The Advisory Board has been meeting twice per year and has convened several public forums to obtain community input on the parking operation. Input provided has resulted in various enhancements to the parking operations that are intended to provide a more user friendly system.

A number of new technologies and equipment have been installed since the new operators began managing the system. Although many were part of the initial plan some of the improvements are the result of the Advisory Board forums. Most meters in the City now are multi-space pay stations, accept credit cards, allow for pay-by-phone and allow parkers to add time by phone. The new technology enables parkers to not only pay for their parking, but it reminds them where they parked, sends a text message when their meter is running out of time, enables them to text the number of minutes they wish to add in order to avoid a fine, and enables businesses to market, send coupons and validate parking. The Mid-Town meters have a 15-minute grace period prior to requiring payment and the Central Business district now has a 5-minute grace period at the end of the period paid for by the parker.

Once installation of the technology in the garages is complete (which is expected before year end), additional parking programs and improvements should become available to workers, merchants and residents. The City has also made arrangements with

Park Harrisburg to reduce meter rates from 5 p.m. to 7 p.m. weekdays and on Saturdays for users of the Pango application, and Park Harrisburg has implemented several changes requested by the City and community members including $5 for after 5 p.m. parking and reduced lunch time parking at the River St. Garage. The City agreed to subsidize a reduction in meter rates from 5-7 p.m. and on Saturdays, if certain metrics were not otherwise met. Thus far revenues have exceeded thresholds so there has been no cost to the City for this program.

In addition to the up-front benefits of the parking monetization, the City is receiving very significant additional benefits in the form of annual cash flow from the parking monetization. The Strong Plan had included an increase in annual revenues to the City (inclusive of additional parking tax revenues) of $3.3 million per year, and the City realized more than that in 2014 and is expected to receive approximately $3.7 million to $3.9 million in 2016. The one disappointment is the parking fine revenues which are performing approximately $1 million below projections.

Parking revenues were projected for Guggenheim Securities by nationally recognized parking consultant Desman Associates. Because Dauphin County was guaranteeing a significant amount of the parking bonds and ultimately bore a substantial amount of risk, the County retained another nationally recognized parking consultant (Walker Parking Consultants) to review the projections. Assured Guaranty Municipal Corporation thoroughly vetted the projections prior to guaranteeing the parking bonds as well. Finally, City Council asked the Receiver if it could retain (and the office of the Receiver authorized the retention and agreed to pay over $45,000 for this purpose) nationally known turnaround firm Alvarez & Marsal to review the numbers and identify the risks to the City. Based upon the express statements in the Alvarez and Marsal report, the City was informed in writing of certain risks including that the "*Level of uncertainty in the revenue projections is a risk for the City and the Creditors. Enforcement and meter increases are based on slim underlying data, and therefore carry higher variability in the forecast.*"

The Asset Purchase Agreement and the Trust Indenture for the Parking Bond transaction have been misconstrued by some. The provisions of those agreements allow for the City to receive 100% of the excess cash flow (after operating expenses and debt service) on a <u>priority basis and prior to</u> certain payments to Standard, Trimont, PEDFA, etc. These provisions are not projections, they are not guaranteed amounts nor should they be used as forming a basis for the City's budget. These negotiated levels were designed to provide the City with some of the upside benefits of the parking transaction if, and only to the extent there are excess revenues. The transaction was negotiated so that if the parking transaction was successful the City would share in the success. The intent was to have the incentives of the operator, asset manager and City somewhat aligned. This was one of the many differences between the Jacob Fryman proposed transaction and the consummated parking transaction. The Office of the Receiver negotiated, on behalf of the City, these provisions in order to provide an ongoing revenue stream to the City.

Parking Taxes and Waterfall Payments

2014 Results of Operation.

As a direct result of the parking monetization, parking taxes to the City increased by approximately $1.5 million, according to the 2014 audit. This was a result of using parking "acquisition" proceeds to repay the Harrisburg University Bonds and the HPA Series U Bonds (these bonds were repaid using upfront proceeds of the parking monetization).

In addition, the amount the City had collected from meter fines ($880.6 K in 2013) was replaced with payments by PEDFA under the Indenture waterfall. Below is the year over year comparison based upon the City's records.

Group	Acct#	Account Description	2012	2013	2014	
Parking Taxes	327000	MBP PARKING TAXES CURRENT	1,507,727	1,613,906	3,100,722	
Parking Taxes	327001	MBP PARKING FEE	13,513	13,271	16,721	
Parking Fees	327002	PARKING LICENSE FEE-PRIOR	784	476	3,266	
Parking Fees	327003	PARKING LICENSE FEE-PENAL	2,298	668	3,477	
Parking Fees	342015	TOWING FEES	27,775	24,954	28,360	
Parking Fees	342050	METER BAG RENTAL	171,576	149,706	62,834	
Parking Fees	342092	FINE AND COSTS	91,092	72,919	72,570	
Parking Fees	342099	BOOTING FEES	16,200	1,925	14,595	
Parking Tickets	346020	PARK TICKETS-VIO FINE	1,093,142	880,585	1,887,962	
Priority Parking Distribution	397002	PRIORITY PARKING DISTR.	0	0	587,286	
Rental Income	355001	HPA RENTAL INCOME	24,267	0	20,800	
Hbg Prk Auth Coord Pkg	397000	HBG PRK AUTH COORD PKG	250,000	0	0	
			3,198,374	2,758,410	5,798,592	3,040,183
						Δ

The amount of waterfall payments was projected to be $2 million for 2014 but was approximately $140,000 lower due to a number of factors, including a delay by the City in enacting ordinances required to adjudicate past due fines, and start-up problems with the adjudicatory system. Still, when taken together, the increase in cash flow with respect to parking taxes and the waterfall resulted in a significant improvement in cash flow to the City (approximately $3 million more to the City than prior to implementation of the parking monetization). This improvement in cash flow along with continuing fiscal restraint by the City's management enabled the City to not only maintain a balanced budget in 2014, but also provided for an increase in its fund balance. The City was also able to adopt a balanced budget in 2015.

2015 Interim Parking Results through September

- Transient revenue continues to run under budget but that amount is offset by higher meter revenues.
- Monthly contract revenues are for the most part on budget, but for delays in payment due to the Commonwealth of Pennsylvania not having an adopted budget for 2015-2016.
- Approximately 300 new occupants of the "Verizon Building" have begun drawing parking passes and will generate additional revenue for the system in 2015 including additional Local Service Taxes paid to the City.
- Fines and penalty revenues are well below budget. A booting program will be initiated in the near future that should assist with parkers who disregard tickets issued.
- Operating Expenses are expected to come in near budget for 2015.

Due in large part to the disappointing performance of fines and penalty revenues, payments to the City under the waterfall have declined from last year to approximately $1.0 million paid through November 1, 2015. Tax revenues continue to be $1.5 million or more greater than in 2013, so the combined benefit of the waterfall payments and the increased tax revenues are projected to be approximately $2.5 million this year.

CDM Smith Consulting Report. In addition, PEDFA engaged CDM Smith to undertake a review of operations as required under the Trust Indenture because the 125% debt service coverage ratio was not met in 2014. The coverage ratio was 122%. CDM Smith, the long-time consultant for the parking system was retained and provided the following findings to PEDFA at its October 21 meeting.

SP+

- *It is the opinion of CDM Smith that a much smoother handover from HPA to SP+ could have taken place, including temporarily hiring former HPA employees. Hence, we believe that SP+ management should have better planned for the transition from HPA to their firm. This transition also should have included more support from SP+ managers outside Harrisburg.*

- *It would have been difficult to completely mobilize because the transfer date was uncertain. Devoting resources in a standby capacity during the holiday season would have been difficult. Further complicating the transition period from HPA to SP+ was the company's recent merger between Standard Parking and Central Parking becoming SP+.*

- *PK Harris also expressed concern with the on street parking enforcement equipment's inability to allow a 5 minute grace period on parking meter violations. According to SP+, it is a technology issue, and the vendor has not provided a solution. A 5 minute grace period would engender some goodwill with downtown Harrisburg parkers. (The grace period has now been implemented)*

Enforcement Revenues - Lower than Projected.

- *There were two key actions SP+ needed from governmental agencies to be able to collect parking violation fine revenue. On May 27, 2014, SP+ received their Originating Agency Identifier (ORI) from the Pennsylvania State Police needed to complete their responsibilities in writing parking citations. On November 12, 2014, the City of Harrisburg passed Bill Number 16 Ordinance Number 13 of Session 2014 that raised the parking violation fee from $14 to $30, with an additional $20 assessed if it is not paid in 96 hours.*

- *On July 22, 2015, Judge Richard Lewis ordered the Magisterial District Courts for the City of Harrisburg to not accept for filing any summons, citation, or other document charging an infraction where the violation occurred more than 365 days prior to such filing. Therefore, all tickets issued between January 2014 and July 22, 2014 were beyond the Statute of Limitations.*

- *Based on Judge Lewis's July 22, 2015 Statute of Limitations decision, all parking tickets issued between January 1, 2014 and July 22 2014 are null and void.*

- *We believe that it would have been difficult to predict the difficulty in receiving the ORI from the State Police and the parking enforcement enabling law from the Harrisburg City Council. Those two actions, as well as the organization of AOPC in order to receive and process a large number of parking tickets, resulted in unexpected delays and ultimately a reduction in enforcement revenue.*

- *Annual enforcement revenue generated from fines and penalties is expected to range from a low of $1.5 million to a high of $1.9 million once the system settles down and everything is working smoothly.*

Overall Performance.

- *The Park Harrisburg system underperformed slightly in 2014 because it produced a coverage of 1.22, and the Trust Indenture requires a 1.25 coverage. The 2015 coverage is projected to also fall below the 1.25 requirement. In 2014, the coverage would have been achieved had the system produced $310,000 of additional net revenue. Unrecoverable enforcement revenue in the court system from January 2014 through July 2014 is estimated to be $250,000. Recoverable income from August 2014 through December 2014 is estimated to be $200,000. When the recoverable income is secured by SP+, the system's 2014 coverage should reach 1.24. We assume that the recoverable income will be applied to 2014 financial results.*

In the absence of the implementation of the Strong Plan, the City's obligations to repay the incinerator bonds, notes, swaps and other obligations would have been in excess of $17.5 million in 2015, and the parking revenues would have been approximately $2.5- $3 million less, which would have resulted in an approximately $20 million deficit (or, 33.7% structural deficit). As a result of the incinerator sale, the parking monetization and expenditure restraint, last year's budget saw a year end surplus which added to the fund balance of the City. This year there is a projected $1,000,000 budget deficit (or 1.7%) based upon current cash flow estimates. Because the police, fire and non-uniformed employees will be receiving raises, increased health care payments and pension payments, and with limited revenue growth, it is inevitable that a structural deficit will again begin to form, however the magnitude of such deficit will be far less, and management will have a variety of ways of addressing it.

The "Verizon Bond Problem" has been addressed.

The Verizon Bond Problem is described in greater detail in the Strong Plan, and originated from the fact that the so-called Verizon Bonds were issued as long term, capital appreciation bonds in 1998 to fill a budget shortfall of the City at the time. The assumption was that Verizon or someone would be a tenant in the building paying sufficient rent to pay approximately $41.6 million of debt service from 2016 – 2033. The City of Harrisburg had guaranteed repayment of all the debt service on the Verizon Bonds. The Verizon lease ended prior to the requirement that debt service be paid. Therefore, if Verizon moved out prior to the debt service becoming due, which was expected in recent years, and actually occurred, and the building remained fallow, the City would be required to pay the entire $41.6 million in debt service.

The Coordinator's team worked diligently with the various parties involved through 2014 and early 2015 to develop a viable resolution to this liability. The negotiation of a lease between Harristown Development Corporation and DGS was a critical component to providing an ongoing revenue stream. The City's repayment obligations were also structured so as to make them affordable and provide it with capacity to borrow for capital improvements over the next several years.

The Mayor and City Council had been provided with an executive summary and periodic, in-person updates as to progress on the Verizon issue during late 2014 and early 2015. The summary provided details of how a tenant was procured, how a rental rate was negotiated, how a Commonwealth statute had to be changed to accommodate the move, how Harristown Development Corporation had to make concessions and procure an energy savings based loan for significant improvements to the building, the approval process involved, how the City's repayment obligations were structured in order to make them affordable and provide the City with the capacity to borrow for capital improvements beginning in the next several years, along with the summary of the Settlement Agreement entered into with AGM. The Settlement Agreement was approved by the Court on March 13, 2015.

Benefits to the City

The benefits to the City of the arrangement that was consummated on January 30, 2015 include:

- The Commonwealth as a single tenant, with high credit rating and high likelihood of staying in Harrisburg entered into a 17 year lease (the entire repayment term of Verizon Bonds).
- HDC concessions and DGS willingness to make installment purchase payments provide significant reduction (expected to be in excess of a $20 million reduction) in City repayment obligations.
- HDC is provided incentives to increase the subsidy of City debt service coming from lease payments.
- Property remains on the tax rolls generating real estate revenue.
- Over $16 million in capital improvements are being made to the three buildings in the Strawberry Square complex.
- Significant energy savings improvements to reduce cost to Commonwealth and increase amounts available to City.
- 900 people moving into central business district should help merchants and will increase Local Service Tax to City by approximately $46,000 per year.
- Additional vehicles to be parked in system should increase parking tax collections of the City by approximately $330,000 per year and total parking system revenues by $1.65 million.

Update on Improvements

As of the July 2015 financial statement electric costs were down substantially. These savings are a result of three major initiatives. The first is $16 million dollars of energy improvements made throughout the three building complex since January, 2015. The second is a result of managing kilowatt utilization during defined peak demand days identified by PJM. Energy usage during these defined peak days affect Capacity rate; through energy usage reduction steps HDC has reduced Pass-Thru Peak Energy Charge by 21% or $122,866. Finally, HDC is now seeing the impact of its electric commodity rate reduction of one cent per kilowatt which commenced as of the June billing.

Work on the energy upgrades was a separate project between DGS and HDC that was coordinated with the build out of Phase 1 and Phase 2. Installation of over 37,000 LED replacement lights and occupancy sensors complete, the water fixture retrofit, building envelope insulation projects, water fixture retrofits, VAV box replacements and steam system insulation are also 100% complete. Building automation installation and fire system modifications are well underway and will provide significant improvements to the manner in which we operate our buildings. Chillers were also installed for 333 Market Street and Strawberry Square.

Work on the 6th, 7th & 9th floor commenced in mid-May of 2015, and was managed through on-going communication between Harristown, R.S. Mowery and Dept. of General Services representing the interests of the Department of Human Services. Work was materially complete on the 6th & 7th floor during the last week of August 2015 and the Department of Human Services move into the 7th floor commenced as of August 27 with the Office of Administration, Bureau of Program Integrity staff reporting to work in the "Commonwealth Tower" on Wednesday, September 2, 2015. As of November 9, PHASE 1 and PHASE 2 of the Commonwealth Tower **-** DHS Relocation Project is complete with some punch list items pending. The 6th, 7th and 9th Floors have been successfully occupied by 409 DHS employees. PHASE 3 is currently on schedule with construction to begin in December and the remaining floors to be occupied by March 1 2016, when the new lease commences. The DGS Security System Upgrade Project throughout the Capital Complex was coordinated with the security system requirements for DHS in the Commonwealth Tower. The security system has been completed for PHASE 1 and PHASE 2 with the remaining floors to be complete in PHASE 3.

Verizon Bonds and Overall City Debt Structure

The City's budget remains quite fragile. Recognizing this fact, the Receiver and Coordinator worked with all stakeholders to minimize any gap between what the DGS Lease can yield toward debt service and what the debt service obligations are.

- To the extent of any shortfall between the net annual lease payments remitted on the Verizon Bonds, plus an amount the City can reasonably afford to pay under its guaranty and the scheduled debt service, the Strong Plan contemplates that AGM would advance monies to bondholders sufficient to make up the difference.

- This accommodation by AGM will provide the City with some liquidity.

- The City will be required to repay any such advances in full and to pay interest to AGM, though it is under no obligation whatsoever to avail itself to this accommodation by AGM. If it does not take advantage of any AGM advances, the City will not have to repay anything to AGM.

- For such accommodation, AGM insisted on a mortgage on the Verizon Tower, securing repayment of the Verizon Bonds.

Of utmost importance to the Coordinator is the City's ability to repay over time; the Verizon Bond shortfall without impairing the City's recovery. To facilitate the Coordinator's discussions with AGM about various City repayment models that might be employed to retire the Verizon Bonds, estimates were made of what the City might be able to afford and when. In doing so, the following assumptions and metrics were used:

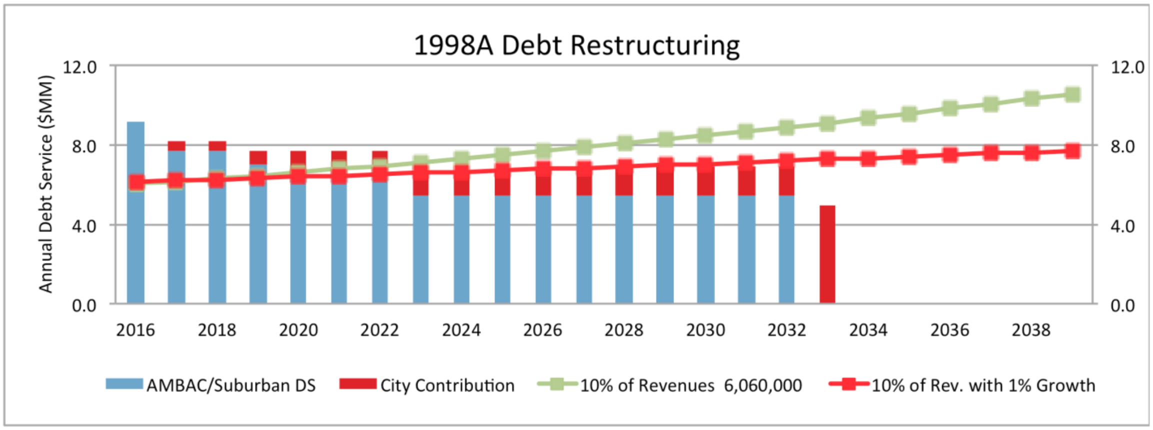
- Wait until some of the City's existing financial obligations under the Plan decline (repayment to Suburban Communities and General Obligation Bonds), prior to amortizing Verizon Bond obligations so that the City's obligations remain level or declining.

- Use 10% of revenues as an approximation of the maximum annual amount of debt service obligations the City should strive for.

- Constrain the growth factor for revenues to 1% per year to conservatively model the City's revenue forecasts and capacity to service Verizon Bond debt service.

- Assume that the City may wish to issue $5 million of debt for capital purposes in every third year commencing in 2022.

The Settlement Agreement has taken the above into account in formulating forbearance and repayment schedules. The below graphic layers in the Verizon Bonds debt service with the City's other debt and obligations (AMBAC insured general obligation bonds, suburban communities repayment and Verizon Bonds are shown in the graphic. The City is also attempting to reform the Senators' Stadium park permit and avoid having to pay any debt service on those bonds.)



City Island; Senator's Bonds, parking option and permits.

There remain numerous City Island issues that are yet to be fully addressed including parking issues, DCNR related matters and the Senator's park permit.

The City has undertaken a more comprehensive review of City Island to determine its best use as a regional asset. There are a number of issues that relate to the Island that are under review. The City participated in a charrette in the fall of 2014 that was undertaken by the Urban Land Institute (ULI) to assist with this process. The ULI's report was presented to the City in March 2015 and provided both short-term and long-term recommendations. Key recommendations included developing a master plan for the Island and centralizing management for island related activities. While meetings with DEP and DCED had been scheduled to occur over the summer to try to advance this issue, the Mayor asked to cancel these meetings as the City pursues other priorities.

The 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. Historically this has been $180,000 and $200,000 annually; however, the amount increased further in 2015 to $234,825 due to the lack of receiving additional related 2015 revenue (naming rights and City Island parking fees) from the Senators. We understand the Senator's owners are holding back payments to the City in order to fund capital improvements to the stadium, thereby increasing the amount of debt service the City is required to pay under the Guaranty of the bonds.

The City has retained outside counsel to help with the park permit and renegotiation of the arrangements between the Senators' ownership and the City. The City does not desire to pay debt service on the Senators' bonds, which it has been doing for a number of years. Under the Guaranty Agreement, the Trustee is supposed to notify the City if it does not have sufficient sums from the team ownership and the City is supposed to transfer the shortfall. The amount of the transfer so transferred by the City is then supposed to be booked as a contingent asset as the ownership is required to pay the City back out of excess or surplus revenues. It does not appear to the Coordinator that the City or the Team are following the protocol set forth in the Guaranty. The Coordinator has recommended to the City that it keep track of all advances under the Guaranty it makes so that if and when there are surplus revenues, the City can be repaid for its advances.

The goal of a new permit/lease is to insure that adequate revenues are received to fulfill the debt service obligations on the stadium bonds. With a local businessman now owner of the Senators there is a hopeful sign for the renegotiation of the permit. The Mayor continues to have periodic discussions with the new owner to address issues related to the Senator's Park permit in an effort to resolve this obligation. The Coordinator's Team has offered to assist with this effort should the City desire.

Coordination with the Harrisburg Parking Authority (HPA) has also occurred, as certain parking facilities on City Island are included in the parking monetization transaction. HPA completed a survey of City Island in March 2015 to provide the basis for the creation of condominiums related to the parking facilities with the parking garage as the primary footprint. HPA's counsel has worked to prepare City Island legal work for setting up a condominium comprised of the parking garage and a small portion of the parking lot to accommodate PEDFA's exercise of its option. The exercise of the option is not as important at this point as DHS decided to provide employee parking within the parking garages in the business district rather than on City Island.

Derivatives, Class Action

Both of the City's guaranteed bond issues, outstanding through the Harrisburg Redevelopment Authority (HRA), had investment agreements provided by entities that are subject of a class action known as In re: Derivatives. In re: Derivatives has settled and the payout to various claimants is currently being sorted out. The HRA has filed a proof of claim with respect to several of its bond issues, including the Verizon Bond issue and the Senator's Stadium Bond issues. It is anticipated that the City will find out by the end of 2015 how much of the settlement proceeds will be paid with respect to the Verizon Bond issue and how much with respect to the Senator's Stadium Bond issue. It is further anticipated that amounts paid to the HRA will be applied to the related bonds to reduce the City's obligations. It is too soon to tell how much the HRA and in turn the City will receive in settlement proceeds.

Baseline Operating Budget Structural Deficit

The purpose of this chapter is to estimate the City's baseline structural deficit (the amount by which the City's Operating expenses consistently exceed its revenues) looking forward from 2016 to 2018 assuming no changes as a result of this plan.

2016 – 2018 General Fund Baseline Projections

Baseline projections for the General Fund were developed for 2016 through 2018 using 2013 and 2014 operating Budget Actuals and the City's 2015 adopted budget. These projections assume that ***no plan interventions are made to change either the existing revenue or expenditure trends***. In developing these projections, a variety of assumptions were used.

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

- All tax rates were held constant at the 2015 budgeted levels; fee revenue is based upon the City's 2016 proposed budget fee schedules.

- Revenue from real estate taxes was reduced by one half percent (0.5 %) annually throughout the period as continuing assessment appeals may reduce growth in valuations. Delinquent tax collections were included at historical levels.

- Other Taxes were reviewed on a line-by-line basis. Earned Income Tax revenue was increased by one half percent (0.5%) per year, the Business Privilege & Mercantile Tax revenue by one half percent (0.5%) per year and the Real Estate Transfer Tax revenue held level at the 2015 budgeted base. Permit and Fee revenues were increased annually by one half percent (0.5%). Baseline Local Services Tax revenues were increased in 2016 to account for the transfer of Commonwealth employees to locations within the City and then by an additional $940 annually which represents 20 new employees yearly in the City.

- State aid for pension expense was increased by the historical average annual increase of 2.0 % through the period.

- The Commonwealth's Allocation for Public Safety Services ($5.0 million) is included in these projections. Grants for public safety (COPS) were estimated for the 2016 and 2017 years. Other grants were estimated for receipt only in 2016.

- Most other revenues are held constant over the period.

- Reimbursement of administrative charges from the Neighborhood Services Fund is based on the City's 2012 Maximus cost allocation study.

- Priority Parking distribution was estimated at $2.0 million for each of the 2017 and 2018 years.

General Fund Revenue Projections, 2016-2018

	2016	**2017**	**2018**	**% Change**
Revenue Group	**Projected**	**Projected**	**Projected**	**2013-2016**
Property Taxes	16,969,189	16,884,343	16,799,921	-1.0
PILOTS	500,000	500,000	500,000	0.0
Earned Income Taxes	10,716,430	10,770,013	10,823,863	1.0
LST	2,149,273	2,151,038	2,151,978	0.1
Mercantile Business Privilege	3,579,359	2,869,092	2,893,727	-19.2
Parking Taxes	3,811,463	3,811,463	3,811,463	0.0
Other Taxes	840,000	840,000	840,000	0.0
Licenses, Permits and Fines	5,142,864	5,144,780	5,147,813	0.1
Intergovernmental	2,515,769	2,315,000	2,359,000	-6.2
Commonwealth Allocation for Public Safety Services	5,000,000	5,000,000	5,000,000	0.0
Transfers	1,612,642	512,642	512,642	-68.2
Other Revenues	5,284,760	5,776,838	5,834,496	10.4
Total	**58,121,749**	**56,575,209**	**56,674,903**	**-2.5**

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

- The number of personnel has been held constant at the 2016 budgeted levels
- Wages have been increased as specified in the respective collective bargaining agreements. Wages were increased by 1.0% annually after the expiration of the current contracts. Annual wage increases of 1.0% are included for non-bargaining unit employees below the level of director.
- Employee medical costs have been increased by a rate of 6.0% annually. Employee healthcare contributions remain at rates in the last year of contract for bargaining unit employees and at 2015 budgeted rates for non-bargaining unit employees.
- Other major insurance costs have been projected on a case-by-case basis.
- No new debt is assumed. Transfers to the Debt Service fund are assumed using existing amortization schedules.
- Municipal pension obligations are increased by 1.0% annually through the period.
- Payments to the suburban communities are in accordance with the agreement for reimbursement.
- Other expenditures were increased at various levels using the Core Personal Consumption Expenditures Index, held at budget level, or adjusted based on type of expenditure.

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Expenditures are projected to grow from $59.956 million in 2016 to $60.443 million in 2018. The principal factor for the increase in expenditures is personnel costs, primarily employee medical insurance and wages. Medical insurance increases from $11.0 million in 2016 to $12.4 million in 2018, an increase of 12.4%. Wages increase from $23.3 million in 2016 to $22.7 million in 2018, an increase of 4.8%.

General Fund Expenditure Projections, 2016-2018

Expenditure Type	**2016 Projected**	**2017 Projected**	**2018 Projected**	**% Change 2016-2018**
Salaries/Wages	21,331,467	21,903,865	22,355,724	4.8
Temporary Wages	164,000	164,000	164,000	0
Overtime	1,577,000	1,584,300	1,588,023	0.7
Sick Time Buyback	193,000	193,000	193,000	0
Medical & Life Insurance	11,040,000	11,702,400	12,404,544	12.4
Police Pension	2,906,315	2,996,184	3,065,442	5.5
Fire Pension	280,858	286,475	289,340	3
Fringe Benefits	2,743,004	2,756,058	2,770,796	1
Total Employee Expenses	**40,235,644**	**41,586,282**	**42,830,868**	**6.5**
Communications	406,014	412,913	419,943	3.4
Professional Fees	1,288,300	1,299,765	1,311,447	1.8
Utilities & Services	543,500	553,827	564,349	3.8
Insurances	1,359,943	1,382,617	1,405,721	3.4
Rentals	143,000	143,760	144,534	1.1
Maintenance & Repairs	1,191,077	1,091,649	1,042,232	-12.5
Contracted Services	588,163	452,938	432,183	-26.5
Supplies And Expenses	2,301,085	2,288,952	2,302,063	0
Minor Capital	92,800	87,800	87,800	-5.4
TRAN Interest	50,000	-	-	-100
Street Lights & Signs	380,000	383,230	386,521	1.7
Grants	228,287	232,624	237,044	3.8
Lease Purchase	538,396	547,372	556,518	3.4
Other Capital	5,000	-	-	-100
Transfer to Debt Service Fund	9,105,527	7,817,700	7,722,426	-15.2
Fines & Settlements	1,500,000	1,000,000	1,000,000	-33.3
Total Non-Employee Expenditures	**19,721,092**	**17,695,146**	**17,612,781**	**-10.7**
Total Expenditures	**59,956,736**	**59,281,428**	**60,443,649**	**0.8**
Surplus/Deficit	**(1,834,987)**	**(2,706,219)**	**(3,768,746)**	

Neighborhood Services Fund

In the 2016 Budget proposal, the City realigned a number of its public works functions, combining them with the former Sanitation and Disposal Funds, creating the Neighborhood Services Fund.

Baseline projections for the Neighborhood Services Fund were developed for 2016 through 2018 using the City's 2016 proposed budget. These projections assume that ***no plan interventions are made to change either the existing revenue or expenditure trends***. Given the significant change in City budgeting it is imperative that the City closely monitor the Fund's performance on at least a quarterly basis and make appropriate adjustments as necessary pursuant to REV 08.

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

- Revenues from Collection and Disposal were grown slightly at 2% annually.
- Other Sanitation Fund Revenue was reduced from $150,000 in 2016 to $10,000 in 2017-2018 in line with prior years.
- Liens Revenue for 2017-18 were held constant 2016 budget levels

	2016	2017	2018	% Change
Revenue	**Budget**	**Projected**	**Projected**	**2016-2018**
Operations	12,530,440	12,639,239	12,890,974	2.9
Miscellaneous	96,223	93,329	93,762	-2.6
Transfers	0	0	0	0.0
Cash Carryover	2,938,005	169,118	0	-100.0
Total Revenue	**15,564,668**	**12,901,686**	**12,984,736**	**-16.6**
Expenditures				
Personnel	4,267,529	4,312,968	4,344,727	1.8
Services	8,213,234	7,914,813	7,914,813	-3.6
Supplies	403,000	403,000	403,000	0.0
Other	52,000	52,000	52,000	0.0
Debt Expense/Capital	1,528,905	218,905	208,905	-86.3
Transfer to General Fund	1,100,000	0	0	-100.0
Total Expenditures	**15,564,668**	**12,901,686**	**12,923,445**	**-17.0**
Surplus/(Deficit)	**0**	**0**	**61,291**	

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

- The number of personnel has been held constant at the 2016 budgeted levels
- Wages have been increased as specified in the respective collective bargaining agreements. Wages were increased by 1.0% annually after the expiration of the current contracts. Annual wage increases of 1.0% are included for non-bargaining unit employees below the level of director.
- Employee medical costs have been increased by a rate of 6.0% annually. Employee healthcare contributions remain at rates in the last year of contract for bargaining unit employees and at 2015 budgeted rates for non-bargaining unit employees.
- Capital Expenditure of $1.2 million is included in 2016 only
- Lease Purchase Revenue reduced to $150,000 in 2017-2018 from $250,000 in 2016
- Motor Equipment reduced to $10,000 annually in 2017-2018
- Transfer of $1.1 million to the General Fund is included in 2016 only.
- All other expenditures were held at 2016 Budgeted levels.

Other Funds

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

- Debt Service Fund – Accounts for transactions relating to City debt excluding any guaranteed debt;
- Liquid Fuels (Highway Aid) Funds – Accounts for Commonwealth funds to maintain streets and roads; and
- Host Fee - The Host Municipality Fees Fund is funded by quarterly amounts of host municipality benefit fees received from The Harrisburg Authority for waste tonnage received and disposed at the Harrisburg Resource Recovery Facility, as mandated by Act 101 - The Municipal Waste Planning, Recycling, and Waste Reduction Act. The Fund will be used to account for this fee revenue with the proceeds being made available as a funding source for critical environmental projects and related administrative costs.
- Blight Remediation - The Blight Remediation Fund is responsible for the collection of fee revenue and related expenses of the City as they pertain to enforcement of ordinances regulating blight and local health, housing and safety codes and regulations, including expenses related to remediation of blighted conditions, as authorized.
- Special Funds – Accounts for specifically designated revenue sources and uses.
    - Special Events & Project
    - Fire Protection
    - Police Protection
    - Parks & Recreation
    - WHBG (Cable Television)

Workforce and Collective Bargaining

Overview

As with most local governments, Harrisburg's personnel costs represent the majority of the city's actual expenditures. The City requires a substantial workforce to prevent and investigate crime and enforce laws, maintain safe and clean streets, ensure public safety and deliver other important municipal government services.

Since the Strong Plan was confirmed on September 23, 2013, Harrisburg has made significant progress toward establishing a more stable and sustainable fiscal structure, a major piece of which involves a remodeled plan for workforce expenditures.

The substantial majority of Harrisburg employees are represented by one of its 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").

Because Harrisburg was in financial distress, all three of the City's unions voluntarily came to the bargaining table and agreed to amend their collective bargaining agreements in a cooperative approach to maintaining Harrisburg's fiscal health, even though there was no legal requirement that any of the unions do so. Specifically, prior to the filing of the Strong Plan, the FOP and AFSCME agreed to amend their respective agreements with the City, as reflected in the Plan that was filed in August 2013. While the IAFF also agreed to amend its agreement with the City, it did not finalize the terms of such amendment until April 2014 after the Plan was filed and confirmed.

As a direct result of the City's three unions' willingness to renegotiate the terms of their then-existing collective bargaining agreements before any of those agreements were set to expire, Harrisburg began to achieve savings in workforce costs. These savings were an important first step in embarking on the long path towards fiscal health, which must be continued in the coming years in order to achieve balanced budgets and eventually exit from the strictures of Act 47.

As they currently stand, the City's collective bargaining agreements with the FOP and AFSCME expire on December 31, 2016. The collective bargaining agreement with the IAFF is set to expire on December 31, 2017. Unlike the mid-term negotiations that the unions voluntarily entered into in connection with the filing of the Strong Plan in August 2013, negotiations for successor agreements with each of the unions will be the first time since Harrisburg entered into Act 47 that the unions are obligated to negotiate all terms with the City and that the City has the right to renegotiate employment terms with the unions.

Given the significant impact that workforce expenditures have on the overall budget, Harrisburg must continue to be vigilant in managing employee compensation (including both wages and benefits) in order to ensure the City remains fiscally healthy. Even with the improvements in certain revenues that have been achieved since the Strong Plan was initially implemented, there remains a continuing need to contain workforce expenditures in light of Harrisburg's still sluggish revenue growth (both actual and projections).

This Chapter of the revised Plan provides an overview of issues pertaining to the City's represented workforce, including headcount, compensation, and pension issues, and then identifies several initiatives that the City must follow when entering into new labor agreements with its unions, in order to ensure continued compliance with the strictures of Act 47.

Employee Overview

Headcount

As of November 2, 2015, Harrisburg employs 366 full-time employees. 332 of the 366 full-time employees are paid out of the General Fund, while 23 are paid out of the Neighborhood Fund.

The following chart demonstrates the number of employees in each of the collective bargaining units as well as those employees who are not represented.

Employee Group	Covered Positions	2015 Total FTEs	Contract Term
Non represented	Executive, management, confidential	58	N/A
FOP	All sworn Police Officers	132	January 1, 2007 (amended in 2013)- January 31, 2016
AFSCME	All non-executive, non-management, non-confidential employees not otherwise covered in FOP or IAFF	103	January 1, 2004 (amended in 2013)- January 31, 2016
IAFF	All firefighters, lieutenants, captains, battalion chiefs, and deputy chiefs	73	January 1, 2006 (amended in 2014)- January 31, 2017
Total		366	

Compensation

By far, Harrisburg's largest workforce expenditure is employee salaries. For example, in 2014, salary expenditures from the General Fund cost the City $20,982,971.00. In addition to salaries, overall compensation includes a wide variety of components, including, without limitation, longevity pay, shift pay, special assignment pay, other cash premiums and bonuses, employer-portion of applicable payroll taxes, vacation, holidays, paid leave, active employee life insurance, and other miscellaneous fringe benefits.

Prior to the confirmation of the Strong Plan, two of the city's three public unions – the FOP and AFSCME – reached agreements to reduce a combination of wages and other employment terms and benefits through December 31, 2016. With regard to salary, the FOP and AFSCME each agreed to wage freezes during the years 2013 and 2014, followed by 1% raises in the years 2015 and 2016. While no agreement had yet been reached with IAFF at the time the Strong Plan was confirmed, IAFF thereafter agreed to modifications of its collective bargaining agreement with the City through December 31, 2017, agreeing to a wage freeze for its members in 2013 and 2014, followed by a 1% raise in 2015 and 2016, and a 2% raise in 2017.

In addition to salary, the City's union employees receive longevity pay per the terms of their collective bargaining agreements. While the City achieved some concessions from its unions with respect to longevity pay, only some of the rates were frozen through 2016.

Specifically, AFSCME agreed to freeze longevity payments as they currently existed in the collective bargaining agreement from September 16, 2013, the date of ratification of the amendment, through December 31, 2016. Additionally, AFSCME agreed that longevity pay will not be given to any employee hired on or after September 16, 2013.

At the time of the renegotiations, FOP and IAFF employees received longevity pay at the rate of 1% of the employee's base pay for each year of service after the employee's third year, up to a maximum of 13%. As a result of the renegotiations, the FOP agreed to freeze longevity pay for eligible employees from the date of the ratification of the amendment, September 16, 2013 through December 31, 2016. Further, the FOP agreed that employees hired after January 1, 2013 will not be eligible for longevity pay, while the IAFF agreed that employees hired on or after April 7, 2014 will not be eligible for longevity pay.

In addition to salary and longevity pay, the City provides other forms of cash compensation in the form of shift differentials, holiday premium pay, unused sick leave, overtime, and premium pay.

The following chart demonstrates that the City of Harrisburg's paid leave benefits remain more generous than private sector norms, and are competitive with other state and local government, according to the Bureau of Labor Statistics' National Compensation Survey from March 2015.

Employee Group	Annual Holidays	Personal Leave	Vacation after 1 year	Vacation after 5 years	Vacation after 10	Vacation after 20 years
AFSCME 7.5 hours/day	13 days per year	3 days per year	6.88 hours per month *5 hours per month*	10.63 hours per month *6.88 hours per month*	15 hours per month *10.63 hours per month*	18.75 hours per month *13.74 hours per month*
AFSCME 8-12 hours/day	13 days per year	3 days per year	7.34 hours per month *5.34 hours per month*	11.34 hours per month *7.34 hours per month*	16 hours per month *11.34 hours per month*	20 hours per month *14.67 hours per month*
FOP	13 days per year	3 days per year	16 days per year	19 days per year	22 days per year	30 days per year *(22) days per year*
IAFF	11 days per year	1 days per year	12 days per year *(8) days per year*	16 days per year *(12) days per year*	16 days per year *(12) days per year*	20 days per year *(16) days per year*
Private Sector Median	8 days per year	n/a	10 days per year	15 days per year	15 days per year	20 days per year
State and Local Government Median	11 days per year	n/a	12 days per year	15 days per year	18 days per year	22 days per year

Numbers in italics apply to those union employees hired after the date of the ratification of collective bargaining agreement amendments.

As the result of the negotiations with the unions that took place prior to the filing of the Strong Plan, the City was able to achieve immediate reductions in overall healthcare costs – savings that need to continue to be achieved in the years ahead. Indeed, the third party administrator calculated the City's savings in 2013 to be -5.72% for active PPO members, or $343,838 annually (reduction from $6,007,590 to $5,663,751) based solely on the savings in 2013 on base premiums. In 2014, the third party administrator calculated the City's savings to be -10.04% for active PPO members, or $603,424 annually (reduction from $6,007,590 to $5,404,165) based on the savings achieved over base premium rates that had been in effect as of

Before the unions agreed to amend their collective bargaining agreements, all units enjoyed different health care insurance benefits, including different plans and plan designs. For example, FOP employees enjoyed Highmark Classic Blue Coverage, including all medically necessary tests, chemotherapy coverage, and one routine pap smear per year. IAFF employees were enrolled in Blue Cross/Blue Shield coverage with Blue Cross 365 Day Special Full Service Coverage, Blue Shield Prevailing Fee Coverage, and Custom Blue Coverage. AFSCME employees were enrolled in the PPO Blue 100 Plan. These coverages were also made available to the employees' dependents. While AFSCME employees made small contributions towards the cost of their health care premiums (2-6% of base salary, with higher rates paid by employees with more dependents covered), FOP and IAFF employees did not contribute at all to the premium costs.

As a result of the amendments, between the fourth quarter of 2013 and January 1, 2014, all AFSCME, FOP, and IAFF employees were moved to the Basic Health Plan provided to all City employees, the main features of which are as follows:

- Select PPO Blue plan
- Coinsurance of 90% in-network/70% out-of-network after deductible is met
- Deductible of $250 for in-network services and $500 deductible for out-of-network services
- $20 in-network and $40 out-of-network co-pays for office visits
- $100 co-pay for ER visits
- $500 maximum out-of-pocket for in-network services/$1,000 maximum out-of-pocket for out-of-network services

Additionally, for the first time, FOP and IAFF employees began to contribute toward the cost of their health care premiums. FOP employees agreed to share in the cost of their premiums on the same schedule as the AFSCME employees agreed to, based on percent of base salary and tier of coverage, as set forth in the chart below. For FOP employees, the base salary used to calculate contributions was that of a 6-year patrol officer.

FOP and AFSCME Premium Contribution Chart

	2013	2014	2015	2016
Single coverage	1.0%	1.5%	2.0%	2.0%
2 person coverage	2.0%	2.5%	3.0%	4.0%
3 person coverage	2.5%	3.0%	4.0%	5.0%
4 or more person coverage	3.0%	4.0%	5.0%	6.0%

Beginning as of February 1, 2014, IAFF employees began contributing towards the premium costs of their health insurance coverage at the rate of $40 per biweekly pay for single coverage, and $90 per biweekly pay for two or more person coverage.

All three amended agreements provide that, beginning January 1, 2015, if the City's increases in its medical and health COBRA rates exceed 6% over the prior year's rates, the City and the unions shall negotiate changes in the design of the health care plans to reduce the burden on the City that such increases would pose. If the parties are unable to reach agreement over changes in plan design that would sufficiently reduce costs, then either party had the right to request expedited interest arbitration.

As a result of all of the changes in plan design and employee contributions to health care costs, the City realized a cost reduction of over $650,000 annually for the three bargaining units since the changes were implemented.

In addition to health care offered for active employees, the City also provides for certain post-retirement health benefits. Although the City cannot change the plan design for employees who have already retired as of the date of the amendments, both the FOP and AFSCME agreed to change entitlements with respect to active employees and future (yet-to-be-hired) employees. All units agreed that future employees of the City (who have yet to be hired) shall not be entitled to receive post-retirement health care at the City's cost. As to benefits provided to active employees upon their eventual retirement, all units also agreed that the coverages would be provided at levels that are the same as active employees, and that such retiree coverages may be modified from time to time if similarly modified for active employees. All units also agreed that retirees would contribute a portion of their pension towards the premium costs for healthcare coverage, though the IAFF carved out this obligation with respect to certain active employees.

Another item of potential adverse impact on the budget is a pending class action grievance filed by the IAFF on behalf of the Harrisburg Bureau of Fire members who entered the Fire Academy in March 2014 and began receiving pay from the City at that time. In the grievance, it is alleged that this class of individuals is not being afforded the proper benefits in accordance with the former iteration of the collective bargaining agreement (pre-April 2014 amendments). It is the coordinator's understanding that City employees in cadet status, whether attending the Fire Academy or Police Academy, are not members of the respective bureaus/bargain units until they graduate and are sworn into service by the Mayor. Accordingly, they are not afforded the benefits of collective bargaining until such time and are, likewise, not obligated to pay dues or participate in any other bargaining unit activities. It is the coordinator's further understanding that that the City and the IAFF were both aware at the time of the amendments that fire cadets enrolled in the Fire Academy at the time the amendments were made would join the bargaining unit upon being sworn in by the Mayor pursuant to the terms of the amended agreement. An arbitration of that grievance will not be held until March 2016 or later. While the coordinator is hopeful that there will be a favorable decision, an adverse decision will create further restraints on the maximum expenditures available for the IAFF unit.

Other Post-Employment Benefits

Harrisburg OPEB Trust Fund

Prior to the adoption of the contract amendments with the three collective bargaining units, the City provided post-retirement health care benefits to all employees. The actuarial report delivered at the beginning of 2013 estimated that the City had an unfunded accrued actuarial liability relating to these benefits of more than $177 million. Taking into account some of the contract provisions that were both administratively expensive and added to this unfunded liability of the City, some of the contract amendments were tailored to reduce both the stress on the administration and cost of the benefits. Further, this benefit has now been eliminated for all employees hired after the adoption date of the respective collective bargaining agreement amendments and for non-represented employees hired after September 18, 2013. Employees who were hired prior to the amendments as well as current retirees, however, are still entitled to post-retirement health care benefits. As of the most recent actuarial valuation date of January 1, 2014, the City's unfunded accrued liability for post-retirement health care benefits was reduced to $133,006,585 (approximately $44 million less than reported prior to consummation of the Strong Plan). At least as important as this reduction in the unfunded accrued actuarial liability is the fact that this reduction in liability should also translate into less pressure on the General Fund to pay the benefits included in the liability.

As a resource to assist in funding the City's post-retirement health care benefits – commonly referred to as Other Post-Employment Benefits ("OPEB") – the Receiver set aside $3.7 million from the parking monetization as the initial deposit for an OPEB Trust Fund. The purpose of the Harrisburg OPEB Trust Fund is to provide a source of future and ongoing funding for the City's OPEB obligations, improve the City's financial statements, and demonstrate the City is proactively addressing its unfunded OPEB liability through prudent fiscal management. The Government Finance Officers Association ("GFOA") recommends pre-funding OPEB in a trust, given that the benefit is earned on an actuarial basis (*i.e.*, over the working life of the employee) as opposed to paying for each year's OPEB expense through budgeted contributions on an annual "pay-as-you-go" basis. Historically, the City and other public entities have funded OPEB on a pay-as-you-go-basis, which is the simplest and cheapest option in the short term, though it does not recognize the growing liability that typically occurs. In the long term, however, pre-funding at least a portion of the OPEB liability or paying the entire estimated current cost and the amortization of the unfunded portion of the liability offers significant advantages and, when coupled with responsible cost-containment measures and benefit design, will help ensure the sustainability of the City's OPEB obligations.

Another advantage of the OPEB Trust Fund is its favorable impact on the City's financial statements. The Government Accounting Standards Board ("GASB") has prescribed certain requirements for a trust used to prefund OPEB that, if met, will allow the City to reduce the reported OPEB liability on its financial statements and calculate its unfunded OPEB liability using an advantageous discount rate, both of which should positively impact its credit rating. To comply with the GASB trust requirements, the Harrisburg OPEB Trust must be irrevocable and the assets generally must (1) not revert to or be used by the City other than for provision of OPEB to retirees and their beneficiaries, (2) be legally protected from the City's creditors, and (3) be held in a tax-exempt trust. An Internal Revenue Code Section 115 trust is the preferred OPEB funding vehicle for many public employers because it is administratively less burdensome than other tax-exempt trust options, which require an Internal Revenue Service filing to confirm the trust's tax-exempt status and ongoing compliance with applicable IRC requirements to maintain such tax-exempt status.

In accordance with the Strong Plan the OPEB Board is to be established as a separate legal entity governed by a board of trustees comprised of nine (9) members. The composition of the Harrisburg OPEB Board is as follows:

- 1 individual appointed by the FOP
- 1 individual appointed by AFSCME
- 1 individual appointed by the IAFF
- 2 individuals appointed by City Council
- 2 individuals appointed by the Mayor
- 2 individuals appointed by the Receiver

The OPEB Trust Board shall prepare trust agreement, an investment policy statement and a custodial agreement (the "OPEB Trust Documents") and submit these documents to the Commonwealth Court for approval. Upon the Court's approval of same, the City and City Council, shall take all necessary action to facilitate and effectuate the formation of the Harrisburg OPEB Trust

Fund, pursuant to the OPEB Trust Documents and this revised Plan. The OPEB Board members will be fiduciaries with the duty to act in the exclusive interests of the beneficiaries of the Harrisburg OPEB Trust Fund and not the City.

Actions of the Harrisburg OPEB Board

Distributions from the Harrisburg OPEB Trust Fund will be made only at the direction of the OPEB Board. The City may not, without unanimous OPEB Board approval, access the funds in the Harrisburg OPEB Trust Fund to satisfy current OPEB payments to participants if, at the time such OPEB payments are due, the City has any "unfunded actuarial accrued liability" such that the present value of OPEB benefits that have accrued to date exceeds the funds set aside in the OPEB Health Care Trust, as determined by the City's independent actuary under GASB 45. As stated in the Strong Plan, the amount maintained in the OPEB Trust Fund may never be transferred or loaned for any purpose to the City's General Fund.

The OPEB Board will select a custodian for the trust assets and an independent third-party investment adviser to oversee the investment funds and establish an investment policy subject to any City requirements and procedures for entering into similar contracts and arrangements. The OPEB Board will separately pay from the funds maintained in its trust account all fees related to the ongoing administration of the Harrisburg OPEB Trust Fund. Additionally, although the City will generally retain the power to amend the Harrisburg OPEB Trust Fund, no amendment will be permitted without approval of the OPEB Board. No such amendment will be permitted to the extent it would cause the Harrisburg OPEB Trust Fund to lose its status as a GASB trust, to be revocable, or to provide for distributions when the City has any "unfunded actuarial accrued liability" for OPEB so that the present value of OPEB benefits that have accrued to date exceeds the funds set aside in the OPEB Trust, as determined by the City's independent actuary under GASB 45. In the event the receivership is vacated or terminated and a coordinator is appointed by the Secretary of DCED ("Coordinator") to oversee the continued implementation of the Plan, no amendment will be permitted without the approval of said Coordinator.

Pensions

Based on the Comprehensive Annual Financial Report of the City of Harrisburg for the year ended December 31, 2014 and the Certification of the City of Harrisburg's Minimum Municipal Obligation ("MMO") under Act 205 of 1984 for 2016, the City will be required to pay a net amount of approximately $1 million, after receipt of aid from the Commonwealth, to satisfy its obligations with respect to the Combined Police Officers' Pension Plan (the "Police Plan"), the Combined Non-Uniformed Employees' Pension Plan (the "Non-Uniformed Plan") and Combined Firefighters' Pension Plan (the "Firefighters Plan") (collectively, the "Pension Plans").

The modifications to the funding of the Pension Plans on account of changes regarding the Pension Plans in the most recent amendments to the respective collective bargaining agreements may impact the City's financial obligations. In particular, collectively bargained changes may affect the City's progress in reducing the underfunding of the Police Plan, which is a single-employer pension plan controlled by an independent board of trustees. Diligent efforts should be undertaken to monitor the Police Plan's funded status and reduce the potential for increased underfunding of the Police Plan. The Non-Uniformed Plan (for AFSCME employees) and the Firefighters' Plan, both of which are part of the Pennsylvania Municipal Retirement System (PMRS), are presently fully funded. However, the funded status of the Non-Uniformed Plan and Firefighters' Plan should also be carefully monitored to ensure that they remain fully funded to reduce the likelihood of materially increased future calculations by the City.

Actuarial assumptions for Non-Uniformed and Firefighters' Plans are set by PMRS and use a return on investment ("ROI") of 5.5% and wage growth of 4.1%. The Police Plan, which is locally administered, uses an ROI of 8% and wage growth of 5%. For 2014, the Police Plan had an ROI of 6.05% - which is 2% below the actuarial assumed rate.

The following chart demonstrates the unfunded liability of the Police Plan in comparison to the Firefighters' Plan and the Non-Uniformed Plan:

Non-Uniformed	January 2009	January 2011	January 2013
Active Members	307	270	229
Retired Members			179
Unfunded Liability	($19,077,693)	($21,568.647)	($21,788,396)
Fund Ratio	135%	139%	136%
IAFF	**January 2009**	**January 2011**	**January 2013**
Active Members	93	83	72
Retired Members			123
Unfunded Liability	($12,009,756)	($13,201,626)	($10,008,099)
Fund Ratio	123%	124%	116%
FOP	**January 2009**	**January 2011**	**January 2013**
Active Members	161	165	146
Retired Members			176
Unfunded Liability	$1,992,355	$8,543,570	$13,526,580
Fund Ratio	97%	88%	83%

Initiatives

As with many municipal governments, workforce expenditures represent the majority of the City's general fund expenditures. Restoration of Harrisburg's financial health is dependent upon controlling workforce compensation. The initiatives outlined below are intended to move the City toward a more stable and balanced budget so that the City can focus on improving the City's financial recovery, rather than merely limping on as a struggling municipality.

As a result of a Pennsylvania Supreme Court decision involving collective bargaining and interest arbitration issues in Scranton, significant amendments 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 for employees in that unit. For that reason, and unlike the predecessor Strong Plan, this 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 terms of compensation that are most important to the employees in such unit. With limited exceptions, arbitration awards under Act 111 are subject to this amendment of Act 47 and preclude arbitrators from imposing financial terms on the City that would require it to pay overall compensation to its employees that exceeds the amounts set forth in this Plan. Although the Act 133 Amendments had been passed prior to the filing of the Strong Plan, the City was not able to impose those obligations on the bargaining units because none of their contracts had yet expired. Those obligations can now be imposed since each units' collective bargaining agreement will expire at some point during the term of this revised Plan.

WF01	Maximum Compensation Allocations and Costing Analysis	
	Target Outcome:	Maintaining budget stability and cost reduction
	Five Year Financial Impact	See below
	Responsible Party	Mayor/City Council/Department Heads
	Impacted Employee Group	All employee groups

Pursuant to the Act 133 Amendments, this Plan will set the maximum amounts of funds that are available to each bargaining unit and non-represented employees for each of the next three years. The maximum expenditures for each employee group show the "baseline" costs – prior to any adjustments through upcoming negotiations or arbitration – as well as any allowances for collective bargaining. Compensation components impacted by negotiations include, but are not limited to: wages/salaries, longevity, shift pay, special assignment pay, other cash premiums and bonuses, applicable payroll taxes, vacation, holidays, paid leave, active employee health care, active employee life insurance, and other miscellaneous fringe benefits. Included in the maximum allocations for each year are the costs carried forward from recurring increases in prior contract years.

Projected costs for the FOP unit are set forth in the chart below. These projections are based on a 1% increase in base wages for each of the next three years and longevity being frozen at current rates for the officers receiving longevity payments. The increases shown for salaries/wages-extra duty and for social security are based on the anticipated 1% increase in base salary per year. There is no estimated increase in overtime, sick leave buy-back, or severance so the projected increase in base salary rates may have to be adjusted if there is to be any changes to these items. The projections for the clothing allowance are based on a cost of $625 per new employee for 3 years, and there is no estimated increase in this cost. The total medical costs are limited to a 6% increase due to the FOP's collective bargaining agreement, which provides that, beginning January 1, 2015, if the City's increases in its medical and health COBRA rates exceed 6% over the prior year's rates, the City and the FOP shall negotiate changes in the design of the health care plans.

FOP Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salaries & Wages	9,122,850	9,384,777	9,609,516	5.3
Longevity	589,300	595,193	601,145	2.0
Salaries/Wages-Extra Duty	769,502	790,722	808,999	5.1
Overtime	500,000	500,000	500,000	0.0
Sick Leave Buy Back	75,000	75,000	75,000	0.0
Severance Pay	120,000	120,000	120,000	0.0
Social Security	160,321	164,513	168,123	4.9
Clothing Allowance	112,382	112,382	112,382	0.0
Subtotal	**11,449,356**	**11,742,586**	**11,995,165**	**4.8**
Medical Police Active	2,022,185	2,125,458	2,234,747	10.5
Medical Contributions	-361,152	-364,763	-368,411	2.0
Total Medical	1,661,033	1,760,695	1,866,336	12.4
Total for FOP	**13,110,389**	**13,503,281**	**13,861,501**	**5.7**

Projected costs for the IAFF unit are set forth in the chart below. Pursuant to their collective bargaining agreement, IAFF employees will receive a base wage increase of 1% for 2016 and 2% for 2017. The projections for salaries and wages in 2018 are based on a 1% increase in base wages. Longevity projections have been calculated pursuant to the rates agreed to in the collective bargaining agreement, which is an increase of 1% of base pay for every year of service over three (3) years, up to a maximum of 13%. Retirement projections are based on four (4) new hires in 2016 and two (2) new hires in 2017. The increases shown for premium pay and for social security are based on the anticipated increase in base salary per year. There is no estimated increase in overtime, sick leave buy-back, severance, clothing allowance, clothing maintenance allowance, or college credits so the projected increase in base salary rates may have to be adjusted if there is to be any changes to these items. The total medical costs are limited to a 6% increase due to IAFF's collective bargaining agreement, which provides that, beginning January 1, 2015, if the City's increases in its medical and health COBRA rates exceed 6% over the prior year's rates, the City and the IAFF shall negotiate changes in the design of the health care plans.

IAFF Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salaries & Wages	4,521,507	4,711,827	4,822,508	6.7
Longevity	319,317	345,515	379,546	18.9
Retirements	0	-258,601	-405,813	0.0
Overtime	650,000	650,000	650,000	0.0
Premium	365,000	361,827	361,639	-0.9
Sick Leave Buy-Back	112,000	112,000	112,000	0.0
Social Security	90,158	89,488	89,448	-0.8
Severance Pay	250,000	250,000	250,000	0.0
Clothing Allowance	85,000	85,000	85,000	0.0
Clothing Maint Allowance	10,000	10,000	10,000	0.0
College Credits	6,800	6,800	6,800	0.0
Subtotal	**6,409,782**	**6,363,856**	**6,361,129**	**-0.8**
Medical	1,118,071	1,181,536	1,248,809	11.7
Employee Contribution	-60,320	-60,320	-60,320	0.0
Total	**1,057,751**	**1,121,216**	**1,188,489**	12.4
Total IAFF	**7,467,533**	**7,485,072**	**7,549,618**	**1.1**

Projected costs for the AFSCME unit are set forth in the chart below. These projections are based on a 1% increase in base wages for each of the next three years and longevity being frozen at current rates for those employees receiving longevity payments. The increases shown for social security are based on the anticipated increase in base salary per year, and are calculated at 7.65% of wages. There is no estimated increase in overtime, sick leave buy-back, or clothing allowance, so the projected increase in base salary rates may have to be adjusted if there is to be any changes to these items. The total medical costs are limited to a 6% increase due to AFSCME's collective bargaining agreement, which provides that, beginning January 1, 2015, if the City's increases in its medical and health COBRA rates exceed 6% over the prior year's rates, the City and the AFSCME shall negotiate changes in the design of the health care plans.

AFSCME Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salaries & Wages	4,984,744	5,034,592	5,084,938	2.0
Longevity	44,536	44,981	45,431	2.0
Overtime	122,000	122,000	122,000	0.0
Sick Leave Buy Back	9,100	9,100	9,100	0.0
Social Security	394,769	398,616	402,502	2.0
Clothing Allowance	112,382	112,382	112,382	0.0
Subtotal	**5,667,531**	**5,721,671**	**5,776,353**	**1.9**
Medical AFSCME Active	1,619,300	1,705,393	1,796,540	10.9
Medical Contributions	-221,312	-223,525	-225,760	2.0
Total Medical	1,397,989	1,481,868	1,570,780	12.4
Total for AFSCME	**7,065,519**	**7,203,539**	**7,347,132**	**4.0**

Projected costs for non-represented employees are set forth in the chart below. Consistent with the projections for bargaining unit employees, these projections are based on a 1% increase in base wages for each of the next three years and longevity being frozen at 9% for those employees receiving longevity payments. The total medical costs are limited to a 6% increase.

Non-Represented Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salaries & Wages	3,487,245	3,508,156	3,529,277	1.2
Social Security	266,774	268,374	269,990	1.2
Subtotal	**3,754,019**	**3,776,530**	**3,799,267**	**1.2**
Medical Management Active	726,195	762,461	800,864	10.3
Medical Contributions	-134,468	-135,230	-136,000	1.1
Total Medical	**591,727**	**627,230**	**664,864**	**12.4**
Total for Non-Represented	**4,345,746**	**4,403,761**	**4,464,131**	**2.7**

For those employees represented by a union, the City and the respective bargaining units may agree to spend the allocation on various compensation components so long as they mutually determine that such an allocation is appropriate. This is subject to the specific limitations laid out in this Plan. The City and the unions shall not exceed the annual allocations in the above chart. The City shall avoid any compensation adjustments that result in disproportionate long-term costs.

The City must ensure that future collective bargaining agreements continue to remain compliant with the Plan. To that end, no person or entity, including (without limitation) the City, any union representing City employees and any arbitrator appointed pursuant to Act 111 or otherwise, shall continue in effect past the stated expiration date of any current labor agreement the wages, benefits or other terms and conditions of the existing labor agreement if such wages, benefits or other terms or conditions are inconsistent with the initiatives made in this updated Plan.

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

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

The current collective bargaining agreements for the FOP and AFSCME units are set to expire December 31, 2016. The current collective bargaining agreement for the IAFF unit is set to expire December 31, 2017. The City shall take steps to promptly bargain new collective bargaining agreements with each of these units and shall follow all time limits for interest arbitration so that any interest arbitration award shall be issued prior to the expiration of the collective bargaining agreement. This shall also equally apply if any or all of the existing amendments to the collective bargaining agreements are void or voidable. The timelines contained in Act 111 shall be adhered to strictly and may not be waived. If an arbitration award is not issued prior to the expiration of the collective bargaining agreement then the City shall implement all of the provisions and initiatives of the Plan to the maximum extent legally consistent with applicable law.

Unless and until this revised Plan is confirmed, any new labor agreement between the City and any union representing City employees (whether resulting from collective bargaining, interest arbitration pursuant to Act 111 or otherwise) must comport with the Initiatives set forth in the original Strong Plan, without regard to the period of agreement specified in any such Initiative. Once this revised Plan is confirmed, any new labor agreement between the City and any union representing City employees must comport with the Initiatives as set out in this revised Plan.

For any proposed changes to the Compensation Components in place at the expiration of the current collective bargaining agreement or any new Compensation Components proposed, the City shall conduct a full cost analysis of those changes for each year of the proposed collective bargaining agreement (or annually for non-represented employees) to determine and assure that the maximum allocations shown above are not exceeded. The City shall provide the full cost analysis information to the Act 47 Coordinator in form and content acceptable to the Coordinator as soon as possible for the Coordinators' review and approval. If the Act 47 Coordinator determines that the proposals exceed the maximum allocated amounts, the proposals shall be returned to the bargaining units or employees and the City for modification. The Act 47 Coordinator will not approve any cost analysis if the Coordinator determines that inadequate information is provided to verify the cost analysis or if the analysis is not provided in a timely manner. The intent of this provision is that the Act 47 Coordinator is the final decision maker as to the cost of any proposed change to a compensation component, whether those proposed changes occur during labor agreement negotiations or during arbitration of any such agreement or at any other time.

In providing this costing analysis the City shall include the following information for each Compensation Component for which there is a proposed change or any new Compensation Component proposed:

- Current rate, formula, leave allocation structure, or other standards that are in place for that Component and the proposed changes to the Component.
- Number of employees in the bargaining unit who currently receive the Component, those who will become eligible for the Component during the term of the agreement under the status quo and those who would become eligible for the Component during the term of the agreement under the proposed change (*e.g.*, X employees receive shift differential in 2014, Y will receive shift differential in 2015 under the status quo, Z will receive shift differential in 2015 under the proposed change). This data should be provided on an annual basis for each year of the collective bargaining agreement where appropriate.
- Average salary of the employees who currently receive the Component and the average salary of the employees who would receive that Component under the proposal. This information shall be provided at the bargaining unit, position or whatever other level of detail is appropriate to the proposed change.
- The number of hours per shift and, if applicable, shifts per 24-hour period.
- Any applicable minimum staffing requirements or assumptions. If the proposed change affects overtime, the costing shall include an estimate on how the proposed change will impact overtime.
- Actuarial analysis, as applicable, of any modifications to retiree benefits.

The above list is provided to guide the City in providing adequate costing analysis and is not a comprehensive list of the information that the Act 47 Coordinators may request to verify costing analysis. All items may not apply depending on the change proposed. If the City does not provide additional information requested by the Coordinators, the Coordinators reserve the right to return the analysis for modification.

WF02	**Retain Experienced Public Labor Relations Counsel to Negotiate with Unions and/or timely Initiate Process to Pursue Interest Arbitration**	
	Target Outcome	Ensuring thoughtful and strategic negotiations designed to achieve meaningful cost savings and eliminate wasteful practices
	Five Year Financial Impact	Not available
	Responsible Party	Mayor/City Solicitor
	Impacted Employee Group	All represented employees

Throughout the period in which this revised Plan is in effect (as well as during all periods prior to the confirmation of this revised Plan), the City shall retain and continue to retain experienced public employment labor counsel to negotiate successor collective bargaining agreements to take effect following the expiration of the FOP and AFSCME agreements at the end of 2016 and IAFF at the end of 2017. The City shall select and use qualified counsel as an active participant in the review and development of negotiations and as the chief spokesperson for all contract negotiations and interest arbitrations.

Having an experienced public employment labor counsel will allow the City to address past practices that unnecessarily increase the cost of operations and are permissive subjects of bargaining. After ascertaining such past practices, the City shall provide a list of such practices to the Act 47 coordinator prior to the initiation of collective bargaining negotiations with each union.

The City shall make every good faith effort to achieve negotiated labor agreements consistent with this revised Plan (or, pending confirmation of this Plan, the Strong Plan). If negotiations do not result new agreements with one or more of the three unions, then counsel shall initiate the process to pursue interest arbitration in a timely manner with respect to the units where an agreement could not be reached.

WF03	**Establish and Participate in Labor-Management Committee Meetings for Each Bargaining Unit**	
	Target Outcome	Facilitating productive discussions between management and labor in order to identify problems and implement solutions
	Five Year Financial Impact	Not available
	Responsible Party	Mayor/City Solicitor/Department Heads
	Impacted Employee Group	All represented employees

Experienced public labor relations counsel should also be engaged to facilitate developing a plan and schedule for joint labor-management committee meetings for each of the bargaining units. The purpose of such meetings would be to identify issues, problems and grievances within the respective unit and identify potential solutions that can be reached through collaboration. The committees could also be used to identify new services for the City to offer, improved methodologies for delivery of services, and creative cost-savings opportunities for the City to consider, such as the use of volunteers or non-City workers as may be appropriate. This practice of regular meetings between labor and management for each unit should improve morale and communication within the unit while also reducing the filing of formal grievances and arbitrations – the latter of which results in an overall cost savings for the City.

WF04	**Monitor Pension Plan Funding and Take Steps to Avoid Underfunding Issues**	
	Target Outcome	Maintain or improve funding status of City's pension plans
	Five Year Financial Impact	Not available
	Responsible Party	Mayor/City Council
	Impacted Employee Group	All represented employees

While the Pension Plans for IAFF and AFSCME employees are fully funded at present, the City should take steps to monitor its practices to ensure funding levels continue to be sufficient for projected retirees. Because the Pension Plan for the FOP is presently underfunded, the City should take steps to address this underfunding through regular monitoring, ensuring consistent and timely contributions are being made, and taking proactive steps to reduce the underfunding levels. In connection with this Initiative, and those set forth elsewhere in this revised Plan, collective bargaining agreements entered into with the City's unions must not provide any enhancements to or increase the level of pension benefits to future retirees.

WF05	Affordable Care Act Study	
	Target Outcome	Optimizing compliance with Federal healthcare programs
	Five Year Financial Impact	Not available
	Responsible Party	Mayor/City Council/City Solicitor
	Impacted Employee Group	All employees

The ongoing implementation of the Patient Protection and Affordable Care Act ("ACA") will likely create both challenges and opportunities for the City.

Among the most significant challenges, beginning in 2018, the ACA is expected to impose a 40 percent excise tax on the value of health insurance benefits exceeding certain thresholds – often referred to as the "Cadillac tax." The current threshold estimates are $10,200 for individual premiums and $27,500 for family premiums, and both will be indexed to inflation. The thresholds will likely be higher for plans covering high-risk professions such as police and firefighters, and employers will not be able to pass the excise tax along to employees.

Due to uncertainty surrounding the ACA's Cadillac tax on health care plans due to go into effect in 2018, and the potential that some of the City's plans may be subject to these charges if not adjusted, the City shall include healthcare reopeners in any labor agreements extending into 2018, to allow it the flexibility to address such issues before the tax goes into effect. The general budget assumptions and collective bargaining allocations within this Plan include no dedicated funding for Cadillac tax payments, such that plan redesign to remain below the ACA thresholds may be required to avoid instability.

At the same time, the creation of healthcare exchanges to provide greater access to coverage may provide opportunities to develop alternative, more affordable approaches for retiree healthcare for those Harrisburg employees still eligible during the years prior to Medicare coverage. For example, some employers are moving toward a stipend approach that better aligns with the Federal program.

Given the above and other potential impacts, it will be important for the City to actively study the projected impacts and potential opportunities created by the ACA, as it has already begun. This will likely require expert support, and would also benefit from early and active labor-management communications and collaboration.

WF06	Establish the OPEB Trust Fund and provide subsequent funding to the extent possible through funds received as a result of the pursuit of the forensic claims, from the Harrisburg Supplemental Growth Fund with respect to the Escrow Agreement between the City, AGM and Dauphin County and to the extent funds are available from the City's budget.	
	Target Outcome	Manage funding of OPEB to ensure availability of monies for same
	Five Year Financial Impact	Not available
	Responsible Party	Mayor/City Council/City Solicitor
	Impacted Employee Group	All employees

The Strong Plan provided for the establishment of an OPEB Trust Fund after plan consummation. Other more pressing priorities have taken precedent to date; however, in 2016 the City, in coordination with the Coordinator, shall proceed with those actions required to establish the OPEB Trust Fund and to see that the funds provided are transferred to the Trust Fund and invested pursuant to the Trust Fund's investment policy. Although the City is not in a position to make additional contributions to the Harrisburg OPEB Trust Fund for 2016, the City is encouraged to annually contribute towards reducing its unfunded actuarial accrued liability for OPEB, in addition to any amounts that may be transferred to the OPEB Trust Fund from the Harrisburg Supplemental Growth Fund under provisions of the Escrow Agreement and/or pursuit of forensic claims. Although prefunding the OPEB Health Care Trust will result in higher initial costs than if the City continues each year to only pay its current OPEB liabilities on a "pay-as-you-go" basis, the additional contributions will yield significant cash flow savings in later years, better secure funding of OPEB liabilities for current and future retirees, and lower the burden that increased OPEB liabilities will have on future taxpayers.

WF07	Limit Enhancements to OPEB in Future Collective Bargaining Negotiations	
	Target Outcome	Contain costs to ensure ability to achieve a balanced budget
	Five Year Financial Impact	Not available
	Responsible Party	Mayor/City Council/City Solicitor
	Impacted Employee Group	All represented employees

In the last round of negotiations with the City's three unions, all unions agreed that future employees (defined as those employees hired after the ratification of the respective collective bargaining agreement amendments) of each bargaining unit would not be entitled to post-retirement health care provided by the City. This freeze of post-employment benefits for future employees helps to curb costs and places the City in a more financially stable position moving forward, given that it limits uncertain future liabilities.

Therefore, unless the City is required by law to change any wages, benefits, terms, provisions, or conditions enumerated here in, all new collective bargaining agreements (which phrase shall include but not be limited to new agreements, extensions, amendments, side agreements, memoranda of understanding and settlements) between the City and the unions representing its employees (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 as applicable or otherwise) covering calendar years 2015 through 2018 and subsequent years (or any portion thereof) **must not** contain, require or provide for (1) any new benefits for retirees or other inactive employees (*e.g.*, those in layoff or disability status), or (2) any improvements in existing benefits for retirees or other inactive employees, nor the continuation of existing benefits that were modified by the Strong Plan.

Elected Officials

Office of the Mayor

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

The Mayor manages City operations through department heads and oversees all employees through the administration of the City's personnel system, policies and three collective bargaining agreements.

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

A summary of the Office of Mayor's staffing and expenditure history, as well as baseline projected expenditures through 2018, is provided in the following tables.

Office of the Mayor - Staffing

	2012	2013	2014	2015	2016
Budgeted	3	4	4	4	3

Office of the Mayor
Historical Expenditures by Major Category

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salary & Wages	267,774	190,109	188,959	266,255	268,239	0.2
Temporary	13,100	0	0	0	0	-100.0
Social Security	21,487	14,655	14,761	20,369	19,839	-7.7
Services	11,492	6,501	4,352	4,028	5,760	-49.9
Supplies	827	599	861	447	268	-67.6
Other	4,333	4,920	4,492	7,510	1,392	0.0
Total	**319,013**	**216,784**	**213,425**	**298,609**	**295,498**	**-7.4**

Office of the Mayor
Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salary & Wages	202,500	203,725	204,962	1.2
Social Security	15,491	15,585	15,680	1.2
Services	12,514	12,680	12,848	2.7
Supplies	3,300	3,300	3,300	0.0
Other	2,000	2,038	2,077	3.8
Total	**235,805**	**237,328**	**238,867**	**1.3**

Office of the City Council

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

A summary of the Office of the City Council's staffing and expenditure history, as well as projected baseline expenditures through 2018, is provided in the following tables.

Office of the City Council - Staffing

	2012	2013	2014	2015	2016
Budgeted	9	9	9	9	9

Office of the City Council
Historical Expenditures by Major Category

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salary & Wages	232,787	207,304	209,297	242,576	254,259	9.2
Social Security	17,808	15,954	16,179	18,557	19,046	7.0
Legal/Contract Services	32,919	2,500	46,668	89,546	46,662	41.7
Services	20,660	20,329	30,544	31,157	26,007	25.9
Supplies	276	7,681	4,536	17,234	18,902	6,748.0
Total	**304,451**	**253,768**	**307,224**	**399,071**	**364,876**	**19.8**

Office of the City Council
Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salary & Wages	259,500	260,680	261,872	0.9
Social Security	19,852	19,942	20,033	0.9
Legal/Contract Services	40,000	40,000	40,000	0.0
Services	65,593	66,315	67,050	2.2
Supplies	29,450	29,450	29,450	0.0
Total	**414,395**	**416,387**	**418,405**	**1.0**

Office of the City Controller

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

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

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

A summary of the Office of the Controller's staffing and expenditure history, as well as baseline projected expenditures through 2018, is provided in the following tables.

Office of the City Controller - Staffing

	2012	2013	2014	2015	2016
Budgeted	3	3	3	3	3

Office of the City Controller Historical Expenditures

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salary & Wages	130,789	131,982	131,793	90,282	125,000	-4.4
Social Security	10,005	10,097	10,111	6,906	9,241	-7.6
Services	28,075	33,159	1,000	1,291	3,453	-87.7
Supplies	50	292	10	3,775	2,144	4,193.6
Other	0	0	0	0	0	0.0
Total	**168,919**	**175,530**	**142,914**	**102,254**	**139,838**	**-17.2**

Office of the City Controller Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salary & Wages	132,142	133,263	134,396	1.7
Social Security	10,109	10,195	10,281	1.7
Services	9,000	9,019	9,038	0.4
Supplies	11,000	6,000	6,000	-45.5
Total	**162,251**	**158,477**	**159,716**	**-1.6**

Office of the City Treasurer

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

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

A summary of the Office of Mayor's staffing and expenditure history, as well as baseline projected expenditures through 2018, is provided in the following tables.

Office of the City Treasurer - Staffing

	2012	2013	2014	2015	2016
Budgeted	8.4	8.4	6	6	7

Office of the City Treasurer
Historical Expenditures by Major Category

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salary & Wages	365,241	350,161	378,061	216,031	235,743	-35.5
Temporary	2,550	0	0	8,215	0	-100.0
Overtime	0	0	0	1,225	0	0.0
Social Security	28,136	26,805	29,104	17,249	17,535	-37.7
Services	84,648	72,294	69,858	50,887	53,065	-37.3
Supplies	16,402	20,651	26,746	2,222	2,529	-84.6
Other	41,018	41,018	0	0	3,333	0.0
Total	**537,996**	**510,929**	**503,770**	**295,828**	**312,205**	**-42.0**

Office of the City Treasurer
Projected Expenditures

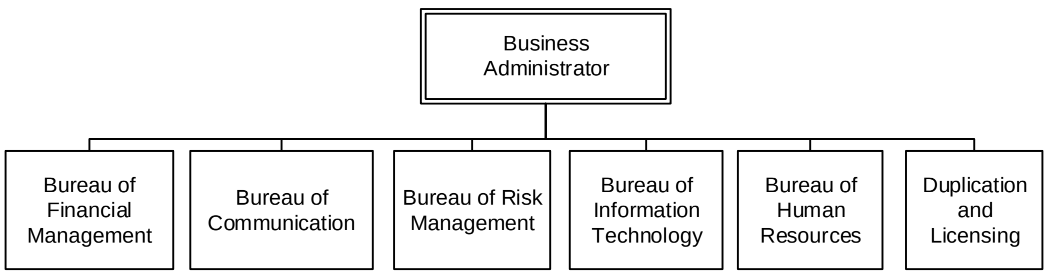
Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salary & Wages	283,242	285,874	288,533	1.9
Social Security	21,668	21,869	22,073	1.9
Services	72,821	73,160	73,505	0.9
Supplies	9,000	9,038	9,077	0.9
Other	8,000	8,000	8,000	0.0
Total	**394,731**	**397,941**	**401,187**	**1.6**

Department of Administration

The Department of Administration is responsible for providing fiscal, technological, personnel, and central administrative functions for all other City departments. The Department is comprised of six functions: Business Administrator, Communication, Financial Management, Human Resources, Duplication Licensing, and Information Technology.

The Office of Business Administrator is responsible for direct management of the administrative functions of the City and also has labor management and contract negotiation responsibilities; however, it is important to note that the Business Administrator position has been vacant for approximately two years and the responsibilities of the office have been performed by the Mayor since the beginning of 2014. The Bureau of Communication is responsible for providing information about City government to the public and to City employees. The Bureau of Communication operates the City's 311 Customer Resource Management (CRM) program and also oversees the Bureau of Information Technology. The Bureau of Financial Management is responsible for the management of all funds, accounting for all assets and financial activity, budget and audit preparation, the production of all financial documents, and the administration of Debt Service, General Expenses, and Transfers to other funds. The Bureau of Financial Management also manages the City's purchasing and risk management functions. The Bureau of Human Resources oversees and administers a wide range of centralized personnel services, including payroll. Duplication and Licensing is responsible for billing and collecting mercantile, business privilege, parking, and amusement taxes as well as various license fees for the City and the Harrisburg School District. In addition, Duplication and Licensing handles incoming and outgoing mail, processes printing jobs for all City departments, and distributes office supplies to other City bureaus and departments. The following figure shows the organizational structure of the Department of Administration.

Department of Administration Organizational Chart



The Department of Administration's FTE count has decreased in the last eight years, but is up from its low in 2014. The improvements in staffing levels since 2014 had a substantive positive impact on City operations. The Bureau of Information Technology is fully staffed and making progress toward major IT initiatives. The Bureau of Financial Management has added a financial analyst/accountant and a purchasing manager position. This has allowed the Bureau to improve internal processes (e.g., accounting and purchasing) and also allowed the City to address a backlog in annual audit and financial reporting.

The following table shows the Department's historic staffing level from 2009 through 2016. The decline of 12.6 positions since 2009 is primarily attributable to the transfer of the operations and revenue division—which provided water and sewer billing services—to Capital Region Water following the transfer of water and sewer assets from the City's control.

Department of Administration
Historic FTE Count

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	Total FTE Increase/ Decrease
Department of Administration	39.6	38	30	32	20	17	25	27	-12.6

The following tables show the Department's historical expenditures and projected baseline expenditures through 2018.

Department of Administration
Historical Expenditures

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salary & Wages	1,436,197	1,398,741	1,480,187	965,233	1,173,660	-18.3
Temporary	0	7,019	1,385	0	0	-
Overtime	225	15	249	307	379	68.5
Social Security	109,407	107,988	114,796	73,864	87,064	-20.4
Legal/Contract Services	57,209	68,496	66,533	104,787	80,627	40.9
Audit	1,850	560	80,755	134,160	133,498	7,116.1
Postage	124,717	121,386	130,830	108,659	113,669	-8.9
Services	227,803	214,045	189,615	473,523	312,276	37.1
Supplies	77,571	66,054	49,806	123,064	140,243	80.8
Other	39,212	17,308	0	72,759	22,658	-42.2
Total	**2,074,190**	**2,001,612**	**2,114,155**	**2,056,355**	**2,064,074**	**-0.5**

Department of Administration
Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salary & Wages	1,541,278	1,556,691	1,572,258	2.0
Temporary	0	0	0	100.0
Overtime	0	0	0	0.0
Social Security	117,908	119,087	120,278	2.0
Legal/Contract Services	158,400	158,750	159,106	0.4
Audit	135,000	137,565	140,179	3.8
Postage	133,525	136,062	138,647	3.8
Services	336,627	337,932	339,261	0.8
Supplies	182,065	182,929	183,808	1.0
Other	94,196	94,884	95,585	1.5
Total	**2,699,000**	**2,723,899**	**2,749,121**	**1.9**

Analysis and Recommendations

The 2013 Harrisburg Strong Plan included nine major initiatives for the Department of Administration. Many of the initiatives were the responsibility of the Bureau of Financial Management and focused on developing financial policies and procedures and appropriately staffing the financial management function.

Many of these initiatives have been accomplished effectively. The Bureau of Financial Management has successfully implemented quarterly financial reporting, implemented a standard budget development calendar, and established a standard position control system. The Department has conducted a comprehensive review of City purchasing policies and worked with the Office of the Controller to implement improvements to the purchasing process. The Department has also modified the existing chart of accounts to track grant program funds on an individual basis. Most significantly, the Department of Administration has developed critical staffing capacity in the areas of financial management and IT management. These improvements in internal expertise have resulted in real progress. One of the most significant improvements relates to financial management. The Bureau of Financial Management is fully staffed and has caught up on a backlog of prior year audits and built internal expertise to complete annual pre-audit preparation. This advancement will allow the City to remain up-to-date on its annual financial audits.

However, though the City has completed a number of important initiatives, there are still significant opportunities in the areas of executive management, financial management, and information technology that deserve attention in the coming months and years.

Executive Management

Admin 1: Fill the position of Business Administrator.

The City of Harrisburg has long maintained the position of Business Administrator in its table of organization. Under the City's Strong Mayor form of government, the Business Administrator position serves as the Mayor's Chief of Staff, responsible for day-to-day management of City finances and operations. This enables the Mayor to focus on broader strategic initiatives and planning, while also ensuring that full-time effort is dedicated overseeing and coordinating the often complicated and interrelated facets of running a local government.

The City has, however, been without a Business Administrator position for approximately two years and, as a result, the Mayor has served as both the chief executive officer and chief administrative officer of the City. One of the difficulties in recruiting for the position has been the salary limitations of the City. In order to attract an experienced, qualified candidate for this position the salary will need to be at least in the $120,000 salary range. To assist with recruitment the City should apply to the Department for a salary supplement grant that would provide supportive funding for up to an initial three year period. Given the complexity of the City's operational and financial challenges and prospective special projects a dedicated full-time employee is warranted to carry out administrative responsibilities under the direction of the Mayor.

Admin 2: Enhance the City's existing performance management system.

Performance management systems are a process tool utilized to ensure that the work of both employees and management is focused on the vision of the organization being served. Effective performance management systems ensure that employees focus their work in ways that directly support the organization's strategic plan, or in the absence of the strategic plan, departmental goals, objectives, and work plans. Further, this system monitors the organization's progress toward achieving the goals and priorities identified in the strategic plan.

A performance management system typically consists of three core elements: (1) setting goals and creating strategic plans; (2) measuring performance against established performance goals; and (3) sustaining a dialog between management and employees to ensure that the work of the organization is completed in conformance with established schedules.

A performance management system encompasses all of the work—including strategic planning, budgeting, and the planning of all work that is done in an organization. A performance management system includes all of the processes through which managers plan and manage the work of the organization to fulfill the organization's mission and produce the desired outcomes. The collection and use of performance measurement data is one element of a performance management system (see Recommendation 3 in this report).

In addition to monitoring the work, a good performance management system employs discipline. Under such a system, managers meet with direct reports on a regular basis to review organizational performance. The manager meets with his/her direct reports at least once a month to discuss a regular agenda of issues. As regularity and discipline of the management system becomes integrated into operations, discussions about performance become focused on important issues. This type of management system allows managers to avoid total crisis management, as the rigor of the system helps ensure regular meetings to discuss strategic issues rather than the crisis du jour.

The City of Harrisburg has already made great strides in the implementation of a performance management system. The Mayor conducts weekly operations meetings where the senior management team discusses operations and shares relevant information and developments among the management team. It will be important to build upon that progress by vesting the business administrator with the responsibility to conduct regular one-on-one meetings with department directors, develop annual work plans linked to the City's broader strategic initiatives, and oversee progress toward the completion of those work plans.

Admin 3: Develop and implement performance measurement system.
Performance measurement is designed for policymakers, chief administrative officers, department heads, and program managers to assess whether a program or service is obtaining the desired or expected results. Performance measurement should be considered an integral part of the overall performance management system.

The use of performance measures is an excellent management tool to help assess the overall effectiveness of services that are being provided and determine if resources are being allocated efficiently. City programs can be subjected to measurement to ascertain current levels of effectiveness and efficiency. If performance is measured systematically, leaders will have the information that can serve as the basis to make changes to improve on quality, timeliness, or cost over a period of time. Performance measures should become part of the organization's regular dialogue about program goals, budget allocations, and accomplishments.

There are a number of factors to be considered in the structuring of a good performance measurement program. Once the measures themselves have been determined, care must be given to the implementation of the program. Data collection, reporting, and survey development are three very important areas requiring management attention if the program is to be successful and provide relevant information in order to adopt best practices and strive for continuous improvement.

A program evaluation system should be in place for each program in the City as part of the performance management system. Effectively evaluating City programs should include the following elements:

- Provision of clear direction and support from City Council and Mayor
- Inclusion of feedback from constituents and key stakeholders, collected through surveys, interviews, focus groups, etc.
- Identification of information needed for measuring effectiveness and efficiency
- Determination of criteria for effectiveness
- Identification of resources available for collecting information

The Business Administrator's Office should compile performance measurement data from each department on a quarterly basis and present to the City Council any important trends or changes, as well as actions taken by the City in response to those trends. In addition, the City should include the regular collection of stakeholder feedback evaluating current programs, and other resident feedback on City services. Furthermore, it is appropriate to engage the City Controller's Office, as the internal audit function of the City government, to assist in developing and tracking performance measures.

Though there is value in pursuing a performance measurement system in Harrisburg, it is important to note that performance measurement systems can be labor insensitive to develop and track. It is therefore appropriate to begin with key executive level performance measures for each City program, to focus on collecting quality data and utilizing that data in the City's performance measurement system, and developing a more robust program over time. The Act 47 Coordinator also has team resources available to assist the City in the measurement development process.

Financial Management

Admin 4: Develop Comprehensive City-wide financial policies.
The 2013 Strong Plan called for the development and adoption of comprehensive financial policies. Such policies are looked upon favorably by rating agencies and are another important step in the City regaining credibility in the financial marketplace. In 2015, the Act 47 Coordinator developed a draft debt policy for prospective review and adoption by the City. This draft has also been reviewed with the City administration and Council. The Chair of Council's Finance Committee has expressed strong interest in advancing this policy. Examples of a Fund Balance policy have also been provided to the City for consideration. The City has also developed and adopted operating budget schedules and processes, processes for the annual closing of books,

and cash flow analysis process. However, there are still policies that warrant development. With guidance and support from the Act 47 Coordinator, the City shall establish formal financial policies.

These policies shall be developed in accordance with GFOA best practices. Specific policies that shall be developed include, but are not limited to:

- Debt Policy – The City shall proceed with the review of the Debt Policy that was advanced and enact said policy in early 2016.

- Fund Balance – The City shall establish a fund balance policy that identifies the appropriate size of unreserved fund balance, the process by which resources are set aside for unreserved fund balance, and the methods by which unreserved fund balance resources may be utilized.

- Process for Departmental Budget Charge Backs – The City shall establish a policy to identify internal operations that necessitate departmental charge backs (e.g., the Bureau of Information Technology charging City departments and bureaus for network administration services) and create an internal service fund structure within the chart of accounts in order to document and monitor chargebacks as needed.

- Process for Preparation, Coordination and Response to Comprehensive Annual Financial Audits – The City shall formally establish a policy outlining the necessary preparations for the annual audit, the roles and responsibilities of City staff in coordinating the completion of the annual audit, and the process by which the City will respond to any corrective actions outlined in the external audit upon its completion.

Admin 5: Require Act 47 Coordinator review and approval prior for City applications for public safety hiring grants

For the previous several years, the City has been successful in obtaining hiring grants from the federal government to augment staffing in the police and fire departments. Specifically, the Bureau of Fire has been successful in obtaining SAFER grants, administered through the Federal Emergency Management Agency (FEMA), to fund firefighter positions. Similarly, the Bureau of Police has obtained Department of Justice (DOJ) hiring grants to fund police officer positions. In fact, the proposed 2016 budget for the Bureau of Police includes the hiring of five additional police officers funded for two years through a grant obtained in late 2015.

The City is to be commended for the successful pursuit of these grants though they come with conditions that the City needs to be fully aware of. Public safety grant programs typically cover the salary cost of officers authorized under the grant, though they do not cover associated fringe benefit costs. Under the stipulations of these grants, the City is then obligated to fund the positions for an additional year, during which time the City cannot fall below a stipulated staffing floor (e.g., minimum number of police officers) during that once year period. Though obtaining these grants offers the opportunity to fund much needed positions, it also obligates the City to future expenses because the City must maintain the stipulated staffing floor after the grantor ceases to provide revenue to the City. Given the potential financial implications of these grants, it is important that the decision concerning whether to pursue such grant opportunities be fully vetted by the Act 47 Coordinator to ensure that it is consistent with the limitations set forth in the City's recovery plan and the City's ability to absorb the additional expense after the term of the grant.

Admin 6: Develop a five year Capital Improvement Plan (CIP) and Process.

The City of Harrisburg has made significant strides in refining and improving its operating budget process; however, the City has yet to develop a multi-year capital budget and planning process that centrally identifies and prioritizes capital needs in the City. This tool has not been prioritized for development because the City has not had access to the financial resources necessary to fund a capital improvement program. However, this will not always be the case.

Resources provided through the parking monetization to Impact Harrisburg, the non-profit corporation established to administer $12.3 million in funds available to the City for infrastructure and economic development, along with the completion of the City's comprehensive plan, will serve as a foundation for a capital improvement program. The City's debt service schedule has also been structured in a way that will allow future borrowing to meet capital needs. Finally, grant funding opportunities at both the state and federal level also provide resources to support capital investment. For example, PennDOT has committed to $10 million in infrastructure development investment in the City of Harrisburg over the next five years. To that end, it is important to develop the necessary process and planning tools to take advantage of funding opportunities that become available. It its especially important to have a structure in place to centrally and comprehensively evaluate all capital needs and prioritize investment within the strategic priorities for the City. Currently, each department or bureau is responsible for funding capital investment as an element of their operating budget and there is no process in place to segregate and evaluate comprehensive capital investment needs or to plan to address needs beyond the one-year operating budget timeframe.

The CIP is a long-term planning tool for prioritization, financing and technical design, execution and timely completion of all capital projects. Generally, these capital projects will have a significant impact on the City's infrastructure and protect the health and safety of the public. Additional benefits include:

- Establishing a system of examining and prioritizing the needs of the City ensures that the most essential capital improvements are provided first;
- Providing a mechanism for coordinating and consolidating all City departmental requests prevents duplication of projects and equipment purchases; and
- Coordinating physical/infrastructure planning with long-range financial planning allows maximum benefits from limited funding sources.

An adequately funded annual capital improvement program is the sign of a financially healthy and viable community. The City's capital infrastructure, consisting of streets, sidewalks, buildings, vehicles and equipment all require both regular maintenance and capital investment to remain functional. Capital items have relatively fixed useful lives that can be impacted by environmental conditions, active preventative maintenance and capital investment.

The CIP document represents a five-year period of the City's ongoing capital Improvements. Each year, the document is updated to represent the next five-year window. In each annual update, completed projects, as well as projects scheduled to be completed before the end of the fiscal year, will be removed from the document, new projects will be added, and other previously-programmed projects may be re-prioritized.

CIP planning is a dynamic process that will include changes over time. These changes may be necessitated by organizational changes, funding uncertainties, unforeseen emergencies, project delays or plans by other entities that can impact the CIP.

The CIP is a planning document to be used as a companion to the City's annual operating budget. Each year, the funding included in the first year of the five-year CIP is allocated and approved by the City Council as part of the annual budget adoption process. In addition to the up-front funding requirements

associated with CIP projects, the City's annual operating budget must also absorb the cost of maintaining and operating new facilities or equipment that are constructed or procured under the City's capital plan. Capital projects are economic activities that lead to the acquisition, construction, or extension of the useful life of capital assets. Capital assets include land, facilities, parks, playgrounds and outdoor structures, streets, bridges, pedestrian and bicycle systems, water and sewer infrastructure, technology systems and equipment, traffic control devices and other items of value from which the community derives benefit for a significant number of years.

Capital expenditures and operating expenditures are primarily differentiated by two characteristics: dollar amount of the expenditure and the useful life of the asset acquired, constructed or maintained. Capital expenditures will enhance, acquire or extend the useful life of assets through a variety of activities. Generally, land acquisition, feasibility studies, planning, design, construction, asset rehabilitation, enterprise technology acquisition, and project implementation are activities associated with capital projects.

In general, capital projects in the CIP:

- Have a total project cost in excess of $50,000.
- Range from construction of new infrastructure or buildings to renovations, additions or conversions or demolition of existing facilities.
- Have a minimum useful life of 10 years, significantly extend the useful life of an asset, or significantly alter the nature and character of an asset (i.e., not to include annual asset maintenance costs, annual warranty cost or other ongoing costs).

The CIP is also the vehicle by which planning for technology capital investments occurs. In general, technology capital projects in the CIP:

- Have an estimated cost in excess of $25,000 and/or require six months or 1,000 hours for implementation or completion.
- Include applications systems, network design and implementation, telecommunications infrastructure, enterprise hardware and software systems, web design and implementation services, document imaging, data base design and development, consulting services (business process studies, requirements analysis or other studies), and technology associated with new construction and/or renovation and relocation projects.
- Have a minimum useful life of three years, significantly extend the useful life of an asset (i.e., not to include annual software and hardware maintenance and upgrade costs, warranty costs or other ongoing costs), provide a significant enhancement to functionality, or represent a change of platform or underlying structure.

The Maintenance Capital program is designed to protect City assets from premature failure and to minimize and eliminate unnecessary risks and loss to the City. An effective Maintenance Capital program ensures that existing capital assets are maintained in reliable, serviceable condition without requiring capital appropriations that vary significantly from year to year.

Maintenance Capital funds programs consist of non-expansion projects. Non-expansion projects are those that do not change a footprint of a building, expand a current asset, provide resources for services not already being undertaken or increase the operating budget once complete. For example, street paving is funded to maintain the condition of Harrisburg's roads, but it would not fund the construction of new turn lanes or travel lanes.

Another important aspect of a Maintenance Capital program is that projects must significantly extend the life of the asset and meet the criteria for a capital project. Repainting individual offices (as a program) may add to the life of an asset, but it would not meet the criteria of a capital project. Painting buildings, on the other hand, would be fundable as a component of a Maintenance Capital project.

The ultimate goal with respect to existing capital assets is to maintain a high level of serviceability and functionality while minimizing net present costs. This is normally accomplished through a rigorous program of preventative maintenance, rehabilitation and replacement. As a result, it is equally important to integrate the Capital program development and evaluation process into the work plans for infrastructure maintenance crews (e.g.., street maintenance crews in the Department of Public Works). Focused preventative maintenance plans, based on infrastructure condition assessments, can prolong the life of infrastructure assets and effectively delay the need for major capital investment.

Finally, the City's CIP development process must include an interface with Impact Harrisburg. This practical requirement necessitates a bifurcated CIP development process, whereby the City must assess capital development needs and determine which projects can be submitted to Impact Harrisburg for funding consideration.

Governance

Harrisburg currently operates under the Optional Charter provisions of the Third Class City Code. The Optional Charter provisions were authorized by the Optional Charter Law of 1957. The Optional Charter provisions provided a framework for two optional forms of government - a strong mayor-council or a council-manager plan. It is no longer possible to adopt an Optional Charter as this provision was replaced by the Home Rule and Optional Plans Law in 1972. Those cities which had enacted Optional Charters subsequent to the 1972 law, of which there were 11, are allowed to keep them.

In November 1968 the citizens of Harrisburg elected a 9 member Charter Commission by an overwhelming vote of 10,034 to 1,479. The Commission studied the then Commission form of government and optional forms of government available at the time and rendered its report recommending a Mayor-Council Optional Charter. Their report was then presented to and approved by the electorate in May 1969 and went into effect January 1970. Harrisburg's Optional Charter provides for a 7 member Council and a Mayor, Treasurer and Controller all elected at large for 4 year terms. The Mayor is the chief executive, supervises all city departments and enforces the ordinances of Council while Council serves as the legislative body.

The Constitutional Convention of 1967-68 addressed the issue of Home Rule and the new local government article adopted in 1968 provided that "Municipalities shall have the right and power to frame and adopt home rule charters." It went on to provide that a municipality enacting a home rule charter may exercise any power to perform any function not denied by the Constitution, by its home rule charter or by the General Assembly. Home Rule transfers the authority to act in municipal affairs from state law to a local charter that is enacted and amended by the electorate of the municipality. It becomes the constitution for the municipality.

A home rule charter written by an elected government study commission and adopted by the City's electorate pursuant to the Home Rule Charter and Optional Plans Law can provide the City with the ability to design a government structure that best meets its needs. It may provide, among other possible governmental changes, local tax enabling authority for the City to levy an EIT rate that is deemed appropriate to meet the City's General Fund revenue requirements. A home rule charter may also include these basic components:

- General powers of the municipality
- Organization of the government
- Procedures or safeguards to assure due process
- Provisions for citizen participation and powers reserved for voters
- Mandates for administrative practices
- General Provisions, such as transition procedures and effective date

Gov 1 Initiate procedure for adopting Home Rule charter
With the support of the Mayor, City Council shall initiate the procedure, as outlined by the Home Rule and Optional Plans Law, for adopting a Home Rule charter in the City of Harrisburg. The procedure begins with the election of a government study commission.

The Commonwealth's Home Rule law provides two methods for placing the question of a government study commission creation on the ballot. The question may be initiated either by (1) an ordinance of the municipal governing body or (2) a petition of the registered voters of the municipality. Once the question is on the ballot, voters will then decide whether to create a government study commission to evaluate a possible change to a Home Rule form of government.

In the same election in which the government study commission creation question is considered, the voters will also elect a group of citizens (7, 9 or 11) to serve on the commission upon its creation. If the majority of voters approve the creation of the commission, that commission will evaluate various forms of government and subsequently present their recommendation to the voters for a final decision through a referendum ballot question.

Throughout the government study commission's 9 month deliberative and evaluative phase, members of the commission as well as representatives of the City Council shall facilitate and encourage opportunities for citizen education on the Home Rule charter adoption process. If the Commission approves moving forward with the drafting of a Home Rule Charter it then has an additional nine months to prepare the Charter after which it would move to a vote by the electorate. All told the process involves a minimum of 2 years with a one to two year transition period if the Charter is approved.

Currently twenty third class cities and 80 municipalities state-wide have enacted home rule charters. Nearby Carlisle Borough residents adopted a Home Rule Charter in May 2015. The Act 47 cities of Altoona and Nanticoke and Plymouth Township have all recently enacted Home Rule Charters that now provide them with a governance structure that their residents believe will best meet their future needs.

The Charter Commission's report from 1969 in its Statement to the Citizens provided several interesting comments that in retrospect remain applicable today. "Harrisburg is a microcosm. It is confronted in varying degrees with all of the complex problems that best the "core cities," plus some that are peculiar to our own community. Like other metropolitan core areas, the City of Harrisburg lies at the crossroad of hope and despair. It has its share of the ills of the cities." It goes on to state that "Harrisburg also has great hope, rising expectations, many natural endowments, and, we believe, people of talent and goodwill to meet these problems forthrightly and begin the upward climb…..We also have a reservoir of talented people of goodwill and generous spirit, of all ethnic, religious and cultural backgrounds. The job ahead is that of harnessing the talent to motivate the people of the city to solve their own problems." It further stated "Let no one misunderstand; a change in the form of government is no panacea, provides no magic solutions. No form of government works unless an interested and enlightened electorate chooses the best possible leadership."

The Home Rule option is an option that did not exist for the City in 1969. The City now has the ability to further examine what has transpired in the 46 years since the Charter Commission's report and to consider what form of government would best meet its needs in the new millennium. It is important that leaders of the City's nonprofit, neighborhood and business communities as well all citizens play an active role in discussing the Home Rule charter process and the impacts that this change in form of government may bring to Harrisburg. Citizen education and participation are critical to the government study commission's deliberations.

Bureau of Information Technology

Since the passage of the Strong Plan, the City has made significant progress toward addressing critical IT needs. For example, the City has contracted with a third party to maintain its phone system which will prolong the useful life of the system and allow the City adequate time to plan for a needed system upgrade.

In addition, the City has made significant progress on the implementation of a 311 Customer Resource Management (CRM) system, intended to significantly improve customer service and responsiveness. The 311 system, which launched on May 5, 2015, is staffed from 8:00 am to 6:00 pm Monday through Friday. Calls are routed to the receptionist and up to six backup stations when the receptionist is busy. This is one of the first 311 systems in the region and City staff should be commended for the successful roll-out. This is a significant achievement and one that can be leveraged to improve municipal services.

Lastly, for the first time in years, the IT Bureau is fully staffed with a Director and skilled staff with the expertise necessary to maintain and improve the City's IT infrastructure.

Though the City has made important and noteworthy progress, there are still a number of issues related to IT infrastructure that deserve attention as resources become available.

IT 1: Replace the UPS.

A critical component of the City's data center and the electrical power system for City Hall is the more than 25 year old uninterruptible power supply (UPS). The UPS protects the City from momentary dips and surges in power and can provide enough power until electric generators can start up.

While the City has faced challenges obtaining the $150,000 in funding needed for a UPS replacement, this is a vital need that, if not addressed, puts the City's most critical IT infrastructure at risk should there be any power fluctuations or interruptions. The current unit is more than 25 years old and needs to be replaced. The City has been unsuccessful in obtaining Department of Homeland Security funding in 2013 and 2014 to replace this unit and this need becomes more critical as the unit ages. Given the critical nature of this issue and its adverse impact on health and safety should the current unit fail, it is recommended that the City seek Act 47 funds to replace the UPS.

IT 2: Eliminate unused phone lines from City service.

The City's existing phone system, a Nortel Option 61, is more than 25 years old and has not been supported by the manufacturer in more than five years. As the City considers the replacement of its ailing phone system, one area that often gets overlooked is what phone lines are still in use as well as what lines are no longer in use but for which the City is being billed. In 2014, the City initiated a contract with Morefield Communications to complete a full, system-wide phone line traffic analysis to identify phone lines that can be eliminated. The result of that analysis indicates that by eliminating unused phone lines, the City can save in excess of $1,200 to $1,700 per month. However, due to staffing shortages, the City has been unable to eliminate the redundancy and realize the cost savings.

The next step in this process is to proceed with the contract with Morefield Communications to go through each extension believed to not be in use and remove the physical bridge clip on the City's PBX. This process will verify usage of the extensions and consolidate lists of lines that are truly needed and ones that are extraneous and no longer necessary. This particular process requires technical knowledge with telecommunications equipment; as a result, it is appropriate to contract with Morefield Communications to complete this work.

IT 3: Separate the document management and imaging system backups from all other data backups to reduce the time it takes to complete backups of critical data.

Network and email backups are critical issues for the City of Harrisburg. Email backups are currently working after previous failures resulting from lack of space. After email went down for an extended period of time, the IT Bureau had to remove old users and buy three servers to recover mailboxes. The remaining issue with backups is the time it takes for full backups to run; full backups are currently taking in excess of five days to complete. The apparent cause of the slow backup process appears to be the DocuWare imaging system used by the Police Department.

The DocuWare system requires over 11 tapes and several days to run while the rest of the City-wide backup takes only four tapes and can be completed in a fraction of the time. Much of the data on the document management and imaging system is static, so the City should consider whether weekly backups are really necessary. Because of the way this system is structured, well over half of the City's storage demand comes from the document imaging system and this number is likely to grow considerably in the future.

Since the imaging system stores largely static data, it is recommended that the City complete full backups for this system monthly, rather than weekly, and complete incremental backups on a nightly basis.

The Bureau should also consider backing up the imaging system to the cloud using Amazon Glacier or other comparable backup solutions. Amazon Glacier provides a low cost-per-terabyte solution. Amazon Glacier would cost approximately $81 per month to store up to 8 TB of data and uploads are free. Assuming the City would only need to store three backups at Glacier at any one time, the cost would be manageable and help ensure data is backed up and secure. It should be noted that retrieving files from Amazon Glacier may take as long as four hours.

IT 4: Consider installing City-owned conduits under roads as they are being resurfaced.

Many cities with large urban areas are beginning to install conduits under roads that are being resurfaced as a way to tap into other sources of revenue. As telecommunication companies seek to install new fiber cabling, these cities can mandate that companies lease access to this City-owned conduit. As the City begins to plan and implement major road and transportation infrastructure improvements, and as capital funding becomes increasingly available, it will be prudent to begin scoping paving projects to include conduit installation. The major cost of conduit installation is the excavation. Given that this work would already be completed in major pavement projects, the City can begin installing conduit one section at a time with the intent to generate revenue through system lease payments.

Not only could this become a revenue stream for the City, but it could reduce road cuts and extend the life of roads throughout the City where conduits have been deployed. The City should build conduit installation projects into its capital plans.

IT 5: Develop and fund a City-wide computer replacement plan as an element of the Bureau of technology budget.

The City's original Act 47 plan identified personal computer (PC) replacement as an important issue. Many City employees were operating on systems that were 10 years old and the reliability and capacity of those systems significantly impacted employee productivity. Appropriately, City departments began the process of budgeting for computer replacements and the City was able to replace many of its oldest personal computers. However, the issue of ailing computer systems has resurfaced.

The City has approximately 35 personal computers operating under the Windows XP operating system, which is no longer supported by Microsoft and therefore highly susceptible to attack from viruses and malware. However, the proposed 2016 budget does not include significant interment in PC replacement, though some departments have indicated a desire to replace some personal computers if 2016 budget trends allow.

This issue has evolved again because the City has had limited discretionary funds and each department or bureau is responsible for budgeting for PC replacement at their own discretion. Each department is therefore forced to prioritize where it will invest resources and more often than not, personal computers are prioritized last against other important departmental needs. For example, when making the choice between police cars and PC replacements, the Bureau of Police will always choose cars because of their importance for day-to day operations. However, this presents a significant problem.

The useful life if a PC is three to five years and the technology evolves at such a pace that a reactive, rather than proactive replacement approach, leads to a point where significant one-time investment is needed to replace obsolete and non-functioning equipment. This can be resolved by creating a central process of evaluating PC condition and replacement needs and developing an annual replacement program that smooths the cost of PC replacement from year to year. This serves to limit large one-time expenditures, major fluctuations in budgeting, and, most importantly, the incidence of obsolete or faulty equipment that negatively impacts employee productivity.

The process of evaluating personal computer replacement needs should be managed by the Bureau of Information Technology in a centralized way. This will ensure that the limited resources available for replacement go toward the Bureaus and Departments with the most critical needs. Centralizing this process will serve two important functions. First, it will emphasize the importance of regular computer replacements. Second, it will allow standardization over time, which will enhance the IT staff productivity when PC repairs are required. Third, it will allow PC funding to be evaluated independent of other department needs and allow a comprehensive evaluation of City needs, not just individual department needs.

Law Bureau

The City Solicitor and staff of the Law Bureau perform a myriad of duties, encompassing all facets of trial practice including courtroom litigation, administrative hearings, grievance hearings, appellate argument and minor criminal prosecutions. The Law Bureau drafts legislation, contracts and other agreements for the various City departments and reviews those generated by individuals and companies seeking to do business with the City. The City Solicitor responds to requests for formal opinions from elected officials and department heads. The Law Bureau keeps a record of all tort claims filed against the City and litigation and administrative proceedings to which the City is a party. The City Solicitor or a designee attends all legislative and non-legislative meetings of City Council as well as committee meetings upon request.

Additional routine activities of the Law Bureau include:

- Assisting the Bureau of Human Resources to assure compliance with FMLA, ADA, the City's Pension plans, 457 Deferred Compensation plans, commercial driver's license (CDL) policy, Workplace Violence and Anti-Harassment/Non-discrimination policies;
- Assisting the Bureau of Human Resources to review correspondence sent to Civil Service Commission candidates;
- Participating in labor/management meetings and drafting/reviewing Memoranda of Understanding between management and unions;
- Representing the Police Pension Board which meets monthly and involves assignments outside of those meetings;
- Reviewing and/or drafting contracts which involve making substantive and non-substantive changes to the contract language and negotiating with the contracting party;
- Reviewing Workers' Compensation and Heart and Lung claims;
- Drafting legislation on a biweekly basis;
- Reviewing subpoenas issued to the City for compliance;
- Attending depositions of City officials and employees subpoenaed in civil cases;
- Drafting official documents for the Mayor and other City officials;
- Attending legislative sessions of the City Council as the Parliamentarian;
- Attending committee meetings of the City Council to advise them in regards to proposed legislation;
- Reviewing and filing liens;
- Assisting the Right to Know Officer; and
- Assisting all departments in compliance with federal and state law and reviewing and/or drafting correspondence with county, state or federal officials.

The Department's FTE count has increased in the last eight years. The following table shows the Department's historic staffing level from 2009 through 2016.

Law Bureau
Historic FTE Count

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	Total FTE Increase/ Decrease
Law Bureau		4	3	4	4	5	4	6	6

The following tables summarize the Bureau's historical expenditure trends and projected baseline expenditures through 2018.

Law Bureau
Historical Expenditures

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salary & Wages	124,341	129,865	220,482	251,387	282,675	127.3
Temporary	0	0	0	3,945	240	100.0
Overtime	0	0	0	0	0	0.0
Social Security	9,512	9,935	16,928	19,533	20,948	120.2
Legal Services	444,119	349,424	184,020	105,199	185,267	-58.3
Services	5,849	2,577	8,700	14,647	7,795	33.3
Supplies	19,536	17,738	23,324	22,595	32,932	68.6
Other	0	0	3,436	0	996	0.0
Total	**603,357**	**509,539**	**456,891**	**417,306**	**530,853**	**-12.0**

Law Bureau
Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salary & Wages	368,107	371,788	375,506	2.0
Social Security	28,160	28,442	28,726	2.0
Legal Services	300,000	300,000	300,000	0.0
Services	21,400	21,518	21,638	1.1
Supplies	36,068	36,734	37,413	3.7
Total	**753,735**	**758,482**	**763,283**	**1.3**

Analysis and Recommendations

In the 2013 Harrisburg Strong Plan the Law Bureau had a total of three initiatives and all three initiatives have been completed. The Law Bureau hired outside counsel to assist in labor relations activities and increased the number of staff attorneys from one to three. In addition, the Law Bureau also completed, recodified, and enacted the Code of the City of Harrisburg.

Law 1: Use professional assistance for labor relations activities.

Though the City utilized contracted professional assistance from labor negotiations in 2013 and 2014, the City will be tasked with re-negotiating two collective bargaining agreements again in 2016 and a third in 2017. It continues to be important for the City to contract for specialized expertise in this area. As such, the City shall retain experienced public-sector employment labor counsel for its labor relations activities beginning with negotiations of new collective bargaining agreements. The City shall also seek professional legal assistance, either through the Law Bureau or outside counsel, for other labor relations issues. The Pennsylvania League of Cities and Municipalities offers a Public Employer Labor Relations Advisory service which the City would find advantageous for those involved in labor related matters. This service also provides access to wage and benefit data as well as assistance on a variety of labor law issues.

Bureau of Police

The Bureau of Police provides law enforcement and crime prevention services within the City of Harrisburg. The Bureau is currently accredited by the Commission on Accreditation of Law Enforcement Agencies (CALEA).

The commanding officer of the Bureau is the Chief of Police. The Office of the Police Chief is responsible for the management of available resources to ensure that the Bureau's mission, goals and objectives are achieved. Functions/units operating within the Office of the Chief include Community Policing, Animal Control, Weed and Seed, Foot Patrol and Internal Affairs.

The Police Chief oversees all operations of the Bureau with assistance from two Captains who are responsible for commanding the Bureau's three policing divisions: Uniformed Patrol; Criminal Investigation; and Technical Services. In addition, the Office of the Chief of Police oversees the Bureau of Codes, which was transferred under the direction of the Chief of Police in 2015.

The Uniformed Patrol Division is primarily comprised of three platoons of uniformed patrol officers. These officers respond directly to calls for service and conduct routine patrols within the City's seven police districts. Patrol officers also staff the City's booking and detention center 24 hours a day. In addition to the three platoons, the Street Crimes and K-9 units operate within the Uniformed Patrol Division.

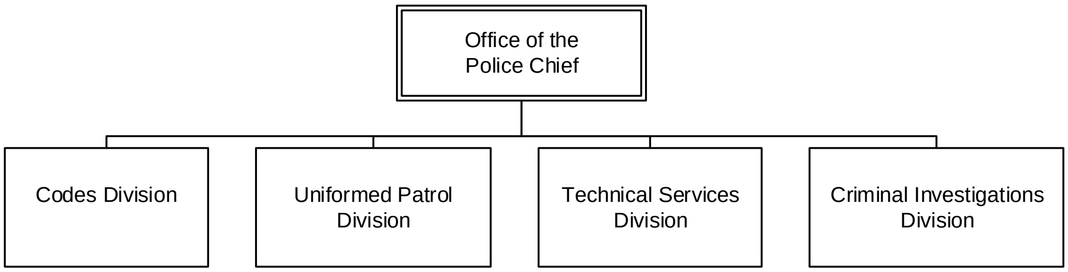
The Criminal Investigation Division is charged with investigating and resolving crimes referred by officers in the Uniformed Patrol Division. The Division is staffed by detectives and investigators who operate within the following focus areas: Adult Offenders; Juvenile Offenders; Vice/Organized Crime; Arson; Special Operations; and Forensics. The units within the Criminal Investigation Division frequently collaborate with regional and state partners, particularly the Dauphin County District Attorney's Office, in ongoing criminal investigations and prosecutions.

The Technical Services Division, which is overseen by a Lieutenant, provides a wide variety of administrative and operational support functions for the Bureau. The Division is staffed by uniformed and civilian personnel who operate within the following units: Training; Property Management; Court Liaison/Special Events; Background Investigations; and Accreditation/Crime Analysis. The Captain of the Technical Services Division also manages the Bureau's Parking Enforcement function and Records Management Center and liaisons with the Dauphin County emergency communication Center and the County's INSYC record management function, which the City will join by the close of 2015, in lieu of the Metro records management system historically used by the City

The Bureau of Codes is primarily responsible for enforcement of Harrisburg's building, property maintenance and health codes. Codes Enforcement Officers are responsible for residential and commercial building inspections, while Health Inspectors inspect restaurants and other food service businesses to maintain proper health and sanitation standards. The Bureau is also responsible for neighborhood mitigation operations, including cleaning and sealing of vacant homes, demolition of condemned property and clean-up of vacant parcels. The Bureau of Codes works closely with the Department of Public Works to accomplish neighborhood mitigation goals. These neighborhood clean-up operations are funded primarily through Community Development Block Grant (CDBG) funds from HUD. The Bureau also works with other departments when questions arise regarding code related issues and supports several boards, including the Housing Code Board of Appeals, the Health Board, the Plumbing Board and the Electrical Board.

The following figure shows the organizational structure of the Bureau of Police.

Bureau of Police
Organizational Chart



The Bureau's FTE count has decreased by 54 FTE in the last eight years. This reduction is partly attributable to a reduction of parking enforcement personnel following the monetization of parking assets and the transfer of significant enforcement responsibility to Standard Parking (SP+). However, the majority of this reduction in personnel has taken place in the sworn ranks as a result of attrition. Due to resource limitations, the Bureau of Police has been unable to replace these positions and, as a result, the average number of officers available for regular patrols has decreased and the Bureau has been forced to make reductions in special units that divert staff from core police patrol functions. The following table shows the Bureau's historic staffing level from 2009 through 2016.

Bureau of Police
Historic FTE Count

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	Total FTE Increase/ Decrease
Bureau of Police	219	200	176	163	145	150	148	165	-54
Codes Bureau	-	12	11	12	12	12	11	13	13
Total	219	212	187	175	157	162	159	178	-41

The following tables summarize the Bureau's historical expenditures and projected baseline expenditures through 2018.

Bureau of Police
Historical Expenditures

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salaries & Wages	11,532,306	11,073,730	9,967,862	9,597,451	9,585,122	-16.9
Salaries/Wages-Extra Duty	431,258	483,620	425,516	561,883	676,873	57.0
Overtime	590,647	376,875	464,073	447,061	495,724	-16.1
Sick Leave Buy Back	2,745	0	13,208	18,182	110,444	3,924.0
Severance Pay	354,217	38,910	468,436	121,396	176,246	-50.2
Social Security	253,359	216,978	201,047	186,800	182,223	-28.1
Medicare - Part B	1,158	1,938	1,199	1,259	1,259	8.7
Clothing Allowance	68,434	31,549	101,134	169,411	89,896	31.4
Clothing Maint Allowance	52,321	47,775	42,900	0	0	-100.0
Loss Time & Medical	436,000	626,474	1,628,078	287,152	243,531	-44.1
Police Pension Plan	4,510,723	2,524,734	2,613,548	2,428,193	2,482,000	-45.0
College Credits	9,000	8,800	0	10,000	11,100	23.3
Services	598,627	486,722	581,599	713,591	627,632	4.8
Supplies	34,588	42,749	12,430	46,102	91,131	163.5
Other	0	15,300	115,000	1,100	77,666	0.0
Total	**18,875,382**	**15,976,154**	**16,636,030**	**14,589,581**	**14,850,847**	**-21.3**

Bureau of Police
Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salaries & Wages	10,495,185	10,802,675	11,041,593	5.2
Salaries/Wages-Extra Duty	769,502	793,297	811,634	5.5
Overtime	500,000	500,000	500,000	0.0
Sick Leave Buy Back	75,000	75,000	75,000	0.0
Severance Pay	120,000	120,000	120,000	0.0
Social Security	223,918	227,487	231,727	3.5
Medicare - Part B	1,259	1,259	1,259	0.0
Clothing Allowance	112,382	112,382	112,382	0.0
Loss Time & Medical	300,000	300,000	300,000	0.0
Police Pension Plan	2,906,315	2,996,184	3,065,442	5.5
College Credits	12,100	12,100	12,100	0.0
Services	861,307	755,599	764,445	-11.2
Supplies	234,996	236,676	238,388	1.4
Other	593,000	247,617	252,322	-57.4
Total	**17,204,964**	**17,180,275**	**17,526,291**	**2**

Analysis and Recommendations

The Bureau of Police has made strides in implementing many of the initiatives outlined in the 2013 Strong Plan. The Bureau has consolidated the use of specialized units in the Bureau in favor of assigning additional personnel to the patrol function. It has reduced civilian staffing in the parking enforcement function as a result of the monetization of parking assets to Standard Parking. In addition, the Bureau has decreased the number of captain positions from three to two.

However, the most pressing issue confronting the Bureau is staffing shortages and the lack of sufficient resources to both hire new officers and outfit those officers with reliable and functioning equipment. To that end, it is appropriate to evaluate what steps cab be taken to increase the availability of officers within the Bureau and to prioritize the funding of equipment deemed necessary and critical to effective public safety.

PD 1: Evaluate shift schedule alternatives for the Uniformed Patrol Division.

The most significant operational and financial challenge confronting the Bureau of Police relates to sworn staffing, especially in the Uniformed Patrol Division, which is the largest sworn police function. According to interviews with the senior executive officers of the Bureau, the Uniformed Patrol Division targets daily shift staffing goal of 15 patrol officers per shift to meet its calls for service demand and adequately engage in the proactive policing activities, such as foot and bicycle patrols. This is based on Bureau's existing patrol beat and response structure. Though the target for the daily shift staffing is 15 patrol officers, the Department maintains a minimum required staffing level of 10 officers per shift. If staffing falls below the 10 officer minimum, officers are called in on overtime to meet minimum staffing targets. According to Bureau estimates, each of the platoons requires a target staffing of 25 officers in order to consistently meet the patrol officer staffing goal of 15 officers per shift; the current budgeted patrol officer staffing level per platoon is 21 patrol officers. According to the Department's staffing estimates, an additional 12 patrol officers are required to meet the shift target staffing level.

In late 2015, the City received word that it received a Department of Justice COPS grant to fund the salaries for five patrol officer positions through 2016 and 2017. The City must maintain funding for these positions through 2018. Though this will help the Bureau maintain staffing levels in the face of naturally occurring attrition, it will not resolve the staffing shortfall discussed above. Further, it is not clear that sufficient financial resources will be available to the City in the coming five years to fund significant increases in patrol staffing.

In the alternative, it is appropriate to evaluate if other deployments schedules are available to enable the Bureau to more effectively, or more efficiently, deploy its limited staffing resources. Police officers who are assigned to uniformed patrol perform steady tours of either 7:00 a.m. to 3:00 p.m., 3:00 p.m. to 11:00 p.m. or 11:00 p.m. to 7:00 a.m., with steady days off. Although a steady tour schedule provides a welcome measure of regularity for the workforce, there are a number of other schedule alternatives that can be evaluated to determine if deployment and schedule changes can mitigate the impact of staffing shortages. For example, implementation of 12 hour schedule deployment models has demonstrated value in decreasing the incidence of unexpected time off, which impacts staffing availability and potentially overtime usage.

Effective scheduling requires analysis of operational and financial efficiencies, the unique needs of the Bureau and the community, and the impact of the schedule on the agency's employees. There are literally dozens of possible alternatives, and the evaluation of those alternatives must be made to ensure that they result in a more efficient use of resources that will enhance police service without creating undue stress on the members of the Police Bureau.

Therefore, before a new duty schedule is implemented, an in-depth study should be conducted to ensure that the nuances of the Bureau are explored and addressed. Therefore, a committee consisting of the Chief of Police and/or designees, representative(s) of the Fraternal Order of Police, and the Act 47 Coordinator shall be created to implement this initiative and make the final determination on a new schedule that meets the operational needs of the Bureau, enhances efficiency and reduces expense to the greatest degree possible

PD 2: Utilize Dauphin County Forensic Investigation Team for City of Harrisburg forensic investigations.

The Bureau of Police currently does not participate in the Dauphin County Forensics Team, instead opting to maintain a staff of three in-house Forensics Investigators. The Bureau of Police has maintained this internal capacity for two primary reasons. First, the Department wishes to maintain internal capacity to avoid the possibility that forensics personnel will be unavailable when needed. The Bureau of Police has expressed concern that since the Dauphin County Forensics Team is responsible for providing services across Dauphin County, the team may not be promptly available to provide service at Harrisburg crime scenes when needed. Second, the Bureau of Police maintains considerable pride in the quality of its forensic investigations, the expertise of its investigators, and the level of training provided to personnel. Given the importance of forensic investigation as a major investigative tool, the Bureau of Police is reluctant to pursue a shared service model for fear that the loss of direct day-to-day control may impact the ultimate quality of forensic investigations.

These are important considerations; however, they must be considered and prioritized within the broader issues that the Department is facing relating to staffing levels. These staffing shortages ultimately result in having fewer officers on the street at a given time.

The City currently dedicates three officers to forensic investigations. By participating in the Dauphin County Forensics Team, the City may have the opportunity to dedicate only one officer to forensics investigations full time, which would allow the Department to redeploy the other two Forensic Investigators to other units, such as Patrol, where sworn staff is needed. Moreover, the City will be able to capitalize on the regional resources provided by the Dauphin County Forensics Team. In other words, depending on the agreement reached with District Attorney's Office, the Bureau of Police could realize an increase in street strength and an increase the forensic investigation resources.

PD 3: Pursue regional policing opportunities detailed in the 2015 Dauphin County Regional Policing Initiative.
In 2015, Dauphin County and the District Attorney's Office, with support from the Act 47 program, contracted with the Police Executive Research Forum (PERF) to assess opportunities for regional police initiatives in the County. The City of Harrisburg Bureau of Police, as the largest police department in the County, was included as an important participant in that assessment. Both the Harrisburg Police Chief and the City's FOP representative participated as members of the study Task Force.

The final report with recommendations for service and cost sharing is expected to be completed by the close of 2015. It is anticipated that the report will identify opportunities for the City of Harrisburg Bureau of Police to engage in cooperative efforts that may enhance service and potentially reduce expenses. It is recommended that the City aggressively and proactively pursue those opportunities.

PD 4: Increase compliment of the VICE/Street Crimes Unit.
Bureau staff and other stakeholders interviewed generally agree that a large portion of the City's violent crime is driven by illegal narcotics, yet only four investigators are assigned to the Bureau's Vice Unit, the squad primarily charged with narcotics investigations. Although the City's fiscal condition is likely to result in staffing challenges for the Bureau for the foreseeable future, the enhancement of the Vice Unit is in the City's best interest and will contribute to the reduction of violent crime. Therefore, staffing of the Vice Unit shall be increased to a minimum of six investigators.

The effectiveness of this initiative can be measured by the number of narcotics arrests and seizures made; the number of search warrants executed; and reduction in the violent crime rate. If the desired outcomes are not achieved, personnel can be reassigned to patrol or other investigative duties. The City shall retain the right to reassign personnel to patrol or other investigative duties.

PD 5: Fund police department vehicle replacement.
Police vehicles are subjected to unusually hard use; they often run 24 hours a day, stay idle for lengthy periods and are operated by multiple drivers. Typically, after approximately 75,000 miles, maintenance costs and out of service time begin to outweigh the replacement cost. Most importantly, it is indisputable that vehicles are essential tools; the job cannot be done without them.

In accordance with the recommendations of the City's adopted recovery plan, the Police Department amended its policy of purchasing most of its police vehicles at once and instead opted to begin implementing a phased vehicle replacement plan. It has been able to dedicate some financial resources to vehicle replacement; however, it has primarily utilized grant resources to fund vehicle replacements. Though this has allowed the Department to achieve some vehicle replacements, it has not been wholly sufficient and many of the department's active patrol vehicles have well over 100,000 miles are in need of replacement.

Unfortunately, resources remain limited; however as resources become available, it will be important to place high priority on replacing patrol vehicles and carrying forward the Bureau's targeted vehicle replacement approach. Patrol is the most active and visible element of the police force and patrol vehicles are critical and important tools.

PD 6: Fund replacement and upgrade of Uniformed Patrol Division Vehicle Mobile Data Terminals.
Mobile Data Terminals (MDT) are the in-car computers utilized by patrol officers to access state and national databases and the emergency communications center dispatch screen and records management system. Currently approximately half of the Mobile Data Terminals MDTs used by the Police Department are able to connect to the County's JNET system. This is because they are running on an old and unsupported operating system, Windows XP. The MDTs that are still running XP are older Fujitsu computers that also suffer from heat issues with a significant number of the internal fans failing. The Federal

Government does not allows access to the JNET system from XP operating systems because XP is no longer supported by Microsoft, and therefore more susceptible to virus attack.

Having less than half of police vehicles equipped with more reliable MDTs capable of running Windows 7 and able to connect to the County's JNET system is a critical life safety issue. Unreliable MDTs overburden dispatch, resulting in delays for officers doing traffic stops as they cannot run the tags on a vehicle. While the Police Department is making some progress on upgrading the remaining MDTs, this should be a funding priority if the Police Department is not able to win more grants. In addition, MDT upgrade may be pursued for funding under the Act 47 grant program.

Bureau of Fire

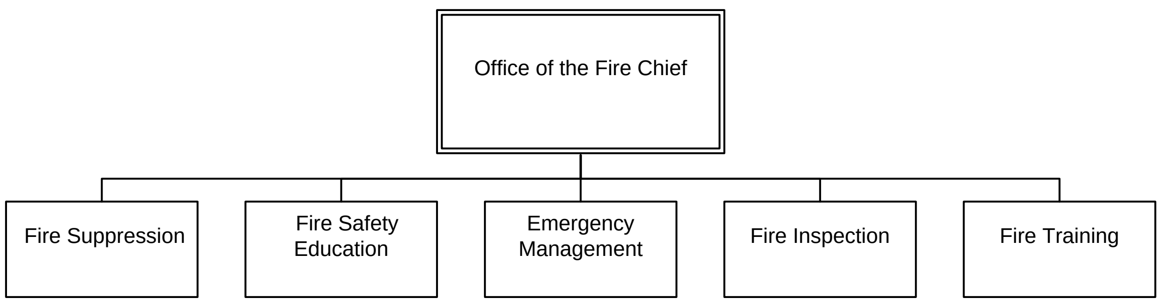
The Bureau of Fire provides emergency response to fires and other hazardous conditions within the City of Harrisburg, and also provides emergency medical services at the first responder-level for calls involving life-threatening conditions. Transport services for medical emergencies within the City are supplied by a third party provider, Life Team. The Bureau is also the designated Emergency Management Agency for the City of Harrisburg. The Bureau's Mission Statement is as follows:

The Harrisburg Bureau of Fire exists to serve the City of Harrisburg, and when needed, the greater Harrisburg metropolitan area by providing effective fire suppression, emergency medical services, tactical rescue, urban search and rescue, water rescue, hazardous materials response, fire prevention, fire codes enforcement, and public safety educations.

The Bureau of Fire is a team of highly motivated diverse individuals dedicated in common to public interaction and providing efficient services. This involves the use of modern fire and rescue equipment, integrated up-to-date training and safety techniques, computer technology, and cooperation with surrounding fire, rescue, and EMS agencies to provide the best service available by making public safety and protection our perpetual primary priority.

From three City fire stations, the Bureau operates two engine companies, two truck companies, and one engine rescue one of which responds as a rescue engine. The Bureau is primarily staffed by career firefighters, but is supplemented by two volunteer companies, (Riverside, Camp Curtin and Mt. Pleasant) with approximately six total active volunteer members.

The following figure illustrates the Fire Bureau's primary areas of operation, which include Fire Suppression, Fire Safety Education, Fire Inspection, Fire Training and Emergency Management. The Fire Chief oversees all operations of the Bureau with assistance from one Deputy Chief (non-bargaining unit member) and three Battalion Chiefs (bargaining unit members).



Fire Suppression encompasses the Bureau's response to all emergency and non-emergency calls for service, including fires, emergency medical services at the scene of accidents and in life threatening medical emergencies, tactical rescue, urban search and rescue, water rescue and hazardous materials response.

Fire Safety Education involves the planning and execution of fire safety and burn education for residents and businesses, including schools and daycare centers, within the City.

The Fire Bureau is the City of Harrisburg's designated Emergency Management Agency (EMA). The Fire Chief is the designated Emergency Management Coordinator. EMA responsibilities include the creation and ongoing review of the City's Emergency Operations Plan, which is used to guide City operations during large-scale disasters that require the management and coordination of numerous and diverse resources. The City works closely with the Dauphin County Emergency Management Agency during any such disasters.

Fire Inspection primarily applies to the enforcement of the City's Fire Prevention Code, including the review and approval of plans for all new construction as well as major renovations to existing structures. Additionally, existing properties are inspected to ensure compliance with applicable codes and standards.

Fire Training includes the drafting and implementation of the Bureau's annual comprehensive training plan. Also included within this function is the Bureau's apprenticeship training program, which is mandatory for all new recruits.

In addition to the primary operational areas listed above, the Fire Bureau offers multiple specialized services, and also participates in several regional teams and task forces as described below:

- The Bureau assists Harrisburg River Rescue (third party provider) in providing water rescue response on the Susquehanna River and all other bodies of water within the City. Most members of the Bureau are trained in at least the basic level of water rescue.

- The Bureau's Rescue One Program responds to specialized technical rescue emergencies, including building collapse, trench rescues, confined space rescues, high angle rescues and heavy vehicle extrication in the City and the surrounding region. Firefighters that participate in Rescue One have advanced technical training as well as mandatory yearly training updates.

- The Bureau is currently a participant in Pennsylvania Company One (PA-CO 1), one of nine regional elements of the Pennsylvania Urban Search and Rescue Response. PA-CO 1 is activated by PEMA for technical rescue and response across the Commonwealth in an emergency. The Bureau also participates in the South Central Pennsylvania Counter Terrorism Task Force (SCTF), which provides incident management during large-scale emergencies.

- The Bureau also participates on the Dauphin County Hazardous Materials Response Team (HMRT). An agreement between the City and Dauphin County allows on-duty firefighters to immediately respond to hazardous materials calls throughout the County with the Hazardous Material Response Unit. Through the joint agreement, senior members of the HMRT also provide members of the Bureau with basic hazardous materials certification and annual required training.

The Bureau of Fire provides fire suppression, emergency medical services, tactical rescue, urban search and rescue, water rescue, hazardous materials response, fire prevention, code enforcement, and public safety education services to residents of Harrisburg. The Bureau responds from three fire stations with five pieces of front-line apparatus that are staffed 24/7 by at least 15 firefighters and fire officers.

The Bureau’s FTE count has decreased by eight FTE in the last eight years. The following table shows the Bureau’s historic staffing level from 2009 through 2016. The increase of nine firefighters proposed for the 2016 budget is intended to allow the Bureau to pre-stage for retirements expected in 2017 and avoid excessive overtime costs. Correspondingly, the proposed 2016 budget includes a $250,000 reduction in overtime

Department of Administration
Historic FTE Count

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	Total FTE Increase/ Decrease
Bureau of Fire	93	84	71	71	65	76	76	85	-8

The following tables summarize the Bureau's historical expenditures and projected baseline expenditures through 2018.

Bureau of Fire
Historical Expenditures

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salaries & Wages	4,504,380	4,242,455	4,156,587	4,515,318	4,743,750	5.3
Overtime	2,288,901	2,719,249	2,729,170	1,828,382	852,796	-62.7
Premium	0	0	0	0	306,235	100.0
Sick Leave Buy-Back	121,280	114,937	89,433	100,107	108,344	-10.7
Social Security	91,746	92,800	95,748	94,222	89,070	-2.9
Group Life	-1,011	0	0	0	0	-100.0
Severance Pay	603,217	315,308	400,042	208,507	271,412	-55.0
Medicare - Part B	43,296	51,394	53,488	64,480	67,157	55.1
Loss Time & Med	267,101	252,538	307,607	175,122	323,872	21.3
Fire Pension Plan B	0	0	0	0	358,000	100.0
Hearing Aid -Fire	0	263	0	0	635	100.0
Clothing Allowance	45,074	38,982	54,407	77,736	55,591	23.3
Clothing Maint Allowance	5,945	1,499	6,360	6,240	3,048	-48.7
College Credits	7,184	4,992	0	5,204	6,596	-8.2
Services	120,061	154,257	163,279	239,519	241,045	100.8
Supplies	77,072	76,947	53,651	198,722	154,443	100.4
Other	18,137	0	0	129,731	16,800	-7.4
Total	**8,192,382**	**8,065,619**	**8,109,772**	**7,643,290**	**7,598,793**	**-7.2**

Bureau of Fire
Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salaries & Wages	5,040,093	5,233,555	5,380,030	6.7
Overtime	650,000	650,000	650,000	0.0
Premium	365,000	372,300	376,023	3.0
Sick Leave Buy-Back	112,000	112,000	112,000	0.0
Social Security	95,645	94,858	94,928	-0.7
Severance Pay	250,000	250,000	250,000	0.0
Medicare - Part B	69,234	69,234	69,234	0.0
Loss Time & Med	250,000	250,000	250,000	0.0
Fire Pension Plan B	280,858	286,475	289,340	3.0
Hearing Aid -Fire	500	500	500	0.0
Clothing Allowance	85,000	85,000	85,000	0.0
Clothing Maint. Allowance	10,000	10,000	10,000	0.0
College Credits	6,800	6,800	6,800	0.0
Services	358,600	286,283	264,017	-26.4
Supplies	286,150	286,810	287,483	0.5
Other	155,000	157,945	160,946	3.8
Total	**8,014,881**	**8,151,761**	**8,286,301**	3.4

Analysis and Recommendations

In the 2013 Harrisburg Strong Plan, the Bureau of Fire had a total of 13 initiatives that were the direct responsibility of the Bureau of Fire. The Bureau has made significant progress toward implementing many of those initiatives. Notably, through collective bargaining negotiations, the Department has been able to close one fire station and adjust its company staffing level to 14 firefighter/lieutenants and one command officer per shift, which has in turn allowed the Bureau to significantly reduce its overtime expenses. This has added significant value from both a public safety and firefighter safety and response perspective.

The Bureau has also worked to cover the cost of providing special services provided outside the course of normal firefighting services. City Council adopted an ordinance increasing emergency response and vehicle extrication fees and the City is now aggressively billing insurance companies accordingly. The City Council also approved increased fire alarm fees that more accurately reflect the cost of providing services, though additional adjustments to the false fee structure are warranted.

The Bureau, with the cooperation of the IAFF, has also converted an Administrative Assistant position to a civilian position. In addition, the Bureau has created a formal Safety Committee review of each work-related injury, as well as observed safety issues, so that effective action can be taken to reduce the incidence of injury going forward.

There are however additional initiatives and opportunities that should be pursued by the Bureau in the coming years.

FD 1: Conduct a study to evaluate regional fire service delivery opportunities.

With changes to the deployment model and the addition of personnel to the Bureau of Fire, staffing and deployment has stabilized in the Bureau. The Bureau provides a high level of service to residents, businesses and visitors, and maintains a complement of highly trained firefighters and command staff.

Given the level of service provided by the Bureau, and the Bureau's proximity to other boroughs and township's, there are opportunities in the coming years to develop regional partnerships or contracting models whereby the City of Harrisburg could provide fire suppression, special rescue, and fire prevention services to neighboring communities. This is especially true given the loss of volunteers across the Commonwealth. Such initiatives have the potential to serve the purpose of improving fire services in neighboring communities while also serving as a potential revenue source for the City of Harrisburg.

The Bureau of Fire has begun evaluating these opportunities. However, full evaluation of options available will require detailed deployment and staffing analysis, cost estimates, and extensive conversations with neighboring communities and their elected officials. It is therefore recommended that the City seek to partner with Dauphin County and the Act 47 Coordinator to conduct a fire regionalization and service sharing study to identify and prioritize opportunities.

FD 2: Incorporate a fire apparatus replacement schedule into the recommended Capital Improvement Plan.

Since the passage of the Strong Plan, the Bureau of Fire has made progress improving the condition and preventative maintenance of its apparatus. The Bureau has contracted with a fleet maintenance company that's specializes in fire apparatus maintenance to complete regular scheduled preventative maintenance for Bureau apparatus. This has allowed the Bureau to ensure that its front-line apparatus remains active. In addition to improving its fleet management program, the Bureau has utilized grant funds and funds available through the Fireman's Relief Association to purchase new or high quality used fire apparatus. Further, the Bureau is in the process of developing specifications to purchase a new pumper truck in the coming year.

Though the Bureau has made progress in the area of fleet management and apparatus replacement, it, like most City departments, does not have a dedicated recurring funding stream available for apparatus replacement. The Bureau estimates that front-line apparatus, such as pumper trucks and fire engines, have a life-cycle of approximately 10 years. It is estimated that the heavy use (e.g., number of runs) of apparatus in Harrisburg and difficult conditions in the City (e.g., road conditions) limits the ability of the Bureau to extend front-line apparatus beyond this timeframe. Moreover, the Bureau's experience with refurbishments (apparatus that have been outfitted at the 10 year mark for recirculation as front-line apparatus) has been poor. As a result, the Bureau is reluctant to rely on refurbishment as an option to extend the life of its apparatus, though refurbishment is far more cost effective than purchasing new apparatus.

Given these considerations, it is necessary to develop a phased apparatus replacement schedule and plan and to incorporate that schedule into the City's capital budgeting and planning processes. Though this is important from a planning and budgeting perspective, it also important for the Bureau to continue to conduct individual condition assessments of firefighter apparatus as tool to evaluate actual replacement need.

FD 3: Develop a company-based fire inspection program.

The Bureau is currently unable to keep pace with annual fire prevention inspections with the existing fire inspection staff. Therefore, engine companies should be leveraged to provide basic fire prevention inspections under the general oversight of the Fire Chief and Deputy Fire Chief. This will allow a tiered, proactive approach to improving fire and life safety. Engine companies will conduct basic inspections, while seeking assistance from the Bureau's Fire Inspector(s) and the City's Bureau of Codes for more complex issues. In addition to improving fire safety, the inspections will foster in firefighters a deeper familiarity with City structures and their specific firefighting challenges, which will be beneficial in emergency response.

Under the direction of the Fire Chief, and with input from the City's Codes Administrator, firefighters should receive training in the required knowledge, skills, and abilities to conduct effective inspections as needed. Engine companies will inspect non-complex properties, such as parking structures, retail businesses, and offices, until significant experience is gained. Inspections performed by the engine companies will be only those that are routine, Fire Prevention Code enforcement-related. Once the engine companies' firefighters have gained significant experience, the engine company inspection program should be expanded to include more specialized inspections of other structures.

The Bureau should set an initial workload target of 20 inspections per week, distributed evenly among the Bureau's stations. The program may be expanded further as staff gains experience. It is recommended that, for the first year of this program, no fee above the annual fire prevention permit fee (already paid annually by property owners) be assessed. Once the program is established, the City, with assistance from the Act 47 Coordinator, should work to develop and adopt a comprehensive fee structure for fire prevention activities, including the engine company inspection program.

FD 4: Revise false alarm fee ordinance to bill alarm companies directly.

The primary goal of assessing a false alarm fee is to encourage improved maintenance of systems and reduce unnecessary response from firefighters, thereby ensuring that response capacity is available for true emergencies. A secondary goal of a false alarm fee is the recovery of costs associated with repeatedly deploying resources to the same site unnecessarily.

In 2013, the City implemented a more aggressive fee schedule in tandem with a public education program with the goal of educating property owners on methods for improving the reliability of alarm systems. In addition to charging an annual fee of $60 for fire alarms, the City of Harrisburg also charges alarm system owners that have more than two false fire alarms in a 12-month period. Chapter 3 Section 901.5 of the Fire Code includes the following false alarm fee structure.

Number of Alarms	Fee
1 to 2 false alarms	No charge
3 to 4 false alarms	$150 per alarm
5 to 7 false alarms	$250 per alarm
7 or more false alarms	$500 per alarm

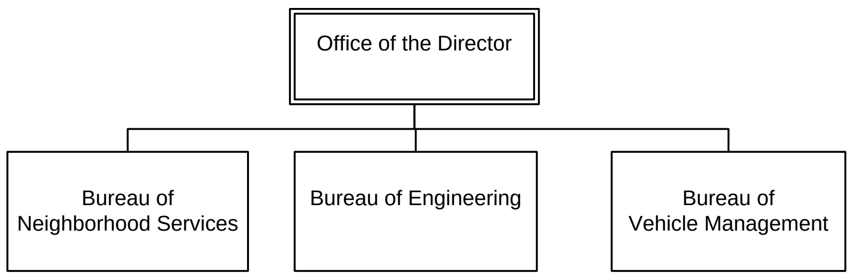
False alarm fees are not popular with residents that have frequent false alarms and billing and collecting false alarm fees can be cumbersome and unpredictable. In response to these issues, many communities have begun fining alarm companies directly for the costs associated with false alarms rather than fining individual residents. Under this approach, alarm companies are assessed a fee that is determined by the number of false alarms from the company’s subscribers. Fining alarm companies provides an incentive to alarm companies to proactively reduce the number of false alarms while improving public relations with citizens since they are not fined. A limitation of this policy is that the incentive for alarm system owners to reduce the number of false alarms is removed if the alarm companies do not pass along the fees to its customers. However, more often than not the cause of a false alarm is related to the system, not necessarily the resident. Assessing the false alarm fee to alarm companies incentivizes the alarm companies to assess and repair fault systems to mitigate the issue.

Department of Public Works

The Department of Public Works is responsible for maintaining public infrastructure, managing solid waste collection, and ensuring a healthy, safe, and natural environment. The 2016 proposed budget for the City of Harrisburg includes a substantive reorganization of the Department of Public Works that creates a Bureau of Neighborhood Services in addition to the long-standing Bureau of Vehicle Management and the Bureau of Engineering.

The new Bureau of Neighborhood Services will encompass all functions relating to refuse and recycling collection. In addition, the Bureau of Neighborhood Services will include the street maintenance and park maintenance function. The traffic engineering function, which is responsible for managing the City's sign and traffic signal infrastructure, will be organized under the Bureau of City Engineering. The Bureau of Vehicle Management will continue to be responsible for the administration, maintenance, and repair of the City's fleet of approximately 400 vehicles and pieces of equipment. The following figure shows the organizational structure of the Department of Public Works.

Department of Public Works
Organizational Chart



The Department's FTE count has decreased significantly during the last eight years, primarily as result of the Bureaus of Water and Sewerage being transferred to Capital Region Water. The 2016 proposed staffing composition shows a significant transfer of personnel from the Department of Public Works to the Sanitation Utility. This reflects the proposed reorganization to create a Neighborhood Services Bureau that encompasses all functions relating to Sanitation services. The following table summarizes the Department's historic staffing level from 2009 through 2016.

Department of Public Works
Historic FTE Count

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	Total FTE Increase/ Decrease
Department of Public Works	53	37	42	49	50	46	52	25	-28
Sanitation Utility	28.5	23	20	20	19	20	24	72	43.5
Total	81.5	60	62	69	69	66	76	97	15.5

The following tables summarize the Department's historical expenditures and projected baseline expenditures through 2018.

Department of Public Works
Historical Expenditures

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salaries & Wages	1,791,113	2,205,675	2,143,292	2,060,699	2,070,341	15.6
Overtime	93,032	82,904	109,871	194,781	194,386	108.9
Social Security	144,138	175,346	173,444	173,475	169,872	17.9
Services	992,414	807,246	1,097,048	1,367,922	2,145,729	116.2
Supplies	1,551,837	1,642,800	1,270,502	1,391,855	1,162,354	-25.1
Other	728,023	314,023	781,209	417,084	1,370,891	88.3
Total	**5,300,556**	**5,227,995**	**5,575,366**	**5,605,815**	**7,113,574**	**34.2**

Department of Public Works
Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salaries & Wages	1,204,599	1,216,645	1,228,811	2.0
Overtime	52,000	52,000	52,000	0.0
Social Security	96,130	97,051	97,982	1.9
Services	1,576,100	1,542,751	1,509,718	-4.2
Supplies	1,442,700	1,449,924	1,457,285	1.0
Other	380,000	383,230	386,521	1.7
Total	**4,751,529**	**4,741,601**	**4,732,317**	-0.4

Analysis and Recommendations

The Department of Public Works (DPW) has undergone considerable change since the passage of the Strong Plan in 2013. The Bureaus of Water and Sewerage, and the responsibilities of those bureaus, have been transferred to Capital Region Water (CRW). This transfer, though necessary, decreased the number of Public Works staff that could be drawn upon to meet the department's maintenance responsibilities.

Staffing availability has been further limited as a result of systematic issues in the sanitation operation. Recurring staffing shortages in the sanitation operation have historically forced the department to regularly draw upon street maintenance personnel to effectively perform refuse and recycling routes. As a result, the City has been unable to dedicate sufficient resources to the street maintenance operation.

However, with Act 47 funding and support from the Act 47 Coordinator, the City completed a comprehensive sanitation program evaluation in 2015 and developed a plan to modernize the sanitation operation which built on recommendations from the 2013 Strong Plan. Recommendations focused on obtaining new or refurbished collection vehicles, purchasing and deploying new trash and recycling containers, increasing recycling through educational efforts, enforcing current ordinances and validating all commercial and residential billing information. Significant improvements were made in 2015 and the City has proposed a 2016 budget that adds staffing resources to the sanitation operation, thereby allowing streets maintenance personnel to be fully dedicated to their assigned tasks. These are positive steps and the progress that had been made in the sanitation operation is to be commended. There are however, additional steps that must be taken into the future to ensure that the City can capitalize on this progress and advance further improvements in the sanitation operation.

The Bureau of Engineering, with Commonwealth and Act 47 enabled funding, has also made significant investments in the City's infrastructure. In 2014, the Pennsylvania Department of Transportation (PennDOT) committed to contributing \$10 million over a five year period toward infrastructure repair funding in the City of Harrisburg. This commitment stood in addition to PennDOT's planned repairs and projects on Commonwealth managed roadways and highways in Harrisburg. As of November 2015, the City has so far been awarded \$3.19 million in funding from PennDOT and has requested reimbursement of approximately \$670,000 for the City's accrued costs related to applicable projects. The City intends to use this reimbursement amount as local match money for future grant applications through PennDOT and other Commonwealth and Federal agencies. This funding will serve to allow the City to make major road repairs in the coming months and years.

The Bureau of Engineering has also begun the process of updating its traffic signal system and has adopted the practice of updating traffic signal infrastructure when other road projects are being completed. This is a prudent approach to replacing the antiquated traffic signal system. In addition, the City is currently engaged in a comprehensive street light upgrade program to replace the City's incandescent street lights with Light Emitting Diode (LED) lights. This project, which was partially funded with the historic artifacts sale authorized in the Strong Plan, will serve to reduce the City's ongoing utility expenses. Though these are noteworthy projects, there are still significant infrastructure issues in the City.

Though the Department has made strides in the area of infrastructure repair, the City will be confronted with significant facility viability issues into the future. The City's lease on the Department of Public Works garage facility expires in March of 2017 and the City must assess and pursue alternatives well in advance of the lease termination date. In addition, the City will be confronted with the need to make significant facility related capital improvements in the coming years. Those needs must be professionally assessed and options evaluated so that both daily maintenance plans and capital investment requirements can be appropriately prioritized.

The Department has also made significant improvements in its fleet maintenance operation. It has appointed a full-time fleet manager and has included additional fleet maintenance personnel in the proposed 2016 budget. There are, however, opportunities for the Bureau of Vehicle Management to more proactively take advantage of existing software to improve fleet management, and to implement practical best practices.

Refuse and Recycling Collection

Following the completion of the assessment the City has moved forward with implementing many of its recommendations and has made significant improvements in the sanitation operation over the course of 2015. In an attempt by the City to better manage the waste collection effort and improve operating efficiencies in the City, residential carts for both refuse and recycling were deployed in 2015. This action by itself has been a great improvement in cleaning up the streets since waste to be collected must now be in a cart. Enforcement for waste violations is also easier to spot and document

Prior to deployment of carts, generated waste was set out at the alley or the curbside in either bags or generator-provided containers. Deployment of carts has provided uniformity in the waste containers, associated billings, and results in easy to spot enforcement issues. Deployment of the carts is also creating equity in the waste services program. Prior to cart deployment, the waste generation limit was six bags which was difficult to enforce since it was almost impossible to provide documentation on which waste generator was responsible for the offense. Now, each cart has a standard billing rate. More carts result in a multiple of the cart rate.

Deployment of waste carts across the City, along with Capital Region Water taking over billing for water and sewer, has compelled the. City to audit and improve its sanitation billing operation. Prior to April 1, 2015, the City had provided billing services for water, sewer and waste collection. The removal of water and sewer invoicing as a City responsibility forced the City to review its billing and accounts receivable practices relative to waste collection. The City's residential accounts had some errors, mostly due to change of addresses which were not being timely changed in the accounting system. The deployment of the carts has provided an opportunity to the City to perform a complete audit and verification of its residential accounts.

Once residential carts began being deployed in the City, the City's focus was deployment of residential carts until every residential account holder had a cart. This process took until near the end of July, 2015 to be completed. Conversion of commercial accounts to carts or an audit verification of the account has been proceeding though work is still to be competed. Small commercial accounts that can be converted to carts have been the easiest to audit and verify. By the end of 2015, the City expects to have audited and verified about half of its commercial accounts with the remainder to follow in the first half of 2016.

The City has also pursued most of the largest commercial accounts with similar findings during the account review and verification. Some of the issues associated with the commercial accounts are: 1) incorrect, reduced or no billing for service provided, 2) service provided more frequently than billed, 3) more dumpsters than being billed, and 4) accounts not paid and service still being provided.

The City also has approximately a quarter of its commercial accounts being serviced by private vendors in violation of a City ordinance. The Mayor has met with the three largest private waste haulers doing business in the City and is preparing a plan of action to transition these private hauler accounts to the City. This process will occur over a two-year period so as not to disrupt existing contracts. The City has also purchased two front-loading waste collection trucks to service dumpsters and is ready for this transition.

Joint billing for water, sewer and waste collection by the City ceased after the first quarter of 2015. The separation of the bills brought a review of the procedures to manage accounts within the City and how the data is acquired, verified and managed in the City's database. The account review process has also produced a renewed interest in collection of overdue monies. A recent report has alleged that a few commercial accounts owe the City more than $1.5 million after individual audits of the commercial waste accounts. The City is moving forward to hire special legal counsel to assist in recoveries of these unpaid monies due to the City.

The City moved quickly in 2014 to create and fill a staff position to provide enforcement of waste ordinances. The word of mouth publicity of enforcement of long standing waste violators combined with the deployment of residential carts has brought some order into the City's waste management system. Unfortunately, the individual hired by the City for this job left in August for other employment and a new hire was not completed until the end of the third quarter of 2015. The focus of the current enforcement is on the worst of the violations followed by individuals who are overfilling their carts and avoiding payment of increased waste services.

The May 2015 Waste Collection and Recycling report documented many issues in the City regarding waste services and other City cleaning services provided by City staff. The report documented some outstanding service to City residents. Since the report was released, the level of commitment to provide a high level of service to City residents has been reaffirmed. Staff has been challenged by operating equipment issues, safety of working in the alleys and less than full staff allocation to fulfill their jobs. Deployment of the carts has helped improve collection safety and waste collection efficiency.

At the beginning of 2015, it was a rare day when the City had its entire fleet of waste collection trucks on the road working. At the time of this report, the City has been able to have its fleet on the road nearly every day by developing a maintenance agreement with a local diesel mechanic company to outsource maintenance that the City was otherwise unable to perform due to constraints of its public works garage and the nature of the refuse collection trucks.

The City also hired a recycling coordinator in the second half of 2014 and the results are beginning to appear after the deployment of the residential carts. Recycling at various Harrisburg businesses and the Harrisburg Schools is more noteworthy since some of these establishments were not recycling until recently. By way of comparison, recycling tonnage in October 2014 compared to the same month in 2015 rose from 62 tons to 146 tons, a significant improvement. The City purchased a new recycling truck in the third quarter of 2015 with funding from DEP that compacts the recyclables allowing for the entire route to be completed prior to unloading the truck.

The older recycling vehicles are the segregated bin style allowing for curbside sorting which is no longer performed but does impact the efficiency of operations since these vehicles require frequent unloading. The City is using single stream recycling and changed its contract to transition from a paid service to a revenue sharing model for recycling materials delivered, which is a positive improvement with potential revenue implications. The deployment of carts has made waste generators more cognizant of their waste disposal options and fees for service.

The current public works garage does not have a high bay which creates a need to use outside maintenance for the waste collection and recycling trucks. Due to the age of the waste collection trucks and historical delayed invoice payment issues, timely performance on waste collection trucks was a significant issue in early 2015. While this outside vendor issue has been mostly resolved, several trucks in the City's aged fleet require replacement for safety and operational issues. The City also has better access to common parts, such as filters when performing work in house.

Though the accomplishments detailed above are noteworthy, there are still a number of initiatives that must be pursued to carry forward the improvements the sanitation operation.

DPW 1: Implement curbside collection in the City of Harrisburg.

The City waste collection still occurs at the alley in most cases and recycling collection is at the street curb. In 2016, the City intends to replace the oldest waste collection trucks and return to a full crew on each collection route. For the City to reap the full safety and collection efficiency benefits of cart collection, alley collection needs to be replaced with curbside collection. This change is also a requirement to preserve the investment in new collection trucks since experience has demonstrated that alley collection is hard on the current fleet causing regular tire and body damage to the vehicles in addition to risk of damage to parked vehicles during close quarters on alleys. Further the alleys are not built to withstand the weight of the refuse trucks.

DPW 2: Develop a recurring fleet replacement program for sanitation operations.

It has been no small feat to get the waste collection fleet to operate on a daily basis in 2015. The four newest vehicles are 2009 and the remainder of the City's waste vehicles require replacement to achieve safety and waste collection improvements begun with implementation of the cart collection. Newer trucks have a variety of safety enhancements compared to the 2009 trucks and will have two cart tippers instead of one as is the current equipment. Also recommended is an Automated Vehicle Locator (AVL) device on each truck to allow communication with home base and logging of account changes which has been so lacking. The 2016 proposed budget includes finding to add AVLs to the City's existing refuse and recycling collection fleet. Future replacement of AVLs should linked with the fleet replacement schedule for sanitation operations.

DPW 3: Transition all commercial refuse and recycling accounts to the City sanitation operation by the close of 2017.

In 2015, the City purchased two front loading waste collection vehicles to service commercial accounts. The City's billing structure allows four cubic yards, or more to be with a dumpster, lessor amounts to be by cart. Completion of the commercial account review and verification process needs to occur in the first half of 2016. Transition of private hauler accounts will occur as contracts expire. Due to the need for a specialized vehicle to service roll-off containers and the lack of resources in 2016, roll-off services should be left to the private haulers for the near term, however, the City needs to implement a system in its accounting to track this service and receive reports that waste is delivered to the SRMC and credited to the City.

DPW 4: Complete a comprehensive process improvement evaluation of the sanitation billing, audit and reconciliation process to ensure accurate sanitation revenue collection.

One of the most significant issues confronting the sanitation operation has been poorly audited or inaccurate sanitation billing practices that have resulted in lost revenue. The City is missing out on collection for value added services because it either does not have, or has a poor reporting system that prevents billing for value extra services. This is attributable to many factors including staffing challenges, communication limitations, and the lack of clear and consistently applied work processes for service monitoring and effective communication to billing personnel.

Radios in City equipment have been allowed to go unrepaired, or do not exist in some equipment in favor of mobile phones. While this change in technology is acceptable, it is not uniformly available. DPW equipment requires AVL devices in each vehicle that has crew assigned, and especially the waste collection vehicles. An AVL device is nothing more than a modified mobile phone that can be used for two way communications (safety), location of the vehicle, and each of the 10 buttons on the number pad can be programmed for a certain standardized code. The waste collection crews get to see firsthand the results of waste improvements and violations occurring in the City. City staff is accustomed to performing first class service, regardless of price. Going forward, staff needs to use the AVL to record waste violations, value extra service, or other waste issues programmed into the device to allow for better revenue and enforcement opportunities to be managed. Besides the AVL device, the City may have to make changes in its billing software to allow for an acceptable interface between the AVL and the billing of extra series.

In addition, there are serious revenue accounting issues for waste collection services. The historical methods for billing associated waste collection have changed. Going forward, the City will still find itself providing value-added services that require a change in its billing methods. The requirement for waste collection crews to provide feedback for billing is an important step in identification of value added services. However, the current billing system requires modifications to allow value added services, or software changes to allow for value added services. The changes are important for fairness in the waste collection system and to receive associated revenues for services provided.

DPW 5: Purchase and deploy a single operator leaf collection vehicle.
City crews are using traditional techniques for leaf collection whereby one leaf route requires three full-time personnel to complete. These techniques are very labor intensive and for a DPW that has limited manpower, leaf season is disruptive and is an all-consuming task essentially preventing work on other DPW functions during leaf season.

The purchase of large and single operator leaf vacuum machines has been recommended. The City will purchase one vacuum sweeper in 2016 and has requested funding for an addition vacuum sweeper via a Pennsylvania Department of Environmental Protection 902 grant application submitted in November of 2015.. This will provide benefits in manpower and also in the ability to keep streets clean, especially storm drains during times of the year outside of leaf season.

Leaf and yard waste management present some significant and unique challenges to the City. The City has combined sewers and needs to keep street debris from entering storm drains. Leaves and yard waste are placed into the streets for collection, or placed into the collection carts which go to SRMC for disposal at $190 per ton. Current options are limited for City residents who desire to avoid cart or street disposal of leaves and yard waste. The City is moving forward on establishing a dedicated yard waste debris site in 2016. The establishment of a yard waste site can bring new opportunities and rules regarding the disposal management of leaf and yard waste. In the interim, and to comply with DEP requirements, the City is using the Swatara Township compost facility. Some opportunities may be regular separate yard waste collection on a fee basis. Another opportunity is to force the landscape service companies to provide disposal of the yard waste at a City site instead of the current practice of leaving the debris in the street for City collection.

Typical of most urban areas, an expected service is street cleaning. This is true for the City, especially since street debris finds its way into the storm drains which then feed into the sanitary sewers as this is a combined sewer. Due to the quantity of leaves and other material in the street, the broom sweepers are not as efficient as street vacuums. The City intends to purchase one vacuum truck in 2016 and is seeking grant funding for a second truck. Changes in yard waste management and disposal will assist this effort.

Fleet Maintenance and Management

The 2013 Strong Plan includes two initiatives relating to the management of the City's vehicles and heavy equipment, or "rolling stock." Specifically, the Receiver's Plan calls for the City to "aggressively manage fleet make-up and quantity" and to "create a fleet agency and create a fleet and facilities manager" to oversee the management of the fleet. These recommendations were largely contingent upon the recommended addition of dedicated fleet management personnel with focus on developing a robust inventory of fleet condition and utilization data. This information would then serve as a basis for developing a plan to more efficiently manage the City's fleet inventory.

Due to the City's stressed financial condition and cash flow constraints, staffing resources have not been available to perform the level of data collection and analysis required to implement these initiatives. However, the City has created a full-time fleet manager position and has proposed an increase of two mechanics in the 2016 proposed budget. These additions should reasonably allow the City to improve the fleet management process.

DPW 6: Implement a fleet and fuel management system.
One of the largest issues for the fleet management function of the City is the general lack of electronic capabilities and inconsistent record keeping. The VMC maintains an Excel spreadsheet that is used to monitor basic characteristics for the City's fleet, such as mileage at inspection periods and fuel usage. In addition, each department maintains its own fleet inventory and varying record keeping formats are employed. However, the availability and reliability of utilization data (e.g., annual and seasonal utilization data) and life cycle cost information is limited at best.

The lack of electronic records and, more importantly, asset management and life cycle analytical tools, makes assessment of the efficiency and effectiveness of this operation difficult. Without sufficient data, it is practically impossible to maintain a full understanding of the costs of vehicle ownership including labor, supplies, fuel, depreciation, and overhead (i.e., department indirect costs) attributable to the fleet activity. This makes it difficult to analyze and project the long-range costs associated with maintaining a vehicle and inhibits the City's ability to determine the most cost effective option available for vehicle repairs. Moreover, the City cannot effectively analyze utilization or vehicle life cycles to determine the point where the cost of owning a vehicle exceeds the cost of replacing it.

One of the most commonly applied methods to monitor, analyze, and control fleet expenditures is to implement an electronic fleet and fuel management system that tracks the utilization characteristics and life cycle costs of maintaining a vehicle. In a 2011 survey conducted by Government Fleet Magazine, 87% of public sector fleet managers reported utilizing some sort of electronic fleet management system.

Development of a centralized fleet and fuel management system will allow the City to maintain a central inventory of vehicles/equipment and, using system analytical tools, regularly analyze both ownership costs and utilization. An integrated fleet and fuel management system will also allow the City to: better manage preventative maintenance programs and workload by monitoring vehicle mileage and automatically scheduling preventative maintenance; identify and analyze high-cost vehicles; develop reports for regulatory compliance; monitor vehicle use and fuel consumption; and establish vehicle replacement cycles. Moreover, implementing an effective fleet and fuel management system will further the City's efforts to develop a comprehensive asset management system for all City infrastructure.

Once baseline inventory data is established, it can be compared to projected asset lifecycles (an analytic feature of many fleet management systems) and five to seven year replacement cycles can be developed. This will better equip the City to centrally evaluate organizational fleet needs and evaluate financing options that can be used to keep its fleet within life-cycle.

Fortunately, the City has already purchased a fleet and fuel management system; however, due the lack of staffing and training resources it has been unable to implement and utilize the system. It is recommended that priority be paid to activating and utilizing the fleet management system as a tool to monitor the fully-burdened cost of maintaining vehicles.

Every vehicle and piece of equipment reaches a point where the cost of maintenance and operation and the impact of failures on City operations compel replacement. Without good vehicle telematics, it is difficult to identify the point at which replacement or surplus should occur.

DPW 7: Develop an annual utilization and surplus fleet review and disposal program.

Currently, the City maintains an inventory of approximately 400 vehicles and heavy equipment. However, the City does not maintain an active surplus vehicle review and disposal process. This is largely the result of the absence of staffing resources and conveniently accessed vehicle utilization and cost data. The current public works facility is cramped for space and the elimination of surplus vehicles will provide much needed space for maintenance purposes. Further, the City is paying the cost of insurance on these vehicles even though they are not in use.

Following implementation of a fleet and fuel management system and the addition of fleet maintenance staff, the Bureau of Vehicle Maintenance will be in a position to regularly assess vehicle utilization and cost to maintain, to utilize that data to help department inform annual budget requests and to identify those vehicles that can be sold at auction on an annual basis. However though it will take some time to get a full ad reliable set of data from the fleet and fuel management system, the Bureau can and should begin eliminating those vehicles that are deemed permanently out of service.

Facilities Maintenance and Capital Planning

DPW 8: Develop facilities condition assessment and associated capital estimates and maintenance work plans.

The City of Harrisburg is dealing with two issues relating to City facilities. The first issue, which is more general, is that most City facilities are in need of substantive maintenance. Many require capital investment to address major issues (e.g., bad roofs or HVAC systems) and with limited personnel, recurring maintenance is ad hoc and completed as a response to failures rather than an act of preventative maintenance. The resolution of this issue is unfortunately directly linked to the availability of resources. The City has proposed the addition of a facilities maintenance technician in the 2016 proposed budget. This position is warranted; however, given the square footage of the City's facilities, its building maintenance and custodian service needs, and the general condition of City facilities, this staffing commitment will be insufficient. Given these considerations, it will be important for the City to conduct a comprehensive facility condition assessment and associated, prioritized maintenance work plan, to allow building maintenance personnel and contracted personnel to focus on priority items.

DPW 9: Develop a Public works facility transition plan by the close of 2016

The second issue pertaining to facilities is time sensitive. The City had a permanent public works garage that was located adjacent to the incinerator. The sale of the incinerator meant the City had to vacate their DPW facility and find other quarters. A former car dealership on Paxton Street at 19th Street serves as the current Public Works garage and was rented with combination of $300,000 in proceeds from LCSWMA through the incinerator sale and the City budget. This facility is leased on a yearly basis through March, 2017 and the current owner has not considered a long term lease as the facility is available for sale. The current location is adequate, but has some significant drawbacks as a DPW garage. The wash bay is only large enough for medium sized vehicles and cannot accept waste trucks due to the size of vehicles. Vehicle washing is an important maintenance tool. No high bay is on-site allowing for any waste truck service except for oil changes. The site is also small requiring some thought as to how vehicles are parked overnight to allow daily service operations and no warm storage is available for large vehicles thus requiring engine heaters for all the diesel engine vehicles. The need to plan for a permanent DPW is a necessity as part of future budget planning. 2016 requires the evaluation of land sites in and within close proximity of the City. Available land sites large enough are in short supply and some require significant investment to be usable for the purpose of a DPW garage. Alternatives such as contracting for fleet maintenance still require overnight parking space for the City's fleet of approximately 400 vehicles. With all of the improvements in DPW in 2015 and 2016, the lack of permanent quarters may jeopardize continuation of these improvements. The lack of a permanent DPW garage is considered to be a vulnerability for future budget planning and requires further investigation prior to preparation of the 2017 budget.

Impact Harrisburg

Following its appointment in early 2014, the Task Force for Infrastructure and Economic Development worked diligently to develop a Governance Proposal and Action Plan pursuant to the provisions of the Strong Plan. Their work was to create a structure for the administration of the $12.3 million that was set aside as part of the parking monetization to address infrastructure needs of the City and to incentivize economic development opportunities to aid the City in strengthening its tax base and addressing critical infrastructure needs thus enhancing the quality of life for City residents. Although the Strong Plan envisioned separate non-profit entities to administer each activity, the Task Force deemed it would be more efficient to create a single non-profit to administer both funding streams. The Task Force completed their work and provided the Coordinator with its recommendation in August. Following comments by the Coordinator and minor revisions to the Plan, the Coordinator requested concurrence certificates from the City and Dauphin County. The application was then finalized and the Governance Proposal and Action Plan filed with Commonwealth Court on October 3, 2014. Following review by the Court, Judge Leadbetter issued an order on November 25, 2014 granting the Coordinator's request to further modify the Harrisburg Strong Plan to approve the Governance Proposal and Action Plan for the creation and operation of a single non-profit corporation to be known as Impact Harrisburg to promote economic development and infrastructure improvements. The order also approved a request by the City to allocate up to $75,000 to assist the City in financing an update to its Comprehensive Plan. The Comprehensive Plan update is a key recommendation of the Strong Plan and its completion will serve as a basis for the City's economic development and infrastructure priorities and greatly assist Impact Harrisburg in guiding its funding decisions.

The nine member Board was appointed by the Coordinator in January 2015 following the receipt of recommendations from the Mayor, City Council and the County. Its first meeting was held in February and since then has been meeting bi-weekly to address organizational activities and has made considerable progress to date. Officers include Neil Grover as Chair, Doug Hill as Vice Chair, Les Ford as Secretary and Brittany Brock as Treasurer. The Board had engaged Vance Antonacci of McNees Wallace & Nurick LLC as counsel to assist with its incorporation with the Department of State and establishment as a 501(c)(3) non-profit organization with the Internal Revenue Service. Articles of Incorporation were filed with the Department of State and approved on March 17. The 501(c)(3) application was also filed with the IRS in March and approved by the IRS on June 18, 2015.

The Coordinator and his Team provided support to the Task Force during 2014 and have continued that support to the Board during 2015 and will continue to do so until an Executive Director is hired.

Much has been accomplished by the Board through early November. Following an RFP process, it selected Fulton Bank as its depository. Subsequently, the $12.3 million in funds set aside as part of the parking monetization was transferred into the Board's account. The Board is currently reviewing the proposed Investment Policy and plans to finalize it within the next month after which a portion of their funds will be invested in longer term investments. The Board also finalized arrangements for Board insurance with the Enders Insurance Agency and Director's liability insurance and fidelity bonding were put in place effective August 17. It is also in the process of securing the services of both an accountant and auditor. The Board also approved and made payment to the City for the $75,000 allocated for the update of the City's Comprehensive Plan. It has also finalized terms of an agreement with Pinnacle Health for no cost office space at the Pinnacle Health facility at the former Polyclinic Hospital site along North Third Street. They took occupancy of this site in November.

The Board also devoted considerable time to the recruitment of an Executive Director. A broad recruitment effort in late spring resulted in 39 applications being submitted for the position. Interviews were conducted in June and July, a finalist was selected and terms of employment negotiated, however, late in the process the finalist determined that for personal reasons the position would not work and in early August withdrew from consideration. The Board then decided that its best course of action was to renew the recruitment process and re-advertise the position. Ads were placed in the local media and various trade publications which resulted in 10 new applications being submitted by the September 15 deadline. These applications were reviewed and 6 candidates selected for interviews. At its November 17 meeting the Board reached consensus on a candidate and is currently negotiating terms of employment. It is hoped that this individual can begin work before year end. At that time the Board and the Director will focus on the guidelines with the application process beginning in early 2016.

The Strong Plan provided for a two stage process which has been followed, however, it has taken two years and no projects have been funded. The Mayor has expressed concerns to me over the amount of time it is taking to reach a point where project applications can be received and funded. Although he understands that the two stage process is in conformance with the Strong Plan and that both the Task Force and Impact Harrisburg Board have moved forward without undue delay, he had hoped that the process would have been faster and the funds set aside for economic development and infrastructure would have had a quicker, positive impact.

The Board also recognizes this and has discussed advancing project applications before year end given the delay in the recruitment of an Executive Director. In hindsight the two step process, though providing for significant input and involvement by stakeholders, may have been a bit cumbersome and slowed the ability to have a faster positive impact on the City and its recovery process.

Department of Community and Economic Development

Effective in 2014, the City of Harrisburg amended its organization structure to create a consolidated Department of Community and Economic Development led by a new position, the Director of Community and Economic Development. The reorganization consolidated the Bureaus of Planning, Business Development, Building and Housing Development, and Parks and Recreation under the direction of one director. In addition, the reorganization created a new Bureau of Arts, Culture and Tourism under the direction of the Director of Community and Economic Development.

The core responsibilities of the Bureau of Planning are current and long-range planning. The Bureau reviews development proposals to insure that new development is consistent with the City's Comprehensive Plan as well as the Zoning Code and the Subdivision and Land Development Code. It encourages and enforces development and reinvestment within the City of Harrisburg. The Bureau is responsible for updating the City's Comprehensive Plan and creating more specific plans and guidelines for residents and business owners in the City. Applications for new development, mercantile licenses and floodplain certificates within the City are reviewed by the Bureau to ensure compliance with the Comprehensive Plan and the Planning and Zoning Codes. This includes oversight of the Plans and Permits Unit and preparation of zoning letters and preparation of maps using the GIS system. This also includes historic preservation within Harrisburg, where there are six municipal historic districts, seven eligible national historic districts, five national historic districts and one architectural conservation overlay district. The Plans and Permits Unit also provides an opportunity for a pre-application review of development proposals. The Unit consists of representatives from Planning, Code Enforcement, Housing, City Engineer, and Capital Region Water, as well as the Fire and Police Bureaus. The National Environmental Policy Act of 1969 requires that all federally assisted projects must receive an environmental review and clearance. Most of the City's federally funded programs have received multi-year clearances that are annually reviewed by the Planning Bureau and HUD for compliance. Section 106 of the National Historic Preservation Act of 1966, as amended, requires that all federally assisted building demolition projects be reviewed by the Commonwealth for their potential impact upon historic and archaeological resources. The Planning Bureau obtains clearance from the Pennsylvania Historic and Museum Commission and the Advisory Council on Historic Preservation.

The Bureau of Business Development exists primarily to support small business development, especially MBE/WBE businesses. The Bureau is responsible for supporting both new and existing businesses in the City, which involves addressing the following needs: job retention and growth, expansion needs, financial incentives, permitting and regulatory guidance. Success is measured by the number of small businesses that attend pre-bid meetings with local contractors for new construction projects, as well as by how many small businesses are selected in these projects

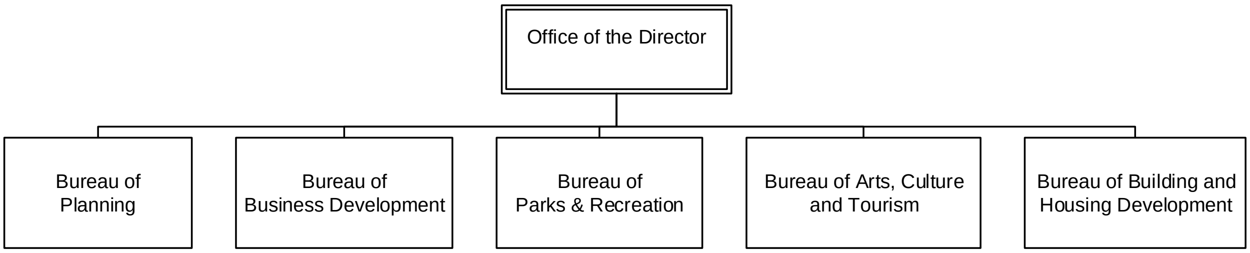
The Bureau of Building and Housing Development exists to manage and administer the use of federal and state community development programs assisting in the development and execution of Harrisburg's current Five Year Consolidated Plan. The funding provided by HUD includes federal CDBG funds. These grant programs provide funding for neighborhood renewal programs, encouraging homeownership, stabilizing property values and assisting homeowners with emergency repairs. Specifically, the City's housing programs include: 1) the Home Improvement Program (HIP) which provides loans and grants to assist homeowners to bring their home up to current State Building Code standards; 2) The Home Opportunity Program (HOP) allows the City to rehab vacant properties to bring them up to current State Building Code standards. Once up to code, the City can sell the property to citizens of Harrisburg; 3) the Lead Abatement Program provides funding for the City to assist homeowners with lead abatement; 4) the Home Emergency Loan Program (HELP) provides funding to assist homeowners with emergency repairs; 5) The City's ESG program includes allocations to three agencies that provide services to the homeless population in the City, and; 6) the City's HOME program, which includes allocations to local non-profit agencies that provide direct housing services (homeownership and homeowner rehabilitation) to City residents.

The Bureau of Parks & Recreation is responsible for providing leisure time programming and services in the City. The Bureau acts as stewards of the City's recreational and horticultural resources including parks, playgrounds, green spaces, and related facilities. The Bureau is responsible recreation programming for over 450 acres of public land and 27 recreation sites, which include two City pools, one City beach, more than 50,000 shade trees and the 1,200 acre Capital Area Greenbelt. The City's largest park is City Island, home to the Harrisburg Senators, a AA minor league team for the Washington Nationals Major League Baseball team The Island is also home to the City Islanders soccer team a member of the United Soccer League who play at the Skyline Sports Complex. The Bureau of Parks and Recreation is responsible for recreation programming; however, park maintenance crews from the Bureau of Public Works are responsible for maintaining park properties and facilities.

The Bureau of Arts, Culture and Tourism (ACT) aims to improve the quality of life in the City and to support the economic development of the City by assisting, promoting and encouraging artists, arts & cultural organizations and seasonal events, as well as preserving the City's diverse cultural and historical heritage. The Bureau works to offer programs, services and activities that encourage participation in recreational activities, leisure services and cultural experiences.

The following figure shows the organizational structure of the Department of Community and Economic Development.

Department of Community and Economic Development
Organizational Chart



The Department's FTE count has decreased in the last eight years. The following table shows the Department's historic staffing level from 2009 through 2016.

Department of Community and Economic Development
Historic FTE Count

	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget	Total FTE Increase/ Decrease
Department of Community & Economic Development	17.34	17	15	14	13	15	13	14	-3.34
Bureau of Parks & Recreation	31	22	14	4	4	4	4	5	-26
Total	48.34	39	29	18	17	19	17	19	-29.34

The following tables summarize the Department's historical expenditures and projected baseline expenditures through 2018.

Department of Community and Economic Development
Historical Expenditures

Category	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimated	% Change
Salaries & Wages	906,501	706,166	769,816	765,016	733,648	-19.1
Temporary	187,238	109,828	158,205	168,689	111,613	-40.4
Overtime	37,252	2,355	9,506	27,279	808	-97.8
Social Security	131,560	69,594	75,859	72,487	65,301	-50.4
Services	329,567	65,946	65,434	94,746	246,339	-25.3
Supplies	48,694	459	7,068	12,137	14,033	-71.2
Other	594	445	0	0	1,991	235.3
Total	**1,641,406**	**954,795**	**1,085,888**	**1,140,355**	**1,173,732**	**-28.5**

Department of Community and Economic Development
Projected Expenditures

Category	2016 Projected	2017 Projected	2018 Projected	% Change
Salaries & Wages	793,607	801,543	809,559	2.0
Social Security	60,711	61,318	61,931	2.0
Services	307,800	309,198	310,623	0.9
Supplies	133,850	135,585	137,352	2.6
Other	36,200	36,888	37,589	3.8
Total	**1,332,168**	**1,344,532**	**1,357,054**	1.9

Analysis and Recommendations

In the 2013 Harrisburg Strong Plan, the bureaus that now comprise the Department of Community and Economic Development have made noteworthy progress toward the implementation of key Strong plan initiatives. Beginning in late 201, the City of Harrisburg, began a comprehensive plan update process. With the Court's approval to allocate up to $75,000 from the funds set aside for economic development in the Harrisburg Growth Fund, the City reinitiated the Comprehensive Plan update process. Council and the Planning Commission took action to move forward with the update in early 2015 and an RFP was developed, proposals received and evaluated and a consultant selected. In April, the City awarded the contract to Office of Planning and Architecture (OPA) of Harrisburg to lead the process supported by 5 other firms (K&W Engineers and Consultants, Good Land Collaborative, ARUP Americas, CSPM Group and AB3 Development). A kick off meeting for the project occurred on May 7. Following a contest held to brand the planning process, "BeHBG" was selected as the name for the update process. A "BeHBG" web site established to provide the community with ongoing updates and to allow further community input has resulted in over 500 registered users and generated over 1200 ideas to date in topical areas of transportation, housing, economic development, historic resources and parks and recreation.

The process has included extensive public engagement with numerous stakeholder meetings and community workshops held. Staff also participated in 24 community events in getting the word out about the update, to gather further input on how the City should evolve and develop over the next twenty years and to obtain a sense of the priority of City issues. The consultants have also met with PennDOT on transportation issues and Harrisburg Housing Authority representatives to discuss housing issues.

The comprehensive plan is expected to provide land use guidance and strategies for housing and economic development and is expected to be completed by March 2016. This is a significant accomplishment that will serve to guide the City's strategic investments going forward.

The City has developed and adopted a Local Economic Revitalization Tax Assistance (LERTA) program. The LERTA is a tax abatement program designed to incentivize development within the City of Harrisburg by offering tax abatement programs for those individuals and businesses interesting investing in targeted neighborhoods. Priorities of the LERTA program, and the City's appointed LERTA program administrator, will further be informed by the City's updated comprehensive plan. The City is awaiting action on the LERTA from the Harrisburg School District.

As a result of the parking asset sale, approximately $12.3 million was set aside, under the administration of a non-profit board called Impact Harrisburg, to be used for infrastructure investment and economic development purposes. The City is expected to begin applying for access to those resources in 2016, which serves as a valuable opportunity to leverage additional resources toward economic development that will grow the City's tax base and aid in its economic recovery and ultimate exit from Act 47. This is more fully discussed in the Impact Harrisburg section of the Plan.

The Bureau of Planning, which has been heavily involved in the comprehensive planning process, has also made significant strides in increasing the utilization of the City's Geographic Information System (GIS). The City has fully developed internal capacity to manage the GIS and has taken over the responsibility from a contracted third party. In addition, the Bureau has worked cooperatively with Capital Region Water to consolidate and share GIS information that will prove useful to the City planning and operations and maintenance personnel.

In addition, in 2016, the Department has proposed dedicating a full-time position to manage the City's extensive festivals and special events. These festivals and special events are important community development and economic development tools for the City.

Economic Development

DCED 1: Coordinate with the Act 47 Coordinator and Capital Region Water to develop a prioritized list of economic development and infrastructure projects for consideration by the Impact Harrisburg Board.

Included as part of the sale of the City of Harrisburg's parking assets was the set aside of $12.3 million in asset monetization proceeds, to be used for the purposes of infrastructure repair and economic development in the City of Harrisburg. Those proceeds, which are to be managed by an independent non-profit, Impact Harrisburg, can be applied for by the City for uses related to economic development and/or infrastructure repair/investment.

The Impact Harrisburg Board expects to hire an executive director by the close of 2015 and it is anticipated that funding will become available in 2016. There are numerous projects in need of funding in the City of Harrisburg and limited resources available to fund those projects. It will be important to work closely with the Impact Harrisburg Board, Capital Region Water and the Act 47 Coordinator to develop a list of projects for consideration that meet the intent of the funding and, where possible, leverage other funding resources available at Commonwealth or Federal level.

Parks and Recreation

The Bureau of Parks and Recreation is responsible for the management of recreation programming at the City's active recreation areas, such as the City's two pools and the City Island beach. Park maintenance is completed by park maintenance staff housed in the Bureau of Public Works. It is important for recreation programming to be closely coordinated with park maintenance. The Bureau of Park Maintenance and the Bureau of Public Works have a good working relationship and coordinate with each other well but there are opportunities to build upon this relationship. This opportunity is further emphasized by the fact that the budget for park maintenance is proposed to be transferred from the Bureau of Public Works to the Bureau of Parks and Recreation. To that end it will be important to define clear expectations of service and workload standards for the park maintenance function. Identifying these standards clearly establishes a standard and provides a metric that the Bureau of Parks and Recreation can use to evaluate park maintenance service alternatives.

The City has undertaken a more comprehensive review of City Island to determine its best use as a regional asset. The City participated in a charrette last fall that was undertaken by the Urban Land Institute (ULI) to assist with this process. The ULI's report provided both short-term and long-term recommendations. Key recommendations included developing a master plan for the Island and centralizing management for island related activities. Other priorities though have limited further pursuit of this initiative. There are also issues related to permits and prior grants the City received under the Federal Land and Water Conservation Program (LWCP) for work on City Island including the stadium area. The Department of Conservation and

Natural Resources (DCNR) is the administrator for these grants and close coordination with them is needed to resolve outstanding issues. While meetings of the City Island Task Force with DEP and DCED had been scheduled to occur over the summer, the Mayor has asked to cancel these meetings as the City pursues other priorities.

DCED 2: Develop a master plan for City Island to build on recommendations of the ULI report.
City Island is a significant asset for the City and for the region. It offers many opportunities that can support the City's economic development plans though without a thoughtful strategy the Island's full potential will not be achieved. The ULI's report was presented to the City in March and provided both short-term and long-term recommendations. Key recommendations included developing a master plan for the Island and centralizing management for island related activities.

DCED 3: Coordinate with DCNR and DEP issues involving City Island facilities.
Issues involving possible land conversion of land developed with the use of LWCP funds, marina and dock permits all involve DCNR and DEP, and thus it is important to engage in ongoing communication, maintain compliance with permit and grant requirements and to coordinate any future plans with those agencies.

DCED 4: Develop park infrastructure maintenance and workload standards to guide park maintenance.
The National Recreation and Park Administration (NRPA) has established benchmark guidelines that the City can use as a basis for determining staffing needs that are driven by service standards, service frequency, and labor hours required to complete specific types of work. These guidelines can be adjusted to reflect the actual experience of Harrisburg and thereby used to accurately project the City's unique park maintenance resource requirements by month and year, for both existing and planned infrastructure.

The following table summarizes the NRPA maintenance guidelines. The first line of the table provides a hypothetical example of an annual labor hour calculation for tractor mowing. These calculations can be replicated for each of the primary areas of work for Parks and Open Space. The hypothetical example includes the following assumptions and calculations:

- 100 acres of parkland categorized for tractor mowing
- 100 acres designated for 34 mows per year
- 100 acres X 34 mows per year = 3,400 acres mowed per year
- NRPA benchmark guideline is 0.5 hours/acre
- 3400 acres mowed per year X 0.5 acres per hour = 1,700 annual labor hours

NRPA Maintenance Guidelines

Activity	Unit of Measure	Inventory	Guideline	J	F	M	A	M	J	J	A	S	O	N	D	Annual Freq.	Annual Labor Hours
Tractor Mowing	*Acre*	*100*	*0.5 hrs./acre*	*0*	*0*	*4*	*4*	*4*	*4*	*4*	*5*	*5*	*4*	*0*	*0*	*34*	*1,700*
Bed Work	Sq. Ft.		0.33 hrs./sf														
Push Mowing	Acre		2.5 hrs./acre														
Edging	Linear Ft.		1hr/1000 lf														
Weed Eating	Linear Ft.		1.2hrs/acre														
Fertilize/ Herbicide	Acre		11hrs/month/ 100sf														
Tree Pruning	# Trees		1.9hrs.tree														
Tree Planting	# Trees		1.3hrs/tree														
Tennis Courts	# Courts		1hr/court														
Volleyball Courts	# Courts		1hr/court														
Basketball Courts	# Courts		1hr/court														
Equipment Maint.	# Pieces		1.2hrs/year/piece														
Child Play Area	Sq. Ft.		2hrs/10,000sf														

It is important to reiterate that while the NRPA guidelines serve as a useful benchmark, they should not be substituted for local experience. Though the type of work that is completed by Park Maintenance personnel is comparable to that completed by other jurisdictions, the conditions under which work is performed are unique to Harrisburg (e.g., type of playground equipment, distance between parks, quality standards). As a result, the City's service standards and, most importantly, the City's experience regarding the average amount of labor hours required to complete specific tasks (e.g., to complete 1 acre of tractor mowing) should reflect the City's unique experience.

DCED 5: Evaluate the possibility of converting a park maintenance position to a facility maintenance technician position.

The other equally important value added through developing park maintenance workload standards and a clear workload profile is that it clearly defines the seasonal workload patterns, and expertise required, in the park maintenance function. This is important because the seasonal nature of park maintenance work inevitably results in slow periods of work during the colder months of the year. In many communities, this "slow" time is used to complete other key priorities, such as facility maintenance.

Once of the most significant long-term issues in the City, and in the Bureau of Parks and Recreation is the deterioration of the City's public facilities. For example, in 2014 and 2015, the City was required to make significant improvements at its pool facilities. Given the seasonal nature of park maintenance work, there is an opportunity to consider converting park maintenance personnel to facility maintenance technicians. These technicians could perform park maintenance work during the growing season but focus on facility repairs, both within the Bureau of Parks and Recreation and other City departments.

Intergovernmental Relations

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. For example, The City produces and distributes property tax bills on behalf of the School District and also collects the payments.

The City and Dauphin County collaborate in the provision of public safety services. The Harrisburg Police Bureau participates in the Dauphin County Special Weapons and Tactics Team (SWAT) and works closely with the Dauphin County District Attorney's Office in criminal investigations. In June 2011, the Dauphin County Communication Center began providing 911 and dispatch operations for the City of Harrisburg, at no charge to the City.

Dauphin County, through its Department of Community and Economic Development, directly assists businesses and municipalities within the County in undertaking economic development projects. The Dauphin County Economic Development Corporation, a non-profit development entity, has partnered with the City in ongoing efforts to retain and grow existing businesses as well as attract new ones through business resource networks and calling programs.

Following a Strong Plan recommendation, the City also became a member of the Capital Region Council of Governments (CRCOG) in 2014. CRCOG is a voluntary association of 40 member boroughs and townships from Cumberland, Dauphin, Perry and York Counties, formed to promote intergovernmental communication and cooperation. It offers a joint purchasing program and an auction for surplus property and equipment. The City is also a member of the Dauphin County Tax Collection Committee which administers the collection of the Earned Income Tax for all municipalities and school districts in the County..

While there are specific instances of cooperation between and among the City of Harrisburg, the Commonwealth of Pennsylvania, Dauphin County, the Harrisburg School District and other neighboring municipalities, there is no mechanism or body that facilitates discussion of issues of mutual interest or concern. It is therefore important for the City to take a proactive role in pursuing intergovernmental cooperation opportunities.

The Act 47 Plan includes a number of initiatives relating to intergovernmental relations and cooperation. In the area of public safety, there are two major opportunities going forward. The first opportunity relates to the outcome of the regional policing study targeted for completion in late 2015. The study, which was funded partially by the Act 47 program, and completed by the Police Executive Research Forum (PERF), identifies multiple opportunities for intergovernmental service sharing and cooperation in the policing area. It will be important for the City to pursue those opportunities to determine where costs savings and/or service improvements can be achieved.

The second public safety opportunity relates to the fire service. As staffing in the Bureau of Fire has stabilized, and volunteer firefighter availability in surrounding communities declines, the City may be in a position to offer fire service to its neighbors. The deployment approach, service impact, and financial implications of such opportunities must be fully vetted but they potentially serve as an opportunity to enhance service levels and secure valuable revenue for the City, while potentially enhancing fire service quality in neighboring communities. However, these opportunities should be aggressively pursued as part of the City's recovery effort.

The City must also work closely and cooperatively with the County and the Commonwealth on infrastructure and economic development initiatives. PENNDOT has committed to contribute significant resources to the City for infrastructure repair and development that will be critical in fostering the City's economic recovery. The cooperative relationship that exists between the City and PENNDOT should be maintained. The City and the County are also important partners in the region's economic development and, equally important, in the delivery of services to City and county residents. These efforts, and others, should be aggressively pursued to strengthen the City's recovery and support its sustainable exit from Act 47.

IG 1: Identify and implement intergovernmental cooperative initiatives.

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

Capital Region Water

Capital Region Water Overview

As the municipal authority responsible for stewarding drinking water, wastewater and stormwater services for the City of Harrisburg and its surrounding municipalities, Capital Region Water (CRW) is refreshing the way its customers think about their water. In late 2013, CRW took over Harrisburg's water systems as part of the Harrisburg Strong Plan. Capital Region Water's goal is to invest in its customers' communities and become the region's premier water utility. Currently, CRW has 103 employees and is managed by a five-member, City-appointed Board of Directors, Chief Executive Officer, Chief Financial Officer, and Directors of Engineering, Operations and Administration.

Since late 2013, Capital Region Water has made significant advancements toward complying with regulatory demands, increasing capacity to operate aging infrastructure, increasing preventive maintenance measures, and creating a long-term renewal and replacement strategy. Examples of these advancements are provided below:

CRW is currently undertaking a $50-million upgrade to Capital Region Water's Advanced Wastewater Treatment Facility (AWTF) to reduce nutrients entering the Susquehanna River and the Chesapeake Bay thanks to funding from PENNVEST and M&T Bank secured after the transition of operations from the City to CRW. The project began in March 2014 and will be completed in early 2016. This project is currently on schedule and forecast to come in on budget. This project has also addressed Chesapeake Bay compliance issues with the Environmental Protection Agency and Department of Environmental Protection.

In April 2015, CRW launched City Beautiful H2O—a community based campaign to improve the health of local waterways and green the City of Harrisburg, Pennsylvania while meeting stormwater and combined sewer system compliance issues. This campaign includes a Green Stormwater Infrastructure plan for CRW's stormwater service area, a partnership with Lower Paxton and Susquehanna Townships to complete a watershed-wide compliance strategy to meeting Paxton Creek water quality standards, and robust community education and engagement. These plans will be incorporated into the City's Comprehensive Plan and CRW's Wet Weather Planning for regulatory compliance. These plans will result in significant investment into the community while attempting to minimize the financial impact to our customers.

Since 2013, CRW has been completing a comprehensive mapping and condition assessment of its underground infrastructure. Consultants and in-house staff are compiling both observed and historically documented data into a Geographic Information System and Asset Management System that will allow us to prioritize capital repairs and improvements and to identify weaknesses in the system for repair prior to failure.

CRW has been successful in preventing large costs of borrowing by developing successful financial strategies. CRW has completed four successful borrowings since 2013 and plans for two more in 2016.

CRW will be completing a Strategic Plan in 2016 that will further streamline operations to the benefit of our customers, ratepayers, and community.

Revenue

Harrisburg as with all municipalities requires stable, recurring revenue sources with moderate growth in order to fund necessary and vital services for its residents, businesses and visitors. Both factors – stability and growth – are important as most local government expenditures are related to recurring and increasing costs for personnel and benefits, which make up the largest percentage of the City's budget. Harrisburg's General Fund tax base had been stagnant or declining for some time as evidenced by various demographic statistics. City revenue streams were unable to cover the growing costs of City services, leading to the use of nonrecurring revenue including bond proceeds and ill-advised transfers from utility funds, in ongoing attempts to balance the General Fund operating budget. The Strong Plan has addressed a number of issues including the overwhelming Resource Recovery Facility debt and through numerous operational adjustments resulted in balanced budgets in 2013 and 2014. Achieving sustainability will be an ongoing challenge for the City.

Harrisburg's Revenue Structure

There are some positive attributes to Harrisburg's current revenue structure. Specifically, the City has a revenue base composed of the full range of tax and non-tax revenues that are available to municipalities in Pennsylvania. Additionally, Harrisburg is home to large governmental employers, which often act as a stabilizing force during an economic downturn.

However, these affirmative aspects are offset by other factors:

- The City's principal revenue sources are not consistently producing sustainable growth, which had led to the use of significant increases in operating transfers, tax increases and one-time revenue sources to fill operating needs even though the utility fund transfers were stopped by the Office of the Receiver since 2012.

- Harrisburg has a high tax burden when compared to other similar jurisdictions in Dauphin County and elsewhere in Pennsylvania. Over time, this will have an impact on the location decisions of residents and businesses and will also affect property values.

Historically, the single largest component of the City's General Fund revenues has been taxes. In 2015, property taxes, including PILOTS, make up 30% of revenues; earned income tax 18%; and other taxes were 18%. The City receives 14% of its revenue from intergovernmental sources; 8% from licenses, permits and fines; and 11% from fund transfers and other sources. Together, taxes make up 66% of the City's General Fund revenues. The other revenue sources are fairly typical of Pennsylvania municipalities.

Notably absent from revenues since 2013 are the transfers from the water and sewer funds that previously had been made to shore up the General Fund and compensate for gaps in the City's tax base. These transfers were stopped by the prior Receiver in 2012, subsequently with the transfer of the water and sewer utilities to Capital Region Water (CRW) any appropriate payments are addressed through the Shared Services Agreement.

Harrisburg plays host, as both a state capital and a county seat, to a number of institutions that are exempt from the real estate tax. Tax exempt properties make up approximately one-half of the assessed property in the City. Commuters make up more than half of the workers in the City. These commuters make contributions to the General Fund revenues largely from the Local Services Tax (LST) which is levied on employees based on their employment location. The five year average LST revenue from 2010-2014 was approximately $2.16 million.

Based on LST collections, there were approximately 42,000 full-time equivalent jobs in the City annually over this five year period. For contrast the City had a population of 49,528 in the 2010 census[1] and a 2014 estimated population of 49,082[2]. Of these residents, an estimated 23,427 were employed[3] though not all were employed in the City.

The General Fund has a typical municipal revenue portfolio which makes it susceptible to a decline in any one source. The City was able to maintain General Fund revenues in 2009-2011 with significant fund transfers of $19.5 million in 2008, $22.6 million in 2009, $18.8 million in 2010 and $14.4 million in 2011. In 2012, due to a restriction on fund transfers instituted by the Office of the Receiver, these additional resources were not available and greatly altered the City's revenue picture as depicted in the table below.

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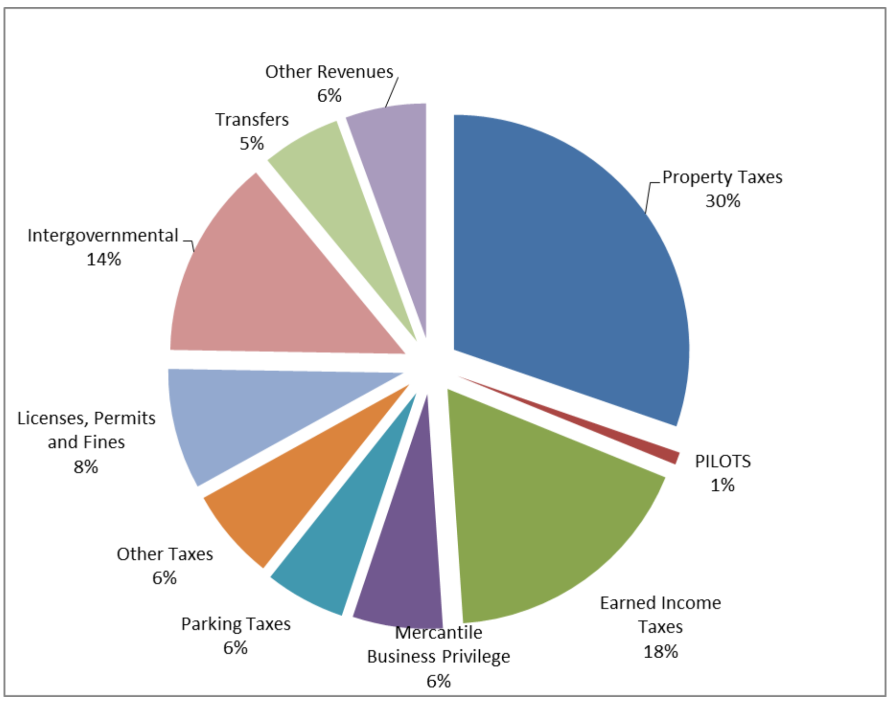
[1] Census Bureau, Population Finder
[2] Census Bureau, Population Finder
[3] Census Bureau, American Community Survey

General Fund Revenues, 2010 – 2015

	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimate	% Change
Property Taxes	15,715,752	15,596,976	16,825,289	16,411,907	18,001,339	17,076,006	8.7%
PILOTS	410,244	420,286	370704	417,821	561,832	482,538	17.6%
Earned Income Taxes	3,149,169	3,485,781	4,372,971	7,539,647	10,689,449	10,030,560	218.5%
Mercantile Business Privilege	3,040,838,	3,048,531	3,139,927	3,161,507	3,385,975	3,491,197	14.8%
Parking Taxes	741,335	651,222	1,521,240	1,627,177	3,177,443	3,116,987	320.5%
Other Taxes	3,605,628	3,314,323	3,208,883	2,434,483	4,072,800	3,550,017	-1.5%
Licenses, Permits and Fines	5,732,837	5,250,319	6,123,867	4,341,808	6,374,334	4,680,981	-18.4%
Intergovernmental	4,913,814	6,108,148	7,435,361	8,719,707	8,547,532	7,761,184	58.0%
Transfers	18,821,932	14,429,395	4,555,482	3,859,146	4,127,422	3,050,668	-83.9%
Other Revenues	675,706	9,167,435	304,062	4,478,184	2,776,044	3,129,558	363.5%
Total	**56,537,954**	**61,472,416**	**47,583,922**	**52,991,387**	**61,714,170**	**56,369,796**	**-.2%**

The figure below shows the estimated share of revenues for 2015 by major category.

General Fund Revenues - 2015



Revenue Sources

Transfers and Administrative Charges

The City's General Fund revenues were not able to keep pace with expenditures prior to 2012 without the large amount of fund transfers. Following the Receiver's action to stop the large utility fund transfers, starting in 2012 the sources for administrative charges into the General Fund were primarily the appropriate indirect charges for administrative services for the eligible utility service. The utility fees are charged to both taxable and tax-exempt properties. In 2010, transfers accounted for 33% of General Fund revenues. By 2012 transfers had declined to 13% of General Fund revenues and by 2015 had fallen to 4.6%. With the transfer of the water and sewer utilities to CRW at the end of 2013 even the prior related transfers for administrative charges are no longer applicable. Subsequent charges for services rendered between the City and CRW will be handled through the Shared Services agreement. This has become a very challenging situation for the City to deal with and has driven the need to pursue other replacement revenue options. The creation of the Neighborhood Services Fund in the 2016 budget along with the proposed use of a higher Local Services tax are necessary components of the plan modifications in order to fill this significant revenue gap.

Transfer Revenues, 2010 - 2014

Revenue Source	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimate	% Change
Sanitation Utility Fund	2,253,448	2,958,098	2,499,429	1,210,521	2,155,324	2,255,324	0.1
Incinerator Fund	0	0	0	0	531,369	305,000	100.
Sewer Maint Charge	925,997	843,666	823,149	753,731	163,099	0	-100.
Sewer Maint Liens-Penalty	1,041	831	704	547	918	679	-34.8
Sewer Maint Liens-Principal	3,702	3,935	1,470	2,812	2,260	1,451	-60.8
Sewerage Utility Fund	7,275,386	7,843,865	277,652	846,131	0	0	-100.
Hbg Prk Auth Coord Pkg	2,664,000	1,250,000	250,000	0	0	0	-100.
Hbg Water Utility Fund	5,698,358	1,529,000	703,078	833,959	0	0	-100.
Transfers from Other Funds	0	0	1,750,000	0	0	12,958	-
Total	**18,821,932**	**14,429,394**	**6,305,482**	**3,647,701**	**2,852,970**	**2,575,412**	**-86.3**

Intergovernmental Revenues

Some of the City's intergovernmental revenues are used as General Fund revenues. In 2010, these revenues accounted for 8.2% of General Fund revenues. This has risen to 14% of budget in 2015. Other intergovernmental revenues are accounted for in special revenue funds, for example the Liquid Fuels Tax Fund and Community Development Block Grants.

The recurring intergovernmental revenues include reimbursement for public safety expenses, CDBG reimbursement and pension aid. The most significant change in intergovernmental revenues has been the Commonwealth's $5 million annual commitment for public safety services provided by the City for the protection of Commonwealth employees who work in the City as well as for property and facilities located in the City. This commitment remains an important element in the City's budget going forward and the City is strongly urged to continue to communicate the importance of these funds to both the Governor's administration and the legislature.

Since 2010, overall CDBG funding has decreased, leading to reductions in services and reimbursements for the General Fund. Public safety grants may fluctuate from year to year because they are dependent on current Commonwealth and Federal initiatives. A summary of the City's intergovernmental revenue is depicted in the table below.

Intergovernmental Revenues, 2010 - 2015

Revenue Source	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimate	% Change
Capital Public Safety	987,000	987,000	2,500,000	5,000,000	5,000,000	5,000,000	406
CDBG Reimb. - Demolition	95,725	78,012	131,667	114,938	94,862	50,291	-47.5
Government Grants	3,854	0	0	0	0		-
Grants Fund	91,050	95,705	0	106,500	175,900	2,645	-97.1
Pension System State Aid	2,651,339	4,530,373	2,543,634	2,609,214	2,438,398	2,158,604	-18.6
Public Safety Grants	822,289	871,730	240,713	774,650	776,753	503,945	-38.7
Equipment Grant	0	0	0	77,848	22,152	0	-
State/Fed Grants Transfer	0	0	1,750,000	0	0	0	--
Total	**4,651,257**	**6,562,820**	**7,166,014**	**8,683,150**	**8,508,065**	**7,715,485**	**65.9**

Government Earnings

The City provides a broad range of services to residents, businesses and property owners. Many of these services are accompanied by fees and other charges that are expected to cover at least a portion of the cost to provide these services

Some of these revenues, most notably building and related permit revenues, vary with changes in the local economy. District Justice fees have fluctuated significantly though the recent trend has been rather constant but at a lower level. Total fee and permit revenues decreased from $1.6 million in 2010 to $1.18 million in 2015, a loss of more than $400,000. Vehicle maintenance charges are received from a variety of other governmental units including the Dauphin County, the Harrisburg School District, the Borough of Steelton, as well as from City Authorities though CRW costs are now provided through the Shared Services agreement.

As opposed to the cost reimbursements, the City has some ability to manage these revenues. The rates for some of the fees, licenses and fines are set by the City and, therefore, can be increased to generate additional revenues. Some of the district justice fees are set by state law, and cannot be changed. Fees also cannot reasonably exceed the cost of the service related to the fee.

It is considered a best practice to review the rate schedules at least every two years to ensure full cost recovery. This is often accomplished by a cost study to make certain that the full costs, including overhead, are considered when adjusting fees. The City last commissioned a fee study in 2012. Maintaining an accurate cost reimbursement program including regular examinations of costs and fees will be very important for the long-term fiscal health of the City.

A summary of the City's revenues from licenses, permits and fines is provided in the table below.

Licenses, Permits, Charges, and Fines, 2010 – 2015

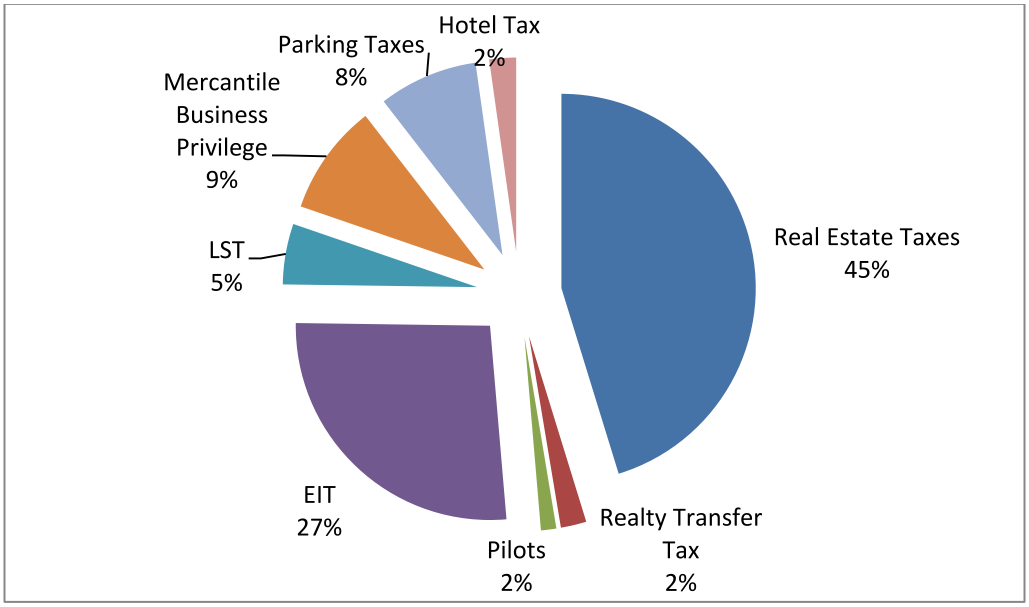
Revenue Source	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Estimate	% Change
District Justice Fees	744,297	501,386	618,333	421,516	412,265	388,261	-47.8
Permits/License/Fees	1,644,894	1,500,032	1,529,353	1,350,811	1,829,662	1,184,971	-27.9
Parking Fees	228,403	210,803	252,573	210,223	151,156	105,003	-54.0
Parking Tickets	1,228,749	1,228,749	1,093,142	880,585	1,887,962	1,163,904	-5.2
Public Safety Fees/Permits	177,945	175,494	238,020	267,477	285,970	200,025	12.4
Public Safety Reimbursements	471,314	967,773	1,012,605	593,099	1,210,134	1,034,876	119.6
Public Works Fees/Permits	60,445	142,408	116,923	35,073	0	0	-
Reimbursements	0	0	0	0	0	0	-
Rental Income	10,617	10,617	27,044	2,363	22,900	1,965	-81.5
Recreation Fees	33,372	44,116	10,593	11,366	13,051	16,565	-50.4
Vehicle Maintenance Charges	821,409	930,999	921,329	592,728	571,053	425,150	-48.2
Total	**5,421,445**	**5,712,377**	**5,819,915**	**4,365,241**	**6,384,153**	**4,520,720**	**-16.6**

Assessment of Revenue Sources

As a Third Class city governed by the Optional Third Class City Charter Law, the City of Harrisburg has the power, within prescribed constitutional and statutory limitations, to levy taxes on: the taxable value of land and real estate improvements; the earned income and net profits of individual residents, workers (both resident and nonresident), operations and gross receipts of businesses doing business in the City; occupations of residents; parking receipts; and transfers of real estate. By action of Dauphin County, the City receives a portion of revenues from the County Hotel Excise Tax for designated tourism-related purposes. By action of the Commonwealth, the City receives a portion of the Public Utility Realty Tax based on the assessed value of taxable utility realty.

With few exceptions, the City maximizes the taxing powers authorized by the Commonwealth. The figure below identifies the City's tax revenue sources in 2015.

Tax Revenue Sources - 2015



As noted in the above figure, 45% of the tax revenue is from the value of taxable real estate and 2% is derived from the realty transfer tax. Employment based taxes represent 32% (EIT 27% and LST 5%) of taxes. Business Privilege/Mercantile receipts represent 9% of tax revenue while Parking taxes represent 8%. The Hotel tax represents 2% and the City receives 2% of tax revenue through in-lieu of tax payments.

Tax Rates

Raising additional revenue through higher tax rates and/or new taxes needs to be tempered by the impact they have on economic drivers, business location decision makers, policy makers and, of course, residents. Both short-term and long-term consequences need to be considered, particularly when unemployment remains high, and wages are stagnant. This is particularly true with signs of economic recovery as businesses and other investors consider locations for future expansion and growth.

Major areas where the City presently has additional capacity to tax under the Commonwealth's authorizations are:

- Increasing the Real Estate Tax rate on land and improvements, though the combined tax rates on City property are very high compared to neighboring municipalities;
- Increasing the Earned Income Tax rate on residents as authorized under Act 47;
- Increasing the Local Services Tax rate on employees in the City;
- Pursuing revenue from property now classified as exempt; and
- Increasing collections through amnesty, enforcement and higher penalties.

Real Estate Taxes

On an equalized basis, the City of Harrisburg's property tax rates are significantly higher than those in its largest suburbs but in the middle range of other Third Class cities in the region. In 2015 the City of Harrisburg levied a split rate tax on the assessed value of land of 31.15 mills and improvements at 5.16 mills for a blended rate of 10.96.

The millage limit for Harrisburg under the Third Class City Code is 30 mills for the general purpose levy and with Court approval an additional 5 mills. There are also provisions for special purpose levies for street lights, recreation and shade trees and no limits for indebtedness of the City. However, any increase in the Real Estate Tax rate is an option that needs to be weighed against the impact it will have on current and prospective property owners, both residential and commercial, and against the affect it will have on the Harrisburg School District.

Employment Based Taxes

Earned Income Tax (EIT)

Earned Income Tax (EIT)

Under the Local Tax Enabling Act (Act 511), the EIT is capped at 1.0% and split equally with the School District, effectively limiting the tax to 0.5% on residents. In the development of the Strong Plan all stakeholders including City residents were asked to participate in the City's recovery. The Plan provided for a 1% increase in the EIT on City residents effective as of January 1, 2013 as their contribution to the recovery. That increase provided much needed revenue as the utility fund transfers had been eliminated. Although the City also imposes a 1% levy on non-residents, the City receives very little revenue from non-residents as the municipality of residence has first right to the tax up to the level they impose under the crediting provisions of the Act.

In 2013 the Local Government Commission undertook a comprehensive study of Act 47 that resulted in amendments to Act 47 enacted in late 2014. Among other changes the amendments provided several additional revenue generating options including an increase in the Local Services Tax from the current $52/year to $156/year or $3/week. This provision was consistent with the 2013 Strong Plan's REV 07 recommendation for the City to pursue a legislative action with respect to the Local Services Tax.

Initiatives

Requirement for Sufficient Revenue to Eliminate Deficits

The following Revenue Initiatives combined with other Initiatives contained in this Plan provide for the elimination of the operating deficits projected through 2018 as reflected in the financial table at the end of this section. Because many of the actions outlined under this Plan require significant planning, cooperation, and a level of uncertainty concerning revenue increases or expenditure decreases, the Coordinator could not always determine a reasonable dollar value impact from every Plan mandate. Accordingly, it is the intent of the Coordinator that revenue increases from increased property tax millage must be used to offset the projected deficits that result from failure of the City to fully realize sufficient revenue increases or expenditure reductions from the initiatives contained in this Plan in order to maintain necessary and vital services.

It is anticipated in this Plan that the City will realize results from the Plan mandates that will ameliorate the amount of increases necessary from property taxes. However, to the extent that the City's implementation of Plan mandates does not entirely reduce operating deficits, the City shall increase the tax rates on property to eliminate yearly operating deficits.

REV 01 Increase the Local Services Tax to $156/year

Harrisburg is a major employment center for the region with over 40,000 individuals working within the City daily. These individuals all utilize a range of city services including using the city's roads and streets, benefitting from the city's police and fire service and using the various city amenities. The Local Services Tax provides the ability for municipalities to receive compensation from those employed in the municipality for these services. The amendment further provides for an exemption for those individuals whose total net income from all sources is less than $15,600 for the calendar year. This increase has the potential to generate an approximately $4.2 million on an annual basis though given the collection/ at $1.9 million.

Based on our analysis of the City's projected fiscal position in order to obtain a structurally balanced budget the use of this new revenue option is included as transitional revenue for the next three years. We are conservatively projecting an additional $1.9 million in 2016 due to the collection/remittance timeline and start up issues. The increased tax is subject to both Council and Commonwealth Court approval. The necessity for the tax will need to be presented as part of the presentation of the Strong Plan modifications to the Court. Further the City must recognize that <u>this increase must be eliminated subsequent to 2018</u>, which is the last year of the City's initial five year time under Act 47. Therefore, initiatives aimed at increasing revenues, reducing recurring expenses or both should be undertaken as soon as possible. <u>If the City does not grow its revenues sufficiently to eventually replace the Local Services Tax revenue or change its governing form to a Home Rule Charter, the City will not be able to exit Act 47 under the five year schedule</u> and will be required to undertake revenue and expenditure changes that will ensure its exit from Act 47 by 2021. Such actions to ensure the City's recovery will include tax increases and/or severe personnel cuts. Moreover if, for whatever reason, the City is unable to implement the additional Local Services Tax, the City will need to have an alternate plan for 2016 to increase revenues by means within its control, decrease expenses or a combination of both

REV 02 Maintain the rates currently imposed for the Real Estate, Earned Income, Mercantile/Business Privilege and Parking Taxes through 2018.

The City's revenue base requires recurring, stable revenue sources to provide adequate revenue for core municipal services. To that end it is vital that the current taxation structure be maintained. Aside from the increase in the Local Services Tax provided for above, other tax rates are proposed to be maintained at current levels with the proviso that for whatever reason the City is unable to implement the additional Local Services Tax or other associated initiatives in this Plan, then the City will need to further adjust existing tax rates and/or reduce expenditures to maintain a balanced budget. Based on the City's current assessment one mill of real estate tax at the City's current collection rate generates approximately $1.4 million. To replace the LST revenue would require an increase of approximately 3 mills.

REV 03 Review Real Estate Taxable Assessments

The last county-wide reassessment was conducted about a decade ago and became effective in 2002. There is no Pennsylvania statutory mandate for conducting periodic reassessments, though the Commonwealth Constitution requires that assessments of all properties be uniform. In the meantime, the City and the School District each have standing to challenge assessments of individual parcels, with an annual deadline to file an appeal of existing assessments beginning August 1, with the effect of any change made the following January 1.

It is important that the City be proactive with respect to the appeal process and as appropriate challenges real estate assessment appeals. The City Treasurer shall initiate a joint effort with the School District to identify under assessed or improperly classified tax exempt properties, and if necessary engage a qualified appraiser in making preliminary reviews. If determined that the assessment is not equitable for the property, the City shall appeal (either alone or jointly with the school district) the assessment valuation.

REV 04 Review and increase utilization of Payment in Lieu of Property Tax (PILOT) Agreements

Similar to many other core communities, Harrisburg is home to many non-profit entities. These tax-exempt properties represent approximately half of the City's real estate value. The total value of these tax exempt properties is $1,514,181,100 or 48.5% of the total assessed value of property in the City. For the purposes of comparison, the City's taxable 2016 budgeted assessed valuation is $1,605,285,100.

More than 75% of the tax-exempt value is held by the government or government sponsored organizations, which are, by constitutional or statutory law, exempt.

In 1997, the General Assembly enacted a lower standard for meeting the tax-exempt criteria by passing Act 55 of 1997. The practical effect of the Act was to allow virtually all non-profit organizations tax-exempt status that in turn, placed a greater burden on other taxpayers. However, the PA courts did not agree that the original "Hospital Utilization Project (HUP)" was struck down by Act 55, and as a result in 2012, the PA Supreme Court reestablished the need for a charity to meet the higher standard "HUP Test" before considering the Act 55 standards. Act 55 encourages non-profits to enter into PILOT agreements with municipalities. The City has PILOT agreements with 13 organizations on 16 parcels. The 2015 PILOT revenue was approximately $482,000, the majority of which was from the following four organizations: Pinnacle Health; Commonwealth of PA/PHEAA; PA Housing Finance; and Penn Center Harrisburg.

Since the passage of Act 55 it has been reportedly difficult for local governments (including Philadelphia and Pittsburgh which have substantial amounts of non-government, non-profit organizations) to renew or enlist new PILOT agreements. Pittsburgh has had some success in negotiating a PILOT arrangement under its Act 47 plan. By working with the Pittsburgh Foundation, the Pittsburgh Public Services Fund was established and resulted in PILOT payments of approximately $4 million annually or about 1% of its budget though the program has not been continued by the new City administration. Harrisburg should quantify and communicate the value of the services it provides to its larger Purely Public Charity property owners, pointing out the advantages of the City services that support the organizations' operations.

In the pursuit of PILOT payments the City should take the following actions:

1. Determine the impact on property tax revenues as part of the due diligence of selling government owned property to for-profit organizations.

2. Solicit voluntary contributions from government sponsored organizations to reimburse the City for all or a portion of the services provided by the City. The City shall review the implementation of an Act 55 format for the formal agreement and payment of specified PILOT revenue from organizations exempt from property taxation.

3. Review the status of the qualification and PILOT agreements with the nonprofit healthcare institutions and the other private organizations with large tax-exempt assessments (starting with those of at least $1 million in assessed value).

Seek voluntary contributions / PILOTs with non-profit organizations, starting with those having the highest tax-exempt values and those who utilize substantial amounts of the City services.

REV 05 Improve real estate taxpayer collection rate

The City Treasurer is responsible for collecting the real estate tax for both the City and the School District. The collection rate for the City's current real estate levy has varied per year but has averaged 85.7% for the period 2011 through 2015. Efforts to increase the collection rate will reduce the City's reliance on lien sales for delinquent real estate taxes. Increasing the current collection rate for real estate taxes will become more important as the City begins to rely on multi-year sales of liens for revenue from delinquent tax accounts. It is estimated that each additional 1% improvement in current real estate collections will yield over $140,000; to receive that same revenue from a lien sale would require the sale of over $157,000 in delinquent liens.

The City Treasurer, Chief of Staff/Business Administrator, Finance Director and Tax Enforcement Administrator shall review the status of real estate tax collections for the current year no less than every three months and especially after the face period for redeeming tax bills. The City Treasurer shall develop and implement a system to enhance the City's notification of current unpaid tax accounts so that property owners are reminded that taxes are due and that there is time to avoid penalty costs for late payment of real estate taxes.

REV 06 In cooperation with the Coordinator Work closely with the Asset Manager and Operator of the Harrisburg Parking System to monitor ongoing operations and maximize revenue from the system and play an active role in the Parking Advisory Committee.

One major change to the City's revenue structure subsequent to the Strong Plan's consummation was the revenue received from the parking system. The City now receives three major revenue streams from the parking system. The Parking Tax, a ground lease payment and a Priority Parking distribution or waterfall payment. The parking tax and ground lease components are fairly stable but the priority parking distribution is highly dependent on performance of the parking system.

The monetization of the City's parking system provided much needed revenue to the City to address both the Resource Recovery Facility debt and provide an ongoing revenue stream to the City. As with any change of this magnitude the transition to the new system has had its ups and downs. The system is generating significantly more revenue than occurred prior to plan consummation, though there remain challenges.

The 2013 Strong Plan projected a $1.4M increase from parking tax collections as a result of no longer having to use parking revenues to repay the Harrisburg University Bonds and the HPA Series U Bonds as They were repaid from proceeds of the parking monetization. The Parking Tax is imposed at a 20% rate on all revenues generated in the parking system inclusive of those in the Commonwealth's lease. Based on revenues from the Verizon Tower parkers (765 new parking passes) and the contractually committed increases in parking rates for the balance of the DGS Vehicle Lease intended to bring the base rate up nearer market rates (4306 parking passes), it is expected that for 2016 the City will receive an increased benefit of $600,000 more than received in 2015.

The ground lease payment is part of the parking monetization currently being paid to HPA and transferred to the City. The 2013 Strong Plan projected $400,000 though at the time the Asset Transfer Agreement had not been finalized. Under the Asset Transfer Agreement and upon consultation with the Asset Manager, this amount is expected to be $1,166,000 in 2016. The Asset Transfer Agreement provides for incremental yearly increases in this payment which are factored into our projections.

The Priority Parking Distribution is the payment made under the trust indenture waterfall where the City receives an annual distribution on a priority status, after Debt Service and operating costs are paid, of 100% of the revenues actually available up to a not to exceed amount. The Strong Plan projected $1,500,000 vs an expected amount of $954,810 per the projections of the Asset Manager.

Although significantly more than prior to the monetization, parking system revenue is underperforming the system's operating projections, primarily with respect to fine revenue. Transient revenue continues to run under budget but that amount is offset by higher meter revenues. Meter rates are generally lower than Transient rates at this point and those using the system are considering that in their decision. Meter utilization is in the mid-30% range during peak hours in the Central Business District so the on street system has the ability to absorb the additional use. Monthly contract revenues are on budget. Revenue from the Commonwealth's DGS lease is also on budget. Approximately 220 new occupants of the Verizon building have drawn parking passes and will generate approximately $120,000 in additional revenue for the system in 2015. When the Verizon Tower is fully occupied by March 2016 approximately 500 additional spaces will be occupied.

Fines and penalties revenues are well below the 2015 operating budget due to the large number of outstanding tickets and the difficulty in obtaining adequate responses from alleged offenders in order to move the tickets through the adjudicatory process. The Coordinator and Trimont have both been engaged with the County Court system and Administrative Office of the Pennsylvania Courts in an effort to address this problem and improvements in collection have occurred over the last several months. A booting program will be initiated by SP+ in the near future and that should result in improved fine collections especially with parkers who disregard tickets issued.

System operating expenses are expected to be on budget. Due in large part to the disappointing performance of fines and penalty revenues, payments to the City under the waterfall declined from last year and are estimated to be approximately $1,000,000 by year-end. Budget estimates have been provided by Trimont for FY 16-18 and are incorporated into the revenue projections. There is also an issue with an overpayment that SP+ made in 2014 that only came to light this fall. Trimont as undertaken an audit of SP+'s operation for 2014 which will provide further clarity on this situation. Ultimately how the overpayment is addressed will need to be factored into subsequent year budget projections. It is the Coordinator's intent to see that this occurs in such a way that it is manageable within the constraints of the City's budget.

REV 07 Consider a transition from the Mercantile/Business Privilege Tax to the Payroll Preparation Tax

The City of Harrisburg levies a Business Privilege & Mercantile Tax (BPMT) on all businesses in the City except for those that are statutorily exempt, such as manufacturers. The BPMT is based on the gross receipts of retailers at 0.075% (0.15% when combined with the BPMT rate levied by the School District); of wholesalers at 0.05% (0.01% combined rate); and of other businesses at 0.2% (0.3% combined rate). Among the Third Class cities which are closest in proximity to Harrisburg, the BPMT is levied in York and Reading but not in Lebanon or Lancaster. Like all political subdivisions in the Commonwealth, the City and School District of Harrisburg are barred from raising their BPMT tax rates.

The 2014 amendments to Act 47 provided another revenue alternative for Act 47 municipalities. They are now permitted with Court approval to replace the Mercantile/Business Privilege Tax with a Payroll Preparation Tax. The tax is levied on for profit employers and imposed as a flat percentage on gross payroll. The initial implementation of this tax must be on a revenue neutral basis, though the base has the ability to grow over time as payroll grows. An important consideration is the ability for the Payroll Preparation Tax to remain in place even after the municipality exits Act 47 thus the change would be a permanent one.

The City in cooperation with the Coordinator should review and analyze its existing Mercantile/Business Privilege structure and collection process and weigh the benefits of making this transition. The City should also engage the business community in this discussion prior to making any change.

Rev 08 Provide Appropriate levels of services and revenue support for the newly created Neighborhood Services Fund

With the development of the City's 2016 budget, the Administration has proposed a consolidation of certain City activities previously covered under the General Fund and Sanitation Fund into a consolidated Neighborhood Services Fund. The Coordinator has reviewed the stated intentions for creation of the Fund and is in general agreement with the City's goals for funding appropriate City services under an appropriate fund system. The Coordinator understands that the revenue component of the fund will be fee based and will be initially funded with a use of fund balance from the City's former Sanitation Fund. The removal of certain expenses from the General Fund and its concurrent revenue source of taxes and fees to a fee based services fund is appropriate provided that the fees charged will be sufficient for the maintenance of the fund and its services without further General Fund support. The expanded employment needs anticipated by the Neighborhood Services fund must be covered by an appropriate level of fees that are reasonable and supported by both citizen users as well as commercial users of the services and ensure that all rates for collection and disposal of residential and commercial trash with the City are uniform and cover costs of services. The City must review the performance of the Neighborhood Services fund at least quarterly as part of its normal financial review, and if projections of revenue fail to meet the projected expenditures, the City shall notify the Coordinator and provide the Coordinator with the appropriate combination of revenue and expenditure changes necessary to avoid a fund deficit or subsidy of the Fund by the General Fund.

REV 09 Generate revenue through Market Based Revenue Opportunities

Market based revenue opportunities (MBRO) have been used by many municipalities in Pennsylvania and around the country to produce revenue from advertising, service concessions, marketing and sponsorship opportunities. The City's location as a tourist destination as well as a regular venue for meetings and business visitors to the State Capital makes an MBRO initiative an important alternative to increases in local fees and taxes.

The City shall pursue an RFP process to select a broker to help identify potential City assets for an MBRO program, assist with establishment of a policy framework and market available and approved opportunities. Channel 20, the City's cable access channel, shall also be included in this review. As estimated in other municipal MBRO plans, the City can expect approximately 1% of General Fund revenues once an MBRO program is fully implemented. The estimated five year revenue is based on the estimated percentage of City revenues and the anticipated time to develop and implement MBRO initiatives.

Revenue/Expenditure Projections with Plan Modifications
General Fund

Revenue	2016 Projected	2017 Projected	2018 Projected	% Change 2016-2018
Property Taxes	17,018,567	16,884,343	16,799,921	-1.0
Earned Income Taxes	10,716,430	10,770,013	10,823,863	1.0
LST	2,149,273	2,151,038	2,151,978	0.1
Parking Taxes	3,811,463	3,811,463	3,811,463	0.0
Other Taxes	5,019,359	5,036,005	5,052,735	0.7
Licenses, Permits and Fines	5,142,864	5,144,780	5,147,813	0.1
Intergovernmental	7,515,769	7,359,000	7,403,880	-1.5
Transfers	1,612,642	512,642	512,642	-68.2
Other Revenues	5,184,760	4,949,924	5,015,488	-3.3
Total	**58,171,127**	**56,619,209**	**56,719,783**	**-2.4**

Expenditure				
Personnel	40,235,644	41,586,282	42,830,868	6.5
Services	5,519,997	5,337,468	5,320,410	-3.6
Supplies	2,393,885	2,376,752	2,389,863	-0.2
Other	3,054,983	2,166,589	2,183,510	-28.5
Debt Service	8,752,227	7,814,338	7,718,999	-11.8
Total	**59,956,736**	**59,281,428**	**60,443,649**	**0.8**

Surplus/(Deficit)	**-1,785,609**	**-2,662,220**	**-3,723,866**	**-3.2**

Increased LST	1,900,000	4,302,077	4,303,956	126.3

Net Surplus/(Deficit)	114,391	1,639,857	580,090	

Neighborhood Services Fund

In the 2016 Budget proposal, the City realigned a number of its public works functions, combining them with the former Sanitation and Disposal Funds, creating the Neighborhood Services Fund.

Baseline projections for the Neighborhood Services Fund were developed for 2016 through 2018 using the City's 2016 proposed budget. These projections assume that ***no plan interventions are made to change either the existing revenue or expenditure trends***. Given the significant change in City budgeting it is imperative that the City closely monitor the Fund's performance on at least a quarterly basis and make appropriate adjustments as necessary pursuant to REV 08.

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

- Revenues from Collection and Disposal were grown slightly at 2% annually.
- Other Sanitation Fund Revenue was reduced from $150,000 in 2016 to $10,000 in 2017-2018 in line with prior years.
- Liens Revenue for 2017-18 were held constant 2016 budget levels

	2016	2017	2018	% Change
Revenue	**Budget**	**Projected**	**Projected**	**2016-2018**
Operations	12,530,440	12,639,239	12,890,974	2.9
Miscellaneous	96,223	93,329	93,762	-2.6
Transfers	0	0	0	0.0
Cash Carryover	2,938,005	169,118	0	-100.0
Total Revenue	**15,564,668**	**12,901,686**	**12,984,736**	**-16.6**
Expenditures				
Personnel	4,267,529	4,312,968	4,344,727	1.8
Services	8,213,234	7,914,813	7,914,813	-3.6
Supplies	403,000	403,000	403,000	0.0
Other	52,000	52,000	52,000	0.0
Debt Expense/Capital	1,528,905	218,905	208,905	-86.3
Transfer to General Fund	1,100,000	0	0	-100.0
Total Expenditures	**15,564,668**	**12,901,686**	**12,923,445**	**-17.0**
Surplus/(Deficit)	**0**	**0**	**61,291**	

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

- The number of personnel has been held constant at the 2016 budgeted levels
- Wages have been increased as specified in the respective collective bargaining agreements. Wages were increased by 1.0% annually after the expiration of the current contracts. Annual wage increases of 1.0% are included for non-bargaining unit employees below the level of director.
- Employee medical costs have been increased by a rate of 6.0% annually. Employee healthcare contributions remain at rates in the last year of contract for bargaining unit employees and at 2015 budgeted rates for non-bargaining unit employees.
- Capital Expenditure of $1.2 million is included in 2016 only
- Lease Purchase Revenue reduced to $150,000 in 2017-2018 from $250,000 in 2016
- Motor Equipment reduced to $10,000 annually in 2017-2018
- Transfer of $1.1 million to the General Fund is included in 2016 only.
- All other expenditures were held at 2016 Budgeted levels.

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, AGM, Dauphin County and AMBAC creditors of the City and Authority, other creditors who were involved in the renovations to the Resource Recovery Facility and the monetization of City assets. The one group of parties that has not participated to date in the City's recovery is the various professional 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 has been actively pursuing the forensic claims. Although I'm not able to provide detailed information on the forensic issues due to confidentiality issues, the below summarizes actions that have occurred since the Strong Plan's confirmation.

Over the last two years, Dentons US (formerly McKenna Long and Aldrich) Counsel for and on behalf of the Receiver, now Coordinator has been engaged in the pursuit of these claims. With the forensic audit completed by the Harrisburg Authority as background, letters were sent to parties involved in the various financings related to the Resource Recovery Facility. Meetings have also been held with the parties in an effort to achieve a consensual resolution as to their role in the financings. In the absence of a resolution, early this summer the Coordinator through the Office of General Counsel, solicited proposals from firms to engage in possible litigation in this matter. Harris Wiltshire and Grannis LLP with main office in Washington was selected in September and is now engaged to represent the Coordinator in the continued pursuit of all outstanding claims through litigation, if necessary.

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 had 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. Further responsibility for the pursuit of this claim now rests with AGM and Dauphin County as they are the parties who were financially impacted at plan consummation and thus will ultimately receive proceeds from any settlement. They have engaged counsel and are actively pursuing this claim.