RECOVERY PLAN FOR

THE CITY OF HARRISBURG

DATED FEBRUARY 6, 2012

This is the Recovery Plan for the City of Harrisburg prepared by the Receiver appointed pursuant to the Municipalities Financial Recovery Act, as amended (Act 47).[1]

1. Introduction.

The City's financial distress is a very complicated problem. It cannot be solved easily or quickly, but it can and must be solved.

The solution requires a comprehensive recovery plan that really works. Ultimately, significant and difficult contributions will be required from many stakeholders.

This plan is a first step. Until the actual value of certain assets of the City is determined through a request for proposals process and until the exact extent of the structural deficit (the amount by which the City's operating expenses consistently exceed its revenues) are understood, it is not possible to determine exactly what contributions are required from various stakeholders. One of the main purposes of the plan is to set forth the process to be followed to realize the value of the City's assets through sale or leasing. It is important that the process be designed to maximize the value of the assets.

Once the value of the assets is known and the extent of the structural deficit is known, the Receiver can complete negotiations with the stakeholders. Upon successful completion of those negotiations, this recovery plan will be amended pursuant to the amendment procedure under Act 47. That amended plan will be the comprehensive plan which the Receiver can then implement with the cooperation of the stakeholders.

This will require a consensual process. For the most part, the stakeholders will need to voluntarily agree to contributions in order for the plan to work. This will ideally be accomplished through the approval by the Commonwealth Court of an amended comprehensive recovery plan. The Receiver desires to have a consensual plan outside of bankruptcy. That would be best for everyone. The

[1] This recovery plan includes this forepart as well as Schedules 1 and 2 and Appendices A and B. The forepart, Schedules 1 and 2 and Appendices A and B all constitute the plan.

Receiver is committed to good faith negotiations which result in a fair outcome for the City and all stakeholders.

If, for whatever reasons, the Receiver is unable to come to a consensual agreement with the stakeholders, the Receiver is prepared to file for bankruptcy under Chapter 9 of the Bankruptcy Code in order to protect the ability of the City to perform its vital and necessary services.

2. Primary Challenges to be Addressed.

There are three primary challenges to be addressed in connection with the fiscal recovery of the City: first, the tremendous amount of debt related to the Resource Recovery Facility (the "incinerator"); second, the City's structural deficit (the amount by which the City's operating expenses consistently exceed its revenues); and third, the City's management.

A. Incinerator Debt.

The Coordinator's Plan[2] and the Mayor's Plan[3] under Act 47 addressed the problems related to the incinerator debt. Both plans made assumptions about amounts which could be obtained from the sale or lease of the incinerator and parking facilities (the parking facilities do not secure the incinerator debt but proceeds from a sale or lease of the parking facilities were included as part of a solution to address the incinerator debt). Based on those assumptions, the plans made further assumptions about the amount of so-called "stranded debt" (the amount of debt remaining after the proceeds of the sale or lease of assets is applied to the incinerator debt) and set forth contributions to be made by various stakeholders.

The contributions required from stakeholders cannot in fact be determined until the value of the assets is known. It is important that an open process be conducted for the valuation of assets. Therefore, The Harrisburg Authority and the Harrisburg Parking Authority are directed to participate in a request for qualifications and proposals (RFQ&P) process to determine interested parties with respect to two sets of assets: (1) the incinerator, and (2) the parking facilities. Unrelated to the incinerator debt problem, the Harrisburg Authority is also directed to undertake an RFQ&P process for management and operation of the water and wastewater assets.

The RFQ&P process is designed to receive responses within 30 days. Those responses will be expected to include price estimates and financial models. For each set of assets, the Receiver, with the advice of the relevant authority, may

[2] Filed with the City Clerk on July 8, 2011. This plan was rejected by City Council.

[3] Filed with the City Clerk on August 2, 2011. This plan was rejected by City Council.

select a short list of qualified offerors. Those offerors will have an opportunity to conduct confidential due diligence.

The Receiver, with the advice of the relevant authority, can then enter into negotiations with one or more offerors for each set of assets. The goal is to determine the value of the assets in or about the month of April 2012.

The Receiver will then be in a position to negotiate with the various stakeholders regarding stranded debt or other issues related to the asset transactions. The goal is to complete those negotiations and close on the asset transactions by the end of June 2012. This is an aggressive schedule, but time is of the essence.

Assuming that a comprehensive solution is achieved, the Receiver will file an amendment to this plan with the Commonwealth Court indicating consensual agreements with stakeholders and detailing the terms of the plan. If a comprehensive solution is not agreed upon, the Receiver is prepared to file for bankruptcy under Chapter 9 of the Bankruptcy Code in order to protect the ability of the City to perform its vital and necessary services.

The Receiver is authorized under Act 47 to proceed with all transactions related to the assets of the City and the authorities and to cause the sale, lease, conveyance, assignment or other use or disposition of the those assets.

i. Use of Proceeds of Assets.

The amount of debt related to the incinerator is over $300 million. The City is not the issuer of the debt. The issuer is The Harrisburg Authority. The City is the guarantor of the debt. With respect to the vast majority of the incinerator debt, the actual bondholders are protected by insurance from Assured Guaranty Municipal (AGM) and, in some cases, a guaranty by Dauphin County (the County). To the extent AGM or the County has paid or is obligated to pay debt service (principal and interest on the debt), each claims subrogation rights to stand in the shoes of the bondholders to enforce the City's primary guaranty. Both AGM and the County have initiated litigation against the City to enforce the City's guaranty of the bonds. The Receiver has joined in this litigation adverse to the County and AGM to protect the Receiver's ability to proceed with the Act 47 process to formulate an overall solution to the City's fiscal distress.

In addition, there is also litigation initiated by CIT Capital Markets (CIT) in which CIT claims rights to $26 million against The Harrisburg Authority for amounts advanced by CIT with respect to the proposed completion of the incinerator. CIT claims right of payment prior to the payment of bondholders. Even if CIT is not entitled to the priority over bondholders, CIT is also claiming a general right to repayment. This additional potential $26 million obligation may also need to be addressed in the debt solution with respect to the incinerator. The Receiver also joined in this litigation adverse to CIT to protect the Act 47 process.

It is anticipated that the proceeds from any sale of the incinerator, net of costs to complete the transaction, would be applied to pay debt related to the incinerator.

If the parking assets are included in the debt solution, the proceeds from the parking assets transaction will first need to be applied to repay the existing debt of the Harrisburg Parking Authority (HPA). The remaining proceeds from the parking assets, net of costs to complete the transaction, could potentially be used to pay a portion of the incinerator debt and to contribute over time to address a portion of the City's structural deficit.

With respect to the water and sewer assets, the RFQ&P is attempting to solicit proposals for the more efficient operation and management of those systems. Any net benefits from such proposals, including increasing operating revenues, would be used to improve those systems and to contribute over time to address a portion of the City's structural deficit, but not to contribute to the incinerator debt solution.

ii. <u>The Forensic Report.</u>

The Harrisburg Authority retained consultants to conduct a forensic audit of certain financings related to the incinerator debt. "The Harrisburg Authority Resource Recovery Facility Forensic Investigation Report" (the Forensic Report) was released by The Harrisburg Authority on January 12, 2012. The Forensic Report focuses in particular on financings in 2003 and 2007 and related interest rate swaps.

The Receiver has retained counsel to review the audit and determine if claims are merited and against whom. If there are potentially meritorious claims, the Receiver will decide whether to proceed with appropriate civil actions.

If civil actions are filed, the timing and likelihood of any recoveries are impossible to predict. Therefore, it is not possible at this time to assume any level of proceeds for purposes of addressing the structural deficit of the City.

However, if such proceedings are brought and recoveries are obtained, then the proceeds, net of legal fees and costs, will be put into a special account and will be distributed in a manner determined by the Receiver as reflected in an amendment to this plan.

The potential uses of the proceeds could include the repayment of a portion of the still outstanding incinerator debt and the creation of an economic development plan for the City. Other uses may be determined and implemented based on meaningful input from various constituencies, including the Mayor and City Council, the Municipal Recovery Advisory Committee, and the leadership of Harrisburg's community, business, charitable, labor and religious organizations.

The Forensic Report highlights the need to make sure The Harrisburg Authority is not used again as a vehicle for unusual projects and financings. The name of the authority should reflect its true function. If it is now intended to be a water and sewer authority, then its name shall be changed to The Harrisburg Water and Sewer Authority, and its articles of incorporation shall be amended to limit its projects to water and sewer projects. The Forensic Report raises questions about the interest rate swaps entered into by The Harrisburg Authority. The City's authorities must not enter into any new interest rate swap agreements without the prior written consent of the Receiver. The Receiver directs all the City's authorities to undertake the actions described in this paragraph. Also, the General Assembly should review under what circumstances interest rate swaps are an appropriate financial tool for municipalities or authorities in Pennsylvania.

The Forensic Report also highlights the need to take a closer look at how debt qualifies as "self-liquidating" under the Local Government Unit Debt Act (the Debt Act). Self liquidating debt is debt that relates to a revenue generating project which is projected to produce revenues sufficient to cover the operating costs of the project and the amounts payable on the project's debt. If debt is found to be self-liquidating, then the debt is not counted against the municipality's debt limit. The General Assembly should undertake a review of the self-liquidating debt provisions of the Debt Act and make appropriate adjustments to ensure that only legitimate self-liquidating projects are being approved as self-liquidating.

B. Structural Deficit.

The structural deficit is the ongoing amount by which the City's operating expenses consistently exceed its revenues. An estimate of the structural deficit is set forth in Chapter 3 in Appendix A, entitled "Operating Budget Structural Deficit". Assuming the City's finances go forward for the next five years with no changes, the estimated deficits are approximately $5.8 million in 2012 (including a $2.8 million deficit carried over from 2011), $3.8 million in 2013, $6.3 million in 2014, $8.1 million in 2015 and $9.9 million in 2016.

As I describe in Part 3 below, Harrisburg's structural deficit is similar to that of other cities in Pennsylvania. A major factor is the increase in expenditures for personnel costs, primarily employee medical insurance and wages. The Receiver and the City are actively involved in good faith negotiations with all three unions – the Fraternal Order of Police, the International Association of Fire Fighters and the American Federation of State, County and Municipal Employees – and will continue the negotiations with the intention of reaching agreements with all three unions as soon as possible.

The City has for decades been addressing many annual deficits with one time fixes. This can be seen, for example, in the long history of such actions related to bonds and interest rate swaps described in the Forensic Report. The City has also funded a large portion of its General Fund over the years with transfers from operating systems such as water and sewer. These actions have resulted in large amounts of long term debt and insufficient ongoing investment in capital needs. It is very possible that the estimated operating deficits described above are not conservative enough because the historic amount of revenues transferred from the systems may not be sustainable. Some of these concerns have become clearer to the Receiver in recent days, and additional analysis is required to determine the exact extent of the anticipated annual structural deficit.

As the nature of the relationships between the City and the authorities change, the question of appropriate related transfers between the entities as well as any payments in lieu of taxes with respect to facilities must be addressed.

What is obvious is that the two main fiscal problems of the City – long term debt and a structural deficit – are in fact interrelated. Large amounts of bond debt were incurred for various purposes. Not insignificant amounts of the bond proceeds were dedicated either to plugging operating deficits or to paying current amounts owed on other bonds. As a result, the debt that was previously incurred to fund the City's prior years' budget shortfalls must now be repaid over many years. That in turn puts an additional strain on many future years' operating budgets which are already under pressure because of rising operating costs. These escalating demands for more cash create the need to find additional annual revenues and in recent years that has resulted in the City's reliance on increasing transfers from system revenues—notably water and sewer. As an illustration, the demands for cash to operate the City have resulted in less cash available to those systems for reinvestment in their capital assets such as sewer lines. What then is the consequence? Either sinkholes cannot be properly repaired or to the extent money is applied to such repairs, it decreases amounts available to pay for other traditional services that the City should be performing for its residents. Regrettably, the current administration has been forced to pass budgets which must, of necessity, cut expenses to the bone. Positions are being cut and cut. There are fewer and fewer employees to pick up trash, prepare financial statements, fix damaged vehicles, demolish dangerous buildings, defend lawsuits, promote economic development, etc. So, the problems caused by the incinerator debt are not just related to the inability to pay that debt back; they have also, when combined with insufficient revenue sources and significant labor costs, had a crippling effect on the ongoing ability of the City to perform its normal functions.

As with the incinerator debt, the solution to the structural deficit will take additional time to determine. But, to be candid, it is not clear to me at this stage in the plan development process that, without additional new revenue sources, the City can achieve a balanced operating budget even with further belt tightening and meaningful concessions from labor. In a very real sense, then, the City has two distinct problems, and even if there were no significant incinerator debt plaguing the City, it would nonetheless be facing serious annual operating budget challenges. In the long run, the City must focus on its core services and have other services handled through intergovernmental cooperation or third party arrangements.

The City faces an annual gap between expenditures and revenues in excess of $11 million. The $11 million includes a combination of the known structural deficit and other operating liabilities. Closing this gap requires a combination of concessions from the labor unions, an increase in the resident earned income tax, service efficiencies and additional revenues from fees and outside sources.

C. Management.

i. Chief Operating Officer.

The City operated in 2011 without a chief of staff/business administrator. This position is referred to in this plan as the chief operating officer (COO). A top priority for the City is to fill the COO position. The City needs a strong professional to lead and manage the entire staff. The COO can also be a major contributor to long term planning efforts of the City.

The COO will be the chief operating officer of the City and is fully empowered to supervise and direct all employees in the Department of Administration, the Department of Building and Housing, the Department of Public Safety, the Department of Public Works and the Department of Parks and Recreation.

The elected officials of the City shall fully empower the COO to manage the day-to-day operations of the City and to make recommendations to the elected officials and the Receiver regarding priorities and policies.

A person may not be hired as the City's COO without the prior written consent of the Receiver. A person may not be dismissed or fired as the City's COO without the prior written consent of the Receiver.

ii. Cooperation Among Elected City Officials.

The elected officials of the City need to cooperate in good faith with each other. The pressures on elected officials in a distressed city are intense. There are constant financial problems and the politics can become more heated than normal.

The key to cooperation is ongoing communication and discussion. The elected officials must talk with each other on a regular basis. The Receiver can act as a catalyst to promote such discussions.

There must also be open communications among the elected officials, the COO and the department and bureau managers. There shall be no prohibitions on communications among any such persons.

These two management changes seem simple but they are vital to the recovery of the City. It is important that the elected officials behave cooperatively and be perceived as behaving cooperatively. And it is important that the City be managed in a professional manner by an experienced manager. Outside parties who interact with the City need to have confidence in the City. The more confidence the City can instill in others, the more others will be willing to interact with and help the City.

It is essential that the elements of the recovery plan be undertaken by the City quickly. The COO will take the lead role with recovery plan implementation. Many recommendations will take a substantial period of time to fully implement, but beginning them on a timely basis is critical to the City's recovery. The Receiver will provide direction and prioritization on key recovery plan recommendations and will monitor progress.

I believe the Mayor and the City Council are supportive of these initiatives for a COO and for better communications. Based on my interactions so far with the elected officials of the City, I believe they are all sincerely dedicated to the fiscal recovery of the City.

D. Other Challenges.

The City is a guarantor of bonds of the Redevelopment Authority of the City of Harrisburg (the Redevelopment Authority) which are secured by a lease with Verizon related to the Verizon office building in the Strawberry Square complex. These bonds are the Federally Taxable Guaranteed Revenue Bonds, Series A of 1998. The lease with Verizon expires in 2016 and is not likely to be renewed. Approximately $40 million in debt service is due on the bonds between 2016 and 2033, including $930,000 in 2016. If the building is not leased in 2016 to tenants who can pay amounts sufficient to pay the debt service on the bonds, then the City will be obligated to pay debt service and potentially other amounts under its guaranty. This is a problem which is difficult to solve four years in advance of the lease terminating. The Receiver intends to continue to work on this problem in cooperation with the Redevelopment Authority and the City.

The United States Environmental Protection Agency (EPA) is focusing on deficiencies in the water and sewer systems. It is important that the City and The Harrisburg Authority continue their current efforts to improve these systems and also take further important steps over time. The proposal process for management of the water and sewer systems may provide additional opportunities to address this issue. The Receiver, The Harrisburg Authority and the City realize the importance of close communication with the EPA and the Pennsylvania Department of Environmental Protection on this issue.

3. <u>The Plight of Cities in Pennsylvania.</u>

In some ways Harrisburg's fiscal distress is unique - particularly because of the incinerator debt. But in other ways Harrisburg's situation is common to many core communities in Pennsylvania. Core communities include cities and other municipalities that provide full services and are centers of employment, education, culture, social services and history. Of course, in Harrisburg's case, the city also serves as the state capital and the county seat.

The common problems of these core communities are described in the November 2010 "Core Communities in Crisis Task Force Report" of the Pennsylvania League of Cities and Municipalities (PLCM). The Receiver agrees with the findings of this report and encourages the General Assembly to undertake some combination of the initiatives outlined in the report.

There are four issues addressed in the report that are particularly important in the case of Harrisburg. First, almost half of the property in Harrisburg is exempt from real estate taxes. This reflects the City's large governmental and nonprofit focus. The City provides many benefits and services to these entities without the legal right to impose real estate taxes or other fees. The City must rely on voluntary contributions. The Commonwealth has agreed to a $2 million annual increase in its fire protection payment (for a total of $2.5 million), and a number of nonprofit organizations make voluntary payments in lieu of taxes (PILOTs) to the City. Nevertheless, the legal ability of the City and the coterminous School District to increase revenues under the current system, such as through real estate tax increases, is very limited.

Second, the revenue sources for many core communities are insufficient to provide a regular, dependable revenue base. In Harrisburg, because of the large amount of tax exempt property, the limited real estate tax capacity and the strong reliance on transfers from project systems, the City has a revenue base which is unreliable over the long term. Even if its budgets are balanced in the short run in accordance with this plan, the City has very limited capacity, if any, to deal with unanticipated financial events. Harrisburg and the other cities are constantly living on the razor's edge. They have no seed capital to work their way out of problems. At some point in the future, a reliable, regional tax base for the City, such as an optional 1% local county sales tax, would benefit the City and Dauphin County as well as the other municipalities in Dauphin County.

Third, the General Assembly has a policy, as reflected in Act 111, to afford strong bargaining rights to uniformed employees. These rights were further enhanced with respect to Act 47 municipalities by the recent Pennsylvania Supreme Court decision in the City of Scranton case. The cities are given no significant powers to control these labor costs which form a large percentage (often 65% to 70%) of their budgets. The General Assembly needs to either provide significant funding to cities for labor costs or make reasonable amendments to Act 111 that provide a more equitable process.

Fourth is the issue of legacy costs including pension benefits and Other Post Retirement Benefits (OPEB). Unless these costs are addressed in some manner, many Pennsylvania municipalities will continue to struggle as their revenue base cannot keep pace with the rising liabilities for pensions and OPEB. At a minimum, other pension alternatives such as defined contribution plans need to be authorized for new employees and funding mechanisms need to be authorized and put in place to address OPEB liabilities.

The Receiver realizes that these general policy matters go beyond the scope of his powers under Act 47, but because the plight of Harrisburg is in so many ways typical of the problems of many cities in Pennsylvania, a true long term solution for Harrisburg and the other cities can only be achieved if the General Assembly takes action now on some combination of the issues outlined in PLCM's Task Force Report. The General Assembly has held hearings in recent months to review Act 47 and municipal financial distress in general, and hopefully those hearings, together with the realization of the very serious situations in Harrisburg, Scranton and other municipalities, can provide an impetus for dealing with these issues.

4. <u>The Receiver.</u>

David Unkovic was nominated by the Governor on November 19, 2011 and appointed by the Commonwealth Court on December 2, 2011 to serve as Receiver for the City under Act 47. The Receiver requested and was granted by the Commonwealth Court an extension until February 6, 2012 to file this recovery plan. Pursuant to Section 703(d) of Act 47, the Court has 30 days from the date of the filing to hold a hearing and 60 days from the date of the filing to act on the plan.

Pursuant to Section 703(e) of Act 47, the Receiver may in the future submit to the Court modifications to the plan, and in that case the Court would again have 30 days to hold a hearing and 60 days to act on the modification. The Receiver does intend to modify this plan.

The Receiver has certain powers under Section 706 of Act 47, including among others, the powers to prepare the recovery plan, to require the City or its authorities to take actions necessary to implement the plan, and to cause the sale, lease or other use of assets of the City or the authorities. The Receiver may issue orders in which he directs City or authority officials to implement provisions of the plan or to refrain from taking actions which interfere with the plan. The Receiver may request writs of mandamus from Commonwealth Court to secure compliance with any such orders.

Since his appointment, the Receiver has endeavored to work cooperatively with the elected officials of the City and the appointed officials of the authorities. The Receiver is sensitive to the fact that he is not elected by the citizens, and he is committed to treating the elected officials of the City with respect and interacting with them in a spirit of cooperation to the fullest extent possible. The Receiver is committed to using the powers of the Receiver as necessary and proper to achieve the fiscal recovery of the City.

The Receiver also looks forward to cooperating with the Municipal Recovery Advisory Committee which is established under Section 711 of Act 47. This advisory committee consists of the Mayor or her designee, the President of City Council or her designee, a member appointed by the Dauphin County Commissioners, and a member appointed by the Governor.

5. 2012 City Budget.

The City Council adopted a budget on December 29, 2011. The budget was vetoed by the Mayor, and City Council overrode the Mayor's veto. On January 23, 2012, the City Council reopened the budget and plans to vote on an amended budget on February 14, 2012. The City Council is proposing the changes to the budget set forth on Schedule 1 hereto. The Receiver is proposing the additional changes and modifications set forth in Schedule 2 hereto. The Receiver includes, as part of this plan, the changes set forth in Schedule 1 hereto as modified and supplemented by the changes in Schedule 2 hereto which, upon approval of this plan, must be undertaken by the City.

6. Additional Components of the Plan.

Prior to the approval of this plan, an Emergency Action Plan dated November 3, 2011 was issued by the Secretary of the Department of Community and Economic Development. That Emergency Action Plan is currently being implemented by the Receiver pursuant to Section 702(e)(5) of Act 47. Section 704(a)(3) of Act 47 indicates that this plan, when approved by the Commonwealth Court, supersedes the Emergency Action Plan. The Receiver believes the provisions of the Emergency Action Plan are still necessary and appropriate, and the Receiver therefore makes the Emergency Action Plan a part of this plan for continued enforcement by the Receiver. The Emergency Action Plan is attached as Appendix B to this plan.

In addition, as part of this plan, in order to ensure that vital and necessary services are maintained within the City: the Receiver may require the City to conduct a tax lien sale with respect to delinquent tax liens (although the Receiver does not currently intend to do so); neither the City nor its authorities may, without the prior consent of the Receiver, incur any debt or sell any assets or enter into any interest rate swaps; any contracts related to the transactions described in Part 2A above are subject to the prior direction and approval of the Receiver; the Receiver's approval is required for any discretionary purchases over $2,500; the Receiver's approval is required to a general hiring freeze, including filling temporary, seasonal or paid intern positions; overtime shall be closely monitored; and no capital projects shall be commenced without the approval of the Receiver.

7. Anticipated Amendment.

The Receiver anticipates filing an amendment to this plan at such time as certain open items discussed in this plan are resolved or the Receiver determines that, if not agreed upon by all stakeholders, his proposed plan is the one that should be approved by the Commonwealth Court as being fair and balanced and in the best interests of the City of Harrisburg and its residents.

Respectfully submitted,

David Unkovic
Receiver for the City of Harrisburg
February 6, 2012

Schedule 1
City of Harrisburg
General Fund Revenues and Expenditures
Proposed 2012 Budget Amendments and 2012 Adopted Budget

	Feb 2012 Proposed 2012 Budget	Dec 2011 Adopted 2012 Budget	Amended vs. Adopted Variance	%
Total Revenues	**$54,961,109**	**$54,315,690**	**$645,419**	**1.2**
Expenditure Type				
Employee Expenses				
Salaries/Wages	23,614,485	23,488,645	125,840	0.5
Temporary Wages	165,000	165,000	0	0.0
Overtime	1,666,100	1,666,100	0	0.0
Sick Time Buyback	143,000	143,000	0	0.0
Medical & Life Insurance	5,952,000	5,952,000	0	0.0
Fringe Benefits	5,171,650	5,161,715	9,936	0.2
Total Employee Expenses	**36,712,235**	**36,576,460**	**135,776**	**0.4**
Non Employee Expenditures				
Communications	366,595	366,595	0	0.0
Professional Fees	716,190	716,190	0	0.0
Utilities & Services	706,800	706,800	0	0.0
Insurances	1,225,591	1,225,591	0	0.0
Rentals	9,800	9,800	0	0.0
Maintenance & Repairs	562,427	562,427	0	0.0
Contracted Services	274,280	273,637	643	0.2
Supplies And Expenses	1,952,360	1,952,360	0	0.0
Minor Capital	500	500	0	0.0
Lease Purchase	266,806	266,806	0	0.0
Mains And Accessories	300,000	300,000	0	0.0
Grants	272,510	272,510	0	0.0

Transfer to Debt Service Fund	11,485,014	10,985,014	500,000	4.6
Fines & Settlements	110,000	110,000	0	0.0
Total Non Employee Expenditures	**18,248,874**	**17,748,231**	**500,643**	**2.8**
Total Expenditures	**54,961,109**	**54,324,691**	**636,419**	**1.2**
Surplus/ (Deficit)	**—**	**(9,001)**		

Schedule 1
City of Harrisburg
General Fund Revenues and Expenditures Variance and Explanation
Proposed 2012 Budget Amendments and 2012 Adopted Budget

	Variance	Explanation
Total Revenues	**$645,419**	No detailed revenue available for line item comparison as of date of report
Employee Expenses	**135,776**	
Salaries/Wages	125,840	COO salary increase $20,000 Senior accountant $55,000 Codes officer $42,840 Deputy Solicitor $14,000 Assistant City Clerk adjustment ($6,000)
Fringe Benefits	9,936	FICA and Medicare related adjustment
Non Employee Expenditures	**500,643**	
Contracted Services	643	Line Item change
Transfer to Debt Service Fund	500,000	Increase in expected debt service transfer
Surplus/ (Deficit)		($9,001) This is likely a transposition error in the original

Schedule 2
City of Harrisburg
General Fund Revenues and Expenditures
Receiver and Proposed 2012 Budget Amendments

	Receiver's 2012 Projections	Feb 2012 Proposed 2012 Budget	Projected vs. Budget Variance	%
Total Revenues	**$55,158,737**	**$54,961,109**	**$197,628**	**0.4**
Expenditure Type				
Employee Expenses				
Salaries/Wages	23,744,985	23,614,485	130,500	0.6
Temporary Wages	165,000	165,000	-	0.0
Overtime	1,666,100	1,666,100	-	0.0
Sick Time Buyback	168,000	143,000	25,000	17.5
Medical & Life Insurance	8,900,343	5,952,000	2,948,343	49.5
Fringe Benefits	5,185,789	5,171,650	14,139	0.3
Total Employee Expenses	**39,830,217**	**36,712,235**	**3,117,982**	**8.5**
Non Employee Expenditures				
Communications	368,195	366,595	1,600	0.4
Professional Fees	646,190	716,190	(70,000)	-9.8
Utilities & Services	714,050	706,800	7,250	1.0
Insurances	1,275,591	1,225,591	50,000	4.1
Rentals	9,800	9,800	0	0.0
Maintenance & Repairs	562,427	562,427	0	0.0
Contracted Services	279,771	274,280	5,491	2.0
Supplies And Expenses	1,961,674	1,952,360	9,314	0.5
Minor Capital	500	500	0	0.0
Lease Purchase	266,806	266,806	0	0.0
Mains And Accessories	300,000	300,000	0	0.0
Grants	272,510	272,510	0	0.0
Transfer to Debt Service Fund	11,485,014	11,485,014	0	0.0
Fines & Settlements	110,000	110,000	0	0.0
Total Non Employee Expenditures	**18,252,529**	**18,248,874**	**3,655**	**<0.1**
Total Expenditures	**58,082,746**	**54,961,109**	**3,121,637**	**5.7**
Surplus/(Deficit)	**(2,924,009)**	**0**		

Schedule 2
City of Harrisburg
General Fund Revenues and Expenditures Variance and Explanation
Receiver and Proposed Budget Amendments

	Variance	Explanation
Total Revenues	**$197,628**	
	(133,915)	Reduction in expected delinquent taxes
	255,401	Increase in estimated Earned Income tax
	76,143	Increase in estimated Local Services Tax
Total Expenditures		
Employee Expenses	**3,117,443**	
Salaries/Wages	130,500	Director of Communications, $75,500 Assistant City Solicitor, $55,000
Sick Time Buyback	25,000	Additional Fire Buy Back
Medical & Life Insurance	2,948,343	Estimated 2012 Expenses without significant Plan changes
Fringe Benefits	14,139	Social Security Based on OT reallocation and additional positions
Non Employee Expenditures	**3,655**	
Communications	1,600	Memberships and Dues
Professional Services	(70,000)	Reduce outside legal fees
Utilities & Services	7,250	DCED Permit Reimbursements
Insurances	50,000	"Stop Loss" premium
Contracted Services	5,491	Maintenance and other services
Supplies And Expenses	9,314	Various line items

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APPENDIX A TO RECOVERY PLAN FOR CITY OF HARRISBURG DATED FEBRUARY 6, 2012

Initiatives

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Many of the initiatives included in this Appendix A were also included in the Act 47 Coordinator's Plan filed with the City Clerk on July 8, 2011 and in the Mayor's Plan filed with the City Clerk on August 2, 2011. Those Plans contained much of the background information on those initiatives. The Receiver has chosen not to repeat much of that information in this Plan, but reference is made to those Plans for that information.

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1. Recovery Plan Implementation

Assessment

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

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

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

The City elected officials and its appointed Authorities need to be communicating and working in the best interest of the City.

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

The current relationship among the City's elected officials is one of critical importance in terms of improving existing levels of cooperation. The Receiver is aware of the tensions that have been fundamental between the Mayor and certain other elected officials. The hostility has at times reached levels that were counterproductive to the proper functioning of the City government. Some tension is inherent in democratic governments, and it is a good thing -- it means that issues are being vetted and discussed. The important thing is that an appropriate amount of accommodation and compromise take place along the way so that the City can move forward.

The Receiver has had frequent interactions with the elected officials since his appointment. The Receiver believes that, during that time, there have been more frequent and ever improving communications among the elected officials. The Receiver believes they are all dedicated to the economic recovery of the City and is optimistic that they will perform their duties well in the best interests of the citizens of Harrisburg. The Receiver views it as one of his duties to help in any way possible to assist in fostering good communications and cooperation.

Organizational Accountability
One probable cause for previous communications problems is the general difficulty that many of the City's elected officials face in obtaining reliable information. Financial reports, departmental work plans and performance measurement data are not regularly produced by all City departments and bureaus. Data about all of the City's operations must be made available in order to proactively address issues, particularly in this current financial crisis.

Communication with the Receiver

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

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

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

- Council Meeting Agendas (prior to the meetings) - all regular and special meetings;
- Council Meeting Minutes - all regular and special meetings;
- Notice of any meetings involving the City and third parties on any matter relating to City finances and operations (e.g., meetings with creditors, vendors, etc.);
- Relevant communications with creditors, vendors, etc.;
- All non-privileged correspondence (in and out, internal and external) on matters relating to employee unions, collective bargaining, arbitration, grievances, etc. Privilege shall be defined as the attorney-work product doctrine, the attorney-client privilege, the doctor-patient privilege or other privilege recognized by a court interpreting the laws of this Commonwealth. The City Solicitor shall have the right to determine whether a document is protected by attorney client or attorney work product privilege. For all other forms of privilege if, after being informed of the general contents of the document, the Receiver determines that a document contains information which should be transmitted to the Receiver as well as information which is privileged, the City shall transmit the information which is subject to access and withhold the information which is not subject to transmission. If the information which is not subject to transmittal is an integral part of the document and cannot be separated, the City shall redact from the document the information which is not subject to transmittal. The City shall explain why any information has been redacted;
- All proposed ordinances;
- All litigation initiated/settled;
- All personnel actions (including worker's compensation claims);
- Monthly financial reports (as of the last day of each month) and related documents;

- Major contracts awarded and grant applications made;
- All other relevant correspondence (internal and external, in and out); and
- Anything that the Receiver should be made aware of in regards to the operation of the City

Municipal Financial Recovery Advisory Committee
Pursuant to Section 711 of Act 47, there is established a Municipal Financial Recovery Advisory Committee (the Advisory Committee) consisting of four members: The Mayor or her designee, the City Council President or her designee, a member appointed by the Dauphin County Commissioners, and a member appointed by the Governor. The sole function of the Advisory Committee is to provide recommendations and feedback to the Receiver on the implementation of the recovery plan. The Advisory Committee will meet with the Receiver at least twice per month.

The Authorities
The City's Authorities shall provide to the Receiver all data and information requested by the Receiver, including without limitation, information related to meeting notices, meeting agendas, meeting minutes, budgets and financial statements. Representatives of the Authorities shall meet with the Receiver or his representatives upon request and shall cooperate with the Receiver in the implementation of this Plan.

Initiatives

PI01. Conduct regular Recovery Plan implementation meetings

Target outcome:	Improved accountability
Responsible party:	Receiver

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

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

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

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

The Receiver will also meet at least once every two weeks with the Advisory Committee to update and consult with that committee in accordance with Section 711 of Act 47.

PI02. Assemble and deploy Recovery Plan implementation teams

Target outcome: Improved accountability

Responsible party: Receiver

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

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

PI03. Develop a performance management system

Target outcome: Improved accountability

Responsible party: Chief of Staff/Business Administrator

In order to improve the flow of reliable information throughout the City government and increase the level of trust between and among City staff and elected officials, the City shall develop and implement a comprehensive performance management system. The system will track and monitor key indicators of activity levels, productivity, cost effectiveness and other measures of City government performance.

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

2. Debt

The City of Harrisburg has outstanding General Obligation (GO) debt that includes publicly issued bonds, capitalized leases and various other loans and obligations. The annual debt service requirements of this indebtedness amount to approximately $12 million in the City's FY2012 budget, or approximately 21% of the total budgeted expenditures for the 2012 fiscal year, as evidenced in the table below. The annual debt service of the City is nearly four times greater than the 2012 budgeted earned income tax collection ($3.2 million) and more than three-quarters of the City's 2012 budgeted current real estate tax revenues ($15.4 million). When compared to other expenditures of the City, the 2012 budgeted debt service is greater than the budgeted expenditures for the Fire Bureau ($8.0 million) and is three-quarters of the Police Bureau budgeted expenditures ($16.0 million).

General Obligation Debt Service, 2012

Series	FY2012 Debt Service
1997 Series D GO Bonds	$4,500,000
1997 Note Series F GO Bonds	$4,165,000
2006 Guaranteed Revenue Note	$840,512
2008 GO Note	$367,742
Series A-2 2005 Stadium	$656,825
Capitalized Leases	$1,421,056
Other Loans (DCED)	$25,000
Total 2012 Debt Service	**$11,976,135**

Projected City Debt Service, 2012 - 2016

	2012	2013	2014	2015	2016
Bonds Series D 1997	$4,500,000	$4,500,000	$4,495,000	$4,495,000	$4,500,000
Note Series F 1997	$4,165,000	$4,170,000	$4,175,000	$4,175,000	$4,165,000
PIB and Infrastructure (2004/2008)	$367,742	$367,741	$297,742	$297,743	$367,740
Stadium Bonds A-2	$656,825	$654,513	$651,518	$652,730	$656,825
2006 Guar. Revenue Note	$840,512	$775,693	$742,684	$709,676	$808,701
DCED Loan	$25,000	$23,475	$23,475	$23,475	$23,475
Capital Leases	$1,421,056	$730,599	$730,598	$125,962	$125,962
Total	**$11,976,135**	**$11,222,021**	**$11,116,017**	**$10,479,586**	**$10,647,703**

The City has also provided, pursuant to the Local Government Unit Debt Act (the Debt Act), its guaranty of debt issued by various City authorities. Simply put, the City has promised to pay the debt service of obligations if the authority does not pay its debt service when due. The City's guarantees have been extended to the debt obligations of The Harrisburg Authority (THA), the Harrisburg Parking Authority (HPA), and the Harrisburg Redevelopment Authority (the Redevelopment Authority), as well as to selected sewer revenue debt and other obligations issued by THA. The table below includes a list of the City's guaranteed debt obligations.

Publically Issued General Obligation and Guaranteed Debt Principal Amounts Outstanding as of January 1, 2012

Guaranteed Debt	Principal Amount Outstanding
City GO Debt	$60,286,689
Guaranteed Lease Rental Debt	$3,960,982
Guaranteed Stadium Debt	$7,685,000
Guaranteed THA Resource Recovery Facility Debt - Series 1998, 2002, 2003	$216,760,000
Guaranteed Parking Authority Debt	$85,441,000
Guaranteed THA Sewer Debt	$2,239,000
Guaranteed Redevelopment Authority Debt	$82,835,000
Total Outstanding City GO and Guaranteed Debt	**$459,207,671**

The outstanding principal amount of the City's GO debt and guaranteed debt totals over $459 million dollars for FY2012. The City's annual General Fund budget in 2012 totals approximately $55 million, which includes approximately $12 million to service the City's current portion due on its outstanding GO debt, capitalized leases and other loans. Under the terms of the Debt Act, the City's borrowing base for debt is determined by the annual revenue received and averaged over a three year period. That revenue base is then multiplied by specific percentages depending on the structure and type of proposed debt to determine the City's legal borrowing base. The Debt Act does allow the City to exclude from the determination of its debt limit borrowing base any debt deemed to be self-sustaining or self-liquidating debt. Self-sustaining or self-liquidating debt is excluded because the City has submitted documentation (such as a feasibility study) to show that the debt will be paid by revenues generated from the specific project to be financed, such as parking garage fees, sewer system rates or revenue from the Resource Recovery Facility (RRF). Substantially all of the City's guaranteed debt has been originally deemed to be self-sustaining or self-liquidating and did not count against the City's legal debt limits at the time of issuance of such debt. The City's most recent borrowing base calculation, based on the 2008 Comprehensive Annual Financial Report (CAFR) and annual audit, estimates that the City has a remaining non-electoral debt capacity of $72 million. The City's remaining non-electoral and lease rental debt capacity, based on 2008 numbers, is estimated at $117 million. Nonetheless, the Forensic Report of THA calls into question the propriety of the self-liquidation treatment of the RRF and the City could have little or no remaining nonelectoral or lease rental debt capacity.

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

The City's RRF Dilemma

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

The annual debt service obligations and the operating expenses of the RRF facility exceed the revenues of the facility. In 2009, the last year for which there is a completed independent audit of THA, the RRF generated total operating revenues of $25,032,944 and operating expenses of $26,272,857 for an operating loss of $1,239,913. In addition to the operating expenses, the RRF had non-operating expenses of $16,696,032, primarily debt service payments. The total loss for the RRF adjusted for extraordinary items was $17,935,945.

Resource Recovery Facility Debt
Principal Amount Outstanding as of 1/1/12

Debt	Principal Amount Outstanding
Series 1998	$11,165,000
Series 2002A	$14,080,000
Series 2003A	$22,555,000
Series 2003B	$29,085,000
Series 2003C	$24,285,000
Series 2003D1	$31,480,000
Series 2003D2	$65,000,000
Series 2003E	$10,135,000
Series 2003F	$9,795,000
RRF Bonds Outstanding	**$217,580,000**
Covanta Loan	$23,587,500
County Working Capital	$34,685,000
CIT Loan	$26,000,000
Total RRF Outstanding Debt	**$301,552,500**

The debt issued by THA for the purposes of the RRF comprises the largest portion of the component unit debt guaranteed by the City. The total principal amount of the RRF Bonds currently outstanding is $217,580,000. In addition to the outstanding Bonds, Dauphin County paid the Guaranteed Resource Recovery Facility Limited Obligation Notes, Series C and D of 2007 (the 2007 Notes) in December 2010. The principal amount due on the 2007 Notes in December 2010 was $34,685,000. Covanta also has made a loan that is guaranteed by the City in the original principal amount of $25,500,000. The THA may also have an obligation to repay a loan from CIT to Barlow, the original contractor on the RRF retrofit project. The CIT loan is currently in litigation. The total principal amount of all outstanding RRF debt, including the CIT loan, is $301,552,500.

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

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

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

Other City Guaranteed Debt

The City has guaranteed the debt obligations of several other component units of the City in addition to the RRF. These component units include the Parking Authority, the Redevelopment Authority, and the sewer debt issued by THA. The sewer debt amounts to approximately $2.2 million and is currently paid by the revenues generated by the sewer system as operated by THA.

The Parking Authority debt guaranteed by the City amounts to approximately $85.4 million, and is currently paid from the revenues generated by the HPA's parking facilities. Current annual debt service on the City's guaranteed HPA Bonds amounts to approximately $8.3 million per year.

The City has guaranteed several issues of debt issued by the Redevelopment Authority, including bonds issued to finance the stadium on City Island, which are funded through the City's debt service fund, and bonds to support various economic development activities in the City. Included in these obligations are the Series 2001 Bonds, the Series A 1998 bonds, and the Series B 1998 bonds. The debt service on the Series 2011 Bonds is paid from revenues generated by the operation of the Harrisburg Hilton.

The Series 1998 Bonds were issued by the Redevelopment Authority to acquire certain real estate and other interests in the Strawberry Square project, and debt is anticipated to be paid from the revenues generated by the leases in the Verizon Tower. The Series A 1998 Bonds were issued as zero coupon bonds in the initial principal amount of $6,920,525. Debt service payments are scheduled to begin in 2016 and final maturity on the bonds is in 2033. Verizon is scheduled to vacate the Tower in 2016 when the existing lease expires. If the Verizon Tower is not released in 2016, the Redevelopment Authority (and the City through its guarantee) will be responsible for the annual debt service on the 1998 Series A Bonds and for the proportionate share of the costs of the common space as an owner of the Verizon Tower. The estimated annual costs of the common area amounts to $3.0 million. Annual debt service on the Series A 1998 Bonds will amount to approximately $2.2 million per year from 2016 through 2032, and to approximately $7.2 million in 2033 when the Bonds mature. Total debt service on the Series A 1998 Bonds amounts to $39.7 million.

Debt Policy

The Receiver, based on the findings of the Forensic Report, recommends the City and the City's Authorities implement a debt management policy that would include comprehensive guidelines related to the issuance of debt and the use of derivative products related to debt. This debt policy would establish criteria for the use of debt, establish guidelines for the City's guaranty of any Authority debt issues, insure compliance with the Debt Act, require the City and its Authorities to retain appropriate debt management professionals if engaged in debt issuance, and stipulate regular updates of the debt policy to ensure that the City and its Authorities use their resources to meet the needs of the citizens of the City.

3. Operating Budget Structural Deficit

The purpose of this chapter is to estimate the City's structural deficit (the amount by which the City's Operating expenses consistently exceed its revenues) looking forward from 2012 to 2015 assuming no changes as a result of this plan.

2012 – 2016 General Fund Baseline Projections
Baseline projections for the General Fund were developed for 2012 through 2016 using 2011 year-end estimates, the Mayor's 2012 proposed budget and the Council's 2012 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 are as follows.

- All tax and fee rates were held constant. The 2012 budgeted increase in real estate taxes is included.
- Revenue from real estate taxes has been held constant over the period as assessed valuation growth is assumed to be minimal.
- The sale of tax liens has not been included for years 2012 through 2016. 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 1% per year, the Business Privilege & Mercantile Tax Revenue by 1.75% per year and the Real Estate Transfer Tax revenue by 3% per year. All other revenues from taxes were held constant.
- The ARRA Police Grant is expected to end in 2014.
- Vehicle Maintenance Reimbursements were increased at the same rate as related expenditures.
- State aid for pension expenses was held constant over the period.
- The Commonwealth's payment to the City for fire protection is projected to remain at $2.5 million throughout the period.
- Most other revenues are held constant over the period.
- Other fund administrative charges and transfer payments decrease throughout the period as expenditures in those funds increase.
- Parking authority payments through the coordinated parking fund are held constant through the period.

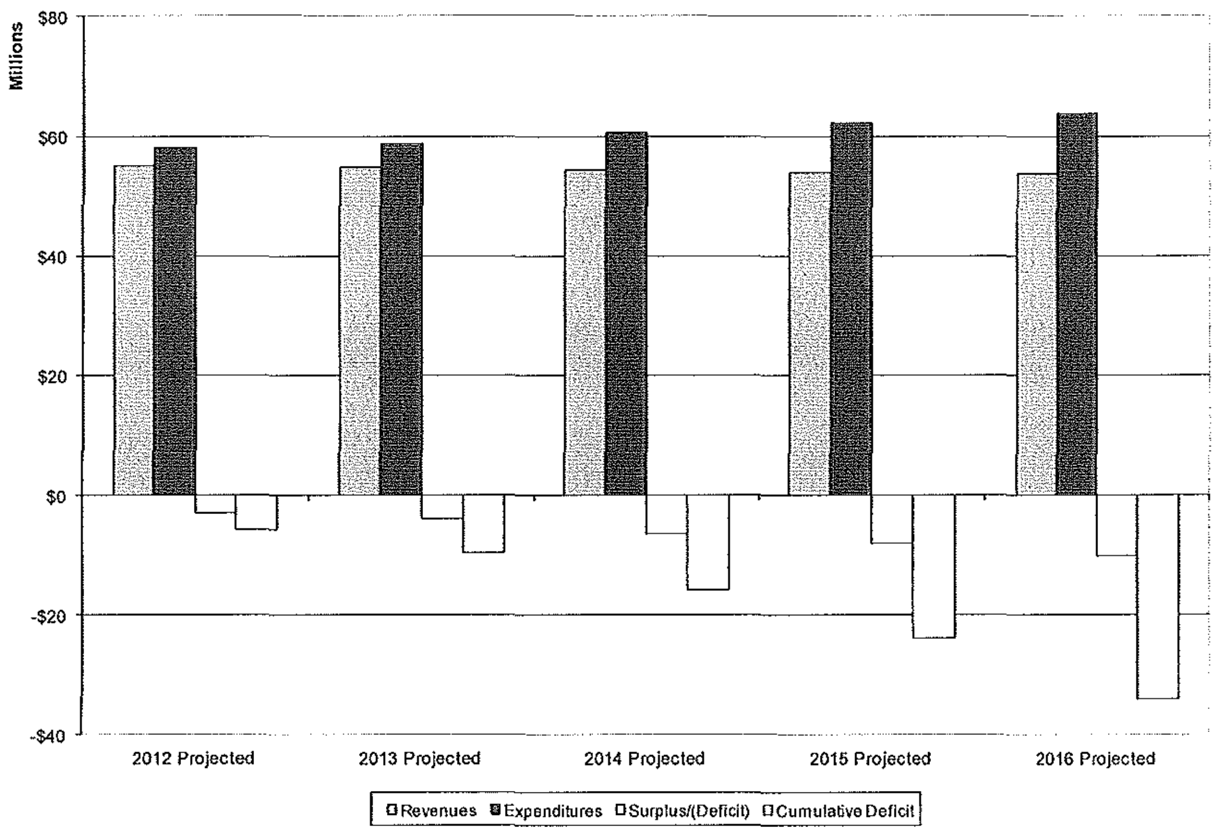
The expenditure assumptions used in the baseline projections are as follows.

- The number of personnel has been held constant.
- Wages have been increased as specified in the respective collective bargaining agreements. No wage increases are included for non bargaining employees or after the expiration of the current contracts.
- Medical insurance has been increased at 12% per year in 2013 and 2014 and 10% in 2015 and 2016 in conformance with the City's most recent experience and observed increases for government employees.
- Other major insurance costs have been projected on a case-by-case basis.
- No new debt is assumed.
- No new capital expenditures are included.
- Municipal pension obligations are held constant over the period.
- No payments on the RRF debt guarantee obligations are included.
- Other expenditures were increased at various levels.

General Fund Carryover Fund/Cash Balance/Deficit

In January 2012, City Administration estimated a year end 2011 cash deficit of approximately $2.8 million. (Cash on hand less 2011 Accounts Payable.) Combining the 2011 $2.8 million carryover deficit with the 2012 $2.9 million projected General Fund deficit results in a total estimated 2012 operating budget deficit of $5.8 million.

	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
2011 Carryover	**($2,831,344)**				
Revenues	$55,158,737	$54,898,465	$54,309,655	$54,032,782	$53,766,445
Expenditures	$58,082,746	$58,721,910	$60,592,284	$62,108,593	$63,713,455
Surplus/(Deficit)	($2,924,009)	($3,823,446)	($6,282,629)	($8,075,811)	($9,947,010)
Total Surplus/(Deficit)	**($5,755,353)**	**($3,823,446)**	**($6,282,629)**	**($8,075,811)**	**($9,947,010)**
Cumulative	**($5,755,353)**	**($9,578,798)**	**($15,861,428)**	**($23,937,238)**	**($33,884,248)**



General Fund Revenue Projections, 2012-2016

Revenue Group	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Property Taxes	$17,074,783	$17,074,783	$17,074,783	$17,074,783	$17,074,783	0.0%
PILOTS	$501,522	$501,522	$501,522	$501,522	$501,522	0.0%
Earned Income Taxes	$3,430,000	$3,464,300	$3,498,943	$3,533,932	$3,569,272	4.1%
Mercantile Business Privilege	$2,838,883	$2,882,633	$2,927,149	$2,972,443	$3,018,531	6.3%
Parking Taxes	$1,574,532	$1,574,532	$1,574,532	$1,574,532	$1,574,532	0.0%
Other Taxes	$3,698,342	$3,710,042	$3,722,093	$3,734,506	$3,747,290	1.3%
Licenses, Permits and Fines	$6,303,422	$6,303,422	$6,351,738	$6,411,899	$6,420,231	1.9%
Intergovernmental	$5,890,251	$5,890,251	$5,538,346	$5,538,346	$5,538,346	(6.0%)
Transfers	$13,258,732	$12,860,392	$12,472,116	$12,094,216	$11,725,170	(11.6%)
Other Revenues	$588,271	$636,588	$648,432	$596,602	$596,769	1.4%
Total	**$55,158,737**	**$54,898,465**	**$54,309,655**	**$54,032,782**	**$53,766,445**	**(2.5%)**

Expenditures are projected to grow from $58.1 million in 2012 to $63.8 million in 2016. The principal factor for the increase in expenditures is personnel costs, primarily employee medical insurance and wages.

Medical insurance increases from $8.9 million in 2012 to $13.5 million in 2016, an increase of 51.5%. Wages increase from $23.7 million in 2012 to $25.0 million in 2016, an increase of 5.4%.

General Fund Expenditure Projections, 2012-2016

Expenditure Type	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Employee Expenditures						
Salaries/Wages	$23,744,985	$24,058,775	$24,681,960	$24,848,432	$25,019,897	5.4%
Temporary Wages	$165,000	$165,000	$165,000	$165,000	$165,000	0.0%
Overtime	$1,666,100	$1,666,100	$1,666,100	$1,666,100	$1,666,100	0.0%
Sick Time Buyback	$168,000	$168,000	$168,000	$168,000	$168,000	0.0%
Medical & Life Insurance	$8,900,343	$9,962,144	$11,151,361	$12,261,298	$13,482,227	51.5%
Fringe Benefits	$5,185,789	$5,064,300	$5,083,067	$5,085,967	$5,088,986	(1.9%)
Total Employee Expenditures	**$39,830,217**	**$41,084,319**	**$42,915,488**	**$44,194,796**	**$45,590,211**	**14.5%**
Non Employee Expenditures						
Communications	$368,195	$370,044	$372,448	$375,270	$378,361	2.8%
Professional Fees	$646,190	$657,772	$672,865	$690,641	$710,187	9.9%
Utilities & Services	$714,050	$733,686	$761,986	$796,807	$837,077	17.2%
Insurances	$1,275,591	$1,285,057	$1,297,196	$1,311,206	$1,326,257	4.0%
Rentals	$9,800	$9,957	$10,136	$10,339	$10,566	7.8%
Maintenance & Repairs	$562,427	$568,486	$575,317	$583,049	$591,812	5.2%
Contracted Services	$279,771	$282,828	$286,503	$290,716	$295,384	5.6%
Supplies And Expenses	$1,961,674	$2,068,102	$2,144,571	$2,299,556	$2,416,560	23.2%
Minor Capital	$500	$504	$509	$514	$520	4.0%
Lease Purchase	$266,806	$266,313	$265,899	$265,732	$265,910	(0.3%)
Mains And Accessories	$300,000	$300,413	$300,938	$301,540	$302,181	0.7%
Grants	$272,510	$272,510	$272,510	$272,510	$272,510	0.0%
Transfer to Debt Service Fund	$11,485,014	$10,711,921	$10,605,917	$10,605,917	$10,605,917	(7.7%)
Fines & Settlements	$110,000	$110,000	$110,000	$110,000	$110,000	0.0%
Total Non Employee Expenditures	**$18,252,529**	**$17,637,591**	**$17,676,796**	**$17,913,797**	**$18,123,244**	**(0.7%)**
Total Expenditures	***$58,082,746***	***$58,721,910***	***$60,592,284***	***$62,108,593***	***$63,713,455***	**9.7%**

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;
- Sanitation Fund – Accounts for transactions dealing with the City's collection of refuse. Does not include RRF activities;
- Sewer Fund – Accounts for transactions dealing with City's operation in the collection and treatment of sewage;
- Liquid Fuels (Highway Aid) Funds – Accounts for Commonwealth funds to maintain streets and roads; and
- Water Fund – Accounts for transactions relating to the City's agreement with the Harrisburg Authority to operate the water system for Harrisburg and other contracting adjacent municipalities.

The Receiver reviewed the historical revenue and expenditure trends for each of these funds over the period 2006 through 2011 as well as the City's budget for each for 2012.

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

Expenditures within the individual funds over the period generally increase because of the increase in contractual wage costs (personnel are City employees) and estimated increases in employee medical insurance for 2015-2016. Transfers to the City's General Fund were reduced as individual fund expenditures increased resulting in balanced revenue and expenditure projections in the Other Funds.

Balanced Budget

The following table demonstrates the Receiver's Plan to eliminate the City's operating budget deficits and produce balanced operating projections. The City's ultimate goal should be a 5% General Fund balance.

The initiative total in the table below represents items outlined in the following chapters as well as estimates for items currently under negotiation. The increase to Earned Income Tax, a one percent additional tax on City residents, is a temporary levy available under Act 47 that is necessary to balance the City's operating budget. The additional Act 47 levy can and should be reduced as additional revenues and expenditure reductions are achieved.

	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected
Operating Deficit	($5,755,353)	($3,823,446)	($6,282,629)	($8,075,811)	($9,947,010)
Initiatives	$2,357,435	$3,621,622	$3,657,622	$3,717,622	$3,767,622
Increase to EIT	$1,715,000	$5,145,000	$6,860,000	$6,860,000	$6,860,000
Net Operating Surplus/(Deficit)	**($1,682,918)**	**$4,943,176**	**$4,234,993**	**$2,501,811**	**$680,612**
OPEB	$0	($2,000,000)	($2,500,000)	($1,500,000)	($500,000)
Capital Improvement Program	$0	($1,000,000)	($1,000,000)	($500,000)	$0
Remaining Surplus/(Deficits)	**($1,682,918)**	**$1,943,176**	**$734,993**	**$501,811**	**$180,612**
Cumulative Balance	**($1,682,918)**	**$260,259**	**$995,251**	**$1,497,063**	**$1,677,675**

4. Workforce and Collective Bargaining

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

The City is not able to sustain the costs associated with the existing collective bargaining agreements based on its revenues. It is the intention of the Receiver that the City and the Unions negotiate changes to the existing collective bargaining agreements necessary for the City to achieve a balanced budget, for FY2012 as well as the future years of this Plan.

The Receiver and the City have been actively involved in negotiations with the bargaining unit representatives of all three unions – AFSCME, the FOP, and the IAFF – and will continue such negotiations with the intention of reaching agreements with all three unions as soon as possible. It is important that any modifications to the existing collective bargaining agreements be implemented as soon as possible, so that the City may achieve a balanced budget for FY2012.

As the parties are currently in the process of negotiating modifications to the union contracts, this Plan will present the areas in which the Receiver has proposed changes. This Plan is preliminary, and it is the specific intention of the Receiver that the parties retain the flexibility necessary for good faith collective bargaining negotiations. An initiative may be modified provided that all parties – the City, the Union, and the Receiver – are able to enter into a voluntary agreement amending the existing collective bargaining agreement which achieves the necessary cost savings.

Overview

As with most local governments, the services provided by the City of Harrisburg are labor-intensive. The City requires people to maintain safe and clean streets, prevent and investigate crime, respond to fire and medical emergencies, and deliver the other important services of municipal government. As a result, employee wages and benefits accounted for approximately $39.4 million, or 67.8% of the City's $58.1 million in projected expenditures for 2012. In addition to the employees paid out of the City's General Fund, 81 employees represented by AFSCME are budgeted and paid from the City's Water, Sanitation and Sewer Funds. When all of these funds are combined, employee wages and benefits accounted for at least $45.8 million, or 47.6% of the City's $96.2 million in General, Water, Sanitation and Sewer Fund expenditures projected for FY2012.

Workforce expenditures are a function of both:

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

Given that workforce expenditures represent such a large percentage of the City's total expenses, employee compensation (salaries and fringe benefits) and numbers must be modified in order to correct the structural deficit and restore the City's fiscal health. From a practical perspective, employee compensation costs must be kept in line with the City's revenues, and Harrisburg's revenue performance has not supported recent salary and benefits growth. The City's total compensation costs grew by 2.6% from $44.6 million in 2006 to $45.8 million in 2010 despite a decrease in budgeted employees of 104 or 16.4%. This trend is a good indicator of the City's growing structural deficit.

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

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

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

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

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

Total budgeted positions have decreased by 104 or 16.4% since 2006. Further, in recent years the City has not filled all of the budgeted positions, which has resulted in increased overtime in certain departments, such as the Fire Department. The chart below details employee headcounts by collective bargaining unit, as well as the terms of the contracts and the contract extensions.

[1] The FOP filed an unfair labor practice charge with the Pennsylvania Labor Relations Board (PLRB), challenging the City's refusal to implement the pension benefit increases. The PLRB held a hearing and issued its Final Order on January 25, 2011, dismissing the charge and finding no violation by the City. The FOP appealed to Commonwealth Court, which issued its decision on November 1, 2011, affirming the PLRB's decision and the position of the City. The FOP filed a Petition for Allowance of Appeal with the Pennsylvania Supreme Court on November 29, 2011. Testimony at the PLRB hearing noted that the pension enhancements would cost the City an additional $514,000 in annual contributions.

City Headcount by Bargaining Unit

Employee Group	Covered Positions	2012 Total Employees	Contract Term
Fraternal Order of Police, Lodge No. 12	All sworn Police Officers with the exception of the Chief of Police and three Captains	151	2004 – 2010 Extended 1/1/2011 – 12/31/2015
International Association of Fire Fighters, Local Union No. 428	All Fire Fighters with the exception of the Fire Chief and one Deputy Chief	69	2006 – 2012 Extended 1/1/2013 – 12/31/2016
American Federation of State, County and Municipal Employees, Local 521	All non-uniformed, non-management employees	169	2008 – 2011 Extended 1/1/2012 – 12/31/2014
Non-Represented Employees	Management and elected[2]	72	N/A
	Total Number for 2012	**461**	

Source: City Provided Data as of 1/11/2012

Compensation

Harrisburg municipal employees receive a generous compensation package that includes health, retirement and paid leave benefits superior to private sector norms and generally equal or superior to public employer standards. Historical information since 2006 can be found in the Act 47 Coordinator's Plan previously published, including an analysis of the growth in salaries, the largest component of personnel expenditures. Over the past five years, the cost-of-living as measured by the Consumer Price Index (C-CPI-U) grew by 10.1%. Meanwhile, base wages for all police and fire bargaining unit employees grew every year through December 2010. In 2007 and 2008, AFSCME employees received lump sum payments, but no increase in base wage rates. For the City's bargaining group, the growth rates ranged from 9.3% for AFSCME; 17.0% for the FOP bargaining unit members; and 17.1% for the IAFF bargaining unit members.

Junior employees in all unions are often eligible to receive another annual raise through a "step increase" in addition to the across-the-board base increase shown above. In addition to base salaries, the City provides other forms of cash compensation, including longevity pay, shift differential, holiday and personal leave pay, vacation leave pay, sick leave pay, other paid leaves, uniform pay, special assignment and premium pay, and overtime pay. These compensation items are detailed in the Act 47 Coordinator's Plan previously published.

Health Benefits

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

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

Across private and public sector organizations, employees share the cost of their health insurance in two ways. First, they contribute to the monthly premium costs. In Harrisburg the total monthly premiums range from $658.16 to $772.76 for single coverage and $1,543.96 to $1,918.73 for family coverage, depending on the plan chosen and the employee's bargaining unit status. This includes primary care, dental, vision and prescription coverage.

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

Health Benefits Cost Sharing

Employee Group	Employee Cost Sharing $		Employee Cost Sharing %	
	Individual Coverage	Family Coverage	Individual Coverage	Family Coverage
Harrisburg FOP, Lodge No. 12	$0	$0	0%	0%
Harrisburg IAFF, Local Union No. 428	$0	$0	0%	0%
Harrisburg AFSCME, Local 521 Employees hired before 9/1/2007	$0	$0	0%	0%
Harrisburg AFSCME, Local 521 Employees hired on or after 9/1/2007	$52.51 - $68.93	$105.02-$176.83	2% of base salary	4%, 5% or 6% of base salary
Harrisburg Non-Represented Employees Hired before 2/1/2008	$0	$0	0%	0%
Harrisburg Non-Represented Employees Hired on or after 2/1/2008	$58.43 - $120.00	$141.50-$355.30	2% of base salary	4%, 5% or 6% of base salary
Private Sector Average[3]	$75.00	$333.00	20.0% of premium	30.0% of premium
State and Local Governments[4]	$85.18	$354.66	11.0% of premium	27.0% of premium

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

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

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

Health Benefits Copayments

Employee Group	Office Visit Copay	Specialist Copay	Rx Copay (Retail)
Harrisburg FOP, Lodge No. 12	$15, $20	$15, $20	$10, $25, $30
Harrisburg IAFF, Local Union No. 428	$15, $20	$15, $20	$7, $20, $25
Harrisburg AFSCME, Local 521	$20	$20	$0, $25, $30
Non-Represented Employees	$20	$20	$0, $25, $30
Private Sector Average[5]	$22	$31	$11, $28, $49
Commonwealth of PA	$15	$25	$10, $18, $36
State and Local Governments	*Data unavailable*	*Data unavailable*	*Data unavailable*

Assessment

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

Absent corrective action, employee compensation will consume a growing portion of the City's limited resources. The chart below shows the projected personnel expenditures for Harrisburg through FY2016. Salaries are projected to grow at 0% each year for non-represented employees. FOP employees will receive increases of 3% per year through 2015, plus an extra 1% increase in base salary for all employees after three years and up to 16 years of service. IAFF employees will receive a 4% increase for 2012 and 3% increases per year from 2013 through 2016, plus an extra 1% increase in base salary for all employees after 3 years and up to 16 years of service. AFSCME employees will receive increases of 3% per year through 2014. These increases are factored into these projections. Fringe benefits are projected to grow at 12.0% per year to reflect the rising cost of health care that has repeatedly outpaced inflation. In all, personnel expenses are anticipated to grow by 15.2% during the projected timeframe.

[5] Kaiser Family Foundation and Health Research & Educational Trust, Employer Health Benefits: 2010 Annual Survey.

Projected Expenditures – Workforce and Collective Bargaining

Category	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Salary & Wages	$27,917,938	$28,338,243	$29,071,140	$29,265,118	$29,464,916	5.5%
Temporary Wages	$165,000	$165,000	$165,000	$165,000	$165,000	0.0%
Overtime	$2,107,611	$2,120,856	$2,134,499	$2,140,743	$2,141,418	1.6%
Severance Pay	$1,195,000	$1,195,000	$1,195,000	$1,195,000	$1,195,000	0.0%
Benefits	$11,780,064	$13,021,272	$14,410,924	$15,732,743	$17,141,439	45.5%
Pension	$1,517,751	$1,517,751	$1,517,751	$1,517,751	$1,517,751	0.0%
Social Security	$580,570	$592,660	$605,409	$611,787	$616,017	6.1%
Workers Compensation	$54,200	$54,200	$54,200	$54,200	$54,200	0.0%
Unemployment Compensation	$244,546	$114,250	$114,250	$114,250	$114,250	(53.3%)
Uniform Expense	$234,800	$262,861	$234,938	$263,028	$235,124	0.1%
Total	**$45,797,479**	**$47,382,092**	**$49,503,110**	**$51,059,619**	**$52,645,115**	**15.0%**

Source: 2012 – 2016 Projected. Includes data from General, Sewer, Sanitation and Water Funds

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

As noted above, it is the intention of the Receiver that the City and the Unions negotiate changes to the existing collective bargaining agreements so that the City does not have a structural deficit. To that end, the parties have the flexibility to modify the following cost containment initiatives provided that the City, the Union and the Receiver reach a complete agreement on all issues and that the modifications provide for a balanced budget. However, to the extent that the City is unable to reach agreement with any of its unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the Receiver that the implementation of the following cost containment provisions and any others throughout this Recovery Plan is mandatory, and that all cost containment provisions must be addressed.

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

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

Initiatives

General

WF01. Renegotiate existing contracts and contract extensions; or in the alternative, declare extensions of collective bargaining agreements void and renegotiate existing contracts

The City shall retain and continue to retain experienced public employment labor counsel to renegotiate all of the existing collective bargaining agreements and extensions. If negotiations do not result in agreements with any or all of the three unions, then counsel shall evaluate whether the City should take legal action to declare the extensions of the FOP, IAFF and AFSCME collective bargaining agreements void ab initio, specifically the First Amendment to the Basic Labor Agreement with the FOP, the First Amendment to the Basic Labor Agreement with the IAFF and the First and Second Amendments to the Basic Labor Agreement with AFSCME.

These amendments unnecessarily extended all three collective bargaining agreements well beyond their already lengthy terms. These unnecessary extensions, entered into by the prior Mayor at the end of his term of office and years prior to the expiration of the agreements, prevent the City from implementing most of the Workforce initiatives in this chapter, as well as many initiatives in other chapters of this Recovery Plan. An initial review indicates that the contracts are either void ab initio or at the very least voidable.

The total financial impact of the renegotiated agreements must be sufficient to provide for a balanced budget and to correct the existing structural deficit. While it may be difficult to accurately project the future impact of certain modifications, it is imperative that changes be implemented to control the greatly increasing costs of health insurance benefits, both for active employees as well as retired employees.

WF02. Use professional assistance for labor negotiations

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

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

WF03. Establish a labor/management committee for all employee groups

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

WF04. Limit new contract enhancements

Unless, and only to the extent that, applicable law requires a change in any of the wages, benefits, terms, provisions or conditions enumerated herein, all new collective bargaining agreements (which phrase shall include but not be limited to new agreements, extensions, amendments, side agreements, memoranda of understanding and settlements) between the City and the unions representing its employees (whether resulting from collective bargaining between the parties or interest arbitration pursuant to Act 111 as applicable or otherwise) covering calendar years 2012 through 2016 and subsequent years (or any portion thereof) **<u>must</u> <u>not</u>** contain, require or provide for any of the following:

a) Any new overtime or premium pay benefits or requirements;
b) Any increase in existing overtime or premium pay benefits or requirements, nor the continuation of existing overtime and premium pay benefits and requirements which are modified by this Recovery Plan;
c) Any increase in pay or benefits associated with new duties, changes in duties, cross training or activities required by this Recovery Plan;
d) Any new benefits or improvements in existing benefits, nor the continuation of existing benefits which are modified by this Recovery Plan;
e) Any new paid or unpaid leave;
f) Any improvements to existing paid or unpaid leaves, nor the continuation of existing paid and unpaid leaves which are modified by this Recovery Plan;
g) Any additional pay for time not worked;
h) Any improvements in existing pay for time not worked, nor the continuation of existing pay for time not worked which is modified by this Recovery Plan;
i) Any new designations that time not worked counts as time worked for the purpose of computing overtime or premium pay or increases in existing designations of same, nor the continuation of designations that time not worked counts as time worked for the purpose of computing overtime or premium pay which are modified by this Plan;
j) Any new benefits for retirees or other inactive employees (e.g., those in layoff or disability status);
k) Any improvements in existing benefits for retirees or other inactive employees, nor the continuation of existing benefits that are modified by this Recovery Plan;
l) Any other term or provision which continues any existing restrictions or which adds any new or additional restrictions on the City's Management Rights;[6]
m) Any provision which impairs or restricts the City's ability to engage qualified contractors to perform services for the City, including services currently provided by bargaining unit personnel;
n) Any provision which impairs or restricts the City's ability to transfer service provision to another entity, including services currently provided by bargaining unit personnel;
o) Any provision which restricts or impairs the City's ability to effect a layoff or other reduction in its workforce, including those that require all part-time employees be laid off regardless of assignment or duties before any reductions in full-time staff can be made;
p) Any provision which expands any arbitrator's authority to grant relief in any arbitration proceeding;
q) Any provision which obligates the City to permit bumping of any employee on the basis of seniority, rather than on the basis of qualifications and performance, except to the extent that preference is

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

accorded to the most senior of those employees having relatively equal qualifications and performance histories;

r) Any provision requiring the City to pay bargaining unit employees to attend any trial, hearing or other legal proceeding, except to the extent that such employee attends any such proceeding at the request of the City[7];
s) Any provision which restricts the City's ability to require an employee to work a "light duty" position within that employee's medical restrictions, and in any department or bargaining unit within the City;
t) Any provision obligating the City to provide "light duty" to any employee who is unable to perform the essential functions of his or her job, with or without reasonable accommodation and without posing a direct threat to the health or safety of the employee or others;
u) Any provision which expands the bargaining unit employees' rights to present grievances to the City or to appeal grievances to arbitration;
v) Any provision which provides any pay or other compensation to any employee for: 1) any exercise by the City of any of the above rights; or 2) the inclusion of any of the above provisions in any collective bargaining agreement; or 3) the implementation of any of the above provisions; or 4) the implementation of any of the initiatives in this Recovery Plan; or
w) Any requirement for the City to provide wages, benefits or other terms of employment to any bargaining unit based on the provisions of such wages, benefits, or other terms of employment to another bargaining unit.

WF05. Ensure future collective bargaining agreements remain compliant with Recovery Plan

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 Recovery Plan.

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

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

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

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

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

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

Cash Compensation

WF06. Implement a three year wage and step freeze

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

WF07. Implement a new pay scale for new police officers

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

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

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

FOP Pay Scale: New Hires

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

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

WF08. Implement a new pay scale for new firefighters

The current pay scale for IAFF employees begins with a relatively high starting salary of $48,509 at Firefighter I. The chart below compares the starting salary for a Harrisburg firefighter with the starting salary for firefighters in five other Pennsylvania cities of the Third Class as of January 1 of the year shown. As with the Harrisburg FOP pay scale, the IAFF pay scale is compressed in that a Firefighter I earns 93.6% of the top D/O step ($52,871).

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

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

IAFF Pay Scale: New Hires

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

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

WF09. Freeze longevity pay and eligibility

Employees who are currently eligible and receiving such pay shall have their longevity payment frozen at the current rate for the duration of this Recovery Plan. Longevity pay shall not be provided to employees hired after the date of approval of this Plan or to current employees who do not reach eligibility for the payment before the expiration of their collective bargaining agreement.

WF10. Reduce paid holidays and personal leave to 10 days annually

All current and future employees shall be limited to ten holidays annually, including personal days. Each holiday shall be paid at the employee's regular base hourly rate of pay for the number of hours usually worked by that employee on his or her regular work shift or by the average hours usually worked by that employee on his or her regular work shifts.

Overtime

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

WF11. Adjust overtime eligibility thresholds to reflect hours actually worked and limited paid leave

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

WF12. Adjust minimum overtime provisions

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

WF13. Reduce vacation leave

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

Years of Service Completed	Non-Uniform	Police	Fire[8]
After 1 year of continuous full-time employment	60 or 64 hours	80 hours	140 hours
After 5 years of continuous full-time employment	120 hours	120 hours	140 hours
After 10 years of continuous full-time employment	120 hours	120 hours	140 hours

[8] Fire vacation at 10 hours per day, currently at 12 hours per day

Years of Service Completed	Non-Uniform	Police	Fire[8]
After 15 years of continuous full-time employment	160 hours	160 hours	160 hours

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

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

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

WF14. Reduce sick leave allotments

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

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

WF15. Implement a court-related overtime reduction strategy

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

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

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

WF16. Redesign employee health care

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

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

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

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

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

- Increased copays for primary physician, specialist, and emergency room visits;
- Increased deductibles and out-of-pocket maximums;
- Increased coinsurance;

- Increase prescription copays;
- Eliminate waiver bonuses for employees who waive receipt of City's benefits;
- Mandate use of automatic mail order (home delivery for maintenance prescriptions, with opt-out); and
- Eliminate reimbursement for Medicare Part B coverage for retired employees and their spouses who are Medicare-eligible.

Further, the City shall explore other providers of health insurance, prescription, dental and vision benefits. The City shall also explore health insurance through PEBTF.

WF17. Contain post-retirement healthcare cost

The City of Harrisburg provides post-retirement health benefits to all of its employees. It is estimated that the future cost of providing such benefits following current accounting standards is approximately $184 million. In FY2011, the City estimated that it paid over $4 million for retiree health insurance benefits. The City pays 100% of the cost for retired firefighters and police employees. For AFSCME retirees, the City pays 100% of the cost of health insurance for employees retiring after June 1, 2007, age 60 and twenty years of service, and 60% of the cost of health insurance for employees retiring after January 1, 2002, with twenty years of service or at least fifteen years of service and age 65. This coverage does not include prescription drug, dental or vision coverage. For non-represented employees, the City pays 100% of the costs for health care and prescription for employees retiring after August 5, 2002. Management employees hired on or after February 1, 2008 receive 100% of the health insurance in effect at the time of their retirement. This coverage does not include the spouse, and does not include vision, dental, or prescription drug coverage.

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

- The City shall no longer provide retiree healthcare to employees hired following the date of approval of this Recovery Plan.
- For all employees retiring after the date of approval of this Plan, the retiree may be enrolled in the same basic health plan as provided to the City's then current employees. The City shall pay for a portion of the cost of the retired employee only. The portion paid by the City shall be equal to the amount which the City pays for single employee coverage for the City's then current employees. The retired employee shall pay the balance of the cost of coverage. Costs of coverage shall be determined using the COBRA rates established by the third party administrator. There shall be no duplication of health care coverage, that is, a retiree who is eligible to participate in another health plan (for example, through other employment, through a spouse or through Medicare) shall not be eligible to participate in the City's plan.
- The City shall maintain the level of benefits provided to existing retirees but shall retain the right to change the provider. The healthcare, pension or other benefits currently provided to existing retirees and vested employees shall not be increased.

The City shall establish a trust or other vehicle suitable for governmental entities and shall begin funding this liability beginning January 1, 2013.

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

Workers' Compensation

WF18. Enhance light duty program

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

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

WF19. Retain flexibility to fill vacant positions after six months

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

Other Initiatives

There are initiatives located in other sections of this Plan that may require changes to the City's collective bargaining agreements. Although those initiatives are discussed elsewhere, it is the express intention of the Receiver that the implementation of these initiatives is mandatory, and that all necessary amendments be made to the labor agreements between the City and any of its bargaining units.

5. Retirement Benefits

Assessment

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

City of Harrisburg Retirement Benefits Plans

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

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

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

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

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

- Act 147 – Special Ad Hoc Municipal Police And Firefighter Post Retirement Adjustment Act;
- Act 317 – The Third Class City Code, Act of June 23, 1931, as amended;
- Act 362 – The Third Class City Code, Act of May 23, 1945;
- Act 399 – Optional Third Class City Charter Law; and
- Act 600 - The Municipal Police Pension Law as amended by Act 30 and Act 51.

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

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

- The Police Plan – The Police Plan had an unfunded actuarial accrued liability of $1,992,366 because the plan's actuarial accrued liability ($65,951,752) exceeded the plan's actuarial value of assets ($63,959,386) by this amount. This required an MMO of $285,274. The Police Plan's actuarial value of assets ($63,959,386) exceeded the plan's market value of assets ($49,199,527) by $14,759,859.
- The Firefighters' Plan – The Firefighters' Plan did not have an unfunded actuarial accrued liability. In fact, the plan's actuarial value of assets ($65,332,550) exceeded the plan's actuarial accrued liability ($53,322,794) by $12,009,756. This means that an MMO was not required. The actuarial value of assets and market value of assets were identical ($65,332,550).
- The Non-Uniformed Plan – The Non-Uniformed Plan did not have an unfunded actuarial accrued liability. In fact, the plan's actuarial value of assets ($72,842,581) exceeded the plan's actuarial accrued liability ($53,764,888) by $19,077,693. This means that an MMO was not required. The actuarial value of assets and the market value of assets were identical ($72,842,581).

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

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

- The Firefighters' Plan - In all significant respects, the Firefighters' Plan is administered in compliance with applicable state laws, regulations, contracts, administrative procedures and local ordinances and policies.
- The Non-Uniformed Plan - The City provided incorrect data to the Commonwealth pursuant to Form AG 385, which resulted in an overpayment of state aid in the amount of $22,302. The City agreed to remedy this failure by returning the overpayment, plus lost earnings, to the Commonwealth.

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

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

City of Harrisburg Retirement Benefits Summary

	Police	Fire	Non-Uniformed[9]
Pension Eligibility – Full Retirement	Age 50 with 20 years of service (YOS)	Age 50 with 20 YOS	Age 65
Benefit Formula	50% of final average salary (minimum of $4,000/year)	50% of final average salary	2.00% of final average salary times YOS (capped at 75% of final average salary)
Service Increments	52.50% at 21 YOS 55.00% at 22 YOS 57.50% at 23 YOS 60.00% at 24 YOS 62.50% at 25 YOS (capped at 62.50%)[10]	Additional 1.25% of final average salary per YOS (e.g., 51.25% at 21 YOS and 52.5% at 22 YOS) - no cap	None
Final Average Salary	The greater of (i) annualized basic compensation rate including longevity or (ii) average of basic compensation received including longevity for last 5 years	The greater of (i) annualized basic compensation rate, including longevity, rank differential pay, incentive pay and premium pay or (ii) highest average during 5 consecutive YOS of the 10 YOS prior to retirement	Average compensation, including longevity, overtime and shift differential payments earned during any 3 consecutive YOS
Early Retirement (Vesting)	20 YOS - eligible to begin receiving at Age 50 with no reduction	10 YOS – eligible to begin receiving at age 50 with no reduction	Age 55 with 10 YOS with actuarial reduction for each month prior to age 65
Contributions	5.0% of eligible compensation	5.0% of eligible compensation	5.0% of eligible compensation

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

[10] In October 2006, the Mayor and the bargaining representative for the Police agreed to enhance service increments, effective January 2, 2007, by providing 65% of final average salary at 26 years of service and 70% of final average salary at 27 years of service. The Police Plan ordinances that were provided by the City prior to the preparation of this analysis did not include amendments to incorporate these enhanced service increments. See Initiative RET05 for a recommendation with respect to the 2007 enhanced service increments. Further, in the fall of 2008 the Mayor and the bargaining representative for the Police agreed to further enhance the service increments under the Police Plan, effective January 2, 2009, according to the following schedule: 55% at 21 YOS; 59% at 22 YOS; 63% at 23 YOS; 67% at 24 YOS; 72% at 25 YOS; 76% at 26 YOS; and 80% at 27 YOS. The Police Plan ordinances that were provided by the City prior to the preparation of this analysis did not include amendments to incorporate the 2009 enhanced service increments. City Council explicitly refused to ratify the 2009 enhanced service increments and, therefore, the Police Plan was not amended to include the enhanced service increments. The bargaining representative for the Police brought a lawsuit against the City to resolve this matter in the Commonwealth Court of Pennsylvania. In an opinion filed November 1, 2011, the Court determined that the 2009 enhanced service increments are not valid since the City Council did not approve such increases. As of the date of this Report, the bargaining representative for the Police has not appealed this ruling. See Initiative RET06 for a recommendation with respect to the 2009 enhanced service increments.

	Police	Fire	Non-Uniformed[9]
	plus $1 per month	plus $1 per month	
Disability	50% of final average salary offset by workers' compensation benefits received if injured in line of duty Full retirement if 20 YOS, even if not aged 50 50% of final average salary if 4 YOS or more	Full retirement if 20 YOS, even if not aged 50 50% of final average salary if 4 YOS or more All payments offset by workers' compensation	50% of final average salary offset by workers' compensation benefits received if injured in line of duty Grandfathered provisions for former Plan B members – 30% of final average salary if 10 YOS
Death Benefits	If dies while employed in Bureau of Police or after payments begin, 50% pension to spouse or children If dies after termination of employment but prior to payments beginning, (i) lump-sum present value if age 50 or more or (ii) payment of accumulated contributions if under age 50	If dies while employed in Bureau of Fire or after payments begin, 100% pension to spouse or children If dies after termination of employment but prior to payments beginning, (i) lump-sum present value if age 50 or more or (ii) payment of accumulated contributions if under age 50	If dies in line of duty, 50% pension to spouse If dies while employed, estate is entitled to receive full value of retirement benefit even if not married If dies after termination of employment or before eligibility for other benefit, payment of accumulated contributions
Purchasing Years	Can purchase YOS for intervening military service (only member contribution) Can purchase up to 5 years of non-intervening military service after 5 YOS (member and City contribution) Can repurchase YOS after a return to employment if withdrew accumulated contributions	Can purchase YOS for intervening military service (only member contribution) Can purchase up to 5 years of non-intervening military service after 5 YOS (member and City contribution) Can repurchase YOS after a return to employment if withdrew accumulated contributions	Can purchase YOS for intervening military service (only member contribution) Can purchase up to 5 years of non-intervening military service after 5 YOS (member and City contribution) Can repurchase YOS after a return to employment if withdrew accumulated contributions
DROP	None	None	None
Involuntary Termination	No provisions	No provisions	No provisions
Automatic Increases	No automatic increases	An annual increase equal to ½ of the percent increases in salaries of active firefighters (capped at 10% in total)	No automatic increases

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

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

Initiatives

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

RET01. Prospectively reduce the level of benefits

Target outcome:	Cost reduction
Financial impact:	Not available; will require actuarial study to make a determination
Responsible party:	City Council and City Solicitor

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

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

If the City does not replace the pension plans with Code Section 457 plans, then all of the recommended cost reductions for the existing pension plans should be implemented, not just the cap on service increments. In addition to the 60% service increment cap on the Police and Firefighters' Pension Plans, this includes eliminating automatic increases under the Firefighters' Plan, reducing the surviving spouse pension under the Firefighters' Plan, reducing the cap on benefits under the Non-Uniformed Plan to 60% and revising the definition of compensation under the Non-Uniformed Plan.

Police Plan – Prospectively cap service increments at 60%: The Police Plan ordinances provided by the City prior to the preparation of this analysis cap service increments at 62.5% of final average salary, while proposed enhancements have the potential to increase such service increments to 70% of final average salary (negotiated in 2006 to be effective in 2007) or even 80% of final average salary (negotiated in 2008 to be effective in 2009). A cap of 60% of final average salary shall be implemented for all future service.

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

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

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

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

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

RET02. Freeze benefit levels for all plans

Target outcome:	Cost containment
Financial impact:	Not available; will require actuarial study to make a determination
Responsible party:	City Solicitor

The City shall not consider any further pension benefit enhancements in the collective bargaining process or otherwise. For this purpose, enhancements include, but are not limited to: increases in the benefit formula, enhancements to service increments, reductions in the percentage of compensation that members must contribute, changes to the definition of compensation that expand the sources of compensation, implementation of DROP, implementation of increases for retirees, or adding the ability to purchase years of service. Any potential increases in the salary base used for pension benefit calculations, including base pay, wages, longevity pay and other automatic, seniority-based pay increases shall be reviewed and applied to the applicable provisions in the retirement plan in order to determine their true cost.

RET03. Consolidate administration of the City's three retirement plans

Target outcome:	Cost reduction
Financial impact:	Not available; will require benefit study to make a determination
Responsible party:	City Solicitor

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

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

RET04. Seek IRS determination letter for Police Plan

Target outcome:	Minimize disqualification and sanction risk to Police Plan
Financial impact:	Not available; impossible to project cost savings as disqualification expense is negotiated with IRS
Responsible party:	City Solicitor

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

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

RET05. Determine status of 2007 enhanced service increments and prevent implementation of such enhancements, if applicable

Target outcome:	Cost containment
Financial impact:	Not available
Responsible party:	City Solicitor

Since the primary Police Plan ordinance was adopted by Ordinance 5 of 2001, an amendment to the collective bargaining agreement (signed October 20, 2006 and effective January 2, 2007) added two additional tiers to the Police Plan's service increment: 65% of final average salary at 26 years of service and 70% of final average salary at 27 years of service. Based upon Police Plan ordinances provided by the City prior to the preparation of this analysis, Chapter 2-207 of the Codified Ordinances (specifically, Section 2-707.16) has not been amended by City Council to reflect this enhancement for service increments.

If the Police Plan ordinance has, in fact, not been amended by the City Council to reflect the 2007 enhanced service increments, the City shall not amend the Police Plan ordinances to reflect the 2007 enhanced service increments and the Police Plan shall not be operated in accordance with such enhanced service increments. Recent case law from the Commonwealth Court with respect to 2009 enhanced service increments (see discussion at RET06) support this position. The Police Plan ordinances shall be amended only if the results of the actuarial cost study required under Act 205, evidence of which was not submitted by the City, indicate that such service enhancements have zero impact on the City's projected MMOs. If any payments were made to participants in violation of the terms of the Codified Ordinances, then the City shall recoup such overpayments, with interest, to make the Police Plan whole. In the event that an affected participant fails to return such overpayments, the City shall actuarially reduce the stream of future payments to such participants by an amount to make the Police Plan whole.

If the Police Plan ordinance was amended by City Council, evidence of such amendment shall be promptly provided to the Receiver but the City shall take action to prospectively cap service increments at 60% of final average salary, as discussed more fully in RET01.

If an actuarial cost study was not completed for the 2007 enhancements, a direct violation of Act 205 has occurred and it could jeopardize the effectiveness of the collective bargaining amendment as well as the state aid provided under Act 205 if discovered during the next audit of the plan by the Auditor General. The applicable provisions of the Third Class City Code (which are applicable to a city that has adopted an optional Third Class city charter) provide that normal retirement benefits cannot exceed 50% of final average salary except if a plan provided a normal retirement benefit in excess of 50% of final average salary prior to June 19, 2002. There is a difference of opinion among benefit practitioners as to the effect of this limitation in the Third Class City Code for plans that exceeded 50% of final average salary prior to June 19, 2002. The Receiver interprets this provision as not giving the municipality the discretion to further increase the benefit above the benefit percentage that existed as of June 19, 2002. However, the Receiver understands that several municipalities have taken the position that the municipality can continue to increase the percentage, in its discretion, subject to Act 205's funding study requirements described above. The Auditor General has inconsistently applied this provision in audits.

RET06. Aggressively defend an appeal, if applicable, regarding the 2009 enhanced service increments

Target outcome: Cost containment

Financial impact: Not available

Responsible party: City Solicitor

One amendment to the collective bargaining agreement (signed by the Mayor and the bargaining unit in November 2008 and effective January 2, 2009) greatly expanded the cap on pension benefits under the Police Plan to be as follows:

55% at 21 years of service
59% at 22 years of service
63% at 23 years of service
67% at 24 years of service
72% at 25 years of service
76% at 26 years of service
80% at 27 years of service

The City Council did not adopt an amendment to the Police Plan ordinances to reflect 2009 enhanced service increments. The bargaining representative for the Police charged that failure to implement the enhanced service increments was an unfair labor practice but the Pennsylvania Labor Relations Board dismissed such charges. The bargaining representative for the Police then brought suit in the Commonwealth Court of Pennsylvania to overturn the PLRB order. In an opinion filed November 1, 2011, the Commonwealth Court determined that the 2009 enhanced service increments are not valid since the City Council did not approve such increases. As of the date of this Plan, the bargaining representative for the Police has appealed this ruling. The City shall aggressively defend such appeal to prevent the 2009 enhanced service increments from being implemented.

RET07. Update PMRS Agreement to reflect recent changes in the Firefighters' Plan

Target outcome: Ensure compliance and consistency

Financial impact: Not available

Responsible party: City Solicitor

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

RET08. Resolve discrepancies between the Non-Uniformed Plan and the Non-Uniformed PMRS Agreement

Target outcome:	Ensure compliance and consistency
Financial impact:	Not available
Responsible party:	City Solicitor

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

RET09. Amend Non-Uniformed collective bargaining agreement

Target outcome:	Ensure compliance and consistency
Financial impact:	Not available
Responsible party:	City Solicitor

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

RET10. Establish Other Post Employment Benefits (OPEB) Trust

Target outcome:	Begin to address OPEB liabilities
Financial impact:	Not available
Responsible party:	City Solicitor

The City shall establish an OPEB trust to begin to address the City's OPEB liabilities.

6. Insurance and Risk Management

Assessment

Brokerage Responsibility
Having eliminated the Risk Management Department in 2006, the City currently utilizes the services of two (2) insurance intermediaries or brokers for both consultative and brokerage services:

- Marsh USA, Inc. ("Marsh")
  Two Logan Square
  Philadelphia, PA 19103
- American Insurance Administrators, Inc. ("AIA")
  4550 Lena Drive
  Mechanicsburg, PA 17055

While Marsh is responsible for the placement and management of the majority of the City's insurance program, there were four (4) contracts that are were not included within the RFP, such as the Excess Workers' Compensation policy, the Flood Policies that were issued through the National Flood Insurance Program, the Fiduciary Liability policy issued for the Police Pension Fund and the Employee Dishonesty Bond issued for the aforementioned pension fund in compliance with Employee Retirement Income Security Act (ERISA) requirements. It is our understanding from speaking with the City's former consultant that the City made a conscious decision to allow AIA to continue to manage these contracts as opposed to transferring all contracts to Marsh.

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

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

Appointed broker(s) must operate under an executed Brokerage Engagement Letter that clearly sets forth roles and responsibilities, service level expectations, termination criteria, indemnity requirements and others. The City has executed an Engagement Letter (Letter) with Marsh, effective October 1, 2011 for a one year term. There is no Engagement Letter in place between the City and AIA.

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

In Section 2 – Compensation of the March Letter, Marsh receives commission income on all lines of coverage placed on the City's behalf. When questioned about the commission rates being received on the lines of coverage they place on the City's behalf, Marsh had agreed to a reduced commission rate in which they reduced their commission by 5% in exchange for more favorable terms to be provided to the City for the coverage period 10/1/10 - 10/1/11. For the renewal term 10/1/11 -10/1/12 Marsh has reverted back to standard commission rates which range from 15%-20% of the gross premium. The following table is an accounting of Marsh's compensation based on their representation as to the commission rate applicable to each line of coverage:

Line	*Premium* October 1, 2011 – 2012	*Commission* Percentage	Brokerage Compensation
Commercial Property	$222,437	17%	$37,814
Boiler & Machinery	$12,451	17%	$2,117
Cyber Liability	$16,000	17.5%	$2,800
Artifacts	$17,858	15%	$2,679
Crime	$5,134	20%	$1,027
General Liability	$666,500	15%	$99,975
Public Officials Liability	Inc.	15%	Inc.
Law Enforcement Activities	Inc.	15%	Inc.
Employee Benefits Legal Liability	Inc.	15%	Inc.
Automobile Liability	Inc.	15%	Inc.
Excess Liability	Inc.	15%	Inc.
Totals:	**$940,380**		**$146,412**[11]

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

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

[11] Subject to the City's approval, should the City request Marsh to provide Flood Zone Determinations, Marsh has the right as per the terms of the Letter to charge an additional fee of $8.75 per Determination.

Insurance Program

In reviewing the in-force Insurance Program we see that the composition and cost of the portion of the Program whose term is 10/1/11 – 10/1/12 and managed by Marsh is as follows:

Line	Insurer	Limit	Retention	Premium
Commercial Property	Great American	$231,407,883	$25,000	$222,437
Boiler & Machinery	Chubb	$100,000,000	$25,000	$12,451
Cyber Liability	Beazley	$1,000,000	$50,000	$16,000
Artifacts	Ace	$25,000,000	$1,000	$17,858
Crime	Chartis	$1,000,000	$25,000	$5,134
General Liability	Brit Insurance	$5,850,000	$150,000	$666,500
Auto Liability	Brit Insurance	$5,850,000	$150,000	Inc.
Public Officials Misc. Liability	Brit Insurance	$5,850,000	$150,000	Inc.
E&O Liability	Brit Insurance	$5,850,000	$150,000	Inc.
Employment Practices Liability	Brit Insurance	$5,850,000	$150,000	Inc.
Sexual Harassment	Brit Insurance	$5,850,000	$150,000	Inc.
Sexual Abuse	Brit Insurance	$5,850,000	$150,000	Inc.
Employee Benefits Liability	Brit Insurance	$5,850,000		Inc.
Law Enforcement Liability	Brit Insurance	$5,850,000	$150,000	Inc.
Aggregate Annual Insurance Premium Expense				**$940,380 Excl. TRIA**

In interviews with members of the Marsh service team, it was indicated that Travelers, who had been providing the City with its insurance needs for several years, chose not to renew their program due primarily to the City's financial condition. March was successful in having Brit Insurance, a London insurer, agree to provide a renewal offering. Perhaps the most significant change can be found in the Casualty component of the program where a $150,000 self-insured retention is now applicable in connection with general liability, public officials liability, law enforcement liability and employee benefit errors and omissions claims. There is also a self-insured retention of $100,000 applicable to physical damage losses in connection with the City's fleet of vehicles and a $100,000 self-insured retention applicable to Garage Keepers Legal Liability as it relates to Third Party Property Damage Claims arising out of the City's public parking garages/lots. Despite the applicability of a self-insured retention, the renewal premium increased by $184,324 or 20.9%. As losses within the retention have been projected to be $350,000 along with projected claims handling expenses of $50,000, the aggregate increase over expiring is $584,324 or 66.24%.

The composition and cost of the portion of the Program managed by AIA is as follows:

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

Workers' Compensation and Employer's Liability
Details of the City's Worker's Compensation program are as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- **Firefighters:** According to staff, their collective bargaining agreement (CBA) requires that five positions in the department must be used for Light Duty assignments for injured firefighters who are medically able to assume Light Duty assignments. Further, the CBA does not permit injured firefighters to be assigned to a Light Duty position anywhere else within City government, hence injured firefighters can only be employed within the Fire Bureau. When asked what would happen if the five positions were occupied and additional firefighters were injured and eligible for Light Duty, staff indicated that in all likelihood the newly injured workers would not return to work, as the CBA only requires five positions to be used for Light Duty assignments. While the Department has agreed to Light Duty assignments, it is recommended that a specific number of agreed upon positions should be eliminated. Further, if the Fire Department does not have a light duty position that can accommodate an injured firefighter, then as an employee of the City, the firefighter should be permitted to be assigned anywhere else in City government where a need exists that takes into account the injured firefighter's medical limitations.
- **Police:** According to staff, the CBA does not make any reference to the participation in a Light Duty program. The support and cooperation given by the Police Bureau to place disabled police officers in Light Duty positions is positive and the Police Chief is to be commended for his tenacious support of Light Duty assignments. In 2009, the Police Bureau incurred approximately $200,000 annually in Injured on Duty costs. By bringing back injured police officers and placing them in open Light Duty positions, in 2010 the annual cost was reduced to $110,000.
- **Non-Uniform or AFSCME Workers:** A Light Duty program is practiced with success as it relates to non-uniform employees of City government. The City aggressively employs such a program.

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

- Insurer: Britt Insurance
- A.M. Best Rating: A (X)
- Limit: $5,850,000
- Retention (Liability): $150,000
- Deductible (Phys. Damage) $100,000

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

Physical Damage Subrogation
A $100,000 deductible is applicable to all physical damage losses to a City vehicle. Where a City vehicle is damaged and the repair costs are less than the deductible, the City, through its Purchasing Department, pursues recovery against the responsible third party or their insurer. If the City elects to self-insure its physical damage exposure, this is one area that will need to be aggressively managed in terms of fairly and accurately appraising the cost of repairs to a damaged vehicle and the need to pursue subrogation against the responsible third party or their insurer.

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

> (1) An "Underinsured Motorist Clause" provides coverage to a party for property damage and bodily injury caused by another motorist whose coverage is insufficient to cover the damages that they caused. The clause allows the policy to compensate the injured party for the difference between the injury suffered and the liability covered by the insurance of the driver at fault.
> (2) An "Uninsured Motorist Clause" provides for a driver to receive damages for any injury they receive from an uninsured, negligent driver.

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

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

- Insurer: Great American
- A.M. Best Rating: A (XII)
- Limit: $231,407,883
- Deductible: $25,000

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

Umbrella Excess Liability

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

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

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

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

Initiatives

IRM01. Fund Risk Management Services

Target outcome:	Improved risk management
Financial impact:	Not available
Responsible party:	Chief of Staff/Business Administrator and Director of Financial Management

The City shall employ a full time Risk Manager or contract for these services. A full time Risk Manager will not only assume all of the current consultant's responsibilities, but will be responsible for all claim reporting, management and implementation of a City-wide Safety Program. With the implementation of a proactive Safety Program, the added cost to fund a full time Risk Manager position will more than be offset by the benefits associated with a proactive safety program and proactive claims management. If the hiring of a full time Risk Manager is not financially viable at this time, then it is recommended that the City solicit competing offers for the services the consultant currently provides.

IRM02. Revise terms of brokerage service agreement

Target outcome:	Cost reduction
Financial impact:	Not available
Responsible party:	Director of Financial Management

Six months in advance of next year's renewal, the City should move away from the traditional commission methodology of brokerage compensation and establish a negotiated fee for service, resulting in all paid premiums at renewal being net of commission.

A formal RFP process shall be undertaken for brokerage services, with the goal being to consolidate all insurance placement with one (1) qualified brokerage firm. Firms that are well known in the government sector should be invited to present their qualifications, experience and proposed service offering. Further, brokerage compensation shall be based on a negotiated fee; all participating brokers should be informed that premiums must be net of commission and that they are to set forth their fee expectations for the 2012-2013, 2013-2014 and 2014-2015 terms. The reason for a three-year term is that any broker assuming an account will typically invest significant time getting to know the account in the first year. A multi-year relationship allows the participating brokers to set their fee requirements at levels that may be less than the aggregate $179,445 that is being paid today to the two (2) incumbent brokers if they were to be transitioned to a negotiated fee.

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

IRM03. Engage an actuarial firm to perform an independent and objective evaluation of the City's ultimate liability and projected payments for the forthcoming fiscal period using the City's own loss experience as opposed to industry data

Target outcome:	Improved accountability
Five year financial impact:	Not available
Responsible party:	Director of Financial Management

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

IRM04. Revise collective bargaining agreements to allow for flexible Light Duty Program

Target outcome:	Cost reduction
Five year financial impact:	Not available
Responsible party:	Director of Financial Management and City Solicitor

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

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

In the event an AFSCME worker is collecting Workers' Compensation benefits, his/her position must remain open for 18 months at which time if the employee is not able to return to work, the position can be filled.

Keeping a position open this long has an impact on City services, overtime and incurs costs associated with pension accruals and employee benefit costs that continue to be provided to the injured employee at the City's expense. The City must have the right to fill the injured employee's position and, if necessary, terminate employment.

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

IRM05. Create a Safety Program to manage risk of vehicle liabilities

Target outcome:	Cost and risk reduction
Five year financial impact:	Not available
Responsible party:	Director of Financial Management

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

IRM06. Conduct a cost-benefit analysis to determine adequate Umbrella Excess Liability coverage

Target outcome:	Cost and risk reduction
Five year financial impact:	Not available
Responsible party:	Director of Financial Management

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

7. Elected Officials

Assessment

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

Currently, the Chief of Staff/Business Administrator position is vacant; it has not been consistently staffed since December 2009. The Mayor is currently recruiting for the Chief of Staff/Business Administrator position, which will play an important role in the implementation of this Plan. A Chief of Staff/Business Administrator will be critical in providing management and oversight of all City departments and developing a work plan for accomplishing key organizational and financial goals that will return the City to fiscal sustainability.

Leadership from the Mayor will also be an important to implementing this Recovery Plan. It will be critical that the Mayor and Administration work closely and collaboratively with the Receiver, City Council, City Controller and City Treasurer to monitor revenues, expenses and the progress toward implementing the Plan initiatives.

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 sessions are 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; Parks and Recreation; Public Safety; and Public Works.

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

Office of the Controller
The City Controller, who was elected in 2009 and took office in 2010, provides a number of reports to the Mayor, City Council and Treasurer on the City's financial condition, including monthly reports. The monthly financial reports are also accessible to the public on the City Controller's website, which is helpful in ensuring transparency of the City's financial condition.

Office of the City Treasurer
The City Treasurer was elected in 2011 and took office in 2012. The Deputy Treasurer provides a daily Treasurer's Report to the Bureau of Financial Management noting all receipts. The daily Treasurer's Report aids the Bureau of Financial Management in monitoring the City's cash flow; the data is entered into the Pentamation system. Another responsibility of the Treasurer is to make investments on behalf of the City. However, because of the low cash flow balance, there have been few investment opportunities except money market type options to retain liquidity.

Initiatives

EL01. Increase communication and collaboration among Mayor, City Council, City Controller, City Treasurer and Department of Administration

Target outcome: Improved efficiency and improved accountability

Financial impact: Not available

Responsible party: All Elected Officials

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

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

EL02. Review progress on financial Recovery Plan implementation monthly and quarterly

Target outcome: Improved financial sustainability and accountability

Financial impact: Not available

Responsible party: Mayor and Council President

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

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

EL03. Amend and pass City ordinances, fees and taxes as outlined in this Recovery Plan

Target outcome: Improved financial stability

Financial impact: Not available

Responsible party: City Council

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

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

8. Intergovernmental Relations

Assessment

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

The City has engaged in collaborative work with a variety of intergovernmental agencies, including, but not limited to, the Harrisburg School District, Dauphin County, and the Capital Region Council of Governments. However, it is imperative that the City expand these efforts as one component of its financial recovery process.

Initiatives

IGR01. Identify and implement intergovernmental cooperative initiatives

Target outcome:	Improved cooperation and cost reduction
Financial impact:	Not available
Responsible party:	Mayor and City Council

With the assistance of the Receiver, the Mayor and City Council shall convene a group of leaders from the City, Dauphin County, the Harrisburg School District and any other appropriate governmental entities to discuss possible collaborative intergovernmental initiatives aimed at conserving funds and/or improving current services. These initiatives may address topics including, but not limited to: tax collection; fleet maintenance; purchasing; facilities maintenance; public safety; 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.

9. Department of Administration

Assessment

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

The Department of Administration performs many critical internal operations, which include financial management responsibilities that are shared with the Offices of the City Treasurer and the City Controller.

Internal Control and Management Capacity
In general, there is a need for more formal internal control throughout the Department of Administration and the City as a whole, both in terms of financial management as well as management of staff through consistent, effective supervision. Implementing greater internal control should not just be about checking items off a standard approval checklist, but rather it should be about cultivating an overall culture of accountability in day-to-day operations throughout the organization. Internal control is also about clearly communicating individual responsibilities and expectations to staff. The Chief of Staff/Business Administrator and bureau directors must hold staff members accountable for meeting stated expectations and must also motivate people to meet them. Internal control is a cornerstone of the City's overall financial management system. It is both reactive and proactive - reactive in the sense that internal control involves monitoring operations and taking action to correct problems - proactive in the sense that establishing controls and setting expectations that those controls are to be consistently followed will decrease instances of problematic activities.

The City's most recent comprehensive annual financial audit, completed for FY2008, did not identify any weaknesses in the City's internal controls. However, the City's financial health has significantly changed since 2008.

There is currently no professional accounting support for the Director of Financial Management. This deficiency of professional staff coupled with turnover and/or vacancies in key positions has decreased the Bureau of Financial Management's ability to perform key financial functions, as described below. In times of financial strain, additional capacity in this area is crucial.

The Bureau of Financial Management has recently been unable to perform critical financial management tasks, including the reconciliation of accounts, closing of books and preparation for and completion of comprehensive annual audits. According to staff in the Department of Administration, the City's payroll account, which should be reconciled monthly, has not been reconciled since November 2009. The City's most recent CAFR was completed for FY2008.

Financial Reporting
Routine cash flow monitoring not only ensures the availability of adequate short-term funding, but also provides insight into patterns that impact long-term financial sustainability. At present, the Bureau of Financial Management reviews the City's cash receipts via a daily report generated by the Office of the City Treasurer. Prior to the weekly check runs and bi-weekly payroll processing, funding sheets are prepared by the Office of the City Treasurer to ensure adequate cash balances for the expenditure totals.

While the City's cash is monitored closely at present, there is a need for this monitoring to become more detailed and strategic in the future. In addition to formal cash flow analysis to examine income and outflow of cash in the context of the City's ability to meet its obligations, the Bureau of Financial Management should also undertake routine variance analyses to evaluate budgeted to actual revenue and expenditures.[12] Both analyses, particularly when done on a monthly or quarterly basis, can alert City staff and elected officials to problematic trends or impending shortfalls while allowing time to take corrective action.

Under the Pennsylvania Third Class City Code, Home Rule Charter and Optional Plan Law (Executive-Council Plan A), the Department of Administration is currently required to make an annual financial report of all accounts and trusts in the City's care, which must be accompanied by a concise financial statement. The Department is also required make an annual report of the financial condition of the City within 90 days after the close of the fiscal year signed by the Director of Financial Management and approved by the City Controller. This report is to be filed with DCED. According to staff in the Office of the City Controller, the most recent report filed by the City in accordance with these requirements was the 2008 Municipal Annual Audit and Financial Report. No reports for FY2009 and FY2010 have been completed or filed. This status was also verified with DCED and, based on DCED policy, this reporting delinquency jeopardizes future DCED funding for the City.

Under the Harrisburg City Code, the Department is also required to issue a report to the Mayor, City Council, City Controller and the City Treasurer no later than 45 days after June 30, including actual receipts and expenditures (including encumbrances) of the various budget funds for the preceding six month period ended June 30, as well as projections of all such receipts and expenditures. This report is termed the "Mid-Year Fiscal Report" and is produced annually by the Bureau of Financial Management.

In addition to these required financial reports, the Department of Administration is well-advised to consider producing a quarterly financial report that addresses revenues (e.g., amount collected year-to-date, budget-to-actual, comparisons to prior year and explanations for any projected variances), expenditures (e.g., amount spent year-to-date, budget-to-actual, comparisons to prior year, explanations for any projected variances), staffing (e.g., vacancies and leave usage by department/bureau) and progress on implementation of this Recovery Plan.

Budget Development

The Department of Administration, as part of its codified responsibilities, coordinates the City's annual budget development process. Ideally, this process should include ongoing dialogue between staff in the Bureau of Financial Management and the City's department and bureau directors regarding projected revenue and expenditures.

The process for the development of the City's FY2011 budget occurred in a compressed timeframe that did not allow for such dialogue. In the fall of calendar year 2010, the City's department heads and bureau directors presented their proposed FY2011 budgets to the Acting Director of Financial Management and the Budget Manager. The directors were not asked to incorporate any expenditure reductions into their initial proposals. Once all department proposals were received, the Acting Director of Financial Management and the Budget Manager began developing the Administration's proposed FY2011 budget, which eventually included a 10% reduction across the board, as well as numerous line item reductions. These reductions were made without consulting the City's department heads and bureau managers, primarily because of the compressed timeframe in which the final budget development activities occurred. In the final hours of assembling the Administration's proposed budget, a typographic error was made that resulted in a $4 million shortfall in the final budget plan. The lack of ongoing dialogue with City leadership, the lack of adequate time for budget development and the concentration of budget development responsibility with only two staff members (the Acting Director of Financial Management and the Budget Manager) likely contributed to the difficulties the City experienced in approving the FY2011 budget in a timely fashion.

[12] Government Finance Officers Association (GFOA), "Tactical Financial Management: Cash Flow and Budgetary Variance Analysis."

While the process for the development of the FY2012 was modified, improvement is still warranted. The City's fiscal year officially starts on January 1; however, the budget process itself should be a continuum which involves both the current year budget and the next fiscal year's budget. Changes to the current year's budget are often made in City Council reviews and approvals of budgetary transfers, and the City's Mid-Year Fiscal Report gives elected officials and City staff the opportunity to examine actual revenues and expenditures for the first half of the fiscal year and adjust plans for the latter half of the year as needed.

At the start of the current fiscal year, City staff should already be considering plans for the next fiscal year's budget. The addition of the Pentamation system's budget module in 2010 improved individual City departments' and bureaus' capacity to develop comprehensive forward-looking budget proposals and should be used to its fullest potential. City departments and bureaus should be asked to present proposals that reflect the most conservative expenditures possible as well as the greatest possible maximization of all available revenue. Any cuts to department and bureau budgets should be made in close collaboration between City Administration, the Bureau of Financial Management and the City's department and bureau leadership.

Staffing

A major challenge for the Department of Administration is the current shortage of professional staff in the Bureau of Financial Management. The addition of the Senior Accountant position in the 2012 budget will significantly increase the capacity of this office.

Initiatives

While many recommendations have been made throughout this chapter related to the effective operations of the Department of Administration, the following initiatives reflect those changes that can yield reductions in expenditures or increases in revenue, as well as those that have a significant impact on the efficiency of the Department. The Department's greatest needs are those for adequate staffing, strengthened financial controls and proactive financial management.

ADMIN01. Implement quarterly financial reporting and associated review process

Target outcome:	Improved accountability
Financial impact:	Not available
Responsible party:	Chief of Staff/Business Administrator

The Bureau of Financial Management shall produce quarterly financial reports within 45 days of the end of the quarter for review by City department and bureau managers as well as the City's elected officials. As recommended by the Government Financial Officers Association (GFOA), "a government should undertake a process at least quarterly to ensure the ongoing completeness and accuracy of the financial data it collects. This process should include appropriate reconciliations to identify needed adjustments, as well as financial analysis of interim management reports to identify anomalous or incomplete data that may need to be corrected."[13]

The City shall make budget amendments as needed during the second and third quarter financial report reviews. GFOA recommends, in times of fiscal of distress, that municipalities should "try to avoid formal adjustments unless the budget reduction is large, likely permanent, and/or in an earmarked source of revenue."[14]

[13] Government Finance Officers Association (GFOA) Best Practice, Improving the Timeliness of Financial Reports
[14] Government Finance Officers Association (GFOA), Process for Recovering from Financial Distress

Rather than specific line item review and approval, the City Council shall have accurate and timely data on the City's financial condition - and the opportunity to question and analyze the specifics of that condition - through the established quarterly financial review process. As noted by GFOA, "usually, controls at a very low level of the chart of accounts (e.g., line-item level) will cost more to administer and manage than they will bring in benefits. Instead, consider setting controls for major areas of expenditure like operations and maintenance of assets or salaries. More detailed controls focused on specific problem areas, like overtime, might also be helpful."[15]

The City's quarterly reports, produced by the Bureau of Financial Management, will highlight any variances through the comparison of budgeted to actual totals. The reports will include specific details on budgeted versus filled positions and total salary expenditures in each City department and bureau. The quarterly reports will also show the prior quarters' revenue and expenditure totals as well as year over year comparisons (e.g., first quarter of 2011 as compared with first quarter of 2010). Once completed, the quarterly reports should be reviewed by the Receiver who shall provide comments and recommendations on them to the City's elected officials. If a variation from the adopted plan of greater than 1% has been determined by the Receiver in accordance with GAAP, the Mayor shall provide the Receiver with reports describing the actual or current estimates of revenues and expenditures compared to budgeted revenues and expenditures for such period reflected in its cash flow forecast. Each quarterly report shall indicate any variance between actual or current estimates and budgeted revenues, expenditures or cash for the period along with any correct actions deemed necessary. The report shall also include information on debt service requirements and payments made thereon during the period.

ADMIN02. Develop comprehensive City-wide financial policies

Target outcome:	Improved accountability
Financial impact:	Not available
Responsible party:	Chief of Staff/Business Administrator

With guidance and support from the Receiver, the City shall establish formal financial policies. These policies shall address a number of functional areas that shall include, but are not limited to:

- Operating budget;
- Revenues and expenditures;
- Reserves;
- Capital improvements;
- Grants administration;
- Debt management;
- Investments; and
- Accounting, auditing and financial reporting.

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

- Process for Annual Closing of Books - As discussed previously in the Assessment section of this chapter, the City shall use the 13th month function within Pentamation to keep both the prior and current year's books open. The 13th month shall be used to complete all outstanding transactions in the prior year, while allowing the new year's books to open in late December or the first week of January.

[15] Government Finance Officers Association (GFOA), Process for Recovering from Financial Distress

Once all transactions from the prior year are completed, the 13th month should be closed. This closure should occur no later than 90 days after January 1.

- Cash Flow Management and Monitoring - The City shall undertake routine variance analyses to evaluate budgeted to actual revenue and expenditures, in addition to continuing formal cash flow analyses to examine income and outflow of cash in the context of the City's ability to meet its obligations.
- Fund Balance - The City shall establish a fund balance policy that identifies the appropriate size of unreserved fund balance, the process by which resources are set aside for unreserved fund balance and the methods by which unreserved fund balance resources may be utilized.
- Process for Departmental Budget Charge Backs - The City shall establish a policy to identify internal operations that necessitate departmental charge backs (e.g., the Bureau of Information Technology charging City departments and bureaus for network administration services) and create an internal service fund structure within the chart of accounts in order to document and monitor chargebacks as needed.
- Process for Preparation, Coordination and Response to Comprehensive Annual Financial Audits - The City shall formally establish a policy outlining the necessary preparations for the annual audit, the roles and responsibilities of City staff in coordinating the completion of the annual audit, and the process by which the City will respond to any corrective actions outlined in the external audit upon its completion.

ADMIN03. Implement a standard budget development calendar

Target outcome:	Improved efficiency and accountability
Financial impact:	Not available
Responsible party:	Chief of Staff/Business Administrator

The City's official budget development process shall begin much earlier than the current schedule allows. In the future, the City's overall budget development process shall begin with the Bureau of Financial Management's development of City-wide revenue estimates, analysis of required debt and operating expenses (both contractual and mandated expenditures) and identification of reductions required to develop a balanced budget. Identified targets for revenue and expenditure shall be provided by the Bureau of Financial Management to City departments and bureaus prior to the development of their initial proposals. Department and bureau's initial budget proposals for the next fiscal year shall be submitted to the Bureau of Financial Management no later than late summer/early fall of the current fiscal year. This will allow adequate time for the necessary dialogue described in the Assessment section of this chapter. If multiple reduction scenarios are needed, it is critical to engage City department heads and bureau directors in conversation as early as possible. When final reductions are determined, clear communication outlining the process by which the reductions were made shall be provided in writing so that department and bureau directors, City Administration and all City elected officials understand considerations that were made in developing the proposed budget plan.

Therefore, the City shall adopt and implement the following budget calendar:

- July to August - Bureau of Financial Management develops revenue and expenditure projections using first six months of actuals for current fiscal year; provides projections and budget targets to departments and bureaus
- August to September - Using projections and targets provided, departments and bureaus complete annual budget proposals and submit to Bureau of Financial Management; Bureau of Financial Management and City departments and bureaus review and refine proposals through ongoing, collaborative discussion

- September to October - Administration's Proposed Budget is finalized by the Mayor
- October to November - City Council reviews budget; public hearings held
- November - Budget is adopted

A modified budget development schedule was utilized in the preparation of the Mayor's 2012 Proposed Budget.

The proposed budget document shall be widely available (e.g., posted on the City's website, in hard-copy by request) and shall include: a table of contents; a budget message that articulates priorities and issues for the upcoming year and also explains any significant changes in priorities; an overview of significant budgetary items and trends; an organization chart for the City; a summary of major revenues and expenditures, as well as other financing sources and uses; summaries of expenditures and revenues and other financing sources; projected changes in fund balances for appropriated governmental funds included in the budget; descriptions of major revenue sources; an explanation of the underlying assumptions for revenue estimates; a discussion of significant revenue trends; all budgeted capital expenditures; financial data on current debt obligations; a schedule or summary of personnel or position counts for prior, current and budgeted years; and descriptions of activities, services or functions carried out by organizational units in the City.[16]

ADMIN04. Establish standard position control system

Target outcome:	Improved accountability
Financial impact:	Not available
Responsible party:	Chief of Staff/Business Administrator

At present, the City's position control tracking tool is the FY2012 budget ordinance. The Department of Administration and the Office of the City Controller share responsibility for the position control function. The Office of the City Controller retains the authority to approve pay for only those positions listed in the FY2012 budget.

A comprehensive, City-wide position control system shall be established - one that is part of the City's mainframe system (or any replacement for that system) as well as Pentamation. Position control systems are intended to track approved full and part time positions, funding sources and the amount budgeted for each position in every City department and bureau. An effective position control function ensures that only budgeted and approved positions are filled. Assigning each position, rather than employee, a number and then tracking it allows the City to monitor the history of a position over time.

Position control shall be incorporated into the City's budget documents and financial reporting. The Bureaus of Financial Management and Human Resources shall then implement a City-wide position control review process to evaluate and approve all position changes, including changes in wages and classification.

[16] Government Finance Officers Association (GFOA), Distinguished Budget Presentation Awards Program, Detailed Criteria Location Guide, 2011.

ADMIN05. Conduct comprehensive review of City purchasing policies

Target outcome: Improved accountability

Financial impact: Not available

Responsible party: Chief of Staff/Business Administrator

Purchasing practices within the City are currently governed by the City's Purchasing Manual, which is enforced by the Purchasing and Insurance Claims/Collections Manager as well as the City Controller. While the existence of formal purchasing policies is a positive sign, it is advisable that these policies undergo a comprehensive review in order to identify any areas requiring updates or revisions.

With guidance and support from the Receiver, the City shall conduct a comprehensive review of all City purchasing policies. The review shall include an evaluation of current policies against established GFOA best practices regarding:

- Assignment of authority (duties of all staff associated with purchasing);
- Full and open competition (particularly competitive bidding);
- Ethics (such as prohibitions on gratuities or nepotism);
- Preferences (such as preferences for minority or women owned businesses); and
- Registrations/certifications (such as equal opportunity employer registration).

The review shall also evaluate the appropriateness of cost thresholds currently mandated in the City's purchasing policies, as well as any potential to increase joint purchasing with other governmental organizations.

ADMIN06. Modify existing chart of accounts to track Commonwealth and Federal grant program funds on an individual basis

Target outcome: Improved accountability

Financial impact: Not available

Responsible party: Director of Financial Management

At present, the City's chart of accounts, financial management system (Pentamation) and treasury mainframe application (DREV) do not offer the flexibility to record specific, individual grant revenues and expenditures associated with grants received from the Commonwealth and Federal governments. The City does not utilize individual grant-specific account codes for revenues received or expenditures made against a specific grant. When grant funds are received within the Office of the Treasurer, there is no mechanism for the Office to determine which account the grant revenue should be coded. Therefore, Treasurer's Office staff must contact the Bureau of Financial Management to determine the appropriate accounting code to apply. Additionally, City departments are not required to submit a request prior to making a grant-related expenditure. The Bureau of Financial Management and Office of the Treasurer are not notified of such expenditures until an invoice is submitted. The Grants Manager must maintain a separate spreadsheet to track grant-related expenditures and rely on individual departments to notify the Bureau of Financial Management when expenditures are made. This expenditure monitoring process makes it difficult to properly account for grant funds expended and also complicates reporting required to relevant authorities.

Therefore, the City shall add additional detail to its chart of accounts to allow for individual grant-specific revenue and expenditure monitoring. Unique identifiers shall be assigned to every grant awarded to the City, and those identifiers shall be incorporated into Pentamation and DREV to allow for timely, accurate and specific coding of all grant-related revenues and expenditures.

ADMIN07. Revise job description and increase the salary range for Chief of Staff/Business Administrator position

Target outcome: Improved operations and accountability

Financial impact: $150,000

Responsible party: Mayor and Director of Human Resources

With supervision and direction from the Mayor, the Chief of Staff/Business Administrator shall oversee the internal operations of the City, develop the City's annual operating and capital budgets and coordinate interdepartmental cooperation and communication between all department and bureau management staff.

The cost of this increase will be offset by a Commonwealth grant in the amount of $42,000 in 2012 and 2013, $32,000 in 2014, $22,000 in 2015 and $12,000 in 2016.

Financial Impact

2012	2013	2014	2015	2016	Total
$42,000	$42,000	$32,000	$22,000	$12,000	$150,000

ADMIN08. Eliminate manual data entry processes in the Bureau of Financial Management

Target outcome: Improved efficiency and accountability

Financial impact: Not available

Responsible party: Chief of Staff/Business Administrator

Staff within the Bureau of Financial Management are currently performing manual entry in the Pentamation system, because a link does not currently exist between Pentamation and DREV, the Office of the Treasurer's mainframe application. The daily Treasury report is run from DREV and provided to Bureau of Financial Management staff. The Budget Manager or Accounting Manager then manually enters the data into Pentamation. The Bureau of Information Technology (IT) has developed a script to eliminate this manual procedure, which the Accounting Office is not utilizing. Payroll rates are also manually entered into Pentamation by the Budget Manager every two weeks; a process that staff estimates takes 45 minutes to perform.

These manual data entry processes within the Bureau of Financial Management shall be eliminated. It is unnecessary work, and any manual entry is an opportunity for a mistake. The daily Treasury report provides critical cash balance data and must be accurately and quickly incorporated into Pentamation. Elimination of manual data entry will save time daily and ensure that the number of hand-keyed entries is minimized. The Bureau of Financial Management shall seek assistance from IT staff in implementing the existing script for the daily Treasury report and developing a script for uploading payroll data into Pentamation.

ADMIN09. Hire a Senior Accountant position to the Bureau of Financial Management

Target outcome: Improved financial compliance and accountability

Financial impact: $205,000

Responsible party: Director of Financial Management

The Bureau of Financial Management needs a Certified Professional Accountant (CPA) to help prepare and evaluate critical financial documents, prepare for annual audits, ensure compliance with granting agencies and initiate and update financial policies. This position shall be responsible for the preparation of audit documents, ensuring financial compliance with Federal and Commonwealth grants, instituting and/or updating financial and purchasing policies and performing other key financial management tasks, as appropriate. Adding professional financial management capacity will provide a continuation of the financial operations support services funded by the Commonwealth's EIP grant in 2011.

The cost of this position will be offset by a Commonwealth grant in the amount of $55,000 in 2012 through 2014, $25,000 in 2015, and $15,000 in 2016.

Financial Impact

2012	2013	2014	2015	2016	Total
$55,000	$55,000	$55,000	$25,000	$15,000	$205,000

10. Bureau of Information Technology

Assessment

The City's Bureau of Information Technology (IT) is housed within the Department of Administration. IT is responsible for maintaining and improving technology for the City's users, including all software and mainframe applications, computers and mobile data terminals, phone system and internet and network connectivity. The Bureau supports all City departments and bureaus as well as multiple outside agencies.

The IT Bureau's work is primarily driven by its mainframe applications, user requests and changes needed to these internal systems. In 2010, over 62,000,000 mainframe transactions were recorded. A transaction is any keystroke accessing the mainframe from a terminal by one of the users and includes data entry as well as inquiries.

METRO accounted for over 86% of these transactions. The Police Bureau is IT's largest customer as METRO drives the use of the mainframe system in Harrisburg. METRO is also the most utilized of all the mainframe applications. If the Police Bureau ever moved to a different records management system, the City would need to consider a different platform to deliver business applications. The number of staff needed in IT is primarily driven by the use of the METRO system by both City and non-City users.

Thirty outside agencies also use METRO to some extent, but the Harrisburg Police Bureau remains the heaviest user; one of the other heavy users is Dauphin County. Nine County agencies utilize the system, including Juvenile Probation, the District Attorney's Office, the Criminal Investigations Division, the Sherriff's Office and Adult Probation. Nineteen outside police agencies also access the system, including other township police departments, the Pennsylvania Capitol Police, Constables and Harrisburg School District.

A recent attempt to replace METRO with a new records management system was unsuccessful due to the elimination of funding for the project. With the transfer of Harrisburg's 911 and dispatch functions to the Dauphin County Communications Center, this issue should be raised again. The data in METRO will no longer be part of the dispatch system once the transfer to the County system is implemented. The current plan stated by the Police Bureau is to begin doing manual entry to maintain the historical data. Obviously, adding a manual dual entry process will consume significant Police resources. The City has had discussions with the County to hire a consultant to help automate this manual process, but the $90,000 estimate by a vendor was deemed too costly for the City.

Relying on mainframe applications means that City staff and outside agencies are heavily reliant on IT staff for extracting data from the system and running ad hoc reports. Mainframe systems are text-based and not as user friendly as Windows or web-based systems, but are extremely fast for an experienced user. There is a wealth of historical data and information stored in the mainframe, but it requires significant knowledge of both the data and the application to extract it as needed. Two programmers have been with the City in excess of 15 years, and they have significant knowledge of both the data and the application. IT investigated the use of a web front-end for some of these applications, but decided against purchasing the software due to funding constraints.

The City's network is composed of a Microsoft Active Directory network with a total of 12 servers and a virtual server environment with an additional 18 virtual servers. The City relies on Cisco for network switches with the core switch composed of a Cisco Catalyst 4006, which is beyond its "end-of-life" time span as defined by Cisco. The core switch is what ties the City's network together. The mainframe, network servers and all PCs rely on this core switch to function properly for data access and communications. If it were to fail, none of the systems could function. Fortunately, the core switched was recently replaced with the assistance of grant funds.

The Network Unit currently consists of two staff members. This staffing level impacts the City's ability to provide help desk and network services. Network administration is done by one person who also provides help desk assistance and back up. The City has 122 laptops and 316 PCs. Most of these computers are seven to nine years old, with some greater than 10 years. Optimally, laptops and PCs should be replaced every three years. All of the users of this equipment are supported by the IT help desk. The help desk also fields calls and provides service to 470 City users and 130 external accounts, which include other police agencies, constables and vendors.

Virtually all printing is performed by City staff on personal ink jet printers, and nearly all printers and copiers are not networked. This is not efficient in terms of use of City funding for printers and copiers. There is no requirement that printers or copiers be routed through the IT Bureau prior to purchase, and the IT Bureau has not had funding available to network the existing printers and copiers.

The City's financial system is handled by the server-based SunGard Pentamation application. The IT Bureau does not provide support for this application; it is administered by the Bureau of Financial Management. The IT Bureau's Network Administrator adds users as needed. Currently Pentamation is not linked to DCIT, the Office of the Treasurer's mainframe application. As outlined in the Department of Administration chapter, this non-connectivity requires Financial Management staff to manually enter data daily from the Treasury system into Pentamation. An interface is needed between Pentamation and the mainframe to eliminate manual data entry. This will allow for more effective use of Financial Management staff and reduce the opportunity for human error. An IT best practice is an Enterprise Resource Planning (ERP) solution, which would eliminate the need for the mainframe by integrating all data and information throughout the organization into one system. However, this option may be cost prohibitive, given the City's current and expected financial and staffing constraints.

The IT Bureau was recently given responsibility for the telephone system, and there is no maintenance contract for it. Some of the equipment in the City's telephone system is more than 20 years old. Some bureaus that are located outside of downtown Harrisburg have their own phone system for their remote sites. Replacement parts for the main system are becoming scarce. Users are also experiencing operational challenges with the old system. For example, some police officers and field staff in operational departments do not have voice mail. This inhibits the ability for residents to contact them directly. Other departments and bureaus expressed a desire for a phone system with newer equipment, less down time and reliable voice mail.

As evidenced by the issues raised above, the City has had limited funds to maintain and expand its IT infrastructure. However, cities that do not invest in technology fall significantly behind and limit their ability to improve services, manual processes and stay current with the needs and expectations of their users and citizens.

Initiatives

The City's IT infrastructure is antiquated and some of its key components are beyond their lifecycle. Replacement for some critical network components must be replaced to avoid the significant risk of prolonged system-wide outages. Given the City's current fiscal situation, the immediate, short-term strategy for IT is to replace mission critical end-of-life equipment with minimal investments and to work with Dauphin County to purchase equipment and cost effectively contract with them for services. A longer term strategy is outlined in the last initiative of this chapter which addresses a more holistic view of critical hardware, software and network capacity.

IT01. Replace mission critical IT components

Target outcome:	Improved system reliability
Financial impact:	Not available
Responsible party:	Director of Information Technology

The City's core switch is the critical infrastructure that allows all of the City's computing operations to function, including critical applications (tax administration, utility billing, METRO police system, personnel and payroll), PCs, servers and all other network devices. The core switch and a portion of ancillary Cisco switches were out of date and no longer supported by Cisco. In order to prevent system interruptions or failure, the City utilized grant funding to replace the core switch and ancillary Cisco switches in late 2011.

The air conditioning in the City Government Center data center failed recently, representing another single point of failure in the City's infrastructure. When the air conditioning failed, the room reached over 98 degrees and could have damaged or caused a complete failure of vital hardware systems housed in the data center. The City shall repair or replace the temperature monitoring device in the data center to provide an alert to the Communications Center when the room is approaching a dangerous temperature and/or when there is an electrical power outage. This equipment could save significant amounts of money by avoiding additional overheating events and related damage to multiple systems.

IT02. Replace outdated personal computers

Target outcome:	Improved efficiency and reliability
Financial impact:	($60,000)
Responsible party:	Network Administrator

Well over half of the desktop and laptop computers in the City are more than seven years old, and many are more than nine years old. This leads to performance issues and equipment breakages, which makes support difficult and equipment unproductive and costly to maintain. The software on this equipment is old, with many computers running Microsoft Office 2000 or one of several different versions of Windows Operating Systems and other outdated software. According to feedback from City staff, users are routinely frustrated with the speed and reliability of these machines, which are long overdue for replacement.

Dauphin County has a three-year replacement cycle for personal computers (PCs), which is consistent with industry best practices. The County currently leases their PCs. After they are replaced, they are sent back to the service provider. The County is willing to consider changing its leasing agreement and investigating a buy-back option or some other provision that would allow the City of Harrisburg to purchase the PCs for a very low cost. Preliminary discussions with the County put this estimate at $200 per PC. Although a three-year replacement cycle is the best practice in PC replacement, this is not a standard that the City can currently afford. By purchasing inexpensive, used equipment annually from the County, the City can replace the oldest PCs that are out of warranty with minimal cost. As additional funds are available, the City could use the County's contract and purchase new PCs at a lower cost. This would ensure standardization of equipment and software and improve the efficiency of help desk service. The County may also allow the City to purchase software through the County at a reduced rate through a volume licensing agreement it has established with Microsoft.

The cost of this initiative is $20,000 per year based on replacing 100 PCs annually. This cost does not include software. The total cost to the City is anticipated to be $60,000 over the next three years.

Financial Impact

2012	2013	2014	2015	2016	Total
$0	($20,000)	($20,000)	($20,000)	$0	($60,000)

IT03. Eliminate all personal printers and maintenance on printers

Target outcome: Cost reduction

Financial impact: Not available

Responsible party: Network Administrator

Throughout the City, staff use individual personal inkjet printers. With the exception of a few printers, City-wide network printers are not used, and most printers are more than seven years old and out of warranty. In order to reduce costs and improve the efficiency, the City shall eliminate all individual printers. In addition to the printers, there are five large copiers. When new leases are bid they should be for digital, networked copiers with printing capabilities.

Any savings from the elimination of printer and copier contracts shall be used to purchase network printers as funds become available. The advantage of networked printers is the ability for multiple users to access the same printer and send items to the networked copiers to print. Furthermore, eliminating stand-alone inkjet printers will help reduce expenditures on consumables, including inkjet cartridges.

A cost effective way to deploy network printing throughout the City is to only lease copiers that have network printing capabilities. The City shall require that all copiers and printers be purchased by IT to ensure they are networked and purchased/leased on larger contract-riding vehicle for savings.

IT04. Develop custom interface between County dispatch system and METRO

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	Director of Information Technology and Police Chief

The IT Bureau has explored building a custom interface between the County dispatch system and METRO. The Bureau received a quote of over $90,000 to link these two systems. As mentioned earlier, without an interface between the two systems, Police Bureau staff will have to manually enter dispatch data into METRO. Manual entry is not an effective or efficient use of resources. Therefore, the City shall develop a custom interface between the County dispatch system and METRO.

The $90,000 investment to build the custom interface will pay for itself in improved efficiency and reduce staffing costs from Police personnel that would have been dedicated to manually enter data into METRO. This initiative has a one-time cost of $90,000 in the first year and is based on a quote received by IT from a software vendor. Assuming that one clerk/typist were added to provide data entry for all police data, at a cost of approximately $35,000 in salary, then the return on investment for this interface would be paid back in less than three years. Commonwealth grant funds may be sought to assist with this initiative.

IT05. Conduct a needs assessment for an Enterprise Resource Planning system

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	Director of Information Technology and Director of Finance

The City shall hire a consultant with expertise in evaluating and implementing government Enterprise Resource Planning (ERP) systems to assess the current Sungard Pentamation ERP system and the major mainframe applications. Part of this project shall also include a needs assessment based on input from all City departments, as well as THA. One of the major deliverables would be a detailed study, including specific recommendations as to how the City would either replace or enhance the Sungard Pentamation system and major mainframe applications with an emphasis toward process improvement and enhanced service delivery for all City services.

The consultant shall also explore a shared services model with the County or another government entity similar to the arrangement that Allegheny County and the City of Pittsburgh have in place. This could offer substantial cost savings for the City. Dauphin County uses the GEMS ERP system and Microsoft Dynamics for some functions. Based on initial discussions with Dauphin County, there are reservations on the part of County staff to enter into shared services with Harrisburg. Therefore, these issues would have to be explored thoroughly before implementation. The IT requirements of the City's authorities shall also be explored as part of this process.

While the City's mainframe applications perform well and offer outstanding reliability, it is certainly not a best practice solution for cities the size and complexity of Harrisburg. It will take time to convert or replace mainframe applications with server-based systems and to move all essential applications off the mainframe to a server-based platform or cloud-hosted environment. While the City's IT mainframe support is good, a server-based environment would make it easier to find skilled IT workers and provide a much improved end user experience.

Commonwealth grant funding in the amount of $80,000 is being sought to offset the cost of this initiative.

IT06. Complete a needs assessment and audit of existing phone system and components

Target outcome: Cost reduction

Financial impact: Not available

Responsible party: Director of Information Technology

The City's NORTEL phone system uses technology that is more than 20 years old. While some parts of it have been replaced, some parts of it are nearly 30 years old. Any failure of the phone system could result in prolonged outages, which would affect all City functions, including public safety. IT recently assumed responsibility for the system from the Operations and Revenue Bureau and discovered that no maintenance contract exists for the telephone system.

The City shall hire a consultant to perform a needs assessment and audit of existing phone lines used at City facilities. The consultant shall be contracted to:

1. Analyze existing telephone bills and reconcile them with the actual lines installed at City facilities. This will likely reduce the City's phone bills since unused lines can be removed and any over charges by Verizon can be identified. The consultant shall also identify changes in the types of lines used at the City and possibly replace traditional trunk lines with flat-rate Primary Rate Interface (PRI) lines which offer considerable savings.
2. Conduct a needs assessment and explore other cost saving opportunities.
3. Write the specifications for an RFP that would include the purchase of a new phone and voice mail system that shall cover all City facilities and staff.
4. Develop a needs summary so that any future phone system purchases shall address user needs.

This initiative has a one-time cost, and the City could see some cost savings if the audit of phone lines identifies some that can be eliminated or are being billed to the City erroneously. Commonwealth grant funding is being sought in the amount of $50,000 to offset the cost of this initiative.

IT07. Pursue long-term strategic IT initiatives

Target outcome: Improved efficiency and reliability

Financial impact: Not available

Responsible party: Director of Information Technology

There are several technological improvements that have the potential to greatly improve the City's IT infrastructure and service delivery. Due to the time and expense required to effectively implement these improvements, they are not recommended as initiatives for this Recovery Plan. As the City's fiscal condition improves, these items shall be evaluated for implementation.

Voice Over Internet Protocol (VOIP)
One area the City shall consider after having an assessment of telecommunications needs by a consultant is to prepare for a VOIP telephone system replacement. In preparation for this future transfer, the City shall be proactive with all future wiring. Any new cable drops shall be Cat 6e which will provide the reliability and bandwidth to accommodate future growth.

Other Departmental Needs
A number of other departmental needs were noted by the Receiver and shall be explored by the IT Bureau. Geographic information services (GIS) at the City have been virtually nonexistent after the last dedicated GIS employee left the City in 2005. Since then, a private engineering firm has been providing limited assistance. There is a need for GIS services to help departments and bureaus better manage and access information to do their jobs. This was mentioned as a need by three separate bureaus. For GIS to be an effective management tool, in-house capacity shall be developed and work shall be completed to bring layers up to date and add new layers.

Additionally, upgrades in the parking ticket handheld devices, mobile data computers in fire vehicles and training for all City staff were mentioned as needs. There is also a need for connectivity between each offsite office.

11. Law Bureau

Assessment

The City Solicitor[17] 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.

In 2011 and early 2012, the Law Bureau is staffed with one attorney, the Acting Solicitor. The caseload cannot be handled efficiently, effectively or in a timely manner by one attorney. The Acting Solicitor admits the caseload is overwhelming. This exposes the City to potential financial loss both in delayed pursuit of potential financial gain and in defending claims against the City.

Initiatives

The Law Bureau's inadequate staffing of experienced attorneys has a very significant impact on the proper handling of the City's legal affairs with potential, serious, adverse financial ramifications.

LAW01. Use professional assistance for labor relations activities

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	City Solicitor

The City shall retain experienced public-sector employment labor counsel for its labor relations activities beginning with negotiations of new collective bargaining agreements. The City shall also seek professional legal assistance, either through the Law Bureau or outside counsel, for other labor relations issues. The Pennsylvania League of Cities and Municipalities offers a Public Employer Labor Relations Advisory service which the City shall utilize. This service also provides access to wage and benefit data as well as assistance on a variety of labor law issues.

[17] City of Harrisburg Code [Adopted by the City Council of the City of Harrisburg by Ord. No. 10-1971. Amendments noted where applicable.]:
§2-303.1. Appointment. The City Solicitor shall be appointed by the Mayor with the advice and consent of Council.
§2-303.2. Duties. The City Solicitor shall have such duties and responsibilities as are set forth in general law.
§2-303.3. Assistants. One or more assistant City Solicitors may be appointed by the Mayor with the advice and consent of Council.

LAW02. Increase the number of staff attorneys from one to three

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	Mayor and City Council

The City shall fund three positions: City Solicitor, Deputy City Solicitor, and Assistant City Solicitor.

LAW03. Complete, recodify and enact the Code of the City of Harrisburg

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	City Solicitor and City Council

Under Commonwealth law, the City of Harrisburg is a City of the Third Class which has adopted the Mayor-Council Plan A under the Home Rule Charter and Optional Plans Law. As such, the City does not have a charter, as it would if the City were a home rule municipality.

In municipalities under home rule, it is a best practice to develop and maintain an administrative code that, at the outset, provides a detailed explanation of the roles and responsibilities of the City's elected officials. This introductory section of the code also outlines the overall organization of the City, including the management structure of all departments, bureaus and offices. This introduction is followed by the ordinances of the City, with any applicable updates incorporated into the code on an annual basis.

The City shall complete, recodify and enact its Code. The City shall also develop and incorporate into its Code an introductory section on organizational structure. The details of administrative organization and procedures, the precise number of departments, bureaus and offices reporting to the Mayor and/or the Chief of Staff/Business Administrator, the allocation of functions among the City's departments, bureaus and offices and the internal organization of departments shall all be outlined in this introduction. The introduction can be amended as needed by the City Council through legislative ordinance.

12. Bureau of Police

Assessment

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

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

The Police Chief oversees all operations of the Bureau with assistance from three Captains, each commanding one of the Bureau's three primary divisions: Uniformed Patrol; Criminal Investigation; and Technical Services.

There are many measures of a police department's effectiveness and, whatever standards are applied, a city's crime rate is one of the most critical. Public safety – and perhaps equally, the public's perception of how safe a city is – is not only an important factor in an assessment of a police department, it is a key factor in a city's economic success. Economic recovery is largely dependent on crime reduction, since public perception of safety is a factor in personal and business decisions regarding where to live or base business operations. Although the crime rate is driven by many factors, including social issues, population changes, unemployment, poverty levels and economic conditions, crime reduction is at the core of most any police department's mission.

While the Harrisburg Police Bureau has seen some success in reducing crime, the overall level of crime in the City remains unacceptably high.

Overall crime increased slightly in 2010 after reaching peak levels during 2008; however, in the same year violent crime decreased slightly. Part I[18] crimes in 2010 reflected decreases of 7.12% since 2006 and 4.29% since 2001. Property crimes fell 8.51% since 2006 and 8.25% since 2001. Violent crime, however, showed a decrease of 2.86% since 2006 and an increase of 9.24% since 2001. In 2001, 714 violent crimes were reported in Harrisburg; 803 in 2006; and 780 in 2010. [19]

Harrisburg's crime statistics do not reflect nationwide trends, which show reductions in violent crime of 15.8% since 2006 and 13.4% since 2001 and reductions in property crime of 9.3% since 2005 and 13% since 2001.

When compared with other Pennsylvania cities of the Third Class, Harrisburg has not shown the reduction in violent crime experienced in other areas of the Commonwealth. The average, excluding Harrisburg, is a 20.96% decrease since 2006 and a 2.93% decrease since 2001. Harrisburg showed a decrease of 2.85% since 2006 and an increase of 12.56% since 2001. Its crime rate was the highest of the group in all years.[20]

Harrisburg's rate of property crime is second among the group of comparable cities of the Third Class. Its reduction of 8.5% since 2006 is slightly lower than the group average of 10.30% reduction. Harrisburg's

[18] In the Federal Bureau of Investigation's Uniform Crime Reports, Part I crimes are classified in two categories: violent and property crimes. Aggravated assault, forcible rape, murder, and robbery are classified as violent while arson, burglary, larceny-theft and motor vehicle theft are classified as property crimes.

[19] *Federal Bureau of Investigation, Uniform Crime Reports for 2001– 2010.*

[20] *Federal Bureau of Investigation, Uniform Crime Reports for 2001– 2010.*

reduction of 5.47% since 2001 is slightly better than the group average of 4.37% reduction since 2001. (However, this number is significantly skewed by a 20.54% increase in Scranton since 2001.) While Harrisburg's numbers are declining, a positive sign, several of the other comparable cities are declining more quickly since 2006 and since 2001, including Lancaster, Reading and Bethlehem.[21]

It is important to note, when comparing crime rates, that Harrisburg has an unusually high daytime population increase. Although the 2000 United States Census lists the City's population as 48,950, the daytime population is estimated at 84,560. Commuters, averaging 35,610, increase the City's population by 72.7%.[22] Although most cities experience some increase in daytime population, the the disparity in Harrisburg is extraordinarily high; The average increase in daytime population for third class cities other than Harrisburg, is only 13.7%[23]
In addition to the increased daytime population, the City's "Restaurant Row" dining and entertainment district draws large evening crowds. Bureau staff reports that, on a summer night, as many as 4,000-5,000 people may gather in this relatively confined area.

Although it is difficult to draw exact conclusions regarding the impact of the increased daytime population, it is clear that the influx has an impact on the need for police services and must be kept in mind in any analysis of the City's crime rate or staffing levels.

In light of the City's fiscal condition, the Bureau faces a number of significant challenges, including the following, which are described in detail below:

- Crime analysis and reduction;
- Transfer of 911 and dispatch operations;
- Vehicle and equipment deficiencies; and
- Overtime.

Crime Analysis and Reduction Efforts
As discussed previously, the total number of violent crimes within the City is currently 9.24% higher than in 2001, though it is slightly lower than the City's 2006 total. Crime reduction initiatives implemented by the Bureau in 2010 appear to be having some positive effect. In March 2010, a Walking Unit was created, deploying 12 police officers and a corporal to foot patrol. In May, a Street Crimes unit, consisting of a corporal and six police officers, was created. This unit works a flexible schedule in modified uniforms and plainclothes, using unmarked vehicles to target crime hot-spots. They work jointly with Dauphin County Probation Officers and, in this collaboration, have found added value to their work from the Probation Officers' ability to rescind offenders' probation status if violations are discovered.

Despite these new initiatives, however, the Bureau remains largely reactive in its approach to crime. There are currently no full-time staff assigned exclusively to strategic crime analysis duty. Although the Bureau's records management system, METRO, is an aging, DOS-based database, it still contains a comprehensive wealth of information. This data, however, is not being mined. Patrol officers, through a feature known as "Brooks Looks," are able to retrieve useful information about crimes and other conditions in their areas of responsibility, but this information is not routinely made available to them and they are not required to review it. The Bureau does not currently have capabilities for crime mapping. A project is currently underway with Penn State University to develop a GIS-based crime mapping tool, but has yet to be completed. In short, the Bureau has not taken a strategic, proactive approach to crime analysis.

As noted in the City's EIP report, many cities have adopted and found success with the Compstat model. Compstat relies on four basic principles:

[21] *Federal Bureau of Investigation, Uniform Crime Reports for 2001– 2010.*

[22] *United States Census, 2000: Estimated Daytime Population and Employment-Residence Ratios (Table 3: Selected Places by State)*
[23] *United States Census, 2000: Estimated Daytime Population and Employment-Residence Ratios*

- Timely and accurate intelligence;
- Effective tactics;
- Rapid and effective deployment; and
- Relentless follow-up and assessment.

The implementation of Compstat differs somewhat in each jurisdiction, but the basic components of the process are the same: efficient collection and analysis of crime statistics; transmittal of relevant information to supervisors and line personnel to form the basis for personnel deployment and enforcement initiatives; and assessment, often in the form of command-level meetings that ensure that appropriate information has been shared, that all units within the agency are coordinating their efforts and providing necessary support and that all members of the agency are actively engaged in its mission.

Compstat is not a "one size fits all" solution; it must be adapted to the needs and operating practices of each agency, and may not be an appropriate tool for all. However, based on the size of the Harrisburg Police Bureau and the scope of the crime issues it faces, particularly in light of the need to work as efficiently and strategically as possible with diminishing resources, it is necessary for the Bureau to take a proactive, information-based approach to crime reduction. The Bureau's participation in City code enforcement teams, as recommended in Initiative BH04 "Assemble and systematically deploy code enforcement teams" of the Department of Building and Housing Development chapter of this Recovery Plan, is one example of coordinated, strategic crime reduction through partnerships across City departments and bureaus, maximizing available resources to the fullest extent possible.

Transfer of 911 and Dispatch to Dauphin County Communications Center

The Bureau transferred 911 and dispatch functions to the Dauphin County Communications Center in 2011. Although the transfer is expected to result in considerable savings, both in personnel costs and in avoiding the expense of replacing aging communications equipment, a number of issues must still be resolved, including:

- The Dauphin County Communications Center and public safety agencies for which it dispatches use a dispatch program called I-Mobile, which is not compatible with Harrisburg's METRO System. Harrisburg's police vehicles have been equipped with I-Mobile. Unless and until the systems can be linked or the METRO system can be replaced, all information entered into I-Mobile will subsequently have to be re-entered into METRO. If dual entries are not made, the years of valuable data stored in METRO will not be available, and officers and investigators will have to query both systems for complete information.
- Recent incidents have created a need to enhance building security of the City Government Center, which adjoins Police Headquarters. Current building security is limited, and transfer of the Communications Center will eliminate the only 24 hour a day presence for public reception in the building. The Bureau is currently seeking to convert existing civilian titles within the Communication Center to Police Data Technician and consolidate records maintenance functions in the area of the former Communications Center. In addition to other duties, the incumbents will provide a public contact point for visitors to the building, at least during business hours.
- The Communications Center formerly served as the answering point for the Bureau's non-emergency telephone system. This function is important in terms of intra-department communication, since all uniformed patrol officers share three computers and telephone lines and there is no Bureau-wide email or voice mail system. Options for continuing the non-emergency call-taking function are being explored by the Bureau.
- Administrative duties handled by the Communications Center, such as notifications to ranking officers, callouts of off-duty personnel and administrative dispatching for the Fire Department will not be handled by the County. Options for continuing these functions are being explored by the Bureau.
- The County does not "stack calls" (i.e., if a call for service is received and no patrol units are available, it will not hold the call for assignment once a resource becomes available). Calls are

forwarded to the Tour Supervisor, who will effectively have to serve as a secondary dispatcher. The City began using light-duty assigned officers to assist with properly triaging calls since implementation began in July. This will require ongoing attention from department leadership. -

Vehicle and Equipment Deficiencies
The Bureau does not have a vehicle replacement plan. The entire Uniformed Patrol and Criminal Investigation Division fleet was purchased in 2008, replacing a dilapidated fleet of vehicles from circa 1992. Currently, 52 vehicles are 2008 models, 21 are 2000 to 2008 models and 31 are pre-2000. Bureau staff reports that the 2008 vehicles have experienced numerous electrical issues, attributable to wiring deficiencies. Management of the Bureau's vehicle fleet will be discussed further in the Initiatives section of this chapter.

Overtime
The Police Bureau has achieved significant reductions in overtime expenditures over the past five years, particularly within the Uniformed Patrol and Criminal Investigation Divisions. This reduction is attributable to proactive monitoring and management of overtime usage by Bureau management. Specifically, a Court Liaison Officer position was established to decrease the instances of required court overtime; the Bureau's specialized units, rather than patrol officers on overtime details, staff special events throughout the City; and any requests for additional personnel on any given shift are carefully considered by Bureau leadership. The growth in overtime expenditures within the Office of the Chief between 2009 and 2010, as seen below, is attributable to revised overtime expenditure classification methods for the Bureau's specialized units.

Police Bureau Historic Overtime Expenditures

Category	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Change
Parking Enforcement	$0	$0	$159	$49	$246	100.0%
Office of the Police Chief	$1,000	$6,042	$9,124	$3,516	$15,461	1,445.5%
Uniformed Patrol	$521,082	$478,034	$543,438	$605,263	$408,787	(21.6%)
Technical Services	$298,013	$290,793	$262,305	$254,856	$255,929	(14.1%)
Criminal Investigation	$291,660	$206,475	$278,644	$362,237	$174,901	(40.0%)
Total	**$1,111,755**	**$981,344**	**$1,093,669**	**$1,225,921**	**$855,323**	**(23.1%)**

Initiatives

A number of cost-saving initiatives have been recently implemented or are in progress within the Police Bureau, either as a result of prior studies or on the Bureau's own initiative. They include:

- Transfer of the 911 and dispatch functions to the Dauphin County Communications Center;
- Implementation of telephone reporting of crime complaints;
- Billing for false alarm calls;
- Adjustment of Parking Enforcement Officers' hours of duty;
- Amendment of records retention policies and conversion to digital records; and
- Elimination of School Resource Officer positions not funded by the School District.

In addition to these, a number of initiatives to reduce expenses and/or improve operational efficiency are outlined below.

POL01. Restructure the patrol duty schedule

Target outcome:	Improved efficiency and enhanced flexibility in deployment
Financial impact:	Not available
Responsible party:	Police Chief

Members of the Harrisburg Police Bureau assigned to uniformed patrol perform steady tours of either 7:00 a.m. to 3:00 p.m., 3:00 p.m. to 11:00 p.m. or 11:00 p.m. to 7:00 a.m., with steady days off. Effective January 1 of every year, employees select tours by seniority, with the exception of the Bureau's specialized units, such as the Walking Unit or the Street Crimes Unit. With the exception of the specialized units, tours cannot be rescheduled, and schedules are set for the year. Regular days off are also selected by seniority, with a certain number of officers and supervisors assigned to sets of two days: Saturday/Sunday, Sunday/Monday, Monday/Tuesday, etc.

Although a steady tour schedule provides a welcome measure of regularity for the workforce, the existing arrangement creates a number of disadvantages for management, such as:

- Management flexibility to reallocate personnel as needed to address conditions is reduced or eliminated.
- The distribution of experience throughout the platoons is not balanced. Police Bureau staff reports that experienced officers gravitate toward the day and midnight shifts, leaving the 3:00 p.m. to 11:00 p.m. evening shift – the busiest and most demanding of the three platoons – staffed largely by younger, less experienced officers.
- There is no opportunity to distribute officers with special skills, such as foreign language ability, among the platoons.
- The opportunity for junior officers to interact with senior officers and learn from their experiences is limited.

In addition, many members of the Bureau reported staffing shortages on the patrol platoons. Despite the fact that 23 to 24 officers are assigned to each platoon and expected to fill 13 positions per tour, the Bureau complains of chronic personnel shortages.

Therefore, the Bureau shall restructure the current duty schedule to increase flexibility for reallocation of personnel and to absorb some specialized units into the patrol platoons.

The staffing goal for each tour is:

7 District cars[24]
2 Backup cars
2 Transport vans
2 Booking Officers[25]
= 13 officers per tour (excluding supervisors).

Thirteen officers are needed for each shift, 365 days per year, for a total of 4,745 shifts for each of the three platoons. Since the average officer is available for a net of 208 shifts per year,[26] a minimum of 23 officers

[24] The City is divided into seven patrol districts; one officer is assigned to each district
[25] Two police officers are required to be assigned to the City's booking and detention center on all tours
[26] Police officers are scheduled to work 261 eight hour tours (5 days in each 7 day period). They receive 22 vacation days (representing the mid-range of the contractual vacation allotment); are excused for 3 personal days and 16 holidays; use an average of 10 sick days (based on average usage, 2006 to

(22.81 FTE) are needed to staff each platoon. At present, that is the approximate total number assigned to each platoon,[27] with the lowest number on the Second Platoon. Therefore, staffing should be sufficient to provide adequate coverage. However, police shift scheduling is influenced by several other factors. For example, additional absences can result from illness, injury on duty (IOD), or family/medical leave. These absences are unpredictable and are often not evenly distributed.

In the best interest of the Harrisburg Police Bureau, a rotating duty schedule shall be implemented for the patrol platoons.

A rotating schedule provides for more even allocation of days off; unity of supervision, as supervisors can be assigned to supervise individual officers with whom they work all scheduled shifts; more even distribution of officers with particular skill sets; better balancing of experienced and newer officers on each of the platoons; more comprehensive knowledge of crime conditions by officers who will come in contact with conditions beyond the single slice of the day to which they are limited by steady tours; and greater incentive for officers to compete for specialized assignments that may entail more regular hours. A rotating duty chart also provides for better management of time off, since there is potential to build additional days off into the chart, rather than allowing them to be used at an officer's discretion, as is largely the case with holidays under the current system.

There is considerable room for creativity in scheduling, and the individual needs of a police department and a community must be assessed to determine the right fit. An illustrative example is shown in the two figures below. This example combines a rotating second and third platoon schedule with a steady first platoon overlay, using a five-day on/two-day off/five day on/two day off/five-day on/three-day off rotation. It provides equal coverage by police officers and supervisors on all shifts, and includes two days in each twenty-nine day cycle when two squads overlap, providing an opportunity to assign personnel to training, enforcement initiatives, or other functions without payment of overtime.

Rotating Second and Third Platoon Duty Schedule Example

Day	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Squad 1	2	2	2	2	2	X	X	3	3	3	3	3	X	X	2	2	2	2	2	X	X	X	3	3	3	3	3	X	X
Squad 2	3	3	X	X	X	2	2	2	2	2	X	X	3	3	3	3	3	X	X	2	2	2	2	2	X	X	3	3	3
Squad 3	X	X	3	3	3	3	3	X	X	X	2	2	2	2	2	X	X	3	3	3	3	3	X	X	2	2	2	2	2

2010); and are assigned to at least 2 days of training when they are not available for patrol (representing a minimum training commitment). The result is a net of approximately 208 days per year available for patrol.

[27] As of February, 2011, 24 police officers were assigned to the First Platoon, 23 to the Third Platoon, and 20 to the Second Platoon.

Steady First Platoon Duty Schedule Example

Day	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
Squad 1	1	1	1	1	1	X	X	1	1	1	1	1	X	X	1	1	1	1	1	X	X	X	1	1	1	1	1	X	X
Squad 2	1	1	X	X	X	1	1	1	1	1	X	X	1	1	1	1	1	X	X	1	1	1	1	1	X	X	1	1	1
Squad 3	X	X	1	1	1	1	1	X	X	X	1	1	1	1	1	X	X	1	1	1	1	1	X	X	1	1	1	1	1

Legend
1 =First Platoon (2300 x 0700 hours)
2= Second Platoon (0700 x 1500 hours)
3= Third Platoon (1500 x 2300 hours)
X= Regular Day Off

Under the Bureau's existing steady tour duty schedule, officers are scheduled to work 261 eight-hour tours of duty per year. Officers assigned to either of the sample schedules illustrated above would be scheduled to work 249 annual tours, which results in 12 fewer workdays. Currently, police officers are excused for 16 paid holidays per year. Ten of those days must be granted within one month of the holiday, and six may be used contingent on approval.[28] Although limits are set on the number of officers who can be excused on a given day, the current holiday policy results in a high level of unscheduled time off and, ultimately, in uneven coverage and staffing shortages. The duty schedule example shown above is based on a reduction of the number of annual paid holidays from 16 to 10.

To ensure that officers work the requisite number of days per year, the current practice of 16 holiday excusals shall be discontinued and replaced with an allotment of 10 annual paid holidays, which are built into the sample duty schedule outlined above. Additionally, officers shall perform two additional shifts, at the discretion of the Bureau, as training days. These changes will increase patrol staffing by four tours per officer per year - an average of 96 annual tours per platoon - which is a total of 288 additional tours per year when compared with current platoon staffing. These changes can also be stated as resulting in a net increase of approximately 1.18 FTE.

The Chief of Police shall determine the appropriate level of staffing for each platoon, and shall have the unilateral right to assign members of the Bureau to squads within the duty schedule. A process for voluntary assignment to a steady midnight schedule by seniority shall be established, with reasonable standards for assignment and removal. Additionally, the implementation of a rotating duty schedule should not in any way diminish the authority of the Chief of Police to assign personnel to steady tours outside of the patrol duty schedule when appropriate.

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[28] Section 4 of the current collective bargaining agreement reads: *"Each employee shall be entitled to sixteen (16) holidays during the term of this Agreement. If an employee in the bargaining unit is required to work on New Year's Day, Martin Luther King Day, Washington's Birthday, Easter, Memorial Day, July Fourth, Labor Day, Columbus Day, Thanksgiving Day, or Christmas Day, the employee shall be entitled to one (1) compensatory day off to be taken sometime during the calendar month in which the holiday falls, or the employee shall, at the employee's option, be entitled to double pay for the hours worked. This option must he exercised at the time that monthly days off are selected. The remaining six (6) holidays shall be considered as "H" days and shall be taken on a first come first served basis, regardless of seniority, and may not be revoked by management. "H" days may only be selected after vacation selection is completed and is subject to manpower needs as determined by management. Method of selection for Martin Luther King Day shall be either double pay for hours worked or a compensatory day which may be used anytime during the calendar year, however, it must be selected by September 30th, otherwise the day will be assigned by management. Each employee in the Bargaining Unit during the term of this Agreement shall be entitled to three (3) personal days with said days to be taken at the employee's discretion during the year, subject to management's responsibility to maintain an efficient operation. If management determines that it is necessary to limit the number of employees on personal leave at the same time, the employee first requesting such leave shall be given a choice of personal leave in the event of any conflict in selection."*

The sample schedule shown above would enhance supervision through assignment of 9.0 FTE supervisory positions to both rotating and steady platoon duty schedules. Currently, three supervisors are assigned to each platoon. All have steady days off and, as a result, only one supervisor is routinely scheduled to work on some tours. Under the proposed configuration, three squads will be assigned to work rotating second and third platoon shifts. Two of the six supervisors currently assigned to those two platoons will be assigned to each squad. Consequently, two supervisors will routinely be assigned to each platoon daily, with the exception of supervisors' vacation, sick leave, or other excusals. In addition to more stable supervisory coverage, supervisors will work with the same squad of police officers. The resulting unity of command provides for long-term benefits in performance evaluation, training, and mentoring. Similarly, the three supervisors assigned to steady first platoon tours will each be assigned to a squad, with two squads working each shift, producing the same benefits.

Under an ideal staffing structure, two sergeants or corporals are assigned to each patrol squad, and a lieutenant is assigned separately as a Platoon Commander with overall responsibility for platoon operations. In light of the City's fiscal condition, the increase in supervisory headcount that would be necessary to staff such an arrangement is not feasible at this time. However, the need for an increase in supervisory positions, particularly at the lieutenant level, shall be considered in the course of implementing a new duty schedule and redesigning specialized units. An increase in supervisory positions shall be implemented only if a determination is made to eliminate specialized assignments and return sergeants or corporals to patrol.[29]

Effective scheduling requires analysis of operational and financial efficiencies, the unique needs of the Bureau and the community, and the impact of the schedule on the agency's employees. The example proposed here is one of many possible alternatives, and it is an efficient use of resources that will enhance police service without creating undue stress on the members of the Police Bureau. It is important that, as a new duty schedule is implemented, an in-depth study be conducted to ensure that the nuances of the Bureau are explored and addressed. Therefore, a committee consisting of the Chief of Police and/or designees, representative(s) of the Fraternal Order of Police, and the Receiver 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.

In addition to more efficient allocation of personnel resources and the managerial benefits discussed above, there are cost savings to be gained from the implementation of a rotating duty schedule. Because of the random nature of holiday excusals and backfill for staffing shortages in the Bureau's current schedule, it is difficult to accurately project overtime savings that will be achieved through the implementation of this initiative. However, a potential reduction of 5% in annual overtime expenditures is a reasonable estimate for possible savings associated with the implementation of the rotating duty schedule examples outlined above. In any new duty schedule implementation, the goal of reducing annual overtime expenditures by 5%, which is a reasonable and achievable goal, shall be set by the Bureau.

The sample schedule discussed in this initiative does not reduce the number of police officers needed to staff the patrol platoons at this time. However, this schedule is a more efficient use of resources and will improve daily staffing levels. Staffing levels of specialized units, which also require evaluation, are discussed further under Initiative POL14 "Evaluate the consolidation of Specialized Units." While specialized assignments are necessary to accomplish certain aspects of a police department's mission – particularly for the furtherance of proactive crime reduction strategies – their continued existence must be viewed in light of the City's fiscal condition and the primary importance of effective basic patrol services. As an initial measure, sufficient personnel from specialized assignments shall be reassigned to patrol platoons as needed to ensure adequate staffing levels.

[29] Lieutenants could be scheduled in various ways, including assignment to steady shifts with overall responsibility for crime reduction initiatives during that platoon.

POL02. Implement a vehicle replacement policy

Target outcome:	Cost reduction and improved efficiency
Financial impact:	($803,232)
Responsible party:	Police Chief, Director of Public Works and Director of Financial Management

As described earlier in this chapter, the Bureau does not currently have a vehicle replacement plan. The entire Uniformed Patrol and Criminal Investigation Division fleet was purchased in 2008, and Bureau staff reports that the 2008 vehicles have experienced numerous electrical issues attributable to wiring deficiencies.

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

If the City chose to follow its previous pattern and replace the bulk of the fleet at one time, it would face a potential obligation in excess of $1,740,000.[30] Rather, the City shall establish lifecycle guidelines for both marked and unmarked vehicles. Since unmarked staff or investigative vehicles are typically used less and by fewer operators, they have a longer useful lifespan. Older vehicles would be moved into other assignments, such as administrative units or Parking Enforcement, where some 1990 and 1992 vehicles are still in service.

There are currently 41 vehicles assigned to the Uniformed Patrol Division and Special Services Section. Twenty-three vehicles are assigned to the Criminal Investigation Division, and an additional five are assigned to other units, excluding Parking Enforcement.[31] The purchase of four marked vehicles per year would replace the patrol fleet within 10 years. This is not an optimum replacement cycle, but a significant improvement over the current practice and one which recognizes the City's financial limitations – at a cost of approximately $133,872 per year. The purchase of two (unmarked) vehicles for the Criminal Investigation Division and staff units would replace those units' vehicles within approximately 14 years at an annual cost of $66,936. Again, this is not an optimal replacement cycle, but an improvement over the current practice.

In the City's particular situation, leasing of vehicles for the Police Bureau will not be cost effective. The replacement cycles proposed in the preceding paragraph (ten years for marked patrol vehicles and 14 years for unmarked investigative vehicles), while sensitive to the City's current fiscal constraints, are beyond optimal lifecycles for police vehicles and well beyond traditional vehicle leasing periods. The unusual wear and tear on police vehicles, and the increased likelihood of vehicle loss due to mechanical failure or accident, results in an usually high risk of lease payment obligations that may outlive the vehicles. Additionally, the extended warranties purchased for many vehicles are set to expire.

As illustrated in the financial impact table shown below, the estimated annual vehicle replacement cost would be $200,808. The total expense over a five year period would be $803,232.

[30] Based on estimated cost of $33,468 for a fully equipped vehicle, based on a standard police vehicle: Ford Crown Victoria with a PA System, siren control box, siren, console, prisoner security screen, push bumper, light bar, shotgun mount, first aid kit, fire extinguisher, measuring tape, leg irons/restraint belt, evidence processing kit, slim jim (door opening tool), and trunk equipment box.

[31] Totals do not include specialty vehicles such as motorcycles, Animal Control vehicles, and forensic vehicles, and assume recycling of front line vehicles to units currently using older models.

Financial Impact

2012	2013	2014	2015	2016	Total
($0)	($200,808)	($200,808)	($200,808)	($200,808)	($803,232)

POL03. Review and revise stipend for newly promoted investigators

Target outcome: Cost reduction

Financial impact: Not available

Responsible party: Police Chief and Director of Human Resources

Currently, a police officer assigned to the Criminal Investigation Division receives a salary increase of 5% immediately upon assignment. Although there is a considerable degree of raw talent necessary for a police officer to be a good investigator and assignments to investigative positions are often largely based on past performance, there is a learning curve and extensive training involved before an officer truly becomes acclimated to the position.

While it is important to reward the special skills involved in receiving this designation and to provide an incentive for talented officers to seek the position, the stipend shall be deferred, and salary steps shall be awarded instead. The City shall implement the step at 1% each year for the first five years of service as an investigator.

POL04. Implement a proactive crime analysis and crime reduction strategy

Target outcome: Improved efficiency

Financial impact: Not available

Responsible party: Police Chief

As discussed earlier, the Bureau has been and remains largely reactive in its approach to crime. Although there are means by which interested officers and supervisors can retrieve useful information about crimes and other conditions in their areas of responsibility (e.g., METRO's "Brooks Looks" feature), information regarding crime conditions is not routinely made available. Officers do not currently have access to crime mapping. The Bureau has been working with Penn State to develop some GIS-based crime mapping tools.

The Police Bureau shall implement a proactive crime reduction strategy based on the principles of the Compstat model[32] that includes: efficient collection and analysis of crime statistics; transmittal of relevant information to supervisors and line personnel to form the basis for personnel deployment and enforcement initiatives; and assessment, in the form of command-level meetings or other methods most suitable to the needs of the Bureau, that ensure that appropriate information has been shared, that all units within the agency are coordinating their efforts and providing necessary support and to ensure that all members of the agency are actively engaged in its mission. A recent publication by the Police Executive Research Forum (PERF) summarized the impact of Compstat: *"...instead of merely responding to calls and investigating crimes after they were committed, police gathered accurate, timely information to identify emerging crime trends, held*

[32] E.g., Timely and accurate intelligence; Effective Tactics; Rapid and effective deployment; Relentless follow-up and assessment.

regular meetings to discuss countermeasures, and deployed resources to break up crime patterns and prevent crimes. (And they succeeded; the national violent crime rate in 1994 was 66 percent higher than the comparable figure for 2009; and the property crime rate was 53 percent higher in 1994 than in 2009, according to the FBI.)"[33]

As part of this process, which will ultimately enable the Bureau to meet the needs of the City and its residents in a more efficient and effective manner, the City shall assign appropriate personnel to crime analysis duties.

POL05. Increase complement of Vice Unit

Target outcome:	Improved efficiency and crime reduction
Financial impact:	Not available
Responsible party:	Police Chief

The City has a significantly high crime rate when compared with other cities of the Third Class in Pennsylvania. Violent crime continues to exceed 2000 levels. Bureau staff and other stakeholders interviewed generally agree that a large portion of the City's violent crime is driven by illegal narcotics, yet only four investigators are assigned to the Bureau's Vice Unit, the squad primarily charged with narcotics investigations. Although the City's fiscal condition is likely to result in staffing challenges for the Bureau for the foreseeable future, the enhancement of the Vice Unit is in the City's best interest and will contribute to the reduction of violent crime. Therefore, staffing of the Vice Unit shall be increased to a minimum of six investigators.

It is likely that the implementation of Initiative POL06 "Assign representative to the District Attorney's Office Narcotics Task Force" will enhance the Vice Unit's investigative resources and provide additional overtime funding and equipment. The Task Force is a County-wide unit, however. While Harrisburg is likely to benefit from Task Force investigations within the City, there is still a need for the Bureau to maintain an adequately-staffed narcotics enforcement unit, whose deployment is fully under Bureau control and can be used to address street sales and low level narcotics conditions.

It is anticipated that reassignments can be made based on efficiencies in the restructuring of the patrol duty schedule as described in Initiative POL01 "Restructure the patrol duty schedule."

POL06. Assign representative to the District Attorney's Office Narcotics Task Force

Target outcome:	Cost reduction, improved efficiency and crime reduction
Financial impact:	Not available
Responsible party:	Police Chief and District Attorney

The Dauphin County District Attorney's Office operates a Drug Task Force consisting of investigators from municipal police departments, the District Attorney's Office, the Pennsylvania State Police and the Federal Drug Enforcement Agency (DEA). The task force has County-wide jurisdiction, although reportedly it focuses a good deal of effort on drug investigations in Harrisburg due to the significant amount of narcotics activity in the City. Although the City's Vice Unit receives some overtime funding, converted vehicles seized in the

[33] Police Executive Research Forum, *"Subject to Debate,"* Vol. 25, No. 2, March/April 2011

course of narcotics investigations, and equipment from the District Attorney's Office, the City of Harrisburg does not formally participate in the Task Force.

Participation in the Task Force will benefit the City by: enhancing its access to funding, both from grant funding coordinated by the District Attorney's Office and from assets seized in the course of investigations; providing additional personnel and equipment resources for drug investigations; improving access to undercover officers; and increasing the Task Force's focus on Harrisburg cases. The City shall enter into the appropriate memorandum of understanding with the District Attorney and assign an officer to the Task Force.

The effectiveness of this initiative can be measured by the number of narcotics arrests and seizures made by the Task Force in Harrisburg; the number of search warrants executed; analysis of funding received; and reduction in the violent crime rate. If the desired outcomes are not achieved, personnel can be withdrawn from the Task Force.

The City shall retain the right to assign officers to the Task Force and to reassign and withdraw officers from the Task Force.

POL07. Participate in Dauphin County Forensic Team

Target outcome: Improved efficiency and availability of equipment

Financial impact: Not available

Responsible party: Police Chief and District Attorney

The Dauphin County Forensic Team, coordinated by the District Attorney's Office, consists of Crime Scene/Forensic Technicians from the District Attorney's Office and municipal police departments. It responds to all jurisdictions within Dauphin County to process major crime scenes and has access to state of the art equipment, including a recently deployed, well-equipped response vehicle. The City of Harrisburg does not currently participate on the team.

Although participation on the team will occasionally result in members of the Bureau's Forensic Unit responding to other jurisdictions, in light of the volume of work generated by the City, it is likely that the City would ultimately benefit from the response of the County team into Harrisburg. It will provide access to equipment and trained, qualified personnel when they are needed. Participation on the team will enable the Bureau to benefit from the sharing of expense and expertise provided by team membership. The City shall enter into a memorandum of understanding with the District Attorney's Office to formally participate with the team.

The City shall retain the right to assign officers to the County Forensic Team and to reassign and withdraw officers from this Team.

POL08. Transfer prisoner booking responsibility to Dauphin County

Target outcome: Cost reduction

Financial impact: Not available

Responsible party: Police Chief

Currently, prisoners are booked at Harrisburg Police Headquarters, requiring the assignment of two police officers to the booking facility 24 hours a day, seven days a week. Plans to establish a centralized booking facility for the County have been delayed; however, ground breaking for the facility recently occurred.

Although this initiative cannot be implemented until such time as that facility is completed and operational, the City shall take advantage of the opportunity to transfer the booking function to the County when it becomes available. This will allow the elimination or reassignment of 5.34 FTE police officers. It will also remove from the City the liability inherent in the processing of prisoners.

POL09. Appoint a Civilian Manager for the Parking Enforcement Office

Target outcome:	Improved accountability
Financial impact:	Not available
Responsible party:	Police Chief and Director of Human Resources

In addition to improving traffic safety by ensuring compliance with parking regulations, Parking Enforcement Officers generate significant revenue for the City. The City shall fill the vacant position of Manager of the Parking Enforcement Office. The intricacies of the Parking Enforcement Office – including assignment and scheduling of personnel, maintenance of equipment, liaison with vendors and processing of tickets – warrant the attention of a civilian supervisor who can streamline the operation and consequently enhance the revenue received by the City.

It is anticipated that this expense associated with this initiative would be offset by enhanced revenue derived from operational efficiencies outlined in Initiative POL11 "Increase operational efficiency in Parking Enforcement Office."

The City's 2012 Proposed Budget did not include funds for this position. The Bureau has assigned this function to an existing Lieutenant as an additional duty at this time. Results should be monitored and assessed to determine the appropriate course of action.

POL10. Replace electronic parking ticketing devices

Target outcome:	Improved efficiency
Financial impact:	($112,200)
Responsible party:	Police Chief and Director of Financial Management

Parking Enforcement Officers currently use antiquated Palm Pilot-based electronic ticket issuing devices supplied by the Clancy Corporation. These ticketing machines frequently malfunction, particularly in cold weather, which limits Parking Enforcement Officers' ability to perform their duties efficiently. The Parking Enforcement Office shall upgrade its current devices to the newer, more reliable model offered by Clancy. The annual maintenance fee for the devices is $9,000. In addition to the annual maintenance cost, new devices would require a wireless connection, at a cost of $70.00 per device per month for a total of approximately $13,440 per year. The estimated total annual cost of $22,440 is reflected in the financial impact table shown below. This is a critical expenditure.

In addition to the dramatic improvement in reliability, the devices would provide real time updating of ticket information through wireless connections, as well as photo capability. A picture of the offense printed on the ticket would reduce court appearances, thus decreasing down time for the Parking Enforcement Officers. It is anticipated that the expense would be offset by enhanced revenue derived from operational efficiencies outlined in Initiative POL11 that follows.

Financial Impact

2012	2013	2014	2015	2016	Total
($22,440)	($22,440)	($22,440)	($22,440)	($22,440)	($112,200)

POL11. Increase operational efficiency in Parking Enforcement Office

Target outcome: Improved efficiency and increased revenue

Financial impact: $480,480

Responsible party: Police Chief

By implementing Initiatives POL09 and POL10, the Parking Enforcement Office will be well-equipped to increase enforcement activities, resulting in increased parking ticket revenue for the City.

At present, it is estimated that the average Parking Enforcement Officer issues approximately 149 parking tickets per week. Based on historic ticket revenue, it is estimated that an increase of five parking tickets per Parking Enforcement Officer per week (at the current rate of $15 per ticket) will yield approximately $120,120 per year in additional revenue for years 2013-2016 as shown in the financial impact table below. This revenue may be used, in part, to offset the expenses associated with hiring a new manager for the Parking Enforcement Office and upgrading the Office's electronic parking ticketing devices.

Financial Impact

2012	2013	2014	2015	2016	Total
$0	$120,120	$120,120	$120,120	$120,120	$480,480

POL12. Implement a new schedule for Parking Enforcement Officers

Target outcome: Improved accountability and enforcement

Financial impact: Not available

Responsible party: Police Chief

With the implementation of new, later parking meter hours, there is a need for the Parking Enforcement Officers to alter their working hours.

At present, the Officers work staggered schedules, spanning the hours of 6:30 a.m. to 5 p.m. The Office shall implement a new shift system to ensure enforcement of on-street meters through 10 p.m. on weekdays and from 8 a.m.-10 p.m. on Saturdays.

An illustrative example is a first shift of 6:30 a.m. - 2:30 p.m. and a second shift of 2:30 p.m. – 10 p.m. on weekdays, followed by a similar two shift arrangement on Saturday. The specifics of the new shift system may be determined at the discretion of the Chief of Police, the Captain of the Technical Services Division and the Manager of the Parking Enforcement Office, with guidance and support from the Receiver. The new system must be designed to avoid incurring overtime charges routinely.

POL13. Increase current parking ticket fees

Target outcome: Improved accountability and increased revenue

Financial impact: $4,500,000

Responsible party: Mayor and City Council

At present, standard parking tickets carry a $15 fee, which increases to $25 if not paid within 96 hours of issuance. Parking tickets issued for parking in handicap-designated spaces without a handicapped driver designation, as well as tickets issued for parking in front of a fire hydrant, carry a $50 fee.

To encourage greater compliance with posted parking regulations, including street signage as well as on-street parking meters, the City shall increase parking ticket fees as follows:

- Standard Parking Ticket: $30
- Standard Parking Ticket, if not paid within 5 business days: $50
- Standard Parking Ticket, if not paid within 10 business days: $100
- Handicap-Designated or Hydrant Parking Ticket: $100

These proposed fee changes shall be evaluated against the City-wide fee study once it is completed, and, based on the results of that evaluation, shall be modified as needed at the direction of the Receiver.

Based on historic totals of parking tickets issued, as well as historic parking ticket revenue, it is estimated that the revised parking ticket fees proposed above will generate the estimates revenues shown below.

Financial Impact

2012	2013	2014	2015	2016	Total
$500,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$4,500,000

POL14. Evaluate the consolidation of specialized units

Target outcome: Improved efficiency

Financial impact: Not available

Responsible party: Police Chief

The Bureau staffs a number of specialized units in both Uniformed Patrol and the Criminal Investigation Section. Although some degree of specialization is necessary to achieve a police department's mission, and may be particularly needed in the adoption of a Compstat model for reduction of crime, the continuing need for each unit must be scrutinized.

As an initial measure, upon the implementation of a new, rotating patrol duty schedule as outlined in POL01, the necessary number of personnel shall be reassigned from specialized units to patrol platoons. This staffing redistribution will ensure that an adequate number of police officers are assigned to each patrol squad. As of December 2011, the Bureau had begun this evaluation and had absorbed several of the units into the platoons.

Additionally, the K-9 Unit shall be incorporated into the patrol platoons. Currently, five K-9 Officers are assigned somewhat independently. According to Bureau records, these officers are off on Sunday and Monday and do not have a direct supervisor. They are generally kept free from routine patrol assignments so that they may respond readily to crimes in progress and incidents such as perpetrator searches that can benefit from the specialization of a K-9 Unit. Although the current staffing arrangement may be the preferred method of assignment of canine resources, the City's fiscal constraints require that this arrangement be reconsidered. K-9 Units must be incorporated more completely into the staffing levels, supervisory oversight, and daily operations of the patrol force.

The Foot Patrol Unit and the Street Crimes Unit are fairly recent additions to the Bureau, and they have been cited as providing valuable flexibility for deployment to address crime conditions. However, they must also be reviewed in light of the City's current fiscal constraints and the possibility of further reductions in headcount. As part of implementing a new duty schedule (outlined in POL01), the effectiveness of these units should be evaluated, and consideration should be given as to whether the new schedule provides sufficient flexibility to permit the incorporation of these units into the patrol platoons.

Further reductions in authorized headcount remain a distinct possibility as a result of the City's fiscal crisis. Public safety and crime reduction are a critical factor in a city's economic recovery; as a result, no recommendations for further reductions in headcount are included here. However, in conjunction with the implementation of a new duty schedule, the Bureau shall review all specialized assignments and ensure that all personnel are being used in the most efficient possible manner.

POL15. Enhance leave supervision

Target outcome:	Cost reduction and improved efficiency
Financial impact:	Not available
Responsible party:	Police Chief

Sickness and injury are inherent in police work, and due to the hazards of the profession, it is important that officers are provided ample sick, injury-on-duty, and worker's compensation leave, as well as the opportunity to receive proper care for injuries and illnesses. It is equally important, however, that management has adequate tools to address the abuse or excessive use of sick and injury-related leave. At present, Bureau staff report that supervisory visits to personnel on sick leave are prohibited.

The City shall establish a chronic sick and injury-related leave policy that allows for the imposition of sanctions when certain thresholds are met. Strong disciplinary measures should be taken when sick and injury-related leave abuse is proven (i.e., individual feigning illness or out of residence while on sick report). Additional sanctions shall also be imposed on individuals who meet established criteria such as the following:

- Use of more than 20 days of sick leave in a one year period;
- More than six incidents of sick or IOD leave in a one year period;
- Use of sick or IOD leave at a rate of more than 20% of the average used by the entire Bureau during the previous calendar year; or
- Any pattern of abuse, e.g., off before or after day off.

Those sanctions shall include the following:
- Restriction from special duty/paid details for a fixed period (i.e., 30 days);
- Restriction from performing overtime (with exceptions to be made at the discretion of the Bureau in exigent circumstances) for 30 days;
- Restriction from temporary assignment to investigative units or other special assignments for a period of six months;
- Following any proven sick and/or injury-related leave abuse, the individual shall then be required to produce medical documentation upon return from any subsequent sick absence; and
- Discipline as deemed appropriate by management.

Disciplinary measures and sanctions shall be in accordance with the FMLA and State and Federal handicap and disability discrimination statutes.

Sick leave usage by employees of the Police Bureau for the past five years is listed in the table below.

Historic Sick Leave Usage - Police Bureau

Year	Total Hours of Sick Leave	Total Cost	Avg. Days Per Employee
2006	14,992	$410,992	11.94
2007	11,915	$324,683	9.49
2008	9,974	$286,884	7.99
2009	12,282	$369,330	9.19
2010	15,922	$491,283	12.44

POL16. Evaluate false alarm fee for burglar alarms and aggressively collect fees due

Target outcome: Cost recovery

Financial impact: Not available

Responsible party: Police Chief and Director of Bureau of Operations and Revenue

The City charges false alarms fees on a rising scale, starting at $10 each and increasing to $35, depending on the type and frequency of the false alarm. Billing for burglar alarms is currently performed through a two step process: staff in the City's Communications Center prepares a hard-copy false alarm notice following the false alarm call, and then forwards the notice to the Bureau of Operations and Revenue, where the bill is produced and issued.

Once the transfer of 911 and dispatch operations to the Dauphin County Communication Center is complete, the City will no longer automatically monitor burglar alarms. After the transfer, the Police Bureau will only respond to burglar alarms that are manually called in to 911, usually done by the alarm company. It is expected that the volume of false alarm calls will significantly decrease following this change.

The City shall continue aggressively billing for false burglar alarms. Following the transfer of 911 and dispatch operations to Dauphin County, Police Data Technicians will review call records from the Dauphin County Communication Center on a periodic basis to identify any false burglar alarm calls for which a fee should be charged. Billing information will then be forwarded to the Bureau of Operations and Revenue, where the bills will continue to be produced and issued.

The current fee schedule for false burglar alarms shall be evaluated against the City-wide fee study once it is completed, and, based on the results of that evaluation, shall be modified as needed at the direction of the Receiver.

13. Bureau of Fire

Assessment

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:

From four City fire stations, the Bureau operates three engine companies, one of which responds as a rescue engine, and three ladder/tower companies, one of which is a quint-style[34] unit. The Bureau is primarily staffed by career firefighters, but is supplemented by three volunteer companies, (Riverside, Camp Curtin and Mt. Pleasant) with approximately 14 total active volunteer members.

The Fire Bureau's primary areas of operation are 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).

The Bureau of Fire, like many departments across the country, is primarily response-focused. At present, the Bureau's fire prevention program is all but dormant, with only one part-time Fire Inspector available for activities associated with the enforcement of the City's Fire Prevention Code. More robust fire prevention efforts could not only increase revenue associated with inspection and permitting fees, but, more importantly, could increase the safety and well-being of Harrisburg's residents and firefighters and possibly decrease calls for service.

The Bureau's calls for service fall into the broad categories of: fire; false alarms; hazardous conditions; and rescue (including emergency medical first responder-level services). Fire calls are further broken down into multiple categories defined by the National Fire Incident Reporting System (NFIRS), Version 5. The Bureau annually completes and submits the National Fire Protection Association's Fire Experience Survey, which includes call for service statistics. Fire suppression service call volume for has been fairly consistent, increasing roughly 6% from 2005 through 2010; the average annual total fire suppression call volume over that period is approximately 2,893 calls for service. While Harrisburg's total call volume for suppression has shown only a modest 6% increase since 2005, that increase is almost entirely attributable to growth in calls for first responder services, which have grown by 21% in the past five years. Harrisburg's total number of residential and structure fires per year has historically been one-half to twice as high as national totals. On a positive note, however, Harrisburg's total number of fires has significantly declined since 2005, with a 16.97% decrease. [35]

Fire service call volume often reflects a community's economic condition and quality of its built environment. Harrisburg's firefighters work in a challenging environment: high density of structures in some neighborhoods; row homes; narrow streets; and a significant number of abandoned and condemned structures. Harrisburg, as the Commonwealth's capital, is also home to many structures that are, in some respects, priceless due to their historical nature. These factors require that the Bureau establish and maintain effective suppression operations as well as comprehensive prevention programs. As can be seen from the table below, Harrisburg's total calls for service are significantly higher than national and regional communities of comparable size. While the

[34] A quintuple combination pumper: a fire service apparatus that serves the dual purpose of an engine and a ladder truck.

[35] *Source: City of Harrisburg Fire Bureau*

percentage of total calls that are related to fire has dropped in Harrisburg, the City's call volume is still 64% higher than the national average.[36]

Harrisburg's false alarm calls are significantly higher than totals typically seen nationally - almost twice the national average in 2009. Though the total number of false alarm calls is declining, these statistics still indicate a problem area. These calls limit resource availability for true emergencies, placing an undue burden on the Bureau.

When considering Harrisburg's false alarm totals against calls solely related to fire suppression, the problem is somewhat less severe; however Harrisburg's totals were still approximately 50% higher than the national average in 2009.[37]

One of the Part I crimes tracked by federal, state and City law enforcement agencies is arson. The City's reported arson rate is shown below in comparison to other Pennsylvania cities of the Third Class. In 2009, Harrisburg's total number of arsons per 50,000 residents was second only to Lancaster. Harrisburg has seen a 15.49% increase in arsons since 2005, while several comparable communities have seen a significant decline.[38]

The City has not specifically appointed a Fire Marshal; therefore the Fire Chief serves as the de facto Fire Marshal in accordance with Pennsylvania's Third Class City Code. Currently, initial fire investigations are conducted by the company officer or battalion chief and, in instances when origin and cause is not immediately obvious, an arson investigator from the City's Police Bureau (or, in some cases, the Dauphin County District Attorney's Office or the Pennsylvania State Police) assumes responsibility for the investigation.

The typical national standard for gauging effective fire response is the ability to place the first unit on scene within four minutes travel time, plus 80 seconds for turnout time, 90% of the time. The second response time goal is the assembly of a fully effective firefighting force within eight minutes travel time, plus 80 seconds turnout time, for 90% of emergency calls. An initial response complement recommended by the National Fire Protection Association (NFPA) Standard 1710 is four firefighters, including an officer; the minimum for a fully effective firefighting force is 15 firefighters if the aerial ladder truck is in use.[39]

Currently, the Bureau does not track and measure the time required to assemble a fully effective firefighting force. The Bureau does track and measure emergency response time, which, in 2010 was reported as 3 minutes and 59 seconds for calls within the City.

In its delivery of fire services to the City of Harrisburg, the Bureau faces several challenges including the following:

- Continuing to maintain the good working relationships that the Bureau currently enjoys with its mutual aid partners in the region, while also exploring opportunities for increased regionalization of fire services;
- Maintaining a high-functioning fire prevention division despite the current lack of adequate staffing for this operation;
- Ensuring the health and well-being of the City's firefighters through increased training and greater attention to safety;
- Pursuing improvements in the Bureau's use of technology despite the limitations of available resources; and
- Improving the current emergency management program both within the City and in the region.

[36] *Source: National Fire Protection Association, Annual Fire Loss Survey, 2005-2009*
[37] *Source: National Fire Protection Association, Annual Fire Loss Survey, 2005-2009.*

[38] *Source: Federal Bureau of Investigation, Uniform Crime Reports, 2005 – 2009.*
[39] National Fire Protection Association (NFPA) Standard 1710 5.2.4.2 recommends, when an aerial operator is included, a minimum firefighting force of 15.

Mutual Aid and Regional Service
The Bureau is both a signatory to and an active participant in a County-wide mutual aid agreement, and is generally well-respected by its mutual aid partners in Dauphin County. The Harrisburg Bureau of Fire is the only combination department in Dauphin County, with all other companies operating in an all-volunteer capacity.

The City requests mutual aid from neighboring jurisdictions during major events by initially placing those departments on stand-by, either in their own stations or in one of the Bureau's stations. Many of the neighboring jurisdictions' volunteer members are career firefighters in other communities and, due to potential conflicts with IAFF rules against career firefighters responding as volunteers, they choose not to respond in Harrisburg. At this time, this does not appear to significantly limit the capacity of mutual aid partners to assemble a crew and respond within Harrisburg. Over the past five years, Harrisburg received mutual aid slightly more often than it provided aid to neighboring jurisdictions.

Should the City reduce staffing in the Fire Bureau, challenges may emerge within the established mutual aid system. Several neighboring chiefs interviewed indicated concern that a reduction in force within the City of Harrisburg would increase the burden of response to mutual aid calls made to their communities. Many chiefs felt that their communities would protest an increase in response from their volunteer companies within Harrisburg's city limits, from both an issue of manpower, due to the reliance on all volunteers, and an issue of political will.

There have been efforts in the past to explore increased regionalization of fire services within Dauphin County. There have been some successes between individual volunteer companies, but there appears to be limited opportunity at this time for full consolidation of the Bureau of Fire as a primarily career department with neighboring all-volunteer companies. This is primarily attributable to a perception that any move toward consolidation will increase costs for service for the surrounding communities, since there is not a perceived need for a commensurate increase in full-time fire fighting staff in those jurisdictions.

Opportunities short of full consolidation could be explored, including the sharing of fire prevention and inspections staff, programs and service delivery, as well as joint purchasing and equipment maintenance services. In both Swatara and Susquehanna Townships, neighboring municipal governments have established a common Fire Marshal as well as a standardized replacement schedule for vehicles. Exploration of a regional Fire Marshal approach across multiple jurisdictions could increase efficiency and capacity in a more cost effective manner.

In late 2010, the Dauphin County Gaming Advisory Board issued an RFP to complete a comprehensive inventory of existing fire and emergency service resources within the County, and to identify outstanding fire and emergency service resource needs. The purpose of this study is the establishment of criteria for awarding grant funds (available from local casino revenue) to local jurisdictions whose grant applications relate to fire and/or emergency service-specific projects. The intended outcome is to increase the effectiveness of these grant funds and to limit the funding of projects that result in duplication of specialty equipment or other emergency response capacity within the County. The Fire Bureau did not apply for these local gaming grant funds in 2010. Neighboring jurisdictions that have applied in past years have received grant funds for vehicle purchases and/or upgrades, as well as facility improvements. The Fire Bureau should ensure they are active participants in both the Gaming Advisory Board study, as well as the local gaming grant application process in future years. The Bureau has much to offer Dauphin County with regard to specialty response capacity and technical skills.

Prevention
The City is currently functioning without a designated Fire Marshal. As such, the Fire Chief is currently serving in this capacity. The current Fire Inspector serves on part-time, light duty status and is the only employee currently dedicated to fire prevention. In the past, efforts have been made to develop a team

approach to fire prevention through collaborations between the City Bureau of Codes staff and the Fire Inspector, though these efforts have proven unsuccessful. In practice, it appears that City Bureau of Codes staff have actually undertaken the role of plans review and system testing for fire suppression systems. Additionally, it appears there is very little formal, reliable documentation of fire inspections. City staff outside the Bureau of Fire raised concerns regarding the actual completion of inspections required for permitted uses under the fire code. The Chief and Deputy Chief provide very limited supervision in this area.

The City has adopted the 2003 version of the International Code Council (ICC) suite of codes for new construction, but the City's Fire Prevention Code, in effect for use and operation of existing buildings, has not been comprehensively reviewed and updated in its entirety since 1987. The composition of the City's built environment has undoubtedly changed significantly over the past 24 years, as has technology and methodology used in building maintenance and construction. The City's Fire Prevention Code is well-overdue for a comprehensive review and update to reflect modern building standards and safety requirements. A comprehensive update is also needed to remove references to obsolete regulations (e.g., National Fire Protection Association codes that have since been updated) and practices.

A full-time dedicated employee is needed for fire prevention, and collaboration with the Bureau of Codes should increase to achieve greater efficiency. There may be an opportunity to cross-train fire and housing inspectors and use civilian positions to accomplish the necessary work. In addition, the Bureau should leverage the labor pool already available and begin an engine company inspection program. The Local IAFF has indicated willingness for engine companies to begin performing fire inspections and has also indicated that there are several company officers who already hold the required certifications to perform these duties. Implementing engine company inspections would serve the Bureau well in its effort to transition from a reactive to a proactive organization with a strong focus on prevention. In addition, a possible increase in fee collection could be revenue-generating for the City.

The Bureau's public education position has recently been filled by a firefighter on light duty. Given the significant challenges the Bureau faces in total number of fires and false alarm incidences, it is critical that the position receive strong direction and that there are outcome-based performance measures developed to make this a productive position. The Bureau has, in the past, conducted smoke detector installation programs in City residences, reportedly with positive reception by the public. Prevention activities like this should continue and be expanded, assuming the effects are cost neutral. According to Bureau staff, the Volunteer Firefighters Relief Association has been a willing partner in fire prevention initiatives like the smoke detector program. In order to maximize available resources offered by the Association, the Bureau should continue to pursue opportunities for prevention and safety activities in which the Association can join as a partner.

Training and Safety

The Bureau does not have a dedicated Training Officer, which is somewhat unusual for a department its size. The Training Officer provides consistent guidance and implementation of state of the art firefighting practices and is often the person assigned as the department Safety Officer. While the Bureau is fortunate to have many officers and firefighters with the required certifications to lead in-house training events, these in-house trainers are not utilized in a consistent manner with specific, measured outcomes. Additionally, possible overtime charges limit the ability to consistently utilize in-house trainers on every shift. The IAFF has indicated a willingness to discuss alternatives for providing the required training while minimizing overtime impacts, such as short term shift transfers for trainers.

In one example of a more formal, consistent in-house training model, the Bureau would designate a company officer, preferably a Captain, on each of the four platoons to serve as Platoon Training Officer. The four Platoon Training Officers would then work together as the Bureau's training team under the general oversight of a chief officer (most likely the Chief, Deputy Chief, or one of the three Battalion Chiefs). The training team would identify needs, develop training goals, and lead training events on each of the four platoons in a consistent manner.

Given the skill level and experience of the City's firefighters, there may be opportunities to offer training and invite outside participants to attend on a fee-for-service basis. This arrangement would allow the Bureau to further stretch its currently limited training budget. Additionally, there may be potential to collaborate with the HACC Shumaker Public Safety Center in hosting training events. At present, any new City firefighters currently complete Fire Academy training at the HACC Public Safety Center and the City's active firefighters and volunteer company members also attend training events at the Center regularly. There may be an opportunity for active City firefighters to lead training events at HACC on a regular basis.

For the past three years, the Bureau has seen steady increases in injured-on-duty and sick leave usage. In addition to the natural concern with individual and organizational safety, this loss has significant impact on the Bureau's overtime budget. The Bureau should immediately implement a more formal review of every work-related injury to determine cause, design avoidance strategies for future occurrences and assess equipment/training changes needed to avoid such injuries in the future. These reviews logically fall under the purview of the Bureau's established Safety Committee. This Committee should begin such reviews immediately and, following completion of reviews, should report results to Bureau staff in order to keep employees informed of lessons learned and establish expectations for employee safety.

In interviews with City staff as well as firefighters in neighboring communities, Harrisburg's firefighters were frequently described as aggressive and brave. These characteristics are desirable in those we trust to save lives in dangerous situations; however, instances were also described that raise concerns about the Bureau's overall safety culture. The Bureau needs an increased emphasis on active incident command and management, implementation of the new accountability system proposed by Dauphin County for all its fire companies, and immediate assignment of incident safety officers at a working incident. Available staffing should not be considered an obstacle to these activities. Improvements to the accountability system and assignment of incident safety officers could easily be accomplished though the mutual aid system if needed.

Technology

The Bureau's records management system, Firehouse, is currently underutilized. Staff need additional training on the functionality and use of the most efficient application of the system. The Bureau needs to create a more efficient and accurate system of records maintenance for all aspects of administration and operations including fire prevention, scheduling, training records, pre-plans, building and equipment maintenance and inventory. Bureau-wide use of Firehouse will likely increase through improvement of internet connectivity between fire stations as well as an upgrade of all the stations' desktop computers.

There is a need within the Bureau for an automated scheduling process for daily shifts. The current approach is inefficient and requires the City's Communications Center to manage firefighter call-ins. With the transfer of the City Communications Center functions to Dauphin County, the Bureau will now be responsible for management of call-in's during evenings and weekends when the Bureau's Administrative Office is closed.

The Bureau could greatly benefit from the installation of mobile data computers in all front-line response vehicles, or in command vehicles at a minimum. These computers allow the integration of critical information regarding specific structures as well as the most effective response strategies for specific emergency incidents. Instant access to such information will likely improve firefighter safety in emergency response-related activities.

Emergency Management

As stated previously, the City is currently the sponsoring agency for the Pennsylvania Urban Search and Rescue Task Force One, a FEMA urban search and rescue unit. Participation in Task Force One has afforded the Bureau's firefighters the opportunity to receive extensive specialized training as well as invaluable experience responding to the large-scale emergency incidents both within and outside the Commonwealth. All costs associated with the Bureau's participation in Task Force One are reimbursed to the City by FEMA.

In early 2011, the City began the process of relinquishing its role as Task Force One's sponsoring agency and moving instead to a participating agency role. As a sponsoring agency, the City has certain fiduciary and administrative responsibilities associated with FEMA grant fund monitoring and reporting, as well as responsibility for processing reimbursements for other participating agencies. Due to a lack of financial resources within the City to assume responsibility for these functions, the City is no longer able to effectively perform its sponsoring agency role. The Advisory Committee that oversees Task Force One, made up of representatives from participating agencies as well as PEMA, has developed a plan for migration to a new sponsoring agency and has already identified the new sponsor organization. As a participating agency, the City's firefighters will still receive training and respond when Task Force One is mobilized, but grant management will no longer be part of the City's responsibilities.

In addition to its multi-jurisdictional emergency management activities, the Bureau is also the responsible party for the City's emergency management program. Pennsylvania law requires that every county and municipal government develop and maintain an emergency management program consistent with those at the Commonwealth and federal levels. This includes planning, particularly the development and ongoing maintenance of the City's Emergency Operations Plan (EOP); training, including exercises and classroom/online learning; disaster response, including incident management; and post-disaster recovery, including the submittal of comprehensive damage reports to the Dauphin County EMA.

At present, it is unclear how adequately these emergency management program functions are being performed by the Bureau. For example, the Dauphin County EMA, as part of its coordinating role in local emergency management programs, assists with disaster recovery efforts by providing required information to the Commonwealth and federal agencies responsible for releasing financial aid and services to affected areas. Municipal governments within the County are required to submit damage reports, upon which the County's federal disaster reimbursement funds are calculated and distributed. The County reports that damage reports from the City are often submitted after deadlines have passed or, on occasion, not at all.

The Bureau should take advantage of the informational resources and expertise within the Dauphin County EMA by requesting assistance in strengthening the City's existing emergency management program. With input and advice from the County EMA, the Bureau should establish a regular review cycle for the City's EOP, develop and implement annual training and exercise plans, and design a reporting system to ensure that damage reports, as well as any other regular reporting requirements, are promptly completed and submitted to ensure that the City takes full advantage of any available federal reimbursement funds.

Overtime
The following table depicts the Fire Bureau's historic overtime expenditures. Overtime usage is influenced by several factors including sick leave, IOD leave, overall Bureau staffing levels and Pennsylvania Urban Search and Rescue (USAR) Task Force One participation.

Bureau of Fire Historic Overtime Expenditures

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Change
Total	$993,669	$1,265,065	$1,606,141	$1,639,723	$1,901,721	91.4%

The following issues warrant greater review and attention in order to fully understand the Bureau's historic overtime expenditures:

Sick Leave: The Bureau's total sick leave usage has grown from 4,399 hours in 2006 to 9,918 hours (including family/medical leave) in 2010. The Bureau's 2010 sick leave total is equivalent to more than 4.0 FTE positions. Under the current collective bargaining agreement, management has the right to visit employees who are sick to verify illness, but this right is not exercised by the Chief or Deputy Chief at present. On-duty Battalion Chiefs, with assistance from the Chief and Deputy Chief as needed, should monitor employee sick usage for patterns that should be investigated and seek guidance as necessary from the Fire Chief for appropriate action. On-duty Battalion Chiefs should also make illness verification visits under a general parameter to be set by the Fire Chief.

Injury-on-Duty: Between 2006 and 2010, the number of hours in which the Bureau's employees were out on IOD leave ranged from 8,711 to 12,148. Once an injured firefighter has been on IOD leave in excess of four consecutive work days, the firefighter is placed on Worker's Comp/Heart and Lung leave. While, according to IOD leave records, there are many Bureau employees each year that use IOD leave, the total number is not reflected in the lost time statistics reported to the NFPA each year. The Bureau's historic reported number of lost time injuries from firefighting activities ranged from three to seven FTE positions annually.

The Bureau should maintain an accurate database of duty-related injuries to ensure consistent reporting both internally and nationally. As is the case with sick leave, the Bureau has lost the equivalent of 4.0 FTE positions to IOD leave each year for the past three years. An initial review of the Bureau's IOD leave records for the past five years indicates some unusual patterns in leave usage. From 2006 to 2010, there were 24 to 28 Bureau employees who used IOD leave in every one of those years. In 2010, there were four Bureau employees who were injured on duty and used Worker's Comp/Heart and Lung leave for longer than 6 months, uninterrupted. As is the case with sick leave usage, Bureau management should proactively monitor leave usage related to injuries on duty to identify any patterns that require further investigation.

The current collective bargaining agreement allows undocumented use of IOD leave up to four consecutive work days. This provision should be revised to require physician verification at the Bureau's discretion within the first four days to ensure appropriate treatment and to minimize the potential for leave abuse. In addition, the Bureau should implement the IAFF/International Association of Fire Chiefs (IAFC) Fire Service Joint Labor Management Wellness/Fitness Initiative as a means to increase employees' health and well-being and reduce both IOD and sick leave use.

Premium Pay: The firefighters' current work schedule averages 42 hours per week. Under the current collective bargaining agreement, the City is required to pay firefighters two hours of premium pay per week at the established overtime rate as time worked in excess of 40 hours. This premium payment is not required under the federal FLSA and no overtime payments are required for any individual working the current schedule until they exceed 182 hours in a 24-day cycle. Under the current schedule, firefighters work only 144 hours in a 24-day cycle, assuming the firefighters work all their assigned hours. Any hours paid but not worked (e.g., vacation, sick, or IOD leave) are exempt from this 144 hours in a 24-day cycle calculation. Implementation of an overtime payment plan that follows the minimum requirements of FLSA will reduce the Bureau's overtime totals. The City should seek a revision to the current collective bargaining agreement that will address this recommended change (discussed under Initiative FIRE02 "Eliminate premium pay").

Pennsylvania Urban Search and Rescue (USAR) Task Force One Charges: As a participating agency in Pennsylvania's USAR Task Force, a number of the Bureau's firefighters must receive on-going training to maintain active status on the team and respond to emergency incidents outside the boundaries of the City (and, sometimes, the Commonwealth). FEMA reimburses the Bureau for all overtime charges associated with Task Force participation, including attendance at mandatory training events. The City charges any overtime costs incurred through participation in Task Force-related activities to the Bureau's overtime line item in the City's financial system. The offsetting reimbursement from FEMA, however, is not credited to the same overtime line item. Based on the overtime records available at this time, it is not possible to quantify the total volume of these expenditures and offsetting reimbursements. The cost of the Bureau's participation in the Task Force is not directly associated with delivery of fire protection within the City. Due to the lack of precision in overtime monitoring and reporting, the charges associated with Task Force participation that are currently included in Bureau's overtime totals may skew the perceived cost of running the Bureau.

Minimum Staffing Requirement: The current collective bargaining agreement specifies a minimum daily staffing requirement of 16 firefighters and one Command Officer for the Bureau. While this requirement is not excessive for the risks and hazards associated with the Bureau's fire response, it does limit the flexibility of management to address current financial challenges. These minimum staffing requirements are typically rooted in a desire to assure safe firefighting circumstances for firefighters and a need to provide sufficient staff to effectively respond to fires and perform rescues. Achieving the minimum daily staffing level has a direct impact on overtime usage in the Bureau. While firefighter safety must remain a primary concern, flexibility in minimum staffing levels should be granted to Bureau management in order to effectively adapt to changing conditions.

Initiatives

Public safety-related expenditures are a large part of the City's operating budget and, as a result, the delivery of public safety services must be altered in order to address the City's current structural deficit. The initiatives that follow preserve the ability of the Fire Bureau to continue providing critical fire suppression services in Harrisburg, while improving the efficiency of the Bureau's operations. In this time of scarce resources, it is vital for the Bureau to ensure that resources are deployed in a cost-effective manner and that fire prevention activities and firefighter safety continue to improve. Additionally, the City must make every effort to recoup the highest possible percentage of the cost of Fire Bureau-related services.

FIRE01. Change current shift schedule

Target outcome:	Cost reduction and Increased efficiency
Financial impact:	Not available
Responsible party:	Fire Chief

The Bureau currently operates under a four platoon system, in which each platoon works the following cycle: two 8.5 hour days on, two 15.5 hour nights on, followed by four days off. This cycle results in an average work week duration of 42 hours. Under this system, each platoon works 2,190 hours annually. After adjusting this annual total to reflect vacation leave allowances, average sick leave usage, and average IOD leave usage, each firefighter is on duty for approximately 1,780 hours per year (based on 2010 leave records). This results in a staffing factor (i.e., the number of employees needed to fill one position 24 hours a day, 365 days a year) of 4.92 for fire suppression staff.

A change in the current shift schedule will allow the Bureau to address its historic staffing shortage. Therefore, the City shall change the Bureau to a minimum 48-hour average work week using a three platoon system, which will result in a reduced staffing factor of approximately 4.26 FTEs. The new shift schedule anticipates a staffing level of 24 employees per shift (i.e., 1 Battalion Chief; 1 Captain; 2 Lieutenants and 20 Firefighters and/or Firefighter/Driver Operators). The new shift schedule also includes the elimination of one ladder company and the consolidation of company staff to the Bureau's remaining units.

This recommendation represents a significant schedule change for the Bureau's firefighters. While such a shift structure is somewhat unusual in the Commonwealth of Pennsylvania, Third Class City Code currently allows the flexibility to implement such a structure, requiring that the number of hours of day or night service shall not exceed 56 in any one calendar week. A work week ranging between 48 and 56 hours per week is currently in place in many fire departments across the United States, including departments in Chicago, Detroit, and several urban counties in the Commonwealth of Virginia. There are also a range of different shift patterns in many departments across the United States that satisfy federal FLSA requirements. The 48-hour work week does not automatically result in increased overtime, since the FLSA sets the overtime threshold as time worked during any work period of 7-28 days in length that exceeds 212 hours in any 28-day period. In conjunction with the implementation of this initiative, the City shall also eliminate the premium pay requirements in the current collective bargaining agreement (outlined in Initiative FIRE02 "Eliminate premium pay").

The new schedule accounts for one additional position in the Fire Prevention Division. As the Fire Chief's designee, the incumbent in this position will act as the City's Fire Marshal. The position shall be a management position, exempt from the collective bargaining unit, and will require a minimum qualification as a certified fire inspector/plan reviewer. In addition to conducting plan reviews and inspections, the incumbent will oversee and coordinate the engine company inspection program (outlined in greater detail below under Initiative FIRE04 "Implement an engine company inspection program") and will also provide direct supervision to incumbents in the Fire Inspector position and Public Education Officer position.

Additionally, Initiative FIRE07 below reclassifies the Bureau's existing Administrative Assistant position, currently staffed by shift firefighters on overtime, to a Confidential Secretary to the Fire Chief. This reclassification will result in significant overtime savings and provide much needed administrative support to the Bureau.

Taken as a whole, these changes result in an estimated net staff reduction of 5.0 FTE positions Bureau-wide, while also increasing platoon strength, adding staff to the critical function of fire prevention, and preserving the Bureau's current levels of service delivery.

FIRE02. Eliminate premium pay

Target outcome:	Cost reduction
Financial impact:	Not available
Responsible party:	Mayor, Fire Chief and Chief of Staff/Business Administrator

The Fire Bureau's current shift schedule results in an average of 42 hours worked per week, per bargaining unit employee. Consequently, under the current collective bargaining agreement, the City is required to pay every bargaining unit employee two hours premium pay per week at the established overtime rate. As previously stated in the "Overtime" section earlier in this chapter, this payment is not required under the federal FLSA. Under FLSA regulations, overtime payments are not required for Bureau firefighters working the current shift schedule until they exceed 182 hours in a 24-day cycle. Under the current schedule, a firefighter works only 144 hours in a 24-day cycle, assuming that he/she works all assigned hours. Any hours paid but not worked (e.g., vacation, sick, or IOD leave) are exempt from this 144 hours in a 24-day cycle calculation.

The City shall eliminate premium pay for regularly assigned hours. The City shall pay overtime only for hours actually worked in excess of the FLSA-established maximum thresholds, that is, the minimum overtime required by the FLSA. Implementation of an overtime payment plan that reflects FLSA-established thresholds will result in lower annual overtime payments for the Bureau.

FIRE03. Evaluate the tradeoffs of taking a piece of apparatus out of service and increasing staffing on remaining apparatus

Target outcome: Improved safety and response

Financial impact: Not available

Responsible party: Fire Chief and Chief of Staff/Business Administrator

Current operating practice for the Harrisburg Fire Bureau is to staff three engines/pumpers and three aerials for response. The staffing level per unit is either two or three, depending on the specific unit. In Harrisburg, units at Stations 1 and 2 operate as task forces of an engine and tower. Stations 6 and 8 respond as a single response unit at each incident.

The Bureau shall conduct a thorough analysis of call type, volume and distribution, along with facility condition and geographic utility, to develop a plan to most effectively allocate equipment and staff among its stations.

Included in this analysis shall be a review of the impacts of closing a station to reduce operating costs. The potential closure of a station would allow the Bureau to improve the staffing complement on the remaining vehicles at its other stations. While specific staffing configurations should be addressed by the study, this will allow the number of firefighters per engine to increase from three to four and improve the ability of those units to conduct initial firefighting operations. Task force staffing would increase from five to six firefighters. Recent studies continue to support previous findings that a four person unit is significantly more effective than a three person unit, particularly regarding advancing hose lines, effecting rescues and conducting search activities. A four person unit is expected to improve both firefighting operations at the scene and enhance firefighter safety for the responding crews. Initial response times may be slightly longer to some locations following the closure of a station. However, when the unit arrives on scene, they will be better prepared to complete the tasks needed on the fireground. Harrisburg's compact geography allows for quick response times for supplementary units. The combination of having a fully staffed first arriving unit and quick support from the supplementary units is anticipated to mitigate concerns related to the potential increase in initial response time.

Any costs savings shall be identified as part of the staffing and resource analysis.

FIRE04. Implement an engine company inspection program

Target outcome: Improved safety and enforcement

Financial impact: Not available

Responsible party: Fire Chief

The Bureau is currently unable to keep pace with annual fire prevention inspections with the existing fire inspection staff. Therefore, engine companies shall be leveraged to provide basic fire prevention inspections under the general oversight of the Fire Chief, as the City's de facto Fire Marshal. This will allow a tiered, proactive approach to improving fire and life safety. Engine companies will conduct basic inspections, while seeking assistance from the Bureau's Fire Inspector(s) and the City's Bureau of Codes for more complex issues.

In addition to improving fire safety, the inspections will foster in firefighters a deeper familiarity with City structures and their specific firefighting challenges, which will be beneficial in emergency response.

Under the direction of the Fire Chief, and with input from the City's Deputy Codes Administrator, firefighters shall receive training in the required knowledge, skills, and abilities to conduct effective inspections as needed. Engine companies will inspect non-complex properties, such as parking structures, retail businesses, and offices, until significant experience is gained. Inspections performed by the engine companies will be only those that are routine, Fire Prevention Code enforcement-related. Once the engine companies' firefighters have gained significant experience, the engine company inspection program should be expanded to include more specialized inspections of other structures. The Bureau's participation in City code enforcement teams, as recommended in Initiative BH03 "Assemble and systematically deploy code enforcement teams" in the Department of Building and Housing Development chapter of this Plan, will allow additional cross-training for firefighters in specialized inspections and enforcement strategies, as well as positively address any existing arson problems within the City.

The Bureau shall set an initial workload target of 20 inspections per week, distributed evenly among the Bureau's stations. The program may be expanded further as staff gains experience. The financial impact of this initiative cannot be estimated at this time, based on lack of reliable inspection information. It is recommended that, for the first year of this program, no fee above the annual fire prevention permit fee (already paid annually by property owners) be assessed. Once the program is established, the City, with assistance from the Receiver, shall develop and adopt a comprehensive fee structure for fire prevention activities, including the engine company inspection program.

FIRE05. Increase billing/collection of emergency response and vehicle extrication fees

Target outcome: Increased revenue

Financial impact: $61,875

Responsible party: Fire Chief and City Council

To supplement the Bureau's expenditures associated with responding to car fires and vehicle extrication calls for service, the City shall assess a $500 per incident emergency response fee to be charged to the vehicle operator's insurance company. This $500 per incident fee shall be evaluated against the City-wide fee study once it is completed, and, based on the results of that evaluation, shall be modified as needed at the direction of the Receiver. Most insurance policies include a provision for reimbursing local fire departments for emergency response. In order to successfully impose and collect this fee, the City shall revise the current enabling ordinance, which allows for the billing and collection of a $300 fee.

On average, the Bureau responds to about 15 extrication calls per year, but has recently had little success collecting fees from insurance companies. Therefore, the Bureau shall engage the services of a fire fee recovery service to improve collection rates. A $500 fee with a 50% collection rate is projected to generate at least $13,750 annually based on average response volumes.

Financial Impact

2012	2013	2014	2015	2016	Total
$6,875	$13,750	$13,750	$13,750	$13,750	$61,875

FIRE06. Adjust false alarm fees to more accurately reflect costs and impacts

Target outcome:	Improved cost effectiveness
Financial impact:	$60,000
Responsible party:	Fire Chief

The City currently charges $50 for the Fire Bureau's response to false fire alarms after the third occurrence in a 12-month time period. As outlined in the Fire Prevention Code, this fee only applies to those alarms that are currently routed through the City's Communications Center.

The primary goal of assessing a false alarm fee is to encourage improved maintenance of systems and reduce unnecessary response from firefighters, thereby ensuring that response capacity is available for true emergencies. A secondary goal of false alarm fee assessment is the recovery of costs associated with repeatedly deploying resources to the same site unnecessarily. Given the volume of false alarm calls in Harrisburg, it does not appear that the current false alarm fee structure has had the desired preventative effects.

Using FEMA's current equipment rate schedule information as well as the entry-level firefighter wage rate, the estimated cost for a typical Harrisburg engine and ladder to respond to an alarm call is approximately $360 per hour. Assuming that any given alarm call takes approximately 30 minutes to investigate and resolve, a false alarm fee, in order to adequately recover response costs, should be approximately $180.

The City shall implement a more aggressive fee schedule, while also increasing efforts to educate property owners on methods for improving the reliability of alarm systems. In 2012, the false alarm fee schedule shall be modified as follows:

- Alarm #2: $50
- Alarms #3-4: $100
- Alarms #5-7: $200
- Alarms #7-9: $300
- Alarms #10 or greater: $500

The fee schedule shown above shall be evaluated against the City-wide fee study once it is completed, and, based on the results of that evaluation, shall be modified as needed at the direction of the Receiver.

Data provided by the City does not provide specific detail on the number of false alarms that currently incur fees at various levels. There are, however, approximately 300 fire alarm malfunction calls reported annually by the Fire Bureau, as well as an additional 300 unintentional alarms. Assuming that this same billing pattern will occur as documented in 2010, projected false alarm fee revenue under the new, proposed schedule will approximately double. City records show that false fire alarm fees generated approximately $16,000 in revenue in 2010. Under the new schedule, fee revenue will increase by approximately $16,000 annually, assuming the same level of false fire alarms.

Since the assessment of a false alarm fee is ultimately intended to reduce false alarms, the additional projected revenue shown below is discounted by 25% after 2013. The Bureau shall develop and implement educational materials to assist property owners in reducing instances of false fire alarms. The effectiveness of this effort shall be evaluated at the end of 2014 and, if no significant reduction in false alarms is seen, the City shall develop a plan modification, which could include fees for all unwanted alarms (not just repeat incidents) and additional fee increases.

Financial Impact

2012	2013	2014	2015	2016	Total
$8,000	$16,000	$12,000	$12,000	$12,000	$60,000

FIRE07. Civilianize Bureau's Administrative Assistant position

Target outcome: Cost reduction

Financial impact: Not available

Responsible party: Fire Chief and Director of Human Resources

The Bureau currently utilizes shift firefighters to fill an Administrative Assistant position. This practice results in significant overtime expenditures associated with incumbents working outside their shift schedule during regular, daytime business hours. The City shall modify the job duties of this position to those of a Confidential Secretary and remove this position from the IAFF bargaining unit. This reclassification will result in cost savings for the City, and will provide greater staff capacity for fire suppression activities. The Bureau currently expends approximately $90,000 annually in overtime charges to staff this position.

FIRE08. Mandate formal Safety Committee review of every work-related injury in Bureau

Target outcome: Improved safety

Financial impact: Not available

Responsible party: Fire Chief and Director of Human Resources

The Bureau shall immediately implement a formal review procedure for every work-related injury in the Bureau. The goals of the reviews are determination of cause, designing avoidance strategies for future occurrences, and assessing equipment/training changes that may be needed to avoid such injuries in the future. These reviews shall be conducted by the Bureau's established Safety Committee, with assistance from the City's Bureau of Human Resources as needed. The Committee shall begin such reviews immediately and, following completion of reviews, will report results to all Bureau staff in order to keep employees informed of lessons learned and established expectations for employee safety.

It is expected that formal work-related injury reviews will, over time, decrease IOD and sick leave usage in the Bureau. There is no accurate formula for projecting such a decrease, however, so financial impact information cannot be included at this time.

FIRE09. Establish a formal in-house training program, including a shift swap system, that allows in-house trainers to lead events

Target outcome: Improved safety and cost reduction

Financial impact: Not available

Responsible party: Fire Chief

The Bureau shall utilize in-house expertise to deliver training to the City's firefighters. The Bureau's ongoing participation in several multi-jurisdictional task forces has allowed many members of the Bureau to develop specialized technical rescue skills, including experience in building collapses, trench rescues, confined space rescues, high angle rescues and heavy vehicle extrication. The Chief, Deputy Chief and Battalion Chiefs shall form an In-House Training Committee to identify in-house trainers. Once identified, the trainers, along with the In-House Training Committee, shall design an annual training schedule for the Bureau. Trainers shall deliver consistent training events, evaluated against specific, measured outcomes, to City firefighters on every shift.

The City, in consultation with the IAFF Local No. 428, shall establish an optional short-term shift swap system for in-house trainers. The temporary swap will allow the same trainer to deliver training consistently on every shift while avoiding overtime charges. Alternately, the Bureau may designate a company officer on each of the four platoons to serve as Platoon Training Officers. Each of the four Platoon Training Officers would then deliver consistent training individually to their respective platoons. In all cases, training shall be implemented without the necessity of overtime pay for either the trainers or those being trained.

Once the in-house training program has been active for one year, the City shall evaluate the potential to offer training events, led by the City's in-house trainers, for non-City firefighters on a fee-for-service basis.

FIRE10. Continue discussions with Harrisburg Area Community College Public Safety Center regarding possible training collaboration

Target outcome:	Improved efficiency and employee safety
Financial impact:	Not available
Responsible party:	Fire Chief

With guidance and support from the Receiver, the City shall contact the HACC Public Safety Center with a proposal to increase collaboration between the Fire Bureau and the Center in fire-related training programs. The proposal shall include details on current Fire Bureau employees' potential to lead training events at the Public Safety Center. The City shall also identify any current training opportunities at HACC from which Bureau employees and the City's volunteer firefighters may benefit.

FIRE11. Revise turnout gear replacement practices

Target outcome:	Cost reduction
Financial impact:	Not available
Responsible party:	Chief of Staff/Business Administrator, City Solicitor and Fire Chief

The current collective bargaining agreement established a four year replacement cycle for the Bureau firefighters' turnout gear (i.e., tailor-fitted turnout coat and bunker pants). Additionally, the agreement requires that firefighters whose gear is not replaced in any year of the four year replacement cycle be given an annual payment of $250. Finally, if any firefighter retires prior to receiving one new set of turnout gear in any year of the four year replacement cycle, the accumulated amount, up to $1,000, will be paid to the firefighter as separation pay.

Under the terms of the current collective bargaining agreement, turnout gear is treated as firefighters' individual property. However, the City is responsible for all costs associated with the purchase, tailoring, inspection and repair of the gear sets. The City shall cease all payments to individual firefighters associated with turnout gear. The City pays all full costs associated with the gear and, therefore, the gear is City property throughout its useful life and after it is no longer in use. The City shall eliminate all payments to employees for gear replacement, lack of replacement, or retirement prior to receipt of new turnout gear. All gear shall be and remain the property of the City. The City shall implement a five year replacement cycle for turnout gear, assuming that all gear passes annual inspections and receives necessary repairs. Following five years of front line use, a gear set will be replaced and the original set will be kept as a back-up set for that individual firefighter for an additional five years. Boots, helmets, and gloves are not subject to the five year replacement cycle and, therefore, shall be inspected and replaced on an as needed basis. After 10 years, a gear set shall no longer be used under any circumstances, as it has reached the end of its useful life under NFPA standards.

FIRE12. Revise IAFF collective bargaining agreement to allow more efficient and effective use of resources

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	Chief of Staff/Business Administrator, City Solicitor and Fire Chief

In addition to all of the changes necessitated by any and all other Initiatives in this Fire chapter, the Workforce chapter, the Retirement Benefits chapter, and any other chapter or provisions of the Recovery Plan, the City shall implement the following changes to the IAFF collective bargaining agreement:

- Revise limitations on total number of employees on vacation at any given time; restrict the maximum total number to three (Page 5 of current collective bargaining agreement: Art. 6, Sec. 2-3).
- Eliminate minimum recall provisions for incidents involving mutual aid (Page 8 of current collective bargaining agreement: Art. 9, Sec. 4).
- Eliminate all minimum hour, overtime provisions, and double-time rate of pay requirements associated with firefighters' attendance at drill and/or schooling, including pay requirements for firefighters relieving another firefighter attending drill and/or schooling (Page 8-9 of current collective bargaining agreement: Art. 10, Sec. 1).
- Eliminate bona fide vacancy requirements (Page 16 of current collective bargaining agreement: Art. 18).
- Eliminate requirement to maintain five light duty positions (Page 19 of current collective bargaining agreement: Art. 23, Sec. 1) and provide that the City shall maintain the management right to create, eliminate and assign employees to light duty positions in its sole discretion.
- Revise IOD leave provision to require doctor's certification for any IOD leave, regardless of duration (Page 20 of current collective bargaining agreement: Art. 23, Sec. 3).
- Eliminate leaves of absence with pay for union business (Page 33 of current collective bargaining agreement: Art. 41, Sec. A).

If the existing contract extension remains in effect, these changes will not be effective until 1/1/2017.

FIRE13. Eliminate minimum manning upon expiration of current collective bargaining agreement

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	Chief of Staff/Business Administrator, City Solicitor and Fire Chief

Any provision of any collective bargaining agreement between the City and any of its bargaining units concerning minimum manning requirements for any particular bargaining unit, shift, platoon, job classification, specialization, apparatus or position shall be eliminated. The City shall have the sole right to determine the number of personnel employed and utilized by the City. Further, the City shall have the right to layoff any employees for economic or any other reasons, without limitation.

14. Department of Public Works

Assessment

The Department of Public Works (DPW) is responsible for the maintenance and repair of the City's infrastructure. The Department is led by the Director of Public Works. Historically, DPW was comprised of four Bureaus: City Services; Vehicle Management; Water; and Sewerage. In 2011, following the Act 47 Coordinator's Plan, DPW took on an additional responsibility from DPRE for Park Maintenance. Those employees have been absorbed into the City Services Bureau 2012 Budget.

The varied responsibilities of DPW necessitate that demand for services will fluctuate. Staff flexibility is therefore vital to DPW. During spring and summer months, DPW staff: collect trash; complete road, water, and sewer repairs; perform street sweeping; and assist as needed with set up and tear down for DPRE events. During winter months, DPW staff are much more focused on snow removal, water/sewer repairs and other emergencies as they occur. In some events, snow removal is such a task that staff from Water and Sewer are needed to assist with snow clearing events.

DPW currently lacks formal work plans and performance measures. General goals are described as a part of the budget presentation process. One of the major goals established by the Department was successfully accomplished at the beginning of 2011 with the re-routing of the sanitation collection routes to balance collection responsibilities and reduce both staff and overtime requirements.

DPW is working to secure electric and natural gas contracts that are more favorable to the City. For example, the renegotiated electrical contract resulted in a 13% decrease in electrical costs for the City in March 2011. Currently, all traffic lights have been converted to light-emitting diode (LED). The City also has long term plans to replace all current street lights with LED bulbs as well as assess the payback on other building maintenance related energy saving opportunities.

In addition, the Director has focused attention on major changes that need to be made to update the sanitation collection system and improve recycling collection. The City provides trash and recycling collection services for residential and commercial customers. Collection of residential waste occurs on a four day per week schedule. The fifth day each week is reserved for holiday weekends (13 days per year), bulk trash pick-up, leaf pick up and other infrequent sanitation occurrences. The total number of customers is estimated at about 15,000, although the number of actual daily stops is unknown. Residential collection vehicles pass about 625 potential stops daily and collect an average of about 15 tons of waste. Vehicles unload at the RRF when full (approximately 10 ton capacity) and at the end of shift.

Collection involves 10 vehicles and 20 employees; a driver and a laborer for each vehicle. Six trucks are used for residential solid waste collection. Two trucks are used for commercial collection. Two trucks are used for recycling. Residential waste is placed curbside in traditional garbage cans or bags. Given the lack of on-site storage at many of the residential properties in Harrisburg, there have been issues with cleanliness, rodents and other animals disturbing garbage prior to collection. Commercial collection involves a mix of residential style containers and bags and rear-load dumpsters that are physically wheeled to the back of the truck and then dumped with mechanical assistance.

The City's sanitation vehicles are aging, which leads to excessive repair and downtime issues. With the exception of the commercial dumpsters, waste collection is a manual process where laborers pick up trash curbside and manually lift it into the collection vehicle. According to anecdotal information from staff, this has led to a significant number of workers compensation claims by sanitation workers for repetitive stress injuries. Sanitation has 23 budgeted employees and yet is still required to borrow heavily from the Street Division to cover for shortages related to vacation, holidays and sick leave. It is not clear that this use of

General Fund labor is accurately tracked and reflected in the Sanitation budget. While the borrowing process insures that Sanitation responsibilities are covered, it frequently leaves the remainder of the Department without adequate personnel resources to perform their own assignments.

Sanitation was recently moved to a full day operation, a change that continues to generate resistance and resentment from employees. Employees now work an 8-hour day, less a contractually agreed upon 30 minute break period.

Currently, the City collects the $32.34 per month sanitation fee from customers. All fees collected by the City are then transferred to the Sanitation Fund. The Sanitation Fund then pays THA $200 per ton for disposal, estimated on the customer's bill at $19.34 per month. Each home is also charged a $13.00 per month collection fee to cover the operational expenses of the Sanitation Fund. With the collection fee, the Sanitation Fund covers all operating expenses as well as the $2 million per year transfer to the General Fund in the form of an administrative fee to reimburse for billing and accounting services the City provides to the Sanitation Fund.

DPW is faced with a variety of significant challenges, as outlined below.

Aging Infrastructure

DPW has struggled with antiquated infrastructure, poorly designed systems and a lack of capital improvement funding for much of the past 15 years. Generally, infrastructure maintenance is only performed in response to system failures. A comprehensive preventative maintenance plan does not exist. Resource constraints have limited the Department's ability to effectively address infrastructure needs. In the short term, some of the issues in DPW are surmountable with a thoughtful strategy to deal with staffing and financial management. In the longer term, the Department must find a way to invest in and sustain its infrastructure systems.

Much of the City's infrastructure was constructed 50 to 75 years ago and is now reaching the end of its useful life. For example, the Mountain Line, a 42" water line running from the DeHart Dam to the WTP, was built in the 1940s and is now scheduled for televising and condition assessment. Many of the sewer lines in the City (as much as 60%, estimated) are constructed of brick and are causing significant numbers of sink holes in the City streets. According to staff, a majority of the 23 City owned bridges have also earned a failing grade and need to be repaired. The Vehicle Maintenance Center was built in the 1960s and is in need of significant renewal, including upgrades to ventilation and drainage systems to comply with Environmental Protection Agency (EPA) stormwater requirements. These critical capital projects must be addressed. This is made more difficult by the lack of an asset management system or effective GIS.

The City's capital improvement program has been underfunded for the past 15 years. The consequence is that needed capital repairs are not being completed. For example:

- In Water, repairs to local water lines have not been addressed and jeopardize the integrity of the system.
- In Sewer, the AWTF is in need of general upgrading to address equipment operating past its useful life.
- For roads, there has not been an active paving program of local streets for years. Sink holes in City roads are currently covered with steel plates until repairs can be initiated. Many of these sink holes are caused by collapsed (often brick) sewer lines and inlets.
- Due to budgetary and staffing constraints, there is no longer a program of scheduled televising and inspection that would identify failing sewers and allow preventative maintenance. The Department's televising truck and equipment are effectively inoperable, and there are no funds set aside for contract services to perform the work.
- In Street Signs, there are inadequate resources to comply with new reflectivity and lettering standards for street signs.

Vehicle and Equipment Fleet
Acquisition and disposal of the City fleet is currently decentralized. There is no central responsibility for specifying and acquiring vehicles and equipment. Purchases are made solely based on the needs of the individual departments. Multi-tasking opportunities are missed, equipment sharing is ineffectively considered and a substantial amount of equipment is poorly suited for its major function. For example, a number of vehicles used for snow removal are too large for maintaining alleys and too small to effectively plow City streets. Matching equipment to its intended tasks creates operating efficiencies that allow the fleet size to be minimized and promotes effective sharing of equipment between departments and divisions.

DPW possesses a fleet management system; however, it has not been effectively implemented. Maintenance histories, service records and hours of operation are not included in the system. Without a detailed fleet analysis it is impossible to determine the current status of the fleet.

Because the Department is so dependent upon vehicles and heavy equipment, the lack of a planned and funded equipment replacement program will drive up maintenance costs and eventually limit DPW's ability to perform its required duties. Vehicle maintenance expenses are expected to increase as the warranty expires on the police fleet purchased in 2008. At that time, DPW will assume responsibility for maintenance. One of the largest issues for the Vehicle Maintenance Center is the general lack of electronic capabilities, including record keeping. This lack of records makes assessment of the efficiency and effectiveness of this operation very difficult.

Environmental Compliance
In March 2010, the Commonwealth Department of Environmental Protection (DEP) and the U.S. EPA conducted inspections of Harrisburg's wastewater and stormwater systems. These inspections are expected to lead to significant obligations for stormwater management and combined sewer overflow improvements. Staff-suggested improvement costs could total tens of millions of dollars. These hurdles will force the City, in many cases, to update its policies and procedures to comply with Commonwealth and Federal environmental requirements before receiving further funding. This will be expensive and labor intensive for DPW.

Lack of Management
The systems in place to manage employee work are primarily paper-based and often are not aggregated to allow for analysis of efficient and effective service. In addition, the managers that would normally be in charge of maintaining and assessing the success of such systems are lacking throughout the department. While senior management exists, this cannot be a substitute for front line management staff that have daily contact with the processes being used in the field. For example, overtime due to snow emergencies causes systematic problems throughout the Department as staff members are pulled out of their assigned roles at the last minute (often from other Bureaus) and put behind a snow plow. With a specific overtime plan in place that is enforced by front line managers, this could be avoided.

Initiatives

DPW is facing substantial current and future capital, vehicle and equipment replacement requirements as well as ongoing operational challenges. The financial impact of the pending enforcement action by DEP for stormwater management and capital improvements is unknown but expected to be substantial. The initiatives described below are designed to accomplish three basic goals: 1) reduce costs; 2) develop alternative funding and revenue sources; and 3) achieve infrastructure sustainability.

PW01. Implement container based collection system for residential solid waste and recycling

Target outcome:	Cost reduction and increased recycling
Financial impact:	Not available
Responsible party:	Director of Public Works and THA

DPW has investigated the use of automated or semi-automated collection of residential solid waste and recycling. Due to limited off-street parking, automated collection has been determined to be infeasible. However, the use of semi-automated vehicles and wheeled carts would both increase production rates and reduce the risk of worker injury. Therefore, the City shall implement a container based collection system. This semi-automated collection would still require two workers per truck. However, it should be possible to increase route sizes which would reduce the total staffing compliment. The automation process would not directly affect the collection of bulk waste which will still require the use of more traditional methods. However, in planning automated routes, consideration shall be given to maximizing the use of the new equipment and returning to five day per week collections. This would allow for a dedicated weekly bulk waste collection effort.

The up-front cost of purchasing the vehicles and equipment is estimated to be approximately $5.5 million - $3.5 million for the purchase of containers and $2.0 million for the purchase of new vehicles. However, there is no existing vehicle fund reserve. In order to fund this initiative, THA, in coordination with the City, shall issue revenue bonds. Annual debt service is expected to be approximately $500,000 to $600,000 to be paid with customer charges for collection and disposal. As a result, these proposed changes to collection practices will have a mostly indirect impact on the General Fund.

With this change in collection processes, a reduction in the amount of intra-department labor borrowing is anticipated. This will have an overall positive impact on work performed in other areas of DPW. This is estimated at having an annual value of $100,000; although it does not represent new revenue, simply better use of existing resources. There would also be some offset from the sale of outdated sanitation vehicles (estimated at $400,000) and the reduction of required City vehicle maintenance services due to newer vehicles (estimated at $50,000 per year).

Many communities contract for all solid waste collection services. Private services are readily available and often offer a more economical service than that provided by city crews. In order to achieve savings through modernization and upgrading of equipment, there needs to be agreement between management and the bargaining unit on performance and productivity standards and work rules that will lead to the provision of competitive service by existing city crews. It is essential that the proposed investment in equipment generate collection efficiencies.

If these savings and efficiencies cannot be realized through negotiation with existing employees, or if THA is unable to secure the necessary financing for this new system, the City and THA shall investigate contracting out for residential collection services to ensure a reasonable cost per collection. Given the urgency of the situation, the City should concurrently conduct negotiations with the bargaining unit and prepare for receiving competitive bids for service, effectively creating a managed competition to determine the most economical method of providing service. Any consideration of contracting for residential collection should include bulk waste collect as part of the same effort.

PW02. Enforce City's right to commercial collection and contract with private collector for collection of commercial waste

Target outcome:	Cost reduction and increased revenue
Financial impact:	Not available
Responsible party:	Director of Public Works

The City is the only authorized provider of commercial solid waste collection services in Harrisburg. However, only approximately one-third of the businesses (estimated at 300 by DPW) are currently using the City's sanitation services. Historically, there were allowances made for those businesses that wanted private haulers. This was allowed to continue despite a requirement that City businesses obtain specific permission from DPW to hire a private sanitation hauler. The City's right to collection is not being currently enforced. This has resulted in multiple contractors, inefficient collection practices and increased costs. This issue was raised in the Act 47 Coordinator's Plan, and the Director has sent initial letters to business owners and private haulers in an attempt to both understand the magnitude of the problem and to put a stop to the practice.

The City shall maintain and enforce its responsibility for commercial solid waste and recycling collection and hauling. This action will allow greater operational efficiency, with the potential for reduced truck traffic in congested areas and potentially reduced charges to commercial customers. Effective mid-2012 commercial properties shall be required to utilize the City's services. While letters have been sent, the City has not initiated an RFP process to contract with a provider for this service.

Additionally, collection of all dumpster based commercial collection shall be provided by a private contractor selected by the City. The City is currently poorly equipped to manage commercial solid waste collection. It lacks the necessary vehicles, containers and staffing. The contractor will directly bill commercial customers and include a 15% City franchise fee in the billing. Complete transaction records shall be provided to the City documenting customers and charges. Assuming 750 total customers at an average collection cost of $100.00 per month would result in franchise fees to the City of approximately $135,000 annually. Given the inexact records of commercial accounts and collection numbers, this number could vary considerably. Due to the already small workforce, a further reduction in DPW staffing is not anticipated as part of this initiative. Currently staff from other DPW bureaus are called upon to fully staff sanitation operations.

PW03. Increase recycling through education, accessibility and enforcement

Target outcome:	Cost reduction
Financial impact:	Not available
Responsible party:	Director of Public Works

Currently, the City offers pick up of recycling materials including glass, plastics and metals. However, it does not allow pick up of paper products and cardboard. The City sent over 24,000 tons of waste to the RRF in 2010. Approximately 1,400 tons of recyclable products are purchased by recyclers yearly, for a negligible amount. Based on the amount of materials diverted from the waste stream, Harrisburg maintains a recycling rate of approximately 5%. Inclusion of paper products combined with an aggressive promotion should increase the percentage of recycled waste to at least 25%, an industry best practice volume.

The City shall increase recycling through the education of its citizens and businesses about the benefits of recycling. Increasing the City's recycling rate results in an environmental and financial benefit. Every ton of waste diverted from the RRF equals $200 in cost avoidance for the Sanitation Fund. Though cooperative opportunities are currently limited, the City's educational effort should be coordinated with Dauphin County Solid Waste Department. It shall also educate its citizens regarding the ease of recycling. This will be accomplished by mandating combined recycling containers from its waste and recycling contractor as described in Initiative PW01. The City shall also encourage recycling through enforcement, imposing fines on or non-pickup of violating accounts. The City of Harrisburg currently participates in recycling grants through the DEP as well, last year receiving $125,000 in grant funding for their recycling efforts.

PW04. Aggressively manage fleet make-up and quantity

Target outcome:	Cost reduction and improved efficiency
Financial impact:	Not available
Responsible party:	Director of Public Works

The City shall aggressively and effectively manage its fleet and reduce the number of vehicles and equipment retained by the City. Unfortunately, current equipment records make it difficult to make a recommendation that is more than an "educated guess" regarding fleet and equipment inventories. However, based on existing data it appears that a number of fleet reductions can be considered, such as the following:

- Purchasing a new sanitation and recycling fleet will allow the old fleet to be eliminated. There may be economic advantage to other programs (such as leaf collection) to keep a small number of the older packer trucks. The Director shall prepare a cost-benefit/alternatives analysis to demonstrate this need if keeping part of the fleet is to be considered.
- There are five backhoe/excavators in the fleet inventory with three located in Water and two in City Services. This quantity shall be reduced by at least two and an evaluation conducted to justify the need to retain the third vehicle.
- There are currently three bucket trucks listed in the fleet inventory; however, there may be a fourth truck in the inventory. Staff was unable to confirm this. If the City takes over street light maintenance as planned, three trucks may be justifiable, but shall be formally evaluated.
- There are currently seven street sweepers listed in inventory. With four active routes, this shall be reduced to a maximum of five vehicles. Consideration shall be given to reducing inventory to four, thus eliminating a spare sweeper.

Without usage records, it is very difficult to make recommendations concerning trucks and transportation vehicles. Based on limited data, it is likely that the number can also be reduced as described below:

- There are 28 listed dump trucks. Reducing this number to 18 (the approximate number of plow routes) shall be considered. There are currently eight zones. Each zone is assigned one five-ton truck and one one-ton truck for a total of 16 vehicles; the additional two trucks will provide the backup needed to ensure uninterrupted service during a snow event.
- There are at least 10 general transportation/police cars that are currently out of service. These vehicles shall be removed from the fleet.
- The consolidation of Parks Maintenance from DPRE into DPW will bring 68 vehicles into Public Works. It is recommended that DPW conduct a vehicle review after consolidation to determine how many excess vehicles can be eliminated (see the DPRE chapter for further details on this transfer).
- Again, without accurate information, specific recommendation is difficult. However, an educated guess based on experience and best practice would suggest that effective assignment and sharing of vehicles could lead to further reductions of five to ten cars and light trucks.

On completion of a detailed evaluation by the new fleet manager (see Initiative PW05), there will likely be additional reductions and changes to the fleet and equipment. Lease purchase options, life cycle costing, shared use opportunities and short term rental of specific equipment shall also be considered when planning the optimal configuration of the fleet.

PW05. Create a Central Fleet Agency and create a Facilities and Fleet Manager

Target outcome:	Cost reduction and improved efficiency
Financial impact:	Not available
Responsible party:	Director of Public Works

DPW's Bureau of Vehicle Maintenance is responsible for the repair and maintenance of the City's fleet. As described in Initiative PW04, the acquisition and disposal of the fleet is decentralized; each department is responsible for its own fleet. Equipment selection is left to the departments and there is considerable duplication of equipment that could be effectively shared.

When the Bureau of Vehicle Maintenance conducts repairs, only departments or bureaus with vehicle maintenance funding are charged for the repairs. Charges are based on a flat rate of $25 per hour. The Bureau does not maintain measurable performance standards, and currently no management positions are staffed within Vehicle Maintenance.

In Facilities, all responsibility is currently housed with the Director of Public Works for issues pertaining to the City Building and the Public Safety Building (DPRE and Fire maintain their own facilities). This means the Director must be concerned with issues such as building leaks, HVAC problems, power outages, all on a building by building level. The maintenance function was moved from the Department of Administration to DPW at the beginning of 2011.

In order to more effectively manage fleet and facility operation, the City shall create a centralized Facilities and Fleet Bureau within DPW. Regarding the City's fleet, this Bureau would be responsible for all fleet functions, including maintenance, repairs, purchasing, inventory and disposal. Regarding City facilities, this Bureau would be responsible for all building maintenance and capital improvements to City property.

Creating a Facilities and Fleet Bureau within DPW would require the addition of a Facilities and Fleet Bureau Director. The Department should expect to see other operational gains through improved efficiency, adherence to performance standards, the ability to share and transfer vehicles, better application of preventative maintenance, energy management and improved repair/replace decisions. The Manager should also pursue additional facility savings for the City, including:

- A space needs analysis of City buildings, in an effort to consolidate and dispose of surplus property as needed.
- Energy audits on City buildings; and
- Additional electric and Natural Gas savings through energy auctions.

As part of the current conservation efforts, the City Engineer has undertaken an economic evaluation of converting city street lights to LED fixtures. This project may be completed before the Fleet and Facilities Manager position is filled. Given the potential for savings, the process should not be delayed in anticipation of a Fleet and Facilities Manager.

This initiative assumes that the new position would lead to the implementation of the following EIP recommendations[40] related to the Bureau of Vehicle Maintenance. These recommendations will lead to a modern and efficient fleet maintenance process, and are essential to managing costs. If these are not implemented effectively, consideration should be given to contracting some or all maintenance services out:

- Recommendation N-4.1: Complete a vehicle utilization analysis and remove excess vehicles from the fleet.
- Recommendation N-4.2: Develop and implement a vehicle replacement program and vehicle surplus schedule.
- Recommendation N-4.4: Institute the use of life-cycle costing for City vehicles and equipment.
- Recommendation N-4.5: Acquire and place into operation a computer-based work order system for fleet management, including maintenance services.
- Recommendation N-4.6: Establish and monitor performance indicators to measure performance against industry and shop standards.
- Recommendation N-4.7: Establish a fleet management internal service fund that is designed for full recovery of maintenance fees from user departments.
- Recommendation N-4.8: Establish a fully burdened charge-back system to allocate the full cost of vehicles to the programs that use them to provide services.

Given the lack of performance-based information currently available from the Bureau of Vehicle Maintenance, it is difficult to accurately predict the associated savings from this effort. Both improved efficiency and better revenue recovery should be anticipated. A significant reduction should occur in duplicate equipment purchases and revenue from disposal of equipment should increase.

[40] Harrisburg Emergency Intervention Program Report, April 5, 2010.

15. Department of Parks, Recreation and Enrichment

Assessment

The mission of the Department of Parks, Recreation, and Enrichment (DPRE) is to support the health and welfare of the citizens of Harrisburg and the surrounding region. Historically, DPRE has been an important part of the City of Harrisburg; in 1901, an emphasis on parks and recreation was expressed through the City Beautification Movement which established many of Harrisburg's current parks and recreation facilities. In the 1980s, the park system was overhauled with funds from the Mayor's Parks Improvement Program. Presently, DPRE is responsible for a wide range of recreation services for the City of Harrisburg, with over two and a half million people[41] visiting DPRE sites every year.

In late 2011, following the Act 47 Coordinator's Plan, the Bureau of Park Maintenance was transferred to DPW and the Park Ranger's Program was eliminated in order to reduce costs and improve efficiency of operations.

[41] 2008 City of Harrisburg, Department of Parks, Recreation, and Enrichment Annual Report

16. Department of Building and Housing Development

Assessment

The mission for the Department of Building and Housing Development (DBHD) is to:

> *Enhance the quality of life in Harrisburg through the development of strong neighborhoods, the creation of a visible difference in the appearance of the City and support for the growth and vitality of our economic and community base.*[42]

DBHD is organized into four bureaus to support this mission: the Bureau of Planning; the Bureau of Codes; the Bureau of Housing; and the Bureau of Economic Development.

Demand for DBHD's services varies by Bureau, but has been significantly impacted by the downturn in the economy and the real estate market over the last two years. While demand for new construction has declined significantly because of the fall off in real estate, the demand for the services provided to Low and Moderate Income (LMI) households has increased significantly, based on conversations with City staff. This has had significant impact upon the DBHD.

Bureau of Planning

For the Bureau of Planning, approval of new development plans by businesses, citizen requests for building changes in historic districts and zoning approval for new businesses are the primary service drivers. The Planning Bureau has maintained detailed records on the cumulative number of citizen calls (10,482), emails (7,912) and walk-ins (1,806) since 2005. The three boards that Planning supports also keep records on the number of cases heard, the disposition of those cases and the eventual conclusion reached in each.

A Comprehensive Plan is intended to direct, coordinate and evaluate a city's development and progress and ensure orderly development of the community. The City of Harrisburg has a Comprehensive Plan. While neighborhood plans and initiative areas are studied with some frequency, the full Comprehensive Plan has not been updated since 1974. According to staff, several attempts have been made over the past decade to update the Comprehensive Plan, but those efforts failed to receive City Council approval. Such a dated document cannot be expected to adequately reflect the current vision of the City. Additionally, the Planning Bureau has revised the City's Zoning Code. After no action by the City Council, the revised Zoning Code was reintroduced last year. In June, 2011, the revised Draft Zoning Code was introduced to City Council's Building and Housing Committee, but no action has been taken. The original Draft Zoning Code proposal was presented to City Council in August 2010.

Planning has experienced a significant reduction in staffing due to budget constraints, severely limiting the Bureau's ability to address long range planning issues, such as the update to the Comprehensive Plan.

Due to the lack of funding and staffing, the Bureau has had to increase its response time for zoning inquiries, letters and administrative approvals. This has the potential to slow development within the City. Enforcement has diminished with little time allotted for follow-up on development and architectural reviews and citizen's complaints. Also, as a result of reduced staffing, the Bureau has reduced its participation on various neighborhood and regional planning and development committees. A lack of presence in the community has diminished the amount of inquiries and ability for the Bureau to ensure compliance with the Comprehensive Plan and Zoning Code. Also, the Bureau no longer provides environmental reviews for the Harrisburg

[42] 2009 DBHD Annual Report

Housing Authority. The Bureau has been unable to prepare GIS maps. Maps are commonly requested by other Bureaus and the public. This slows the development process, as well as eliminates fees charged to the public.

To alleviate some of the impact of reduced staffing, DBHD has had discussions with Tri County Regional Planning Commission (TCRPC) regarding their ability to assist the City. In the past, TCRPC has assisted the City with the drafting of the Flood Plain Ordinance and Airport Overlay Ordinance. However, TCRPC has indicated that they are only able to provide minimal technical assistance to the City due to their own budget constraints.

Bureau of Codes

Demand for the Bureau of Codes is driven by new home development, citizen complaints regarding property maintenance, rental property inspections (currently conducted on a three-year cycle) and the condemnation and demolition of vacant/blighted structures. Counter intuitively given the economic conditions of the last five years, the volume of inspections for new homes has gone up, the volume of property maintenance inspections has gone down, rental inspections have gone down and demolitions permits have gone down. The drops in these areas are most likely associated with a drop in the staffing level at DBHD.

The Bureau of Codes has experienced a staffing reduction in recent years which has made keeping up with workload, particularly inspections, difficult for the remaining staff. Codes Enforcement Officers are also serving in administrative roles, answering phones and fielding walk-in questions during their office time. This degrades their ability to be efficient in their work. With only five Codes Enforcement Officers available to conduct the inspections, sufficient staff does not exist in the Bureau to keep up with the number of inspections. This has been especially challenging for the Buyers Notification Program and the Rental Inspection Program.

With regards to the Buyers Notification inspections, Codes is processing approximately 40 Buyers Notification applications per week. At present, the Bureau has Buyers Notification applications that are months old which have not been inspected. As a result, some properties are transferring ownership without inspections. In some cases, the Bureau has issued citations, but at most these result in a small fine for the property owner.

Due to the Bureau's lack of ability to conduct detailed inspections, the value of the Buyers Notification Program has declined. Codes is unable to meet the volume and level of detail expected in a home inspection under the Buyers Notification Program. The responsible home purchaser today desires a more detailed inspection than the City can provide due to City inspector staffing levels. Inspections performed by the City amount to a visible walk through of the property, which obviously does not address any larger problems that may exist. The number of complaints received regarding faulty electrical and plumbing systems and leaking roofs by purchasers of properties that Codes has inspected under the Buyers Notification Program has increased. According to Codes staff, more purchasers are securing the services of a home inspector who can provide the detail expected in a home inspection. In addition, some properties are bought and sold as often as two or three times a day by real estate investors, making it difficult for code inspections to occur.

To address this issue, the City Council adopted revisions to the Buyers Notification Program in 2011. The revisions have made the program mandatory for all condemned properties, but optional for other properties. This action was recommended in the Act 47 Coordinator's Plan. Agencies such as the State Attorney General's Office Bureau of Consumer Protection, as well as present real estate disclosure laws remain in place as protection for purchasers aggrieved by their purchase.

Inspections of all rental properties in the City are supposed to occur every three years. However, Codes is not keeping up with that cycle, last year completing only 776. With approximately 11,000 rental units in the City, there should be approximately 3,667 full inspections completed per year. Staff also pointed out that frequently multiple inspections are required before a rental unit passes an inspection, increasing the overall inspection workload.

Legislation to modify the Rental Inspection Program was presented to the City Council in 2006 and adopted in 2011. The modifications provide for an annual fee which must be paid in order to maintain a permit. Requiring the annual permit for landlords to rent properties allows for a tighter control of tenant related properties. Properties in non-compliance with the provisions would be prohibited from being rented.

While increased enforcement of rental properties should be a strong focus of the Bureau, lengthening the inspection cycle is not recommended. The aging housing stock in Harrisburg demands more aggressive monitoring and enforcement than a five year cycle would provide. As a first step, the City must address its current backlog of inspections and return all rental properties to the three-year inspection cycle.

According to staff, having out of town landlords for rental properties has been a significant source of the problems regarding response time to rental complaints, failed rental inspections, and overall blight conditions within the rental market in Harrisburg. DBHD proposed a "Responsible Agent" bill in 2010 that would require out of state landlords to have a local representative. This bill was presented to Council in 2010 but was tabled.

According to staff, approximately 60% of the City's housing stock is composed of pre-1940s construction. The City has experienced a significant increase in the number of blighted properties identified for demolition. However, as indicated in the table below, the City has been unable to meet the demand for demolitions. Between 100 and 200 blighted properties are condemned each year. Condemnations are issued by the City if a home has been vacant for more than two years or if the code violations are great enough to present a public safety hazard. At times condemnations are issued primarily to "encourage" the homeowner to fix significant code violations and demonstrate City's intent to eliminate blighted properties. In addition, in many cases condemnations are due to ownership changes that require the Bureau to re-condemn a property to the new owner. As indicated in the table below, not all condemned properties are demolished. According to staff, there are currently over 300 homes that have been condemned and are in need of demolition (i.e., there is no expectation that the homeowner will rectify the code issues on the property).

Blighted Properties and Demolitions

	2005	2006	2007	2008	2009	2010
Condemnations Issued	157	157	128	106	204	143
Demolition Order Processed	84	57	76	38	49	40

In addition, illegal dumping has become a significant issue in the City. While demolition of blighted properties do not cause dumping on the vacant lots, it is critical that the City enforce its anti-dumping Code to ensure the vacant lots in the City do not just become illegal dumping grounds for bulk waste.

In addition to the challenges described for the Codes Enforcement Officers, there is currently only one Health Officer in the City. This position is currently vacant. When the Health Officer is unavailable (e.g., on sick or vacation leave), the Codes Administrator and Assistant Codes Administrator must fill-in to address the issues. As a result, the Bureau faces challenges to address the current workload of health inspections with only one Health Officer to inspect approximately 400 food service providers in the City.

Bureau of Housing

Demand for Bureau of Housing services has increased primarily because of its services to LMI households through its housing repair and upgrade programs. Demand for these programs comes directly through citizen requests for assistance from the HIP, HELP or Lead Abatement Programs.

Several key vacancies in the Bureau have recently been filled, including the Grants Officer. This position contributes significantly to the work of the Bureau of Housing and DBHD. The Grants Officer maintains proper reporting and management for grants from the federal and state governments and ensures compliance and timely reporting. In addition, a Grants Officer pursues further funding sources for the City, potentially identifying significant sources of grant funding for City services. The Inspector position and the Nurse position are critical to the Lead Abatement Program, and were just filled in June 2011 through contract. Without these two positions the Lead Abatement Program could not continue, as evidenced by the fact that zero abatement were completed between October 2010 and June 2011. (From January 2010 through September 2010, 107 Lead Abatements were completed.)

Bureau of Economic Development
As a result of reductions in staff and changes in responsibilities, the Bureau of Economic Development exists primarily to support small business development, especially MBE/WBE businesses. The small business assistance provided by the sole employee has increased as small businesses seek free advisory services from the City. However, the level of service that is being offered has declined because of the current staffing level and budget for this Bureau. Success is measured by the number of small businesses that attend pre-bid meetings with local contractors for new construction projects, as well as by how many small businesses are selected in these projects. Unfortunately, these numbers are not recorded by the Bureau of Economic Development; they are only monitored by staff on a project-by-project basis and judged as effective or ineffective based on attendance at these events.

Any further economic development activities sponsored by the City are spearheaded by the Director of DBHD with coordination with the Bureau of Economic Development, the Bureau of Housing, and the Asset Manager of DBHD. The City is currently recruiting for a Deputy Director for Economic Development/Contract Compliance Officer. Economic development activities are not systematically coordinated with other City departments, the business community or the local chamber of commerce. DBHD needs to coordinate a City-wide focus on economic development. While DBHD should not be the only department working on economic development for the City, it must be the catalyst and leader for this focus. There is significant interest in a coordinated economic development plan within the business community of Harrisburg. This interest should be harnessed by the City and used to multiply the effects of the work of the City and DBHD in economic development. For further discussion, please see the Economic Development chapter of this Recovery Plan.

Initiatives

DBHD's potential impact on Harrisburg's current budget crisis is both short term – addressing blighted properties in the City – and long term - initiating an economic development plan that encourages businesses to start and stay in Harrisburg. In addition, keeping the Department fully staffed (by using provided funds from the Federal Government) is a practical way to ensure its success.

BH01. Increase fees, fines and charges based on fee study results

Target outcome:	Increased revenue
Financial impact:	Not available
Responsible party:	Mayor and City Council

DBHD currently charges fees for services provided to property owners and those doing business in the City. These fees are intended to reflect the market rate for these services and to offset the cost of performing the service. Based on the results of the soon to be completed fee study, the City shall adopt a revised schedule for all DBHD fees, fines and charges. The financial impact will be determined upon completion of the fee study.

BH02. Quantify extent of inspection backlog and hire additional Codes Enforcement Officers to clear and prevent backlogs

Target outcome:	Improved service and increased revenue
Financial impact:	Not available
Responsible party:	Director of Building and Housing Development

Staff were unable to quantify the current backlog in rental inspections. However, of the 11,000 rental properties, only 2,370 inspections were completed over the last three years, according to data provided by the City. This backlog only takes into account rental inspections, and does not include other building and property maintenance inspections, for which a backlog also exists. To accurately determine the current backlog, the City shall conduct an assessment of all inspections, including the Rental Inspection Program, to determine the extent of the backlog.

In addition, the City shall pursue legislation to ensure out of state landlords have a local representative to respond in a timely manner to all requests from the City. This will also assist in decreasing the workload on the inspections staff by decreasing the number of re-inspections for rental properties.

Based on the results of the assessment, the City shall hire up to four additional Codes Enforcement Officers to ensure inspection volume can be maintained without future backlog. It may be necessary for the City to contract for temporary inspection services to assist with clearing the current backlog of inspections.

Each Codes Enforcement Officer is assumed to handle approximately 1,140 inspections per year. The total additional inspection volume of four codes officers should maintain the Codes Inspection program, including the Rental Inspection Program at a true three year cycle, and allow Codes staff to stay current on all inspections, including illegal dumping reports. If the Codes backlog assessment indicates true inspection volume should be higher or lower than 4,560 additional inspections per year, the City shall adjust the number of new Codes Enforcement Officers accordingly.

Four additional Codes Enforcement Officers will cost approximately $200,000 per year in salaries and benefits. Additional revenue from increased fees and an increase in the number of inspections is expected to offset the cost of additional officers. While the specific amount of revenue generated will be determined by the fee study discussed in BH01 above, even modest increases are expected to yield approximately $100,000 in additional annual revenue.

BH03. Contract for demolition of blighted structures

Target outcome:	Improved neighborhood safety and appearance
Financial impact:	Not available
Responsible party:	Director of Building and Housing Development

The City has a backlog of 300 blighted properties that have been condemned but not demolished. DBHD maintains the list of blighted properties and works with DPW demolition crews to complete the demolitions. DPW crews have historically been utilized to complete these demolitions. DBHD only processes demolition orders once it is clear DPW has the staff to proceed on a new demolition project. Often DBHD will process demolition orders for all properties in need of demolition on a specific block or in a specific neighborhood to improve the efficiency of the DPW crew. The properties chosen for demolition often depend more on proximity to each other rather than length of time under condemnation or severity of code violations. The intent is that eliminating all blighted properties in a specific area will encourage redevelopment.

To maintain a clean, safe, and desirable appearance, the City needs to significantly increase the rate of demolitions of these blighted properties. However, this cannot be done with the current funding. Therefore, the City shall pursue additional grant funding to eliminate blighted properties within the City based on a prioritized list of properties. The City shall contract for this work rather than utilize in-house DPW crews.

Following demolition, DBHD's strategy has been to attempt land assemblage and marketing for private sector development. Until the resale of the properties is completed, DBHD provides opportunities for residents and community organizations to "adopt a lot" or "adopt a block" for maintenance, beautification and urban gardening. These efforts should be continued.

BH04. Assemble and systematically deploy code enforcement teams

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	Deputy Codes Administrator

As discussed throughout this Recovery Plan, decreasing resources and increasing workload require a reexamination of traditional service delivery to ensure the most efficient use of staff time. With guidance and support from the Receiver, the City shall assemble and systematically deploy code enforcement teams to target crime "hot spots" throughout the City and address the most egregious code violations through code enforcement and public safety staff partnerships.

Preparing the teams for their work will require training police officers and fire prevention staff to recognize the top code violations on which they can take action, and training code enforcement staff to see how their work relates to law enforcement. Staff in the Bureaus of Police, Fire and Codes will provide this training to their peers.

The Deputy Codes Administrator, with support from the Police and Fire Chiefs, shall act as commander for the enforcement teams and will be responsible for all staffing and deployment decisions. Along with the Police and Fire Chiefs, the Captain of Uniformed Patrol (Police Bureau), the Deputy Fire Chief and Battalion Chiefs (Fire Bureau) shall offer their input when called upon by the Deputy Codes Administrator to provide guidance on enforcement team management. The Deputy Codes Administrator shall report regularly to the Chief of Staff/Business Administrator on the development and implementation of this initiative. With guidance and support from the Receiver, staff within the Bureaus of Codes, Police and Fire shall collaborate in designing a work plan that allows staff participation on the enforcement teams within the established scope of their relevant authority and will apply lessons learned from previous, similar initiatives to design a system for team staffing and deployment.

This multi-agency code enforcement model has been implemented successfully in other state and local jurisdictions, particularly New York City.[43] An example of the multi-agency approach: if a corner store in the

[43] References to MARCH (Multi-Agency Response to Community Hotspots) in New York City: New York City Department of Health and Mental Hygiene (http://www.nyc.gov/html/doh/html/inspect/comm-san.shtml); New York State Liquor Authority (www.abc.state.ny.us/system/files/CB_Q-n-A.pdf).

City is drawing a disorderly crowd, is possibly the site of low-level drug sales and generally sees a high volume of crime and violence in the area, a multi-agency enforcement team would be deployed. The Police Bureau would provide strict public drinking and drug enforcement. Based upon fire safety inspection results, Fire Prevention staff may issue citations for safety hazards, possibly necessitating the temporary closure of the store and payment of fines. Code enforcement staff would issue notices of violation for any exterior maintenance issues. If possible, the team would also work with the proper County or Commonwealth authorities to issue pricing violations, licensing violations or sales tax violations. By targeting every aspect of the chronic crime problem simultaneously, the City can more efficiently and effectively address conditions that negatively impact residents' quality of life in the identified area.

BH05. Adopt legislation requiring a local responsible agent for rental property within the City

Target outcome:	Improved neighborhood safety and appearance
Financial impact:	Not available
Responsible party:	City Council

The City has experienced difficulty addressing code violations on rental properties owned by out of town landlords. Therefore, the City shall adopt legislation requiring a local agent who is available and responsible for all necessary inspections, issues or other requests from the City that require action from an owner or agent.

Similar legislation was presented to the City Council in 2010, but no action was taken. This, or similar, legislation shall be adopted as soon as is possible to assist DBHD with enforcement of property maintenance on rental properties in the City.

BH06. Fill vacant HUD funded positions

Target outcome:	Improved efficiency
Financial impact:	Not available
Responsible party:	Director of Building and Housing Development

According to staff, the HUD funds that the City received currently have significant unused staffing allocations. This staffing allocation in CDBG funds is provided by HUD as the appropriate staffing level to properly utilize the allocated funds. A lack of proper staffing can be viewed critically by HUD.

DBHD had several vacant HUD funded positions, which has recently been filled including the Housing Deputy Director, Project Director, Grants Officer and Projects Officer. A Program Director and Health Officer positions are vacant. The City shall aggressively pursue the filling of these positions.

BH07. Update the City's Comprehensive Plan

Target outcome:	Improved community development
Financial impact:	Not available
Responsible party:	Director of Building and Housing Development

A city's Comprehensive Plan is intended to reflect what the community wants the city to be in the future. In Harrisburg, the Comprehensive Plan has not been updated since 1974. The City is a Metropolitan Planning Organization (MPO), and as such, works in cooperation with the region's primary planning commission, Tri-County Regional Planning Commission (TCRPC). There have been several addenda to the Plan that have addressed pressing development issues faced by the City including a Draft Zoning Ordinance and a Draft Tax Abatement Program, both currently being considered by Council. In order to ensure for well-planned future development, the City shall complete an update of the Comprehensive Plan. This updated plan shall include:

- A physical plan, showing on the map and describing in the text the location and relationships between specific land uses and densities of development.
- A long range plan, examining Harrisburg's expected future growth and graphically displaying the ultimate development of the City.
- A comprehensive plan addressing issues such as population, housing and economic trends which have and will continue to influence land development in Harrisburg.

This Plan should be not only chapters and maps reporting on land use, housing and other areas, but it should also be a process map to guide decisions and commitments which are made for future community character and economic development. As such, this process used for updating the Comprehensive Plan shall also involve key Harrisburg stakeholders, such as residents, businesses and community organizations, adjacent municipalities, the Harrisburg Regional Chamber/Capital Region Economic Development Corporation, TCRPC and other City partners. Funding to offset the cost for this initiative is being sought through Commonwealth grants in the amount of $80,000.

17. Housing

Assessment

According to the 2010-2014 City of Harrisburg Consolidated Plan, the City seeks to provide "decent housing by preserving the affordable housing stock [and] increasing the availability of affordable housing." As such, the City attempts to reduce high housing costs that "reduce economic opportunities, access to jobs and services and the ability of lower income households...to live in the neighborhoods of their choice." Specifically, high housing costs in some areas of Harrisburg create an affordability gap which results in a concentration of lower income households in older neighborhoods that have higher levels of substandard housing and overcrowding.

At over 20%, Harrisburg's vacancy rate is twice that of the rate for Dauphin County and the Commonwealth and is the second highest among comparable sized Third Class cities. Likewise, over half of Harrisburg's housing stock consists of pre-1940s construction which is twice as high as the age of the housing stock in the County and the Commonwealth.

Through housing assistance and redevelopment, multiple agencies and organizations currently exist to provide quality, affordable housing in Harrisburg. These include City of Harrisburg, the Harrisburg Redevelopment Authority (HRA), the Harrisburg Housing Authority (HHA), and other community partners.

Despite all of the agencies and organizations attempting to address the housing issues in Harrisburg, efforts are not coordinated and the result is a piece-meal approach to housing improvement and an ineffectual strategy with vacant parcels. There is an acknowledged need (emphasized by City staff, HHA staff and HRA staff) for greater partnerships between the City, the HRA and the development community. The City needs to take a leadership role in this coordination effort.

The City faces a significant challenge with vacant structures and parcels throughout the community. In some cases, these properties have become illegal dumping grounds. DBHD must increase its enforcement in regards to this illegal dumping. Based on experiences in other communities, it is anticipated that adjacent properties will see a decline in their property values as a result of this illegal dumping. There have been numerous intermittent strategies on the part of the City and the HRA to dispose of excess land. Perhaps the most potentially beneficial is "land banking" vacant parcels for future development. However, without a specific project or goal in mind, this has become an expensive proposition. The City and the HRA have also attempted to donate parcels to Habitat for Humanity, give parcels to a neighborhood group for open space or community gardens, inform adjacent property owners of the process required to purchase the parcel by paying back taxes (in the case of demolitions by the City) or sell the property themselves to private developers.

When possible, the City attempts to acquire vacant structures for the purposes of rehabilitation. Once rehabbed, the properties are returned to the market for sale to LMI buyers. In 2011, the average sales price has been approximately $60,000, while the average cost of rehabbing a property has been approximately $140,000.

In many cases, the City will demolish blighted, condemned properties. In coordination with the HRA, the City identifies and maintains a list of properties that need to be demolished. As described in detail in the DBHD chapter of this Recovery Plan, the City has over 300 properties on the demolition list that have been condemned but have not had a demolition order issued. However, this list changes on a daily/weekly basis as homeowners pay back taxes, bring properties up to code or sell properties to avoid the costs associated with demolition. However, staff posit that frequently the same "group" of properties are on the list.

Once demolished, the property owner is charged for the work, and the City provides adjoining property owners information related to assuming ownership of the parcel from the County for a small fee (to remove tax liens, other fines and fees). Many property owners decline due to the City's policy on property taxes which results in a higher tax rate on vacant land. Occasionally an agreement is reached to create a neighborhood garden. In this instance, the property is leased to the neighborhood for $1, and the neighborhood agrees to maintain the property for the City. This method is used by both the City and the HRA.

Any remaining vacant parcels then become a further issue for the City. For example, all parcels in Capital Corridors in the City (currently 140) are maintained by the City, whether owned by the City or by the HRA. This includes mowing, plowing and general maintenance as needed. This is a further expense and complication for the City after demolishing blighted structures. In 2011, the HRA owned over 500 vacant parcels, and the City owned over 100 vacant parcels throughout Harrisburg.

One of the primary means to acquiring property for redevelopment in the City is the Vacant Property Reinvestment Board. The Vacant Property Reinvestment Board (VPRB) was established via City Ordinance in 1979, to allow for the review of acquisitions and dispositions of real property under certain specific conditions. It was initially established to deal with the problems of vacant, dilapidated housing degrading the surrounding neighborhood. It was extended to commercial and industrial properties in 1989. The VPRB is composed of one City Council member appointed by the President of the City Council, the Executive Director of the HRA, one member of the City Planning Commission appointed by the Commission's Chairman, the Director of DBHD and one additional member to be chosen by the Mayor of Harrisburg.

The Harrisburg City Planning Commission presents properties to the VPRB when it determines the property in question is a blight on the surrounding neighborhood, based on the following conditions:

- Any property that has been declared a public nuisance;
- Any property that has been considered an "attractive nuisance" to children;
- Any dwelling considered unsafe or lacking the proper facilities required by the Housing Code, and deemed unfit for human habitation by the Codes Administrator;
- Any structure which is a fire hazard;
- Any structure where utilities have been disconnected, and therefore unfit for habitation;
- Any vacant parcel in an otherwise built up neighborhood which has become a dumping ground;
- Any unoccupied property which is tax delinquent for more than two years; or
- Any vacant property, not tax delinquent, but not rehabilitated within one year of notice to rehabilitate from the City.

Assuming the VPRB certifies that the blight property is in need of rehabilitation or elimination, the Board must serve notice to the property owner of the proceedings, then HRA pursues acquisition of the property via purchase, gift, bequest, eminent domain or otherwise.

The Vacant Property Reinvestment Board has additional responsibilities as well:

- Advise the HRA regarding policies and procedures affecting property acquisition and disposition;
- Advise the City regarding financial and technical rehabilitation assistance affecting reinvestment in properties;
- Advise other municipal agencies in matters related to property reinvestment;
- Advise appropriate agencies relating to the disposition of public properties in the City; and
- Advise other agencies in the development and implementation of other property reinvestment programs in the City.

While the VPRB has not been disbanded, it does not take full advantage of the additional advisory powers entrusted to it by Ordinance. It only meets on an "as needed" basis, and therefore has not met in over a year as there have been no properties acquired by the HRA.

Initiatives

To improve the housing condition in the City of Harrisburg, the City needs to enhance coordination and cooperation among the various organizations currently endeavoring to provide quality, affordable housing in the community.

HS01. Designate a Housing Coordinator

Target outcome:	Improved accountability and coordination
Financial impact:	Not available
Responsible party:	Mayor

The City's ability to coordinate positive support for housing in Harrisburg is limited because of its lack of coordination between the various players effecting housing in the community. Therefore, the City shall designate a Housing Coordinator to ensure appropriate coordination of the City's resources and activities in promoting a comprehensive housing strategy in the City of Harrisburg (see Initiative HS02). The Coordinator will be the catalyst for discussions with housing and development groups in the City, including but not limited to the HRA, the HHA, Habitat for Humanity, developers and local lenders.

Several options exist for the development of this function: (1) The Housing Coordinator could be a paid position with reallocated funding from CDBG; (2) the role of Housing Coordinator could be assigned to a current staff member with strong ties to housing groups; or (3) a "loaned executive" could be solicited from one of the other housing groups within the City who would have the requisite skills to effectively lead a new housing strategy.

HS02. Develop a comprehensive housing strategy

Target outcome:	Improved accountability and coordination
Financial impact:	Not available
Responsible party:	Mayor, Chief of Staff/Business Administrator and Housing Coordinator

After the City has chosen a Housing Coordinator, he/she shall begin by devising a comprehensive housing strategy for the City of Harrisburg. The Housing Coordinator shall convene a working group composed of representatives from the City Council, the HRA, the HHA, City staff and other key partners. The purpose of this working group shall be to develop a comprehensive housing strategy. This group will provide valuable assistance and information; however, coordination, presentation and tracking of results will remain the responsibility of the Housing Coordinator.

At a minimum, the housing strategy shall incorporate needed improvements in the following areas. This is not an exhaustive list of possible improvements, but rather some specific examples of areas that need to be addressed:

- Neighborhood planning, including short, medium and long range planning should be encouraged by the City. Ideally, this would be a "bottom up" approach, soliciting input from the community. Currently, this is not happening in the City.

- A strategy for assessing new construction vs. rehab development – Guidelines need to be established for all groups to determine areas for renovation of current housing stock and areas for demolition and infill. In addition, by establishing such a strategy, distribution of available funding would be more easily accomplished.
- Live in the City Campaigns - In coordination with the City and local economic development groups, a new emphasis should be placed on "Live in the City" campaigns. There are significant opportunities both in the downtown area as well as surrounding neighborhoods for additional residential infill. The downtown area has significant vacant class B and C office space (currently 421,538 square feet vacant as of March 15, 2011 according to the HRA). There have been successful programs in Philadelphia, York and Lancaster, which have converted vacant space into condo developments to encourage downtown living and working.

Funding to offset the cost for this initiative is being sought through Commonwealth grants in the amount of $25,000.

HS03. Utilize Vacant Property Reinvestment Board

Target outcome:	Improved accountability and coordination
Financial impact:	Not available
Responsible party:	Mayor, Chief of Staff/Business Administrator and Housing Coordinator

The City shall increase the utilization of the VPRB in conjunction with the comprehensive housing strategy for the City. The VPRB should engage with private redevelopment groups and other civic groups in a more proactive manner to encourage community participation and planning as part of the comprehensive housing strategy development process. The VPRB shall assess the organization, need and frequency of vacant structure demolitions within the City, paying special attention to concerns about the impact of blight on the City. The VPRB shall provide the City with recommendations regarding the highest and best use for vacant property, their impact on the City and alternate uses for these vacant parcels.

18. Economic Development

Assessment

This Recovery Plan for the City of Harrisburg includes initiatives to ensure that fiscal stabilization remains a central focus. The long-term focus of a recovery plan must be on economic development – the steps the City must take immediately and in upcoming years to strengthen its economic base, which is critical to providing the resources needed to sustain core municipal services and achieve ultimate recovery.

As mentioned in the DBHD chapter of this Recovery Plan, the Department has broad community development responsibilities. Its overall purpose is to plan and guide development, implement and enforce codes and operate neighborhood renewal programs. Unfortunately, the City does not have a proactive economic development strategy. The City's limited economic development efforts are managed solely by the Director of DBHD, who is encumbered by many other departmental responsibilities. A Deputy Director of Economic Development is being recruited.

Most recently, many of the economic development projects within the City have been spearheaded by other economic or community development agencies such as the Harrisburg Regional Chamber and Capital Region Economic Development Corporation (CREDC) and the Dauphin County Community and Economic Development Department. More recent projects that have occurred in the City include the establishment of Harrisburg University in downtown as well as the establishment of Harrisburg Area Community College in Midtown. Both colleges provide opportunities to reach out to diverse populations and open doors to introduce these populations to Harrisburg.

DBHD has worked with and continues to partner with the HRA. The HRA's primary mission is to improve development and investment within the City as well as to bring investment to the City. HRA often partners with City departments such as DBHD and other City agencies. The City consistently looks to the HRA to acquire distressed properties since the HRA can assert eminent domain for blight elimination and urban renewal plans. The HRA uses DBHD CDBG funds for property acquisition, management and disposition. Conservatively, over the last 10 years, the HRA has acquired 697 blighted or distressed properties, and successfully redeveloped 536 of those blighted properties. Currently, the HRA's inventory of blighted properties is 566, of which approximately 264 are under contract or currently being redeveloped. The HRA is vital to urban development and redevelopment. Moving forward, a strong partnership between DBHD and HRA will be critical to success of the City's economic development efforts.

While some projects within the City have come to fruition over the past decade, currently, the City of Harrisburg is at a crossroads for economic and community development. Multiple economic and community development projects have been identified by key stakeholders. However, a coordinated effort is needed to identify, prioritize and implement the projects. Due to essential and overarching concerns including the higher cost of doing business within the City limits, lack of a coordinated relationship among City government and the business community, and pressing infrastructure needs, there are a few economic development projects which are taking longer than expected to finish or are not being started at all. There has been a steady decline of residents within the City in recent years as well as a steady incline of businesses leaving the City for a cheaper cost of doing business "just across the river."

Initiatives

ED01. Designate an Economic Development Coordinator

Target outcome:	Improved leadership and coordination
Financial impact:	Not available
Responsible party:	Mayor

The City's ability to coordinate and lead economic development activities has been hindered by multiple operational challenges including: (1) lack of qualified personnel/staff; (2) lack of institutional knowledge; (3) a growing portfolio of projects without a growing staff; and (4) lack of an overall economic development strategic plan. To improve the economic development coordination within in the City of Harrisburg, the City must focus on solidifying a strong leader over the economic development activities within the City. The City needs a leader to coordinate the Strategic Plan (see Initiative ED02) and direct the daily economic development activities at the City. It is essential that the economic and community development projects happening within the City are managed appropriately. Additionally, business and industrial development must be aggressively promoted and someone or some entity must serve as the "gatekeeper" to other sources of financing at the county, state, and federal levels. Therefore, the City shall designate an Economic Development Coordinator.

Various options exist to identify and select an Economic Development Coordinator:

1. The Mayor and the Director of DBHD could decide to contract with a local economic development agency such as the Harrisburg Regional Chamber/CREDC for economic development services for the City. The Harrisburg Regional Chamber/CREDC is willing to establish a working relationship with the City and provide an employee from the Chamber for economic development services; or
2. Due to the lack of personnel and lack of institutional knowledge of economic development within DBHD Bureau of Economic Development, hire a qualified, experienced and strong manager for the position of Economic Development Coordinator. This individual will be required to have an extensive background in community and economic development and experience with management of daily economic development activities and coordination of strategic plans. This individual would preferably have strong ties with the City's local economic development agencies and knowledge of their importance.

ED02. Develop a coordinated long-term economic development strategic plan

Target outcome:	Improved leadership and strategic focus
Financial impact:	Not available
Responsible party:	Mayor and City Council

The City shall develop a long-term economic development strategic plan focused on progressive urban development utilizing management teams which have the capacity to produce results.[44] This strategic plan should focus on unifying both community and economic development.

[44] Brad Jones "Harrisburg 20/20: A Vision for the Future" PowerPoint Presentation

The comprehensive long-term economic development strategic plan should coordinate efforts with key stakeholders including those within City government, economic development agencies and community agencies as well as non-profit or neighborhood organizations which are stakeholders in the community and economic development future of Harrisburg. The strategy should build on the efforts of these organizations. One committee that has been gathering all stakeholders within the economic development community for the City of Harrisburg is the Harrisburg 20/20 Committee.[45]

Not every entity listed has been actively involved. However, these entities can be considered necessary stakeholders which need to play a role in coordinating the strategic economic development plan for the City.

The strategy must include action steps with performance measures to track implementation. An example of the action steps includes the following:

1. Foster coordinated relationship among City government and business community;
2. Finalize and approve a zoning code that fosters and expedites quality development;
3. Implement a tax abatement program following implementation of ED03;
4. Promote Keystone Opportunity Zone (KOZ) Sites throughout the City;
5. Outline specific neighborhood "corridors" for residential and commercial development which include neighborhoods and target areas within Downtown, Midtown, Uptown, 7th Street, Cameron Street Corridor, Bridge to Bridge District, Allison Hill, Market Street, Derry Street and the 17th Street Industrial Corridor;
6. Promote HRA land banking to reactivate blighted/vacant parcels and therefore continue assembly of land for low cost to developers;
7. Establish a Capital Improvement Plan to focus on repairing the City's antiquated infrastructure;
8. Reinstate the Plans/Permits meetings at DBHD to provide a "one-stop shop" for development within the City;
9. Explore outsourcing certain business functions such as the certification of minority and women owned businesses; outsourcing of revolving loan funds to leverage other dollars;
10. Explore strategies to create sustainable economic opportunities for minorities and women-owned firms in procurement and public works areas; and
11. Coordinate the City's tourism and marketing through either/both the Hershey Harrisburg Vacation & Tourism Bureau and the Harrisburg Regional Chamber/CREDC.

ED03. Evaluate the City's tax abatement strategy

Target outcome:	Increased economic development
Financial impact:	Not available
Responsible party:	Mayor and City Council

Harrisburg's successful recovery depends on its ability to develop its tax base by attracting and retaining residents and businesses. One integral way to develop its tax base is through tax abatement authorized under the Local Economic Revitalization Tax Assistance Act (LERTA), 72, P.S. § 4722 et. seq. Tax abatement can encourage economic development by focusing on properties that may otherwise remain vacant and increasing the tax base due to land being used for a higher value use. Therefore, the City shall evaluate the pros and cons of revising its tax abatement policy.

On December 30, 2010, the Harrisburg City Council passed an ordinance amending Chapter 5-503 of the Codified Ordinances of the City of Harrisburg, entitled Tax Abatement and Exemptions, by specifically

[45] From Brad Jones PowerPoint Presentation, "Harrisburg 20/20: A Vision for the Future". Harrisburg 20/20 is an Ad Hoc Committee of HRC/CREDC

designating deteriorated neighborhoods and properties within the City of Harrisburg, modifying the tax abatement schedules for residential improvements, residential construction and business improvements, and eliminating the limits on the amounts of said residential improvements, residential construction and business improvements by extending the termination date.[46] This Ordinance was signed by the Harrisburg Mayor on January 5, 2011.

Within the Ordinance passed by the City Council and signed by the Mayor, a clause exists where City Council, in its sole discretion, every six months following the effective date of the Ordinance, may act to amend or repeal the Ordinance at its next scheduled legislative session (following each six month period) and after a public hearing on the matter[47].

During 2010, in anticipation of the tax abatement expiration, the Harrisburg 20/20 Committee (which was initially organized to address the tax abatement expiration in 2010), met multiple times with City Council to present findings and reports on the impacts of tax abatement, specifically a 10-year, 100% abatement on improved assessed value. The members of the 20/20 Committee outlined the benefits of a 10-year, 100% City-wide abatement.

The Harrisburg 20/20 Committee and the RealPropertyResearchGroup (RPRG) provided evidence of the positive impact that a 100%, 10-year abatement has on a financially distressed city. The January 2009 RPRG "City of Harrisburg, Tax Abatement Fiscal Impact Analysis" addresses:

> A policy that would increase the financial incentives for development, both for new construction as well as rehabilitation...the recommended policy would amend the City's existing tax abatement program by providing 100% property tax relief on the value of new construction or rehabilitation projects. This proposal is modeled after an existing program in Philadelphia that is lauded as a key factor in the revitalization of that city; the proposed program would provide an abatement of the property tax on the improved value of all new real estate investment in the city for ten years.[48]

In summary, the RPRG January 2009 report illustrates that a 10-year, 100% abatement offers a greater incentive to real estate investors and homeowners, meaning that the City of Harrisburg collects fewer taxes than under the former (expired in 2010) program in a side-by-side comparison of investment models. Importantly, it is critical to identify that the investment may not occur at all but for the greater incentive offered by the 100% abatement for the 10-year program. Therefore, as a result of the 10 year, 100% abatement, home improvements, business improvements, and new construction which did not exist prior to the abatement program will exist. These new improvements will ultimately generate a fiscal surplus to the City and School District. Ultimately, the 2009 RPRG report's economic and fiscal analysis confirms that a 100% tax abatement is, at a minimum, revenue neutral to the City and Harrisburg School District combined. Two of the hypothetical projects, the multi-family rental project and the mixed use commercial project, provide a net fiscal surplus to the City and School District resulting from the proposed abatement. The estimated surplus from the multi-family rental project is $108,208 while the surplus from the mixed-use commercial project is $332,738.[49]

As a result of a 10-year abatement, the report also summarized and identified additional community benefits not easily quantified which include housing affordability and spin-off development. As new development is encouraged by the proposed abatement program, the City's share of consumer sales and employment is likely to grow. As the City is able to capture additional regional economic activity from new jobs and new residents, the spin-off or indirect benefits associated with real estate investments that inure to the City will increase over time.[50]

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[46] Harrisburg City Council Ordinance No. 17 of Session 2010, Bill No. 26
[47] Harrisburg City Council Ordinance No. 17 of Session 2010, Bill No. 26
[48] RealPropertyResearchGroup, "Economic and Fiscal Impact Assessment of a Proposed 10-year Tax Abatement Program", January 2009 p. 1
[49] RealPropertyResearchGroup, "City of Harrisburg, Tax Abatement Fiscal Impact Analysis" Jan 2009, p. 75
[50] RealPropertyResearchGroup, "City of Harrisburg, Tax Abatement Fiscal Impact Analysis" Jan 2009, p. 75

As the studies have revealed, a tax abatement program can propel a city into an era of renewal. Within the City of Harrisburg, City officials as well as economic and community development stakeholders shall prioritize efforts to assist the City's existing residential and commercial base as well as open the City for business to attract new investment.

ED04. Improve management of the City's MOED loan portfolio

Target outcome:	Improved accountability
Financial impact:	Not available
Responsible party:	Mayor; Chief of Staff/Business Administrator; Economic Development Coordinator

To receive the appropriate MOED loan repayments (loans that were provided under the former Mayor's Office of Economic Development) that the City is owed, the City shall improve management of these loans, the monitoring of loan repayments and maintain a firm position on collection for these loans. The City's ability to administer its loan portfolio from the previous MOED office has not been well managed or monitored and is limiting the revenues the City could obtain from the loan portfolio. Currently, too many businesses ignore the less than stringent approach the City has to collection, leading to limited results and repayments. Some loan clients do not respect the City's authority and continue in default and some have even started other businesses.

Unfortunately, a majority of the prior City Administration's loan portfolio was approved with very limited oversight and enforcement of the terms of the loans. This has resulted in creating a high loan default and delinquency rate. The City has made extensive efforts to collect on these defaulted loans. However, flawed loan documents and current economic conditions have impeded default loan collection efforts. DBHD staff have interviewed loan collection agencies to determine the feasibility of outsourcing the collection of outstanding loan payments. However, most of agencies have indicated an interest in acquiring only MOED's loan accounts that are in good standing.

The City shall implement an insistent approach to loan monitoring and collection. There are several options the City could consider. One option includes designating one individual at the City to be fully responsible for MOED loan servicing and collection; this option would require the City's Law Bureau to have a timely approach within this method, but it is difficult due to the staffing shortage. A second option would be to assign all delinquent loans to a collection agency that has a strong history of collection and assuming the business collateral. By implementing one of the aforementioned options (or a combination), the loan repayments would bring in revenue and replenish the loan portfolio. A third option would be for the City to collect on its outstanding MOED loans to the point where all loans are serviced and payments collected and then the City would exit the lending field and partner with an organization like the Community First Fund for micro-loans to businesses within the City of Harrisburg.

19. Capital Improvement Program

Assessment

The City of Harrisburg has not had an adequate capital improvement program for many years. Funding for streets has been generally limited to projects with outside funding. Similarly, capital improvements for underground infrastructure have been severely limited. The City street system consists of predominately asphalt pavement. Even with rigorous preventative maintenance efforts, useful life of asphalt streets cannot be expected to extend beyond 25 to 30 years. Water and sewer lines have life expectancies of approximately 80 years. While not an exact measure, maintaining streets requires attention to 3% to 4% of road lane miles annually and 1% to 2% of underground infrastructure. This level of maintenance has not been funded in the City which has resulted in immediate and significant infrastructure needs. For example, the water and sewer/stormwater system needs significant, sustained repairs and upgrades to comply with EPA requirements. More than 60% of the sewer lines in the City are 80 years old or more (the standard useful life for water and sewer lines), and many of the water lines are similarly past their useful life. A sustained water, sewer/stormwater repair program must be established and maintained to protect system viability and limit the need for emergency repairs.

Due to increased restriction on the Chesapeake Bay Watershed, the EPA has required significant improvements in the wastewater system in Harrisburg. Specifically, 31 of the Combined Sewer Overflows (CSOs) will need to be upgraded to ensure compliance. While a final report from the EPA regarding stormwater management has not been received by the City, it is anticipated that there will be significant violations the City will be required to address. The timeframe for remediation is currently unknown. The expectation is that non-compliance will not be an option and that the Commonwealth and the Federal Government will impose compliance through a consent decree process.

GIS mapping should be continued and improved upon by the City. This investment in GIS mapping will allow the City to monitor and select critical infrastructure repairs which need capital funding. In addition, a sustained capital investment in streets, information technology and public safety infrastructure is critical to the long term health of the City. The CIP should also include funds for facilities improvements and vehicle and equipment acquisitions.

Initiatives

CIP01. Establish and maintain a multi-year Capital Improvement Program

Target outcome:	Extended asset life and sustain infrastructure
Financial impact:	($23,227,548) Capital Improvement Fund
Responsible party:	Mayor, City Council and Department Directors

The City shall begin a City-wide condition inventory to assess the most current and critical repair and replacement needs and establish a multi-year capital program to address these needs.

This program is necessarily based on a significant amount of engineering judgment and is intended primarily as a placeholder until the City can develop a baseline condition assessment of its capital assets to establish a more informed, data-based program. It is anticipated that each of the defined programs, with the possible exception of fleet and equipment, will need to be increased to keep up with system needs.

Development of a sustainable CIP must begin with an assessment of existing capital assets. This simply does not exist in any usable incarnation in the City at this point; actively televising sewers was discontinued several years ago; there is no current assessment of pavement condition; no analysis of water main repair information exists; there is limited use of the existing fleet management system; and no active program of monitoring facility needs has been established. These assessment systems need to be developed in the City. Putting steel plates over sinkholes caused by collapsed sewers that could have been identified as being in need of repair through an annual televising program is not an effective use of scarce resources. Allowing new pavements to be placed over failing underground systems will likely result in unnecessary future expenditures and a shortened pavement life cycle.

Capital improvement planning needs to be coordinated both to ensure minimization of initial costs and to avoid scheduling and conflict issues. City staff and THA staff need to be actively involved in the development of an annual program. There are numerous planning tools available. In Harrisburg, planning needs to begin with a condition assessment and implementation of asset management tools to provide ongoing information.

This Recovery Plan recommends a nominal capital improvement program based on repair and replacement of aging infrastructure on an annual basis. As proposed, the plan assumes:

- One mile of water main replacement
- One mile of sewer line replacement
- 0.5 miles of street reconstruction
- One mile of pavement rehabilitation (mill and overlay assumed)
- $2 million annual investment in fleet and equipment
- Identified improvements to facilities

The details of this recommended CIP by fund are described below.

Wastewater Utility Fund
General sewer line repairs are needed throughout the system. An initial investment of $5 million over the next five years will allow for one mile of sewer line repair per year.

Stormwater Utility Fund
General stormwater repairs and upgrades will be required by the EPA/Pennsylvania DEP based on the preliminary Municipal Separate Storm Sewer System (MS4) report. An initial investment of $1.25 million over the next five years will allow for some initial investment in assessment, televising lines and repair of critical items.

General Fund
The Mulberry Street Bridge rehabilitation project includes upgraded street lights on the bridge. It is estimated to cost $40,878 in 2012. The City has also committed to assist with the replacement of the Maclay Street Bridge. However, the City did not specify an amount, and this project has not begun. The City is responsible for $223,890 in funding for the Capital Area Transit System. Public Works is also in need of a salt storage shed, at an estimated cost of $25,000. This is scheduled to be completed in 2012. In addition, the cost of the EPA Wastewater/MS4 upgrades and repairs is currently unknown. According to staff, these violations have been referred to the U.S. Department of Justice, and will require repairs when the report of violations is returned to the City. This number has been initially estimated by staff in the tens of millions of dollars.

In IT, there is an immediate need for a new phone system, phased in over the next two years, with an estimated cost of $75,000 per year. There is an immediate need for a new switch as well, which will cost $40,000 and will be needed in 2012, if not before. Currently, the City is pursuing funding through DCED's EIP grant program to address these immediate needs. However, if grant funding is not available, other sources must be identified. Longer term, there is a need for an Enterprise Resource Planning system. This is expected to cost at least $2 million and will be implemented over a series of years starting in 2015.

In Police, there is a need for building security system upgrades estimated at $50,000; these are scheduled for installation in 2013. There is also a longer term need for a Records Management System, but this system will need to be custom built for the Harrisburg Police Department, and no cost has been determined at this time.

The following details the recommended CIP projects by category and budgetary fund.

Recommended Capital Improvement Program

	Total Required	Financed	2012	2013	2014	2015	2016
Wastewater-Wastewater Utility Fund							
General Sewer Line Repairs	$5,000,000	N	$1,000,000	$1,000,000	$1,000,000	$1,000,000	$1,000,000
Stormwater-Stormwater Utility Fund							
General Stormwater Line Repairs	$1,250,000	N	$250,000	$250,000	$250,000	$250,000	$250,000
Public Works-General Fund							
Fleet Replacement	$10,000,000	N	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
Mulberry Street Bridge Rehab	$40,878	N	$40,878				
Maclay Street Bridge Replacement	Unknown						
Capital Area Transit System	$108,300	N	$36,100	$36,100	$36,100		
Capital Area Transit System	$552,270	N	$184,090	$184,090	$184,090		
Capital Area Transit System	$11,100	N	$3,700	$3,700	$3,700		
General Street Repair	$4,000,000	N	$800,000	$800,000	$800,000	$800,000	$800,000
EPA Wastewater/MS4 Requirements	Unknown						
Salt Storage Shed	$25,000	N	$25,000				
IT-General Fund							
ERP System	$2,000,000	N				$500,000	$500,000
Replace Switch	$66,000	N	$66,000				
Replace Phone System	$150,000	N	$75,000	$75,000			
Police-General Fund							
Building Security Upgrades	$50,000	N		$50,000			
Records Management System	Unknown	N					
Total	**$23,227,548**	**-**	**$4,454,768**	**$4,398,890**	**$4,273,890**	**$4,550,000**	**$4,550,000**

Financial Impact

2012	2013	2014	2015	2016	Total
($4,454,768)	($4,398,890)	($4,273,890)	($4,550,000)	($4,550,000)	($23,227,548)

CIP02. Establish a CIP development process

Target outcome: Improved efficiency

Financial impact: Not available

Responsible party: Mayor, Chief of Staff/Business Administrator and City Council

In order for the City to effectively develop a sustainable CIP, a formalized CIP process shall be established. The following outlines the key steps in this process.

CIP Formation

While the written summary in the 2008 and 2009 budgets regarding the CIP program covers the groundwork, it does not answer several important questions regarding the formation of an annual CIP:

- Who is ultimately responsible for the CIP? Best practice is to establish a CIP committee that includes department heads and the Mayor. This committee meets at least quarterly to ensure the CIP is performing as expected. Once established, a CIP must be managed by the committee to ensure the implementation by each department successfully accomplishes the goals within the timeframe specified. In addition, reporting is critical after project completion to ensure any lessons are properly documented.
- Who is consulted in creation of the CIP? Establishing a sustainable CIP will require soliciting input from appropriate groups, including City departments and City utilities. In some cases, it might also include coordination with State or Federal agencies to ensure funding is well used and does not overlap with possible State/Federal improvement plans. Once proper information is gathered for the creation of the CIP, it is the committee's responsibility to establish priorities for the CIP, based on impact on citizens, impact on the City's budget and impact upon City services.
- What is the financing strategy that will be pursued? Especially in Harrisburg, determining a possible funding stream for specific projects will be critical to the success of the CIP. While THA funding can incorporate user fee increases and bonding, both must be carefully evaluated based on the project at hand. For the City there are additional options for financing, but all must be weighed carefully to ensure that the cost/benefit is worth the added spending.

CIP Project Identification

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

Capital improvement programs are designed on relatively simple economic and engineering terms. The ultimate goal with respect to existing capital assets is to maintain a high level of serviceability and functionality while minimizing net present costs. This is normally accomplished through a rigorous program of preventative maintenance, rehabilitation and replacement. Analysis of new capital items can be more complicated given the need to assign value (or cost avoidance) to a future benefit that may be quality of life based instead of purely economic. Regardless, the general principles are the same. The most effective way of meeting these obligations is through a well developed capital improvement program.

The following are a series of questions to consider in selecting and prioritizing capital program components:

- Is the project required to meet a federal or state mandate?
- Is the project required to fulfill a contractual obligation?
- Have all agencies, departments, public utilities and others that may be impacted by the project been consulted?
- Has independent value engineering been performed on individual projects in excess of $10 million in value?
- Will the project have a positive net present value?
- If the project is projected to have a positive net value, is the pay-back period reasonable?
- Will the project correct sub-standard existing infrastructure or facilities?
- Does the project prevent or correct an unacceptable environmental condition?
- Does the project maintain or improve the quality of life for residents?
- Does the project maintain or improve public safety?
- Does the project improve the quality of storm drainage?
- What is the economic and public safety impact of deferring the project?
- Are grants, low interest loans, public or private partnerships, or other sources of external funding assistance available?
- Does completion of this project depend on completion of a project not yet approved?
- Is there a viable alternative to the service or function for which the capital improvement is intended?
- In the case of vehicles or equipment, can equipment be rented or leased more economically on an as needed basis?

CIP03. Establish and maintain an asset management system

Target outcome:	Extended asset life, infrastructure sustainability, effective asset allocation
Financial impact:	($187,500) Capital Improvement Fund
Responsible party:	Director of Financial Management and Director of Public Works

The City currently lacks the tools and resources to adequately plan for an effective capital improvement program. There is no condition assessment of vital infrastructure. Televising of sewers is no longer performed and there is no pavement evaluation system in place. There is a vehicle management system; however, it has never been effectively implemented. There are no systems in place for facilities management. Without systems to evaluate and track system maintenance and condition, development of a CIP is not data-driven.

Accordingly, the City shall establish and maintain an asset management system to include streets, water, sewer, stormwater, street lights, street signs, buildings, major equipment and other infrastructure critical to the operation of the City. This system will be closely coordinated with the CIP and will be managed by the CIP Committee due to its critical importance in establishing an effective capital plan. It is strongly suggested that the initial development and condition assessment be performed by a private consultant and that efforts be directly linked to the City's GIS. THA should participate and cost share in this effort for all portions related to water, sewer and stormwater management.

The first step in establishing an asset management system requires a physical condition survey so that the City has reliable data regarding the current condition of its infrastructure. This will require physical observation of roads, street signs, buildings and other assets. It will also require televising sewer/stormwater lines to determine condition. This information can then be entered into the GIS system which the City maintains. This will allow the City to identify priority system repairs or replacements and to coordinate water or sewer construction efforts with critical road improvements to ensure all necessary infrastructure repairs are made in an appropriate sequence to minimize cost.

The financial impact will be spread evenly between the Water Utility Fund, the Sewer Utility Fund, the Stormwater Utility Fund, and the General Fund. The full initial start up cost will be $300,000, with an additional $150,000 per year thereafter. Since each of the four groups will bear an equal share of the cost, each will support $75,000 the first year, and $37,500 each year thereafter.

Financial Impact

2012	2013	2014	2015	2016	Total
($0)	($75,000)	($37,500)	($37,500)	($37,500)	($187,500)

CIP04. Investigate sale and leaseback of City buildings

Target outcome: Increased revenue

Financial impact: Not available

Responsible party: Mayor and Chief of Staff/Business Administrator

The City Government Center will require significant capital investments in the next five years. Currently, many of these capital improvements are being deferred due to budgetary constraints. Many of the needed repairs are significant, including items such as: new elevators; roof repairs; and electrical upgrades.

The City shall investigate selling the City Government Center with a leaseback provision allowing the City to continue in its current use. Concurrent with this investigation shall be a space needs study evaluating whether the City needs to lease the entire space or if it can be made available to other parties. This sale/leaseback shall include requirements that the buyer bring the building current on all capital project needs, and shall include all future maintenance and janitorial services as needed throughout the life of the contract.

The financial impact may be significant. The cost of needed capital improvements is estimated at $10 million. In addition, there will be annual savings for maintenance and repairs. Selling this building will also return it to the tax rolls, increasing the tax base in the downtown area. Furthermore, by leasing, the City will have an option to move to a more appropriately sized space at the end of the negotiated lease period.

Additionally, if other City owned facilities become available for use as City Hall, the City shall explore relocating its administrative offices and making the Government Center available to the private sector.

20. The Operating Authorities

Assessment

The Harrisburg Authority (THA)
THA was created as a financing mechanism for major capital improvement needs at one of four facilities: WTP, AWTF, DeHart Dam and the RRF. When capital improvements need to be made, it is the responsibility of THA to secure appropriate funding and construction contracts to implement the necessary improvements. Regulatory compliance dictates many of these improvements. Failure to comply with environmental standards is a significant issue. However, in some cases violations have been inevitable due to limitations of current facilities and operating procedures.

Currently there are two outstanding studies that will directly impact the needs for capital improvements: the Watershed Report, regarding watershed requirements issued by the EPA in relation to the Chesapeake Bay Watershed which is anticipated to significantly impact the AWTF; and the Municipal Separate Storm Sewer System Report, a preliminary report regarding general EPA/DEP stormwater requirements and throughout the City. These reports have been released by the EPA/DEP but costs for repairs and mitigation have not been fully determined by THA and the City. The City is in the process of pricing the Watershed Report upgrades and repairs; the current estimates range between $35 million and $45 million. CSO mitigation is estimated at between $20 and $30 million for the needed upgrades. The City has not begun to estimate the needed upgrades for the MS4 Report because of the preliminary nature of the report.

For the RRF, regulatory compliance requires the elimination of air pollution and groundwater pollution in both the incinerator complex and the ash landfill. Both these sites were addressed in the EPA/DEP report. While air pollution violations have decreased in recent years (down from over 50 to only five), fines are assessed for each violation. It is estimated that approximately $5 to $10 million in additional capital investment would be needed to bring the RRF to peak operating performance. THA believes that required environmental performance can be accomplished with a capital investment under $5 million.

The WTP is the newest facility and consequently has the fewest maintenance related issues. Operations have also benefited from the high quality of source water from the reservoir. Additionally, THA and the City have worked cooperatively to capitalize on existing technology and approved new capital expenditures at the WTP with the goal of increasing efficiency. Improvements have resulted in reduced staffing levels over night and on weekends at the facility. While it is the newest system, it could benefit from improved technology utilization. Specifically, the WTP has the ability to function as a fully automated facility overnight or during holiday weekends with the proper technological upgrades. These upgrades are currently being discussed by THA and the City.

For the AWTF regulatory compliance means ensuring water released into the Susquehanna River has been properly treated. To comply with changes to the Chesapeake Bay Watershed requirements, the AWTF has identified $35 to $60 million in upgrades that are currently being assessed before the mandated completion date of 2014. Funding has not been identified for these Federal and State mandated improvements to the wastewater system. However, a consultant for THA is currently evaluating one of the required modifications, Biological Nitrogen Removal (BNR), which is being required for the environmentally sensitive Susquehanna River Basin. The others modifications have not been priced by the consultant at this time.

One of the major issues for the AWTF is combined sewer overflows into the Susquehanna River. The CSO system has been targeted by the Federal Government as a possible source of contamination throughout the Northeast. As such, the EPA mandates are focused on improvements to eliminate or reduce CSOs into the Susquehanna River, and therefore into the Chesapeake Bay Watershed. Stormwater is currently managed and financed through sewer maintenance charges justified because of the heavy reliance on combined sewers.

Nationally this has been replaced by stormwater fees tied to impervious surface area, an indicator much more related to the origin of stormwater management costs and one that impacts both taxable and tax exempt properties equitably. DEP and EPA requirements are going to insist on major improvements to the way stormwater is managed with potentially enormous capital consequences. Improvements at the water and wastewater facilities are also driven by regulatory requirements and will require substantial funding in the next few years.

In summary, THA is facing several large and expensive challenges:

- The DEP/EPA investigation will result in the need for undetermined but significant funding to comply with environmental standards related to stormwater management and combined sewer overflows.
- The water distribution, sewer and stormwater systems lack effective programs for maintenance, repair and replacement.
- The RRF is heavily debt burdened. A report from R.W. Beck indicates that the facility has negative value as an operating entity with consideration of debt service obligations. Continued operation of the RRF will require significant future capital investment.
- The administrative fee levied by the City on the wastewater system has been challenged by neighboring communities served through contract and is likely to require revision.

Harrisburg Parking Authority (HPA)

HPA was incorporated in 1972 under the Pennsylvania Parking Authority Law of 1947. HPA is an agency and instrument of the City of Harrisburg that owns and operates parking facilities under agreement with the City. For financial purposes, it functions as an enterprise fund. The five-member HPA Board is appointed by the Mayor for five-year terms. The Mayor may also remove board members at will.

HPA operates 8,337 parking spaces in ten public parking garages and four surface lots (including City Island parking). HPA also maintains and collects revenue from over 1,200 parking meters in the City's on-street hourly parking meter system. The parking garages operated by HPA allow for both hourly and monthly parking. The HPA Board sets the parking rates in the garages and surface lots; the City Council sets the rates for the on-street parking meters.

The HPA Board appoints an Executive Director who manages the day-to-day operations of the HPA and has hiring authority for all 74 full- and part-time HPA employees. Staffing has risen from 59 full- and part-time employees in 2006 to the current level. The increases are due primarily to increases in Maintenance and Operations staff hired with the addition of the River Street and Front Street garages and bringing the Security function in-house. The HPA consists of four units: Administration, Maintenance, Operations and Security. Administration includes the financial functions, all HPA management and administrative support for the Executive Director. The Maintenance unit is responsible for the garages, lots and meters. The Operations unit includes all cashier functions at the garages. Security provides non-sworn guards and customer service representatives throughout the parking system.

Initiatives

OA01. Establish a stormwater utility fee

Target outcome:	Increased revenue
Financial impact:	Not available
Responsible party:	THA

Stormwater fee systems are common tools used nationally in funding stormwater-related expenditures. In the Commonwealth of Pennsylvania, only the City of Philadelphia has had the clear legal authority to implement stormwater management fees, and they have pursued and implemented a fee structure to support their stormwater management efforts. The ability of an Authority to implement a stormwater fee system is less clear, but needs to be aggressively pursued. The creation of such a system would be able to provide funding for reasonable levels of maintenance and capital obligations. It could also contribute to the health of the City's financial position by funding stormwater related services such as street sweeping, half of the required financial support for leaf collection, some level of support for code enforcement, vehicle maintenance and other related water quality activities.

The stormwater fee structure would support both current costs as well as DEP/EPA mandated system improvements. It is not possible to know exactly what these mandated improvements will be at this time since the costs of specific improvements have not been identified by the City. However, creating this mechanism will allow the City and THA to respond in a timelier manner when specific costs are identified.

OA02. Negotiate payment in lieu of tax (PILOT) agreements with the City of Harrisburg

Target outcome:	Increased revenue
Financial impact:	Not available
Responsible party:	THA and Mayor

THA and the City shall negotiate a PILOT on the Water and Sewer plants equal to the tax payments that would be made if the plants were private businesses. PILOTs are a commonly used mechanism for the recovery of City service costs from tax-exempt entities. Examples would include such things as police and fire service, contribution toward street improvements and maintenance and other services generally paid through local property taxes. PILOTs are generally assessed in addition to reasonable administrative fees for specific direct services.

PILOTs are not directly regulated in the Commonwealth and are generally negotiated between a city and tax-exempt properties within the corporate boundaries. Harrisburg has a number of these arrangements currently in place. While PILOTS are negotiated, they are at least primarily based on the imposition of the local tax rate against the valuation of the tax-exempt entity.

OA03. Expand the Stormwater Management Ordinance regarding discharges

Target outcome:	Reduce cost of stormwater management and occurrence of overflow violations
Financial impact:	Not available
Responsible party:	Mayor, City Council and City Engineer

The City has adopted a comprehensive stormwater management ordinance that applies to direct stormwater discharges. The City shall expand its ordinance to include provisions for discharges to combined sewers as part of the process to comply with pending DEP and EPA requirements. The ordinance shall require detention and retention of stormwater on-site for new developments. Effective management of stormwater at the source can have a significant impact on bypasses and the capital costs of system improvement. By slowing or stopping stormwater before it reaches the AWTF, significant costs can be avoided. This is predominately a best practice although it has the potential to gradually decrease the total volume of wastewater treated at AWTF.

21. Revenues

Overview

Like all local governments, the City of Harrisburg requires stable revenue sources and moderate growth in these revenue sources to fund services to residents, businesses and visitors. Both factors – stability and growth – are important because so much of a local government's expenditures are related to recurring and increasing costs for personnel and benefits. However, Harrisburg's tax base has been stagnant or declining for several years. City revenue streams have been unable to cover the growing costs of City services, leading to the use of nonrecurring revenue in ongoing attempts to balance the General Fund operating budget.

Revenue Profile

Historically, the single largest component of the City's General Fund revenues has been taxes. In 2010, property taxes, including PILOTS, made up 28% of revenues; the earned income tax was 6%; and other taxes were 13%. The City received 9% of its revenue from intergovernmental sources; 10% from licenses, permits and fines; and 1% from other sources. Together, taxes made up almost half of the City's General Fund revenues. The other revenue sources are fairly typical of Pennsylvania municipalities, with one exception. The less typical revenue source utilized by the City has been transfers from other funds and component units. These transfers from the sanitation fund, the sewer fund, the water fund and the Harrisburg Parking Authority made up 33% of revenues in 2010 – outpacing tax revenues. These transfers compensate for gaps in the City's tax base.

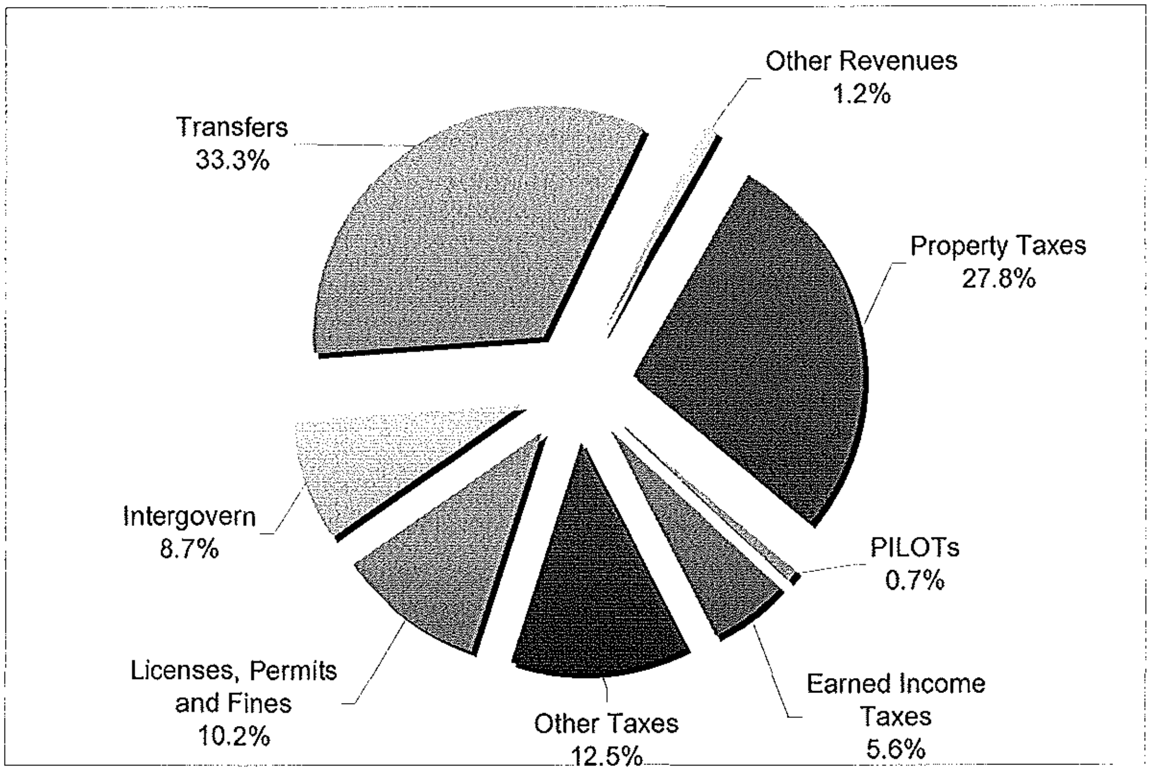
Harrisburg plays host, as both a state capital and a county seat, to a number of institutions that are exempt from property tax. Tax exempt properties make up approximately one-half of the assessed property in the City. Commuters make up more than half of the workers in the City. These commuters make only limited contributions to the General Fund revenues. The use of utility and parking revenues makes it possible for the City to gain some indirect revenues from tax exempt property and commuters.

Based on local municipal service collections, there were approximately 47,000 full-time equivalent jobs in the City in 2010. The City had an estimated population of 47,172 in 2009[51]. Of these residents, an estimated 21,252 were employed[52].

[51] Census Bureau, Population Finder
[52] Census Bureau, American Community Survey

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

General Fund Revenues, 2010



The General Fund has, in effect, a diverse revenue portfolio which makes it less susceptible to a loss in any one source. This portfolio has been able to provide the City with some stability in its revenues. Unfortunately, this stability has not been accompanied by growth, and the increasing reliance on transfers from other funds has created a potential liability if those funds are required to be redirected.

The City was able to maintain General Fund revenues in 2008 and 2009 with significant increases in transfers from $17.9 million in 2007 to $22.6 million in 2009. In 2010, however, these additional resources were not available, and the General Fund revenues dropped by 6%, as depicted in the table below. The General Fund revenue projections indicate that the decline, initially masked by the additional transfers, will continue into 2012 with some stability in the following years.

General Fund Revenues, 2006 – 2010

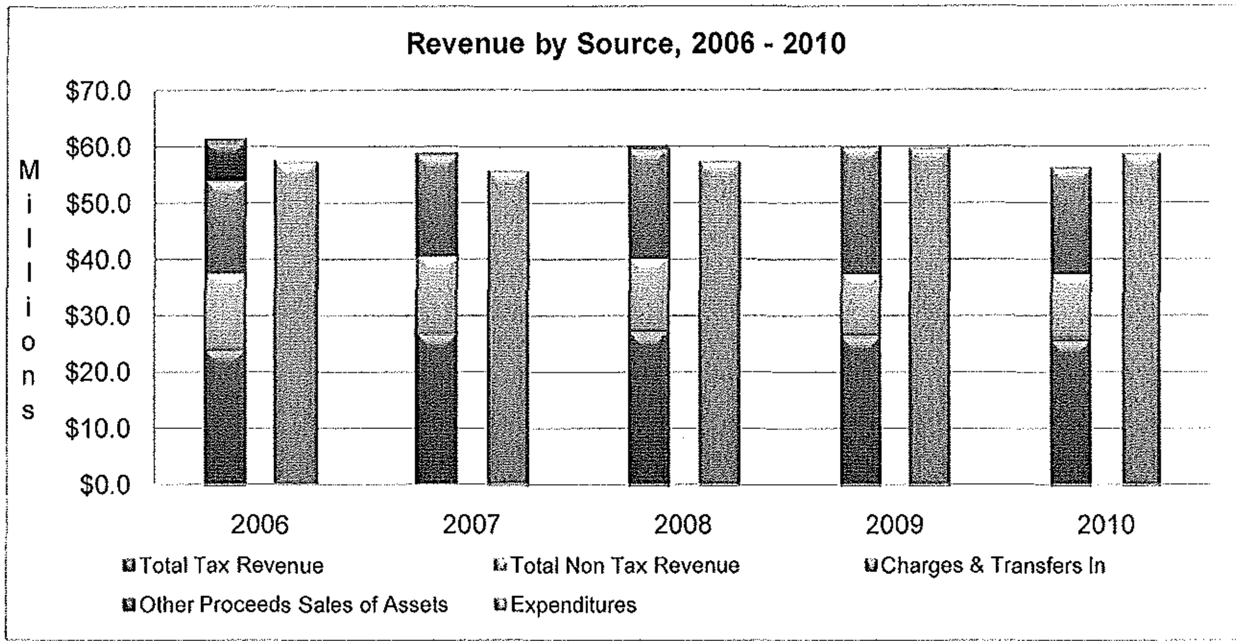
	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Property Taxes	$12,871,407	$15,801,352	$15,929,375	$15,657,718	$15,715,733	22.1%
PILOTS	$422,799	$484,975	$429,151	$420,839	$410,244	(3.0%)
Earned Income Taxes	$3,447,433	$3,732,186	$3,514,282	$3,444,832	$3,149,169	(8.7%)
Other Taxes	$7,739,309	$7,645,540	$7,908,031	$7,458,487	$7,083,423	(8.5%)
Licenses, Permits and Fines	$6,088,009	$6,879,825	$6,242,779	$5,421,107	$5,767,932	(5.3%)
Intergovernmental	$4,927,512	$5,070,623	$5,409,512	$4,534,824	$4,913,814	(0.3%)
Transfers	$16,377,209	$17,866,260	$19,550,394	$22,640,844	$18,821,932	14.9%
Other Revenues	$9,422,081	$1,250,295	$1,208,099	$616,098	$675,706	(92.8%)
Total	**$61,295,760**	**$58,731,056**	**$60,191,622**	**$60,194,749**	**$56,537,954**	**(7.8%)**

Revenue Sources
The City's General Fund revenues were able to keep pace with expenditures in 2008 and 2009 only by drawing down on other funds. These additional transfers provided only temporary solutions to the effects of the current recession.

Fund Transfers and Administrative Charges
The sources for transfers to the General Fund are primarily the utility services that are provided by the City to residents, businesses and property owners. The utility fees are charged to both taxable and tax-exempt properties. Transfers accounted for 33% of General Fund revenues in 2010.

Transfer Revenues, 2006 - 2010

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Sanitation Utility Fund	$1,897,785	$2,325,000	$2,316,291	$2,702,221	$2,253,448	18.7%
Sewer Maintenance Charge	$784,755	$856,202	$956,894	$925,519	$925,997	18.0%
Sewer Maintenance Liens-Penalty	$5,942	$3,606	$3,429	$872	$1,041	(82.5%)
Sewer Maintenance Liens-Principle	$21,711	$18,302	$13,470	$4,074	$3,702	(82.9%)
Sewerage Utility Fund	$5,233,735	$5,488,150	$6,319,520	$10,127,351	$7,275,386	39.0%
Harrisburg Parking Authority - Coordinated Parking	$3,524,893	$4,005,000	$4,750,000	$4,050,000	$2,664,000	(24.4%)
Harrisburg Water Utility Fund	$4,834,270	$5,170,000	$5,190,790	$4,430,807	$5,698,358	17.9%
Transfers from Other Funds	$74,119	$0	$0	$400,000	$0	(100.0%)
Total	**$16,377,209**	**$17,866,260**	**$19,550,394**	**$22,640,844**	**$18,821,932**	**14.9%**



Intergovernmental Revenues
Some of the City's intergovernmental revenues are used as General Fund revenues. In 2010, these revenues accounted for 9% of General Fund revenues. Other intergovernmental revenues are accounted for in special revenue funds, including $1 million in revenue received from the Commonwealth's Liquid Fuels Tax Fund, $3 million in CDBG funds and $1.8 million in FEMA grants.

The recurring intergovernmental revenues include reimbursement for fire protection, CDBG reimbursement and pension aid. Overall CDBG funding has decreased, leading to reductions in services and reimbursements for the General Fund. The demolition reimbursement is expected to be $160,000 in future years. Public safety grants fluctuate from year to year because they are dependent on current Commonwealth and Federal initiatives. For example, the public safety grants include a policing grant which is budgeted at $432,000 in 2012 and is expected to end in 2012. A summary of the City's intergovernmental revenue is depicted in the table below.

Intergovernmental Revenues, 2006 – 2010

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Capital Fire Protection	$1,020,000	$1,270,000	$1,253,000	$1,000,000	$987,000	(3.2%)
CDBG Reimbursement - Demolition	$225,512	$273,994	$162,399	$294,314	$95,725	(57.6%)
Federal/State Pass Through Grants	$0	$0	$0	$0	$0	0.0%
Federal Grants	$0	$0	$0	$0	$0	0.0%
Government Grants	$0	$0	$0	$0	$3,854	0.0%
Grants Fund	$64,355	$60,000	$77,632	$92,621	$91,050	41.5%
Pension System State Aid	$2,829,326	$2,881,276	$2,590,486	$2,511,795	$2,651,339	(6.3%)
Public Safety Grants	$788,318	$585,353	$1,325,995	$636,094	$1,084,846	37.6%
Total	**$4,927,512**	**$5,070,623**	**$5,409,512**	**$4,534,824**	**$4,913,814**	**(0.3%)**

Government Earnings

The City provides a broad range of services to residents, businesses and property owners. Many of these services are accompanied by fees and other charges that are expected to cover at least a portion of the cost to provide these services. These government earnings provided about 10% of General Fund revenues in 2010.

Some of these revenues, most notably building and related permit revenues, vary with changes in the local economy. For example, building permit revenue decreased from $776,804 in 2007 to $402,753 in 2010. Total fee and permit revenues decreased from $2.2 million in 2007 to $1.6 million in 2010, a loss of $500,000 as the economy deteriorated. Others, most notably traffic and parking fines, remain relatively constant. Vehicle maintenance charges are received from a variety of other governmental units including the Harrisburg School District, the Borough of Steelton, Dauphin County, as well as from the City Authorities. The maintenance charges received from other governmental units totaled over $348,000 of the $821,409 total maintenance charges for 2010.

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

It is considered a best practice to review the rate schedules at least every two years to ensure full cost recovery. This should be accompanied by a cost study to make certain that the full costs, including overhead, are considered when adjusting fees. The City commissioned a fee study which is scheduled for completion in early 2012. Implementing the recommendations of the fee study will be very important for the long-term fiscal health of the City.

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

Licenses, Permits, Charges, and Fines, 2006 – 2010

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
District Justice Fees	$644,526	$785,500	$821,507	$608,870	$744,297	15.5%
Building Permits	$513,016	$776,804	$640,293	$361,310	$402,753	(21.5%)
License Renewal Fees	$70,827	$187,750	$200,255	$212,120	$182,875	158.2%
Other Fees/Permits	$1,164,885	$1,253,263	$1,125,819	$956,618	$1,059,266	(9.1%)
License	$506,113	$514,184	$531,042	$577,845	$573,948	13.4%
Parking Fees/Taxes	$32,859	$31,853	$35,429	$39,226	$36,854	12.2%
Parking Tickets	$1,014,384	$1,171,569	$1,280,050	$1,131,991	$1,228,749	21.1%
Public Safety Fees/Permits	$267,420	$373,102	$258,611	$383,162	$303,050	13.3%
Public Safety Reimbursements	$763,564	$587,942	$67,595	$307,480	$310,297	(59.4%)
Public Works Fees/Permits	$2,531	$54,456	$2,401	$3,223	$60,445	2,288.2%
Reimbursements	$0	$0	$0	$0	$0	0.0%
Rental Income	$15,646	$36,601	$20,855	$15,655	$10,617	(32.1%)
Recreation Fees	$189,930	$186,117	$99,508	$94,676	$33,372	(82.4%)
Vehicle Maintenance Charges	$902,307	$920,684	$1,159,414	$728,932	$821,409	(9.0%)
Total	**$6,088,009**	**$6,879,825**	**$6,242,779**	**$5,421,107**	**$5,767,932**	**(5.3%)**

Harrisburg's Revenue Structure

There are some positive attributes to Harrisburg's current revenue structure. Specifically, the City has a relatively diverse revenue base composed of the full range of tax and non-tax revenues that are available to municipalities in Pennsylvania. Additionally, the City has been able to use government-owned utilities to generate a significant portion of its revenues. Finally, Harrisburg is home to large governmental employers, which often act as a stabilizing force during an economic downturn.

However, these affirmative aspects are offset by other factors:

- The City's revenue sources are not producing sustainable growth, which has led to the use of significant increases in operating transfers, tax increases and one-time revenue sources to fill operating needs over the last five years.
- Harrisburg has a high tax burden when compared to other similar jurisdictions in Dauphin County and elsewhere in Pennsylvania. Over time, this will have an impact on the location decisions of residents and businesses and will also affect home values.
- The City is constrained in its ability to access other revenue sources that are available to the Commonwealth's major cities, Philadelphia and Pittsburgh, as well as to cities in other states. These other sources include sales taxes and non-resident income taxes.

Impact of Current Economic Conditions

The current recession has had a significant impact on the fiscal outlook of cities nationwide. The sharp downturn has forced municipalities to confront budget challenges that have been intensified by declines in key economically sensitive revenue streams as well as demand for increased services and increasing costs in areas such as healthcare and pensions. This confluence of events recently led Moody's Investors Service to assign a negative outlook to the U.S. local government sector for the first time in history.

As the national economy has slowed since 2008, revenues have declined dramatically for cities across the country. The National League of Cities (NLC) projects municipal budget shortfalls will total between $56 billion and $83 billion from 2010-2012 due to declines in tax revenues, increasing service demands and cuts in state transfer revenues.

Since 1985, NLC has conducted an annual survey of city finance officers regarding the fiscal condition of cities. In NLC's 2010 survey, 87% of city finance officers predicted that their cities were worse off financially than in 2009. The 2009 survey uncovered the most negative assessment of city fiscal conditions offered in the history of the survey.

As with its peers, the City of Harrisburg has felt the impact of the decline in the economy. The City's unemployment rate has remained high. It increased from 6.0% in 2005 to 11.6% in 2010. As of November 2011, the City's seasonally adjusted unemployment rate[53] was 7.1%.

In addition, local government finances tend to lag the overall economy. In each of the last three recessions, growth in local government receipts have trailed growth in expenditures and continued to do so for one to two years following the end of the recession. As a result of the deteriorating economic conditions, cities will likely feel the impact of the economic downturn through 2012 and likely into 2013.

Future Outlook

The current economic situation has exacerbated economic and demographic factors that have had a negative impact on city budgets for a number of years. In many cities, general employment is moving from the city to the suburbs. Harrisburg has experienced a declining proportion of total county employment which impacts Local Services Tax, Business Privilege & Mercantile Tax and other revenues. Cities also tend to have lower household incomes than their suburban counterparts, which affects Earned Income Tax and overall revenue performance. For example, Harrisburg's median household income in 2009 was $35,689 compared with $65,789 for Dauphin County.

In order to project current revenues, the Receiver consulted with City Finance staff and analyzed historical trends and current economic conditions to prepare a baseline revenue estimate. Each major revenue source was assigned an annual growth rate for each year over the Recovery Plan period to project the City's fiscal position. The baseline revenue estimate aims to determine the City's likely General Fund revenues if no actions are taken to alter existing tax rates or improve collection rates. The table below shows the Receiver's forecast of Harrisburg's General Fund revenues through 2016.

[53] Pennsylvania Department of Labor and Industry.

Projected General Fund Revenues, 2012 - 2016

Revenue Group	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2016 Projected	% Change
Property Taxes	$17,074,783	$17,074,783	$17,074,783	$17,074,783	$17,074,783	0.0%
PILOTS	$501,522	$501,522	$501,522	$501,522	$501,522	0.0%
Earned Income Taxes	$3,430,000	$3,464,300	$3,498,943	$3,533,932	$3,569,272	4.1%
Mercantile Business Privilege	$2,838,883	$2,882,633	$2,927,149	$2,972,443	$3,018,531	6.3%
Parking Taxes	$1,574,532	$1,574,532	$1,574,532	$1,574,532	$1,574,532	0.0%
Other Taxes	$3,698,342	$3,710,042	$3,722,093	$3,734,506	$3,747,290	1.3%
Licenses, Permits and Fines	$6,303,422	$6,303,422	$6,351,738	$6,411,899	$6,420,231	1.9%
Intergovernmental	$5,890,251	$5,890,251	$5,538,346	$5,538,346	$5,538,346	(6.0%)
Transfers	$13,258,732	$12,860,392	$12,472,116	$12,094,216	$11,725,170	(11.6%)
Other Revenues	$588,271	$636,588	$648,432	$596,602	$596,769	1.4
Total	**$55,158,737**	**$54,898,465**	**$54,309,655**	**$54,032,782**	**$53,766,445**	**(2.5%)**

The current projection shows a continuing decline in General Fund revenues from the 2006 through 2010 review period. From 2012 to 2016, it is estimated that total General Fund revenues will fall by $1.392 million or 2.5%. Property tax revenue is expected to remain flat based upon the projected lack of growth in the property assessment base. Modest revenue growth is projected in a few revenues sources as the economy recovers. Transfers from the City's individual funds and Authorities have been held at the estimated 2012 amount for purposes of projection with the exception of the expected transfers from the Sewerage Utility Fund which was reduced by five percent each year from the preceding year. However, the individual funds that underlie these transfers may be required to use available fund balances, increase fees or reduce expenditures to provide the projected annual amounts to support the City's General Fund. It is possible that such transfers may not be sustainable at these levels, and the Receiver is undertaking additional analysis.

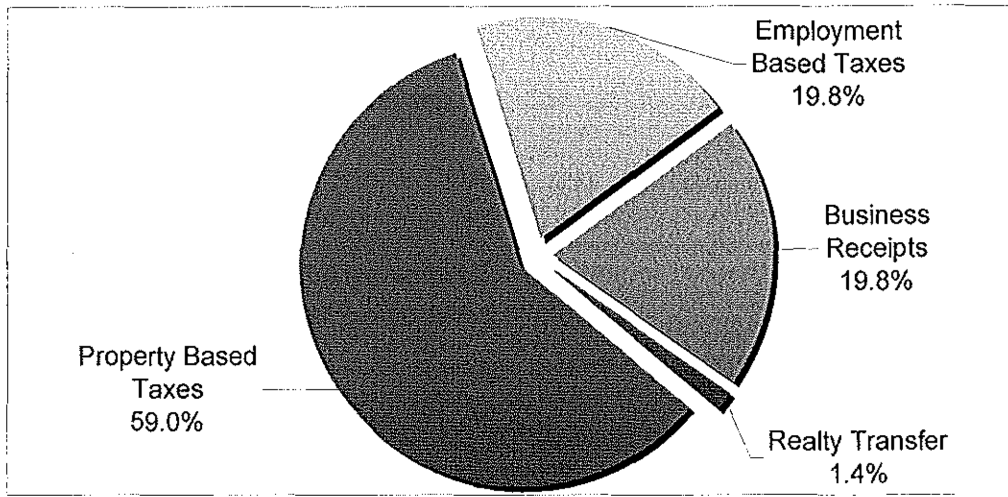
Given the baseline projected revenue decline, the City will need to take significant steps to produce a structurally balanced budget.

Assessment of Revenue Sources

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

With few exceptions, the City maximizes the taxing powers authorized by the Commonwealth. The figure below identifies the City's tax revenue sources in 2012.

2012 Budgeted Tax Revenue Sources



As noted in the figure, 59.0% of the tax revenue is from the value of taxable real estate. Business receipts revenue is generated from most businesses and special charges on hotels, parking and amusements. The worker earnings are split between a flat fee of $47 borne on those employed in the City and 0.5% of earned income of City residents.

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. Commonwealth personnel are budgeted for reductions and other basic costs such as oil and gasoline are rising. This is particularly true with signs of economic recovery as businesses and other investors consider locations for future expansion and growth.

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

- Increasing the Real Estate Tax rate on improvements, though the combined tax rates on City property are very high (for 2012 budget, improvements, 5.16 mills; and for land, 30.97 mills);
- Increasing the Earned Income Tax rate on residents as authorized under Act 47;
- Imposing an Occupation Assessment Tax on residents;
- Increasing the Parking Tax rate and License fee;
- Pursuing revenue from property now classified as exempt; and
- Increasing collections through amnesty, enforcement and higher penalties.

Commonwealth law establishes administration for the following taxes, with limited or no input by the City:

- Real Estate Tax – Assessment of real property generally by the County; collection by the City Treasurer; assessment and exemption appeals by the County Board of Assessment Appeals. The City has standing to challenge assessments and exemptions.
- Earned Income Tax – Countywide tax collection effective 2012. The City may impose additional penalties.
- Realty Transfer Tax – Collection by the County Recorder of Deeds; determinations generally made by the Pennsylvania Department of Revenue. The City may opt to give explicit authority to the Pennsylvania Department of Revenue to make determinations for additional tax, penalty and interest.
- Hotel Tax – Administered by the County.

- Public Utility Realty – Administered by the Pennsylvania Department of Revenue. The City has standing to challenge assessments.

The City may self-administer or outsource some or all administrative functions for the other taxes including Business Privilege & Mercantile, Local Services and Occupation Assessment.

Real Estate Taxes
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 2011 the City of Harrisburg levied a tax on the assessed value of land at 28.67 mills and improvements at 4.78 mills. For purposes of comparison, a single rate on land and improvements equates to 10.04 mills. As adjusted by the most recent County Common Level Ratio (70.6%) determined by the State Tax Equalization Board, the equalized rates for 2011 were 20.24 mills on land, 3.37 mills on improvements and 7.09 mills under a single rate.

The millage limit for Harrisburg under the Third Class City Code is 25 mills for the general purpose levy (increased to 30 mills with permission from County Court) with no limits for enumerated special purposes such as indebtedness of the City.[54] With approval of the County Court of Common Pleas made in annual intervals, this rate cap can be removed while the City is in Act 47. 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.

The property tax impact on owner-occupied households can be estimated by considering the average and mean assessments on taxable parcels that have been approved by the County Tax Assessment Office as being qualified homesteads. Based on 2011 Dauphin County Real Estate assessed valuation figures, the average homestead assessed value in the City of Harrisburg is about $57,000, which equalized for the Common Level Ratio is about $81,000. This represents a total 2011 City property tax of $527 and total combined 2011 property taxes of $2,023, which is 2.5% of the equalized value. The assessed value of owner-occupied tax abatements on new homes and home improvements currently is about $10 million, or slightly over 3% of the total assessed value of owner-occupied homes.

In contrast, 2011 assessed valuation data shows that the average homestead assessed value in the rest of Dauphin County (mostly comprised of East Shore suburbs) is about $109,000, which equalized is about $180,000. The municipal property tax for the four suburbs which comprise the largest number of commuters from the East Shore varies from $141 in Lower Paxton Township (on an average assessed value of about $147,000) to $334 in Susquehanna Township (on an average assessed value of about $123,000). The combined property taxes for these four suburbs range from 1.5% to 1.8% of their equalized values.

For 2012, the City has increased the millage rates on land and improvement by 8%.

Real Estate Tax Collection
The City Treasurer is responsible for collecting Real Estate Tax for both the City and the School District.[55] The collection rate for the City's current real estate levy has varied per year but has averaged 89.1% for the period 2006 through 2010. This level of collection is comparable to other Third Class cities in Pennsylvania but is lower than the collection rate seen in many townships and some boroughs.

Property Exempt from Taxation
Based on County assessment records, nearly half of the City's real estate value is tax-exempt and owned by government entities. The table below summarizes the City's tax-exempt property value and the potential tax

[54] 53 P.S. § 37531. Pennsylvania's appellate courts have not had occasion to consider whether the rate cap is applied separately for a city that utilizes split-rates or if it would be applied to the single rate computed as if the split-rate system was not utilized.
[55] 53 P.S. § 37532.

revenue if the properties were not exempt from taxation. The total value of these exempt from taxation properties was $1,485,851,800 or nearly 48% of the total assessed value of property in the City. For the purposes of comparison, the City's taxable 2011 budgeted assessed valuation is $1,623,014,400.

Properties Exempt from Taxation

Property	Percent of All Exempt	If Taxable (in thousands)
Commonwealth of Pennsylvania	41%	$4,075
PHEAA*	2%	$223
HAAC	5%	$936
City (excluding Authorities)	6%	$988
School District	5%	N/A
Dauphin Co. (excluding Authorities)	9%	$1,137
Redevelopment Authorities	0%	$132
Other Authorities	4%	$582
Federal Government (including Postal Service)	2%	$218
Other Governments	0%	$49
Public Utilities	1%	$257
Parking Authority	3%	$397
Religious	5%	$787
YMCA	0%	$83
Pinnacle (Harrisburg Hospital Polyclinic)*	10%	$1,137
Other NP Healthcare Institutions	1%	$158
Harrisburg University	3%	$225
Other (8 with assessments > $1M**)	3%	$528
TOTAL	**100%**	**$ 11,913**

* PILOT Agreements with Pinnacle (City cannot locate), PHEAA (through 2018), PA Housing, Penn Center and 9 others

** Cap Center Arts Science, Harrisburg VOA Elderly Housing, Goodwill, Harrisburg Hotel Assoc, Penn Center, Uptown Partners, Red Ross, River Rescue

Properties Exempt from Taxation, Summary

Category	% of Overall Exempt Properties
Government and Related Entities (excluding Parking Authority)	74%
Parking Authority	3%
Religious (including YMCA)	5%
Nonprofit Healthcare	11%
Public Utilities (PURTA)	1%
Other (8 with assessments > $1M)	5%
TOTAL	**100%**

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

The balance of tax-exempt value per the assessment records is principally owned by nonprofit healthcare institutions (11%), religious organizations (5%) and other, mostly nonprofit organizations (5%). To be exempt from taxation, a non-governmental property owner must be an Institution of Purely Public Charity (PPC) and the property must be used and occupied by the PPC and necessary for its occupancy and enjoyment.[56] Act 55 of 1997[57] (Act 55) codified, with modifications, the following five tests, all of which must be met each year to be a PPC, which were established by the PA Supreme Court in 1985[58]: advance a charitable purpose; be entirely free from private profit motive; donate or render gratuitously a substantial portion of goods or services; benefit a substantial and indefinite class of persons who are legitimate subjects of charity; and relieve the government of some of its burden. In litigation that included the City of Harrisburg, the PA Commonwealth Court held in two cases in 1998 that Pinnacle Health did not qualify as a PPC involving both its Harrisburg Hospital and Polyclinic Medical Center facilities.[59]

It is Commonwealth policy to encourage organizations exempt from taxation to make PILOTs. Commonwealth law (e.g. Act 55) encourages PPCs to enter into PILOT agreements with municipalities and other local governments.[60] The City has PILOT agreements with 13 organizations on 16 parcels. The 2010 PILOT revenue was approximately $410,000, over 85% of which was from the following four organizations: Pinnacle Health ($119,000); Commonwealth of PA/PHEAA ($107,000); PA Housing Finance ($88,000); and Penn Center Harrisburg ($44,000).

Since the passage of Act 55 it has been reportedly difficult for local governments (including Philadelphia and Pittsburgh which have substantial amounts of non-government, non-profit organizations) to renew or enlist new PILOT agreements. Pittsburgh has had some success in negotiating a PILOT arrangement under its Act 47 plan. By working with the Pittsburgh Foundation, the Pittsburgh Public Services Fund was established and has resulted in PILOT payments of approximately $4 million annually or about 1% of its budget. The City of Harrisburg should quantify and communicate the value of the services it provides to its larger PPC property owners, pointing out the advantages of the City services that support the organizations' operations.

[56] 72 P.S. § 5020-204(a)(9).
[57] 10 P.S. § 375 *et seq.*
[58] *Hospital Utilization Project v. Commonwealth*, 487 A.2d 1306 (1985).
[59] 708 A.2d 1284 (Pa. Commw. 1998), 708 A.2d 845 (Pa.Commw. 1998). Those properties are now listed as tax-exempt. Pinnacle Health has a PILOT agreement with the City, although a copy has not been located by the City.
[60] 10 P.S. §§ 372(a)(7) & (377(c). PPCs get "extra credit" for PILOT payments in computing whether it donates or renders gratuitously a substantial portion of goods or services.

Employment Based Taxes

Earned Income Tax (EIT)
Under the Local Tax Enabling Act, the EIT is capped at 1.0% and split equally with the School District, effectively limiting the tax to 0.5% on residents. The City currently levies the EIT at the maximum rate of 1.0% under the Local Tax Enabling Act,[61] on residents and nonresidents or those working in the City. However, the City is entitled to only a half of the resident levy since the School District has also imposed the tax.[62] The City receives very little revenue from the non-resident tax as the municipality of residence has first right to the tax up to the level they impose under the crediting provisions of the Act.[63]

Under Act 47, a higher rate can be imposed on residents as part of a comprehensive recovery plan with approval of the County Court of Common Pleas on an annual basis. A higher City EIT rate will not affect the portion of the EIT to which the School District is entitles. Regardless of the City's rate, the School District will continue to have an effective EIT rate of 0.5% on residents only. To be clear, this is not a commuter tax.

Local Services Tax
The Local Services Tax (LST) is levied on persons based upon their location of employment. It differs from the EIT in that the location of the principal employment is the basis for the tax, not the domicile of the taxpayer. The tax rate is a total of $52, shared with the School District - $5 paid to the School District and $47 retained by the City. The table below summarized the revenue received from the LST and EIT.

Revenue Source	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Local Services Tax	$3,016,240	$2,865,834	$1,950,541	$2,353,228	$2,217,093	(26.5%)
Earned Income Tax	$3,447,433	$3,732,186	$3,514,282	$3,444,832	$3,149,169	(8.7%)

The revenue received from the LST has been significant for the City, especially since the rate and name changed in 2005. For comparison, in 2006, the City collected slightly more than $430,000 from the EIT (at a rate of 0.5% on wages and net profits) than from the LST levied at a rate of $47 per employee. For the period 2007 through 2010, the amount of LST taxes fell upon the adoption of mandatory income limits, but remained a major new City revenue source that is approaching three quarters of the revenue as received from the EIT.

Business Privilege & Mercantile Tax
The City of Harrisburg levies a Business Privilege & Mercantile Tax (BPMT) on all businesses in the City except for those that are statutorily exempt, such as manufacturers. The BPMT is based on the gross receipts of retailers at 0.075% (0.15% when combined with the BPMT rate levied by the School District); of wholesalers at 0.05% (0.01% combined rate); and of other businesses at 0.2% (0.3% combined rate). The only other municipalities in Dauphin, Cumberland and Perry Counties which impose a BPMT are Swatara Township, Paxtang Borough and Penbrook Borough. All of these municipalities border the City of Harrisburg and have lower combined rates on retailers and other businesses. Among the Third Class cities which are closest in proximity to Harrisburg, the BPMT is levied in York and Reading but not in Lebanon or Lancaster.

Like all political subdivisions in the Commonwealth, the City and School District of Harrisburg are barred from raising their BPMT tax rates.[64] However, this does not prevent increases in license taxes (which are

[61] 53 P.S. § 6924.311(3). If one or more of the City's pension plans is deemed in moderate or severe distress, the City may raise the Earned Income tax rate above the limit (on both residents and nonresidents), the proceeds of which shall be used solely to defray the additional costs required pursuant to Act 205 of 1984, as amended, which are directly related to the pension plans. 53 P.S. § 895.607(f) & (f.1).
[62] 53 P.S. § 6924.311. Unlike the City, the School District may not levy the EIT on nonresidents. 53 P.S. § 6924.301.1(f)(5).
[63] 53 P.S. § 6924.317. Out-of-state City workers, which are estimated to comprise less than one percent of the City workforce, are subject to the full 1.0% City EIT rate.
[64] Local Tax Reform Act of 1988, 72 P.S. § 4750.101.

included in the same City of Harrisburg tax account category), interest (now 0.33%/month, which comes to nearly 4% annually) or penalties (now 10% for payments more than 30 days after due date).

In the 2007 PA Supreme Court decision, *V.L. Rendina, Inc. v. City of Harrisburg,* the City prevailed in applying the BPMT to a contractor who had a leased job trailer during its temporary presence in the City. In holding that a base of operations is not necessary for the BPMT to apply, the Court's opinion indicated that business persons without any office in the City but who temporarily engage in business in the City are subject to this tax (*e.g.*, auditors at a client site in the City, an attorney in a Dauphin County Court trial, business associates attending a conference in the City, entertainers performing at a concert in the City or sales persons soliciting potential new business in the City). However, it is apparent that the City is not fully enforcing the BPMT to this extent. There is also pending legislation that would alter this definition and preclude the imposition of the tax on non-permanent work sites.

Fund Transfers and Administrative Charges

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

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	% Growth
Transfers and Administrative Charge Payments	$12,852,316	$13,861,260	$14,800,394	$18,590,844	$16,157,932	25.7%
Coordinated Parking Fund	$3,524,893	$4,005,000	$4,750,000	$4,050,000	$2,664,000	(24.4%)
Total Payments to General Fund	$16,377,209	$17,866,260	$19,550,394	$22,640,844	$18,821,932	14.9%
% of Total Adjusted Revenue	26.7%	30.4%	32.5%	37.6%	33.3%	

Source: Historical Data from City As Provided

The continuation of these administrative charges, transfers, and parking revenues is dependent in part on whether the individual fund's operation has sufficient revenue to meet costs and produce a surplus to provide a transfer to the City's General Fund. The projections below are used in this chapter. However, it is very possible that such revenues may not be sustainable at these levels, and the Receiver is undertaking additional analysis.

	2012 Projected	2013 Projected	2014 Projected	2015 Projected	2015 Projected	% Change
Transfer & Administrative Charges	$11,858,732	$11,460,392	$11,072,116	$10,694,216	$10,325,170	(12.9%)
Coordinated Parking Fund	$1,400,000	$1,400,000	$1,400,000	$1,400,000	$1,400,000	0.0%
Total Payments to General Fund	$13,258,732	$12,860,392	$12,472,116	$12,094,216	$11,725,170	(11.6%)
% of Total Adjusted Revenue	24.0%	23.4%	23.0%	22.4%	21.8%	

Initiatives

The City of Harrisburg shall pursue the following initiatives as means to increase tax and other revenues, reduce tax collection expenses and improve voluntary compliance.

REV01. Increase the Earned Income Tax rate as required to eliminate operating deficits

Target outcome:	Increased revenue
Financial impact:	Each .25% increase will yield approximately $1,715,000 per year
Responsible party:	City Council and Tax Enforcement Administrator

The increase in the Earned Income Tax rate shall only be levied to the degree necessary to balance the budget as determined by the Recovery Plan.

REV02. Increase the real estate tax rate as required to eliminate operating deficits

Target outcome:	Increased revenue
Financial impact (annual amounts per mill shown):	Yield per mill [equalized mill]: • Land $350,000/mill [$247,000/equalized mill] • Improvements $1,241,000 [$876,000] • Single Rate $1,591,000 [$1,123,000] Little change in yield/mill expected for 2012-2016
Responsible party:	Mayor and City Council

The yield per mill of real estate tax is not projected to grow significantly during the period covered by the Recovery Plan financial projections. Any increase in real estate tax revenue will result from increases of the millage rate levied on land and improvements.

REV03. Review real estate taxable assessments

Target outcome:	Increased revenue
Financial impact:	Not available
Responsible party:	City Treasurer in conjunction with the County Assessment Office and the School District Business Manager

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

The City Treasurer shall initiate a joint effort with the School District to identify under assessed or tax exempt properties, which should entail engaging a qualified appraiser in making preliminary reviews. If determined that the assessment is not equitable for the property, the City shall appeal (either alone or jointly with the school district) the assessment valuation.

REV04. Review and increase utilization of PILOT Agreements; consider impact in sale of government-owned property

Target outcome:	Increased revenue
Financial impact:	Not available
Responsible party:	Mayor and Chief of Staff/Business Administrator in conjunction with the County Assessment Office and School District Business Manager; City Solicitor to review PILOT Agreements and negotiate multi-year commitments

The City shall take the following actions:

1. Determine the impact on property tax revenues as part of the due diligence of selling government owned property to for-profit organizations.
2. Solicit voluntary contributions from government and government sponsored organizations to reimburse the City for all or a portion of the services provided by the City. The City shall review the implementation of an Act 55 format for the formal agreement and payment of specified PILOT revenue from organizations exempt from property taxation.
3. Review the status of the qualification and PILOT agreements with the nonprofit healthcare institutions and the other private organizations with large tax-exempt assessments (starting with those of at least $1 million in value). Seek voluntary contributions / PILOTs with non-profit organizations, starting with those having the highest tax-exempt values and those who utilize substantial amounts of the City services.

REV05. Increase business license fees; improve compliance with Business Privilege & Mercantile Tax.

Target outcome:	Increased revenue and reduced tax administration/collection costs
Financial impact:	Not available
Responsible party:	City Council and City Tax Administrator

License fees shall be adjusted to inflationary index. The City currently imposes annual license taxes or fees on all businesses subject to the BPMT ($40), Landlords ($40), public eating and other establishments subject to the Health License ($25 to $200) and others ($10 to $200). Most of these flat taxes have been in effect for several years.

The City shall increase fees to an appropriate level based upon the inflationary index at least and, if possible, to the maximum of $100 permitted for general revenue purposes.[65] Any license taxes or fees that currently exceed $100 shall be reviewed to see if they are subject to this cap. At 4% per year, the interest rate is comparable to the variable rate currently imposed on late payments of PA state tax (3%) and federal tax (3%). As the benchmark short-term federal government bond rates increase, the City shall adopt a variable rate,

[65] 53 P.S. § 37601.

referenced to no less than the state tax interest rate. For example, Philadelphia imposes interest at 12% per year for unpaid Business Privilege Taxes.

The City shall increase the penalty, presently 10% of tax, referenced to no less than the Federal tax standard. Federal taxes are subject to a combined civil penalty of up to 50% of tax for failure to file (5% per month up to 25%) and pay (0.5% per month up to 25%).[66] Philadelphia imposes a penalty of 30% of unpaid tax for the first year and 15% for each subsequent year. The City shall institute civil and criminal penalties for fraud or willful intent to evade the BPMT.

The City shall institute a limited amnesty period during which penalties, and possibly interest, are waived upon voluntary filing and payment of delinquent BPMT. The City of Philadelphia has successfully utilized such amnesties for its Business Privilege Tax.

The City shall review the cost effectiveness of the administration and enforcement of the BPMT in order to maximize current collections and reduce the amount of delinquent tax owed.

REV06. Increase enforcement of the Local Services Tax

Target outcome:	Increased revenue and reduced tax administration/collection costs
Financial impact:	Not available
Responsible party:	City Council and City Administration

The City imposes the maximum rate of $47 per year under the Local Services Tax (LST); the School District imposes a rate of $5 per year. As with the BPMT, the City shall increase penalties and institute an amnesty for a limited time period.

Capital Tax Collection Bureau currently administers the LST for the City and the School District. With the change in EIT tax collector starting in 2012, the City shall review the potential for one collector of both EIT and LST utilizing the countywide EIT collector. If the consolidation of tax collections is deemed to be impractical, the City shall request proposals to most efficiently collect the LST from both the current and new tax collection organizations.

REV07. Pursue Legislative Change for the Local Services Tax Levy

Target outcome:	Increased revenue
Financial impact:	For each $10 yearly increase approximately $500,000
Responsible party:	Mayor and Council

The City shall initiate discussions with the Receiver and its Legislative delegation to begin the process of increasing the Local Services tax rate. It is recognized that special legislation will be required to enact this change. The currently levied $47 Local Services tax has proven to be an effective source of revenue based on employment within the City.

[66] 26 USC § 6621(a).

REV08. Pursue Department of Revenue Determination for Additional tax, penalty and interest regarding the Realty Transfer Tax

Target outcome:	Increased revenue and reduced tax administration/collection costs
Financial impact:	Not available
Responsible party:	City Council

The City last amended its Realty Transfer Tax Ordinance in 1990. The Commonwealth, under Act 40 of 2005, gives the City the option to have the Pennsylvania Department of Revenue make determinations for additional tax, penalty and interest.[67] For this service, the Department of Revenue may impose a cost of up to 10% of the tax, penalty and interest collected on behalf of the City.[68]

The City shall implement this option to reduce the costs of tax administration and increase the net receipts from tax underpayments, penalty and interest. This tax is collected by the County Recorder of Deeds.

REV09. Increase interest & penalty provisions, where permitted

Target outcome:	Increased revenue
Financial impact:	$90,000
Responsible party:	City Council and Tax Enforcement Administrator

The Local Tax Enabling Act authorizes the City "to prescribe and enforce reasonable penalties" for nonpayment.[69] Taxes covered under this Act include the Business Privilege & Mercantile Tax, Local Services Tax, Parking Tax and the Occupation Assessment Tax. Under this authority, the City provides a 10% penalty and interest at the Federal rate (presently 3% per year) for late payments of these taxes, as well as civil and criminal penalties.[70] The City shall increase the amount of penalties to 30% for the first year and 15% for each subsequent year, plus interest at 12% per year. This increase is projected to yield $90,000 over the next five years.

Financial Impact

2012	2013	2014	2015	2016	Total
$18,000	$18,000	$18,000	$18,000	$18,000	$90,000

[67] 72 P.S. § 8109-D(a).
[68] Act 40 of 2005.
[69] 72 P.S. § 6924.706.
[70] City Ord. No. 33-1993, City Code § 5-717.99.

REV10. Improve taxpayer information

Target outcome:	Improved service and access to information
Financial impact:	Not available
Responsible party:	Tax Enforcement Administrator and Director of IT Bureau

The City of Harrisburg website (www.harrisburgpa.gov) does not contain a central repository of tax information nor does it include access to the relevant tax ordinances, regulations or website links. To improve voluntary compliance and administrative efficiency, the City shall create a tax webpage within the City website that includes all tax forms (in PDF print and interactive formats), tax instructions, tax ordinances, tax regulations, taxpayer information phone numbers and addresses (both e-mail and regular mail), and links to outside tax collectors, relevant County offices (Tax Assessor, Board of Assessment Appeals, Recorder of Deeds), School District, and the Pennsylvania Department of Revenue.

REV11. Improve real estate taxpayer collection rate

Target outcome:	Increased revenue
Financial impact:	Each 1% increase in collection rate produces over $140,000 in current revenue
Responsible party:	City Treasurer, Chief of Staff/Business Administrator and Tax Enforcement Administrator

The City Treasurer is responsible for collecting the real estate tax for both the City and the School District. The collection rate for the City's current real estate levy has varied per year but has averaged 89.1% for the period 2006 through 2010. Efforts to increase the collection rate will reduce the City's reliance on lien sales for delinquent real estate taxes. Increasing the current collection rate for real estate taxes will become more important as the City begins to rely on multi-year sales of liens for revenue from delinquent tax accounts. It is estimated that each additional 1% improvement in current real estate collections will yield over $140,000; to receive that same revenue from a lien sale would require the sale of over $157,000 in delinquent liens.

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

REV12. Generate revenue through Market Based Revenue Opportunities

Target outcome:	Increased revenue and cost replacement and avoidance
Financial impact:	$800,000
Responsible party:	Chief of Staff/Business Administrator

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

The City shall pursue an RFP process to select a broker to help identify potential City assets for an MBRO program, assist with establishment of a policy framework and market available and approved opportunities. Channel 20, the City's cable access channel, shall also be included in this review. The MBRO program shall be implemented no later than July 1, 2012. As estimated in other municipal MBRO plans, the City can expect approximately 1% of General Fund revenues once an MBRO program is fully implemented. The estimated five year revenue is based on the estimated percentage of City revenues and the anticipated time to develop and implement MBRO initiatives.

Financial Impact

2012	2013	2014	2015	2016	Total
$0	$100,000	$150,000	$250,000	$300,000	$800,000

REV13. Sell City acquired historical assets

Target outcome: Increased revenue

Financial impact: Estimated at $500,000, total value subject to appraisals

Responsible party: Mayor and City Council

The acquisition of display items for the planned City museums resulted in holdings of assets that have no immediate use for the operation of the City. The holdings will be appraised as part of the required overall asset value study and the City shall prepare and dispose of the items in a manner that results in the highest possible proceeds from the sale. The City shall consider the current market conditions for items of historical interest prior to committing to a sale and may consider several sales over an extended time period to avoid the unnecessary loss of value due to adverse market conditions. The City shall also consider the use of qualified, professional brokerage services knowledgeable in the specialized area of the artifacts to sell items directly to interested parties.

It is estimated that these sales could generate $500,000; however, total values are subject to appraisals.

Financial Impact

2012	2013	2014	2015	2016	Total
$500,000	$0	$0	$0	$0	$500,000

REV14. Revise Host Fee agreement between the City and the Harrisburg Authority

Target outcome: Increase revenue and program support

Financial impact: Not Available

Responsible party: Mayor and City Council, The Harrisburg Authority

The City and THA have an agreement for the use of Host Fees available to the municipal host of the Resource Recovery Facility. The current agreement provides for the provision of in-kind and other services to the City from the Authority in lieu of a monetary fee. Under current Commonwealth law, the host fee may also be applied to each ton of refuse and paid to the host municipality as a per ton cash fee.

The City and THA shall amend the current municipal waste disposal agreement between the City and THA to provide for a monetary payment of the host fee to the City's General Fund. The proceeds from this host fee shall be used for administrative support and program development through grants and other programs for environmental projects and environmental education projects that benefit the City. The City shall consider the formation of an advisory council to assist in the development of these programs and educational support to ensure that the host fee funds are expended in a manner that benefits the City's environmental improvement efforts.

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APPENDIX B TO RECOVERY PLAN FOR CITY OF HARRISBURG DATED FEBRUARY 6, 2012

Emergency Action Plan

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
HARRISBURG, PA 17120

OFFICE OF SECRETARY

November 3, 2011

The Honorable Linda Thompson
Mayor of the City of Harrisburg
Dr. Martin Luther King, Jr. Government Center
10 North 2nd Street
Harrisburg, Pennsylvania 17101

The Honorable Gloria Martin-Roberts
President of Council
Dr. Martin Luther King, Jr. Government Center
10 North 2nd Street
Harrisburg, Pennsylvania 17101

Mayor Thompson and Council President Roberts:

The Governor's Declaration of Fiscal Emergency applicable to the City of Harrisburg directs the Department of Community and Economic Development (DCED) to prepare an Emergency Action Plan as prescribed by Sections 602 and 603 of Act 47 as amended by Senate Bill 1151. DCED has retained the services of the Act 47 Coordinator to assist in the preparation of the Emergency Action Plan. This letter outlines the expectations that the Commonwealth has for the City during this fiscal emergency.
Clearly throughout, and subsequent to, the Act 47 plan development, the City Administration has kept a very watchful eye on expenditures and cash flow. This Emergency Action Plan builds on the cost containment strategies that have been in place throughout the year, and identifies priority initiatives from the Coordinator's final plan that need to be acted upon swiftly in order to ensure that vital and necessary services are maintained within the City during the state of fiscal emergency. The following list of priority initiatives shall be acted upon as part of the Emergency Action Plan.

- ADMIN 07: Eliminate bulk copy services in the City's duplication center and eliminate one position
- POL 12: Increase operational efficiency in Parking Enforcement Office
- POL 13: Implement a new schedule for Parking Enforcement Officers
- POL 14: Increase current parking ticket fees
- PW 02: Enforce the City's right to commercial collection and contract with private collector for collection of commercial waste
- PRE 03: Eliminate Park Ranger Corp
- REV 04: Review and increase utilization of Payment in Lieu of Property Tax (PILOT) agreements, consider impact in sale of government owned property
- REV 06: Increase business license fees; improve compliance with Business Privilege and Mercantile Tax

Because of the very delicate nature of the City's immediate financial picture, and in order to ensure that vital and necessary services are maintained within the City, it is critical that all expenditures continue to be carefully scrutinized prior to obligating the City for payment. Expenditures that are essential to the health, safety and welfare of City residents, referred to in SB 1151 as "vital and necessary services", will not be jeopardized by any other expenditure, and all funds payable to the City will be used to pay for such services before being allocated to or expended for any other purpose. SB 1151 defines these uncompromisable expenditures as:

"Vital and necessary services." Basic and fundamental municipal services, including any of the following:

(1) Police and fire services.
(2) Ambulance and rescue services.
(3) Water supply and distribution.
(4) Wastewater services.
(5) Refuse collection and disposal.
(6) Snow removal.
(7) Payroll and pension obligations.
(8) Fulfillment of payment of debt obligations or any other financial obligations.

In order to ensure that vital and necessary services are maintained within the City during the state of fiscal emergency, the City **shall** continue, and reinstate if suspended, the following steps commensurate with the financial crisis it faces:

- **Spending freeze for discretionary purchases:** The City **shall** eliminate FY2011 discretionary purchases of certain categories of material and equipment, such as computers, peripherals, and printers, as well as office supplies until current inventories are depleted. Equipment or vehicle purchases should also be deferred except in urgent cases. Optional contracts for professional services or commodities should be reduced or eliminated whenever possible. Finance Director **and DCED** approval should be required for all discretionary purchases over $2,500.
- **Hiring freeze and overtime restrictions: DCED approval shall** be required for any exceptions to a general hiring freeze, including filling temporary, seasonal or paid intern positions in the FY2011 budget. Advance **DCED** approval of overtime **shall** be required, although we understand unforeseeable events may occur, particularly for public safety departments. Bureau Directors should work closely with the Finance Director **and DCED** to monitor and manage overtime throughout the year. This should not be interpreted to limit hiring for key critical positions, such as the Business Administrator/Chief of Staff, and those positions that have a positive impact on revenues or allow overtime expenditures to be reduced.
- **Limit capital project expenditures: No capital projects shall be commenced during the period of the fiscal emergency without the approval of DCED.** Critical, non-emergency priorities should be identified **and advanced to DCED for consideration** if they cannot be deferred. The remainder of funds should be set aside for contingencies.
- **Review grant and third party funds:** The City should review discretionary grant-funded or third-party supported programs that require cash or in-kind matches from the City's General Fund to determine whether they should be temporarily suspended. Acceptance of all grants and third party funds shall be approved in advance by DCED.
- **Maintain flexibility to exercise all available strategies:** The City **shall take** no actions that may preclude the implementation of various work force, operational, or budgetary strategies in the future. This includes any investments by the City or its Authorities in technology or personnel that could limit opportunities for joint working, consolidation or other efficiency measures.
- **The City shall not incur debt**, however DCED may approve short term borrowing for Tax Anticipation Notes (TAN) if this is deemed necessary.

Although expenditure items are of great concern as noted above, the Emergency Action Plan requires diligent management on revenue related matters to insure that all tax collection and utility billing activities are timely and appropriate follow up actions are taken to maximize the collection of revenues. The Harrisburg Parking Authority (HPA) shall transfer from the Consolidated Parking Fund the remaining $1.7M as anticipated in the City's FY 2011 projected cash flow. 2012 Tax Bills should be mailed no later than February 15, 2012. Such diligence will ensure that the City continues to receive sufficient revenues to support the unimpeded provision of vital and necessary services within the City during the state of fiscal emergency.

Fee Study Implementation In early 2011 DCED provided grant funding for the City to conduct a fee study. Fee increases recommended in the fee study must be included in the City's 2012 budget. Appropriate fees are an important part of the city's revenue stream and they must be increased to provide fiscal stability, and critical to ensuring vital City services can be maintained throughout the state of fiscal emergency.

Cash Flow Analysis and Recommended Actions We reviewed Cash Flows prepared by the City through the year of FY2011. The City's current cash flow projections estimate a $1.0 million cash deficit at 2011 year end, as shown in the cash flow chart in Appendix A.

The City estimates that $3.2 million will be available in transfers from other funds (including $1.75 million from the HPA in addition to the already received lease proceeds of $7.4 million) for the fourth quarter of this year. By the end of 2011, the City also expects to receive over $1.4 million from various other utility funds. During the last quarter of 2011, the City must continually monitor the receipts of these expected funds and confirm that there is sufficient money in the funds to cover these transfers.

Additionally, the sale of delinquent tax liens was not included in the City's cash flow numbers; however we have been informed that an expected tax lien sale will be placed to bid for closing in December. The Pennsylvania Economy League (PEL) had previously estimated this sale to generate approximately $1.4 million and we believe that the City can expect to receive this amount. If the tax lien sale is successful and all other transfers occur, the City is expected to close the deficit of $1.0 million and have a surplus of revenue over expenditures of more than $400,000. It is critical that the City take those actions referred to above as quickly as possible and no later than December 15 in order to close the projected $1M gap.

PEL has prepared an expected cash flow projection for the first quarter of 2012 based on the 2011 experience. We anticipate that the City can expect strong cash flow from early receipts of real estate taxes provided that the City does not significantly delay the mailing of the 2012 real estate billing. First quarter payments of General Fund expenditures and General Fund debt service reserve transfers will total $17.0 million. However, the City is projected to receive over $6.5 million from City utility transfers during the first quarter of 2012. **If these utility transfers do not occur when projected, or in the amounts projected, the City will have a cash shortfall.** Projections for the remainder of the 2012 year are based upon an assumption of similar expenditure patterns as experienced in 2011. However, the HPA lease proceeds of $7.4 million in revenue in the 2011 cash flow will not be available in 2012. Therefore it can be expected that the City's cash position will deteriorate throughout the year and a negative balance for City cash may occur as early as September, 2012, as shown in the chart found in Appendix B.

To maintain adequate cash balance for the remainder of 2011 and into 2012, the City shall:

- Monitor its cash position bi-weekly and provide reports to DCED as soon as possible, and in no event later than the Wednesday following bi-weekly check runs;
- Execute and close on the tax lien sale as soon as possible and in no event later than December 10, 2011.
- Monitor and report to DCED on monthly transfers and cash balances from City utilities so that the General Fund receipts of cash occur in a timely manner. The regular periodic transfers of City funds from utilities and City component entities were satisfactory in 2011 and should continue through 2012.
- Adopt a balanced budget as early as possible and in no event later than December 31, 2011; and
- Mail tax bills by February 15, 2012.

Please note that this plan contemplates cases where essential service delivery, grant recovery, or net revenue generation benefits may justify exceptions. In this case you should make requests directly to DCED. Fred Reddig will be the City's contact person for obtaining all DCED approvals and addressing any questions you may have with regard to this Emergency Action Plan.

Thank you for your continued cooperation as we work together to restore fiscal stability to the City of Harrisburg.

Sincerely,

C. Alan Walker

C. Alan Walker, Secretary
Department of Community and Economic Development

cc: Daniel C. Miller, City Controller
City Council Members
Harrisburg Parking Authority
Harrisburg Authority
Bob Krobath, Director, Bureau of Financial Management
Fred Reddig, Executive Director, Governor's Center for Local Government Services
Julia D. Novak, President, The Novak Consulting Group
Gerald Cross, PA Economy League

Enclosures

APPENDIX A

City of Harrisburg General Fund Cash Flows 2011 Projected										
	Beginning Balance	General Fund Operating Revenues	Revenue Anticipated from City Utilities	Parking Authority Transfer	Total Revenues	General Fund Expenditures	General Fund transfers to DSR	Total Expenditures	Surplus/ (Deficit)	Ending Balance
YTD SEPT	-$2,093,251	$30,843,785	$10,861,366	$8,650,000	$50,355,150	$33,799,074	$10,690,622	$44,489,697	$5,865,453	$3,772,202
OCTOBER	$3,772,202	$1,031,496	$974,986	$750,000	$2,756,482	$5,560,660	$349,152	$5,909,812	-$3,153,331	$618,872
NOVEMBER	$618,872	$1,635,122	$314,050	$750,000	$2,699,171	$4,006,217	$67,353	$4,073,570	-$1,374,398	-$755,527
DECEMBER	-$755,527	$3,498,453	$195,081	$250,000	$3,943,534	$3,830,155	$354,249	$4,184,405	-$240,870	-$996,397
2011 Summary	-$2,093,251	$37,008,855	$12,345,482	$10,400,000	$59,754,337	$47,196,106	$11,461,377	$58,657,483	$1,096,854	-$996,397

APPENDIX B

City of Harrisburg General Fund Cash Flows										
2012 Projected										
City of Harrisburg General Fund Cash Flows	Beginning Balance	General Fund Operating Revenues	Revenue Anticipated from City Utilities	Parking Authority Transfer	Total Revenues	General Fund Expenditures	General Fund transfers to DSR	Total Expenditures	Surplus/ (Deficit)	Ending Balance
JANUARY	($996,397)	$1,331,033	$2,897,567	$0	$4,228,600	$2,498,654	$359,094	$2,857,748	$1,370,852	$374,455
FEBRUARY	$374,455	$3,250,807	$867,429	$0	$4,118,236	$3,095,278	$0	$3,095,278	$1,022,958	$1,397,413
MARCH	$1,397,413	$12,311,372	$2,773,772	$0	$15,085,145	$5,607,287	$5,724,660	$11,331,947	$3,753,198	$5,150,611
APRIL	$5,150,611	$1,776,641	$62,282	$650,000	$2,488,923	$4,183,178	$0	$4,183,178	($1,694,255)	$3,456,356
MAY	$3,456,356	$3,516,995	$65,410	$0	$3,582,406	$3,558,584	$517,658	$4,076,242	($493,837)	$2,962,520
JUNE	$2,962,520	$1,420,212	$1,144,325	$600,000	$3,164,538	$3,718,071	$0	$3,718,071	($553,533)	$2,408,986
JULY	$2,408,986	$1,580,948	$869,859	$0	$2,450,807	$3,656,224	$359,094	$4,015,318	($1,564,511)	$844,475
AUGUST	$844,475	$2,103,634	$1,299,599	$0	$3,403,233	$3,438,509	$0	$3,438,509	($35,276)	$809,199
SEPTEMBER	$809,199	$4,510,881	$880,498	$0	$5,391,378	$3,936,184	$3,811,558	$7,747,742	($2,356,363)	($1,547,164)
OCTOBER	($1,547,164)	$1,063,558	$974,930	$750,000	$2,788,488	$5,543,039	$351,812	$5,894,851	($3,106,363)	($4,653,527)
NOVEMBER	($4,653,527)	$1,685,947	$314,032	$750,000	$2,749,979	$3,993,521	$67,866	$4,061,388	($1,311,409)	($5,964,935)
DECEMBER	($5,964,935)	$3,607,198	$195,070	$250,000	$4,052,268	$3,818,018	$356,948	$4,174,966	($122,698)	($6,087,633)
TOTAL		$38,159,226	$12,344,774	$3,000,000	$53,504,000	$47,046,547	$11,548,690	$58,595,237		