

Text Comparison

Documents Compared

Capital Improvement I.pdf

Capital Improvement II.pdf

Summary

110 word(s) added

90 word(s) deleted

3463 word(s) matched

18 block(s) matched

To see where the changes are, scroll down.

Capital Improvement Program

Overview

The City of Harrisburg Approved 2008 Budget includes the following language regarding a Capital Improvement Program (CIP) in the City:

A multi-year capital improvement plan will be developed to determine the current and future need of capital improvements. This plan will be updated annually. This plan will be coordinated with the development of the operating budget. Consideration will be made into the reduction of future maintenance costs by determining cost savings of replacement vs. repair. It is the city's intention to maintain assets at a level adequate to protect against future maintenance and replacement cost. All city assets have been inventoried and assessed for condition.

In 2008 and 2009 a multi-year CIP was developed and approved as part of the annual City budget process. However, the capital projects included in the plans were predominantly funded with grants or participation from other units of government. These projects primarily included road widening, stadium improvements and capital greenway improvements. While these improvements are necessary to maintain the life of the City's assets, the inclusion of projects in previous CIPs was not based on a comprehensive strategy to address capital needs throughout all City functions. One notable exception to this was the Capital Lease Program which was used to purchase vehicles, mainframe upgrades, water plant equipment and other capital acquisitions. While the Capital Lease Program initiated in 2007 provided valuable improvements to the capital base in the City, there is no indication that this process took into account the entire spectrum of upgrades and repairs needed for the City's capital infrastructure.

Financing for the 2008 and 2009 CIPs have been through several sources. Specifically, the City Council agreed to guarantee two Revenue Bonds issued through the Harrisburg Redevelopment Authority (HRA) in 2005 for \$9 million. A portion of this money was used to upgrade Commerce Bank Park Stadium, which was then sold. A portion of the proceeds was used to pay down the first bond. HRA debt service payments were to be funded through stadium naming rights and park permit fees. The street repair funding was obtained through a Pennsylvania Infrastructure loan for \$2.4 million. The City participated in a capital lease program for \$8.75 million from 2007 through 2009 for vehicle leases, mainframe upgrades and water plant equipment, among other capital improvements.

The City of Harrisburg's Approved 2010 and 2011 Budgets do not contain a CIP.

~~THA~~ is responsible for identifying and funding the capital improvements for the WTP and Distribution System, AWTF and major interceptor sewers and the RRF. Responsibility for the sewer collection system currently belongs with the City. While separate CIPs should be maintained for the City and THA, the two entities must work cooperatively to identify all current and future capital needs. Through operating and lease-sublease agreements, the City shares responsibility for these facilities and is responsible for approving the Wastewater System budget. Coordinating work will assure that important projects will be identified and budgeted. This joint planning will also ensure appropriate staging and phasing of construction. For example, the repair and replacement of water and sewer lines must be coordinated with the repair and replacement of City roads to mitigate the number of street cuts in one location.

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A multi-year capital improvement plan will be developed to determine the current and future need of capital improvements. This plan will be updated annually. This plan will be coordinated with the development of the operating budget. Consideration will be made into the reduction of future maintenance costs by determining cost savings of replacement vs. repair. It is the city's intention to maintain assets at a level adequate to protect against future maintenance and replacement cost. All city assets have been inventoried and assessed for condition.

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The City of Harrisburg's Approved 2010 and 2011 Budgets do not contain a CIP.

The City is responsible for identifying and funding the capital improvements for the WTP and Distribution System, AWTF and major interceptor sewers and the RRF. The City is responsible for seeking funds from THA for those projects and extraordinary repairs only if the expenses cannot be paid from the Sewer Revenue Account. Responsibility for the sewer collection system currently belongs with the City. While separate CIPs should be maintained for the City and THA, the two entities must work cooperatively to identify all current and future capital needs. Through operating and lease-sublease agreements, the City shares responsibility for these facilities and is responsible for approving the Wastewater System budget. Coordinating work will assure that important projects will be identified and budgeted. This joint planning will also ensure appropriate staging and phasing of construction. For example, the repair and replacement of water and sewer lines must be

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.

Within the Department of Public Works, the current contract with the engineering firm Skelly and Loy for GIS services will expire in 2011. 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.

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Initiatives

CIP01.	Establish and maintain a multi-year Capital Improvement Program	
	Target outcome:	Extended asset life and sustain infrastructure
	Five year financial impact:	(\$17,677,548)
	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.

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- One mile of pavement rehabilitation (mill and overlay assumed)
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- 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.

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.

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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

2011	2012	2013	2014	2015	Total
\$0	(\$4,454,768)	(\$4,398,890)	(\$4,273,890)	(\$4,550,000)	(\$17,677,548)

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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
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EPA Wastewater/MS4 Requirements	Unknown						
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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			
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CIP02.	Establish a CIP development process	
	Target outcome:	Improved efficiency
	Five year financial impact:	Not available
	Responsible party:	Mayor and Business Administrator

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

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	Responsible party:	Mayor and <u>Chief of Staff</u> /Business Administrator

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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
	Five year financial impact:	(\$225,000)
	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

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- 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?
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	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.

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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

2011	2012	2013	2014	2015	Total
(\$75,000)	(\$37,500)	(\$37,500)	(\$37,500)	(\$37,500)	(\$225,000)

CIP04.	Investigate sale and leaseback of City buildings	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	Mayor and Business Administrator

~~The City Government Center and Police buildings owned by the City of Harrisburg 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; security systems in the Police building, and electrical upgrades.~~

The City shall investigate selling ~~both the City Government Center and the Public Safety Building~~ 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 City should receive a one time cash infusion based on the sale of the two buildings, estimated to be approximately \$4.5 million.~~ The cost of needed capital improvements is estimated at \$10 million. In addition, there will be annual savings for maintenance and repairs. ~~Selling these buildings will also return them~~ 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.

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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

2011	2012	2013	2014	2015	Total
(\$75,000)	(\$37,500)	(\$37,500)	(\$37,500)	(\$37,500)	(\$225,000)

CIP04.	Investigate sale and leaseback of City buildings	
	Target outcome:	Increased revenue
	Five year financial impact:	Not available
	Responsible party:	Mayor and <u>Chief of Staff/Business Administrator</u>

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.