

Pennsylvania Economic Development Financing Authority

September 18, 2013

A meeting of the Pennsylvania Economic Financing Authority (PEDFA) was held on September 18, 2013 after proper notice was given pursuant to the terms of the Act of July 3, 1986 (the "Sunshine Act"). The meeting was held in PUC Hearing Room #1, Commonwealth Keystone Building, and 400 North Street, Harrisburg, Pennsylvania at 11:00 a.m.

The following Board Members were present: Stephen Drizos, for the Honorable C. Alan Walker; the Honorable Glenn E. Moyer, Jared Grissinger, for the Honorable George Greig; Gwenn Dando, for the Honorable Julia Hearshway; George Komelasky; Robert Kane; Nicholas Haden; Fred Rinaldi; Thomas Petrone; Ronald Brown; and Richard Harper.

The following Board Members were present via telephone: Allan Dabrow; Franklin Schoeneman; Timothy Johnson; and Helen Billak.

The following DCED staff members were present: Chris Houston, Esq., Office of Chief Counsel; Carol Longwell, Esq., Office of Chief Counsel; Craig Petrasic, Center for Private Financing; Brian Deamer, Center for Private Financing, Gail Boppe, Center for Private Financing; and Melanie Clark, Center for Private Financing.

Mr. Drizos called the meeting to order and thanked everyone for attending the meeting in person.

It was moved by Mr. Harper and seconded by Mr. Moyer that the Board approve the Minutes of August 21, 2013. The motion carried.

INFORMATIONAL PRESENTATION – HARRISBURG PARKING TRANSACTION

Mr. Drizos stated, "Here with us is a group of people who are involved in the Harrisburg Parking Transaction. We thought it would be wise to have an informational meeting and there will be no vote on the subject today. We wanted to have this meeting so the board would get a clearer understanding as to what the transaction is all about. You do need to understand that things are still a bit fluid. There are things that aren't complete. Hopefully, next month they will be able to come to the board and present a transaction and at that time we will ask for a vote. At that point in time as well, we will have another presentation prior to that vote in case there are additional questions that would come up at any time.

I would like to introduce General Lynch. He is the Receiver for the City of Harrisburg and he will say a few words."

Mr. Lynch stated, "Good morning everyone. I will give you a short version of how we got here and where I think we are going.

Everybody talks about the Harrisburg Incinerator debacle and all of the woes that have befallen Harrisburg for a long time. The incinerator saga goes back into the late 90's and through a series of bad decisions and bad luck and a lot of other things found us \$100 million dollars in debt. It was refinanced around 2003 and again in 2007. The bottom line is the facility is now up and working well. However, the value depends on the eye of the beholder. It has been encumbered by at least 10 times its value in debts. The numbers are a little fuzzy. For me the numbers have been easier than the people part. Harrisburg incinerator resource recovery facility is what people come to think of as the problem with Harrisburg. They are \$360 million dollars in debt.

Mayor Thompson in the first days of her administration realized she was going to need help and applied for Act 47 status. Act 47 has been around since the mid 80's. It is the Commonwealth's attempt to help communities work their way out of economic distress. Act 47 contemplates a cooperative solution with the Department of Community and Economic Development that would craft a plan for recovery. There are 27 cities currently in Act 47 and nobody has yet worked their way out of Act 47. Mayor Thompson applied for Act 47 status for a cooperative solution with DCED and others and a plan was written. A second attempt was made and was voted down by City Council. Now a year has gone by and the legislature is prompted by those two failures of Chapter 6 and 7. Essentially, chapter 6 gives you one more chance and once again a plan was written and voted by the Mayor and others and voted down by City Council. Chapter 7 of Act 47 came into play and the Governor declared a state of fiscal emergency and a Receiver was appointed. A Receiver was appointed and my predecessor was the first Receiver and then resigned.

We come to the parking transaction and the thought was that we can put the city in a position where it has a chance of a reasonable, predictable, stable financial future. Of course we would like to enhance the value of the assets. You can include the incinerator in that asset and the parking garages, which we were reluctant to sell and were interested in leasing for a period of time. Steve Goldfield can get into the details of that. The way we increased the value of the incinerator was to find a buyer and to prevail on the Commonwealth to purchase electricity from the incinerator. If the Commonwealth would do a long term purchase that would give a predictable stream of income and allow the transaction to be financed in a tax free way. All that made a lot of difference. Dauphin County contributed in many ways to enhance that. Many of the creditors that were involved with the incinerator were also involved in the parking and other transactions. They could not stop the incinerator deal until we satisfied the parking transaction. That is why those two transactions had to proceed in a parallel fashion. The city will have to be able to solve the difference between income and outflow. Even if the incinerator debacle had never occurred Harrisburg is in big trouble. We wanted to solve that difference and we did that by negotiating and having an income stream from parking that would help. Our point was to demonstrate a balanced budget for the City of Harrisburg for the next four years. We make no representation that this plan will fix the city now and forever. We are convinced that what it does do is give future city councils and future mayors tools to make things better in Harrisburg.

Mr. Drizos stated, "Steve Goldfield is the financial advisor for the Receiver."

Mr. Goldfield stated, "I don't think that I can overstate the value and the benefits, not just to the City of Harrisburg, but for the Commonwealth that this transaction provides.

I will discuss the benefits and some of the professionals with this transaction and they can provide some information about the proposed structure so you can start to understand what the structure is and who is performing the various roles.

Mr. Lynch started to explain that there is this incinerator problem and this structural deficit problem in the city. It is tied together with the solution for not only the problem the city is having, but some of the issues the Commonwealth has been confronting. The Commonwealth of Pennsylvania had a contract through DGS with 1,500 parking spaces at a rate that had to do with the expenses on the garage work. That contract expires in 2016. When we started this we looked at it and thought with a bond deal it has to have a long term guaranteed stream of revenue and let's see if we can have that contract extended. When we started at the beginning we realized that was just one contract and nobody really knew all the different agencies and all the different contracts the Commonwealth had for parking. There were 1,500 spaces and we found that there were 4,200 spaces that are also being paid for by the Commonwealth of Pennsylvania, all with different contracts. Some of them made sense and some didn't. We spent months of due diligence finding all the contracts and putting all the garages and partners together and looking at what the budget impact was going to be and try to create a win/win situation. There is a Deputy Secretary of DGS who loves this idea and was trying to manage spaces more like an airline manages seats on an airplane. The data management collection that has been going on is a paper management system at HPA, and that is going to be improved. They will be able to manage their spaces and their uses. There are ways of encouraging carpooling. This data is going to be useful. We were able to come up with a construct where the costs for the Commonwealth for all of that parking is lower. It is going to be a predictable affordable amount each year.

When we first started the RFP process with the Receiver's office we had a lot of the traditional concession models where a hedge fund or a private equity player would put together a consortium and they would want control of the rates in order to meet the 11.4% private equity return they need if the Commonwealth had a contract that was expiring in 2016 for 1,500 spaces. We took the research of how many cars there would be and said if we could get a guaranteed long term contract for these cars would we be able to generate more or less. The finalists said it would be far greater. We like the flexibility of this model. In addition to giving the Commonwealth protection against increases such as one of the figures, which was a 20% rate increase in the first three years. Protection against those kinds of rate increases. We are going to try to manage it as a cost of living 3% number. So the Commonwealth will be able to budget knowing that they will not worry about the cost increases.

Some of the upfront proceeds are going to go to the City of Harrisburg. It is going to go for economic development and for infrastructure. It is going to be an improvement for everybody that lives and works in the City of Harrisburg. We are going to try to change the culture, because we are not just going to give this money to City Council or to the Mayor to figure out the best way to use it. We are going to put together a board that is going to have representation from inside and outside the city. It is being set up to leverage the parking proceeds for the City of Harrisburg. This will be a revolving loan

fund if they want it to be that way. There are all kinds of conversations about how to take this \$10 million dollars of economic development and another \$10 million dollars in infrastructure and give opportunities.

It is good for the Commonwealth from a management standpoint. The House and the Senate heard about this and they purchased their parking themselves. We are trying to align everything that the City and Commonwealth does well and the cash flow is comfortable. In addition to the economic development and infrastructure the city has a structural deficit that will be \$9 million dollars short this year. Some of the parking proceeds will be used to get the city approved this year on a one time basis. In addition the other concessionaires wanted to bond the parking taxes and parking fines - it would be money upfront and they would get all the benefit. That did not help the city with a structural deficit. That would have exacerbated the city structural deficit. We wanted a model where the parking taxes are not in here. We wanted a model where the parking taxes are not in the indenture, that the team has the desire to have people who are parking at meters all day and not paying, due to lax enforcement, into the garages and moving up the parking taxes and having a steady stream of revenues. The parking tax revenue is part of the structural deficit solution. That the parking fines that have been dropping is because they are down on the number of enforcement people and so they don't enforce them. We need to start enforcing the parking fines or if they are going to be there long term they go to the garage.

The next issue is traffic and safety. This is going to improve traffic and safety in the city. The short term people will be able to find a spot by the meter instead of driving around the block looking for a spot to become available. We want to move long term parkers back into the garages and we think there will be a lot more availability of short term parking at the meters.

This parking transaction is doing a little bit of everything as the most important aspect for the recovery plan.

This way of doing things is getting national recognition. General Lynch was on the cover of The Bond Buyer. It has been in the Financial Times, The Wall Street Journal and The New York Times. This is a real hard way to go, but it may be the model in terms of working with creditors and stakeholders. We got 7-0 votes from City Council earlier this week and it is going to the Court tomorrow to try to get the plan confirmed. The way we have gone about this we got cooperation from the Commonwealth, from PEDFA and DGS for the power purchase agreements. The Commonwealth is going to have electricity going to it and where they were previously unpredictable costs we get some sort of cap and that is what we created for this.

I will introduce two people from Guggenheim Securities, Ramiro Albarran and Walter Kulakowski who are here. You will hear and see something called Harrisburg First. Harrisburg First is a name they gave themselves for this group that was on the financial side, the parking management side and the asset managing side."

Mr. Kulakowski stated, "I will introduce the team, which consists of Steven Aiello from Standard Parking as well as Rick Brace and Jack Weiss from AEW."

Mr. Drizos stated, "I will also point out that present for bond counsel is Marc Feller from Dilworth Paxon. ..

Mr. Kulakowski stated, "I will go over the PowerPoint presentation. There are two financings. One is the sale of the incinerator, and the other is the parking transaction, which is what we are talking about today."

Mr. Albarran stated, "When we started this transaction we approached it in a different way. The cornerstone is having a public body being the foundation of the transaction. That is what we are here to talk to you about. The essence of this is to trap all the revenues associated with the transaction. We will talk about the assets that are the foundation of the transaction.

All of the parking assets of the Harrisburg Parking Authority, primarily the structural parking and some of the parking lots are involved. Through diligence we know they are located all throughout town.

Mr. Kane asked, "Do you know what number of what your total inventory is?"

Mr. Albarran stated, "It is 9,000 spaces."

Mr. Kane asked, "Of that 9,000 spaces what percentage of that inventory is related to the Commonwealth?"

Mr. Albarran stated, "They are a little less than half. If you look at the breakdown there are a good deal of monthly parkers, of which the vast majority are going to be with the Commonwealth contract. There are other private contracts which are transient. I will let the other people here give you a better sense of the breakdown. There is a very stable foundation here.

As we approach this we are not the owner. We are here to facilitate the transaction in terms of having a public agency as the counterparty of the transaction with the City of Harrisburg and HPA - this is critical. That allows for the ability to create capital costs of this transaction for the tax exempt bonds. That is an important role. We know you are not parking operators so the other part of this is to align the first team with a great deal of expertise on the management perspective and the day to day operation of the parking system. We will let our private managers speak for themselves. That is where the private sector does come in.

The foundation of the transaction is the counterpart relationship with the HPA and the off street parking structures. We have HPA assets and then with the City of Harrisburg the on street system. The enforcement is not part of what we are asking you to take on. Those are the foundations of the asset transfers from those two agencies to PEDFA.

When you get to the bond insurance it is a relationship that you have been part of many times. You have three bond transactions, which show that cooperation. One is a bond transaction, one series which will be based off of contract revenues. The other two will be a series of bonds backed by Dauphin County and there will be another bond maturity. These are the bonds that PEDFA will be issuing."

Mr. Kulakowski stated, "This diagram shows, on page 8 of the presentation, the major contractual relationships between PEDFA and DGS. From PEDFA's perspective, CREDC's involvement provides PEDFA with eyes and ears to be able to manage. Standard is expected to do the business of running the facilities economically. AEW is managing the whole system and insuring the day to day impact to PEDFA.

Page 9 of the presentation goes through the operational delegations. I will have Standard talk about their role, as well as AEW."

Mr. Aiello stated, "Our responsibility would be for the managing of the operations on a daily basis and working with AEW in planning a long range plan. We have significant experience in the municipal sector. We have 400 municipal parking portfolios that we manage across the country. Our role is to make recommendations to enhance the revenue generation capabilities of the system and to make it an efficient operation.

We are the country's largest operator. We are exclusively a management company. The reason I mention that is that we are not in the real estate business or parking. We are the largest operator of parking systems for municipalities. We have about 35,000 employees in the United States and Canada. We will be finalizing a bargaining agreement with AFSCME. We have about 2.8 million parking spaces under our management right now. A big chunk of those are municipal operations. For example, we deal with the Harrisburg Airport."

Mr. Brace stated, "My name is Rick Brace and I am the Director of AEW Management. AEW is a registered investment advisor. We are solely focused on real estate and municipal assets. We have approximately \$39 million dollars' worth of assets. Half of that is in the US and Canada. There is about \$22 million dollars that we manage in the United States. As an asset manager our primary responsibility is to oversee the operator. We are looking closely at the debt and making sure the payments are paid."

Mr. Black stated, "I am David Black with the Capital Region Economic Development Corporation (CREDC). Our role is to fairly simple. We are going to take the administrative burden from PEDFA. We will streamline the responsibilities. There will be certain things that will fall back to PEDFA as a result of the structure of this deal. Our role will be to handle as much of that as we can. It is a very similar structure to that we did with Forum Place where our involvement is much deeper than what we anticipate being here. We will serve as a conduit to the community. This is our business region and we will make sure the entire transaction works. We think it is an appropriate role and hopefully by the time we are back here again there will more details."

Mr. Kulakowski stated, "Page 10 is the preliminary schedule."

Mr. Drizos stated, "My hats off to the Receiver. It has been a real challenge working with the professionals. This was a lot to digest and we will be having another short presentation when it is time to vote. There are a lot of issues here."

Mr. Kane stated, "So you are saying there is going to be another presentation and then enough time will pass for everyone to consider the information and then there will be a vote?"

Mr. Drizos stated, "No. The third Wednesday of next month will be the scheduled meeting, but we may have to call a special meeting. The timing is critical in trying to do all these things at once. The Harrisburg Incinerator and this transaction will almost be a simultaneous closing. There will be another presentation the day of the vote. With any questions please feel free to contact me and we will get the answer from the appropriate person."

Mr. Kane asked, "Do you plan to have a document of some sort prior to that? I am trying to make sense of the overall scope of what we are talking about and how the numbers start to shake out."

Mr. Goldfield stated, "The answer is yes. We have a term sheet and we have numbers that we have been improving."

Mr. Albarran stated, "It does give more of the detail of what we are talking about."

Mr. Kane stated, "I think some of us would like to see that if possible and then form our questions from that."

Mr. Drizos stated, "We will get that out to you. If the Board would like to have another informational meeting let us know and we will get something together."

Mr. Kane asked, "Working in reverse, you anticipate this coming to a vote in about a month. That is the anticipated schedule?"

Mr. Drizos stated, "Yes."

Mr. Petrone asked, "The preliminary schedule is subject to change? It is not going to be rigid as printed here?"

Mr. Drizos stated, "It is so fluid at this time".

Mr. Haden stated, "When you talked about the incinerator plant and the power generation and we have a long term fix predicted with a competitive off take, I get that. I think that is smart. In this whole thing here, is this thing buttoned down with respect to the emissions of this plant? We have a moving target with air quality emissions in this nation and there are a whole lot of people in the power generation industry who are drinking warm milk at night so they can sleep. In other words, are you guys safe with that? Are you sure we are not going to have to come back three years from now?"

Mr. Goldfield stated, "The answer to this question would be different than the answer related to the PEDFA financing in the sense that the City of Harrisburg and the Harrisburg Authority are selling it absolutely and forever to Lancaster County Solid Waste, who has their own facility. That risk is going to be shifted away from the City and isn't coming back to the city."

Mr. Haden stated, "I'm glad to see the people from CREDC here. Steve, they were engaged by PEDFA in the past. How would you rate their performance?"

Mr. Drizos stated, "Outstanding. They have done everything expected and beyond. They give me a warm fuzzy feeling. They are local and I am very pleased and comfortable with the relationship we have with CREDC."

Mr. Moyer stated, "To follow up on that, I guess warm and fuzzy, Steve, is not two words that come together in my mind on this. Necessary and efficient may be the way to do this and to go forward. I'm going to ask questions on the PEDFA transaction, realizing that one hundred other balls have to be balanced here."

Let us go on here in what we started on in PEDFA's perspective. Dave, I thought you were going to look to relieve as much of PEDFA's administrative work as possible. What can still end up being a PEDFA administrative burden? We are a conduit financier and we are not an operator and we are getting into an area here that may make all the sense in the world, but I just want us to go in with our eyes wide open as to what those types of things could be. Can you comment on that at all?"

Mr. Feller stated, "This hasn't all been thought through yet. I think the concern was that we need to structure this transaction with PEDFA on the leasehold facilities. At the same time with many discussions with Steve and Carol, we understand that PEDFA doesn't have the staff or the capability to take on certain roles to the administration of these facilities. It is not unusual for an owner of an asset to retain to retain someone to act as a representative to the owner. In this case the one to manage this is AEW. The owner still wants to make sure the manager it's doing its job. The view is that CREDC would fill that role and be responsible to make sure that AEW is carrying out its responsibility as the manager of these assets. In getting into the details of those responsibilities, we have not gotten to that yet and we are going to be meeting after this meeting to discuss that. We are trying to adhere to a structure that we need in order to do the transaction the way it has been proposed and to impose a business structure. What would businesses do if they were creating the structure? To make PEDFA much like an owner as we can, but recognizing that it has limited resources and capabilities to oversee what is going on with these assets."

Mr. Moyer stated, "I would hope the next time we meet that it is flushed out. In my mind, it is not something, as I understand the structure, that the organization that we have has the ability to do anything other than what we do as the financing conduit. It is a very unique role. In the category of maintenance and rehabilitation of the garages and that sort of thing, where does that cost really fall in the operation delegation? I park in Walnut Street and if that is now our garage two months from now, who is doing that? What is the condition of the garages? Have you gone out and done the appraisals? "

Mr. Albarran stated, "There have been two levels of review. AEW and Standard, AEW have their staff come on the site and do a site visit. Standard was also doing an inventory of the assets and equipment. That has been supplemented with a third party study from a structural standpoint. It is evident that things need some work. Taking over the work that has been underway and all that has been an ongoing discussion. All those things have been identified by the experts and were evaluated by

the structural engineers and are part of the capital plan in moving forward. In terms of responsibilities, the way I see it, from a day to day perspective it is going to be the responsibility of Standard to oversee. They are there every day. Something simple like the gate arm isn't working will need to be reported to the asset manager. The asset manager then is to prepare a plan to bring in external engineers. That will be their role. In addition to that, both on a short or long term, we will have as part of this transaction a requirement that will be managed by AEW and the asset manager, for the recurring structural reviews of the facilities. So that each and every year we are not going to be surprised. We thought about it and that is an absolute requirement in the indenture, as well as the responsibilities in the lease agreement. That is my take."

Mr. Brace stated, "Yes, that is consistent with our understanding and there are redundancies here, because not only are we hiring a third party to come in regularly, but we also have our internal architects and engineers who will review all those documents. Jack Weiss will be the asset manager on the transaction working with directly with Steve Aiello's team from Standard."

Mr. Moyer stated, "I guess the other question related to this specific transaction, I am back again to say how we in that timeline get the labor agreement somewhere to know where we stand on that before we get around to our next meeting?"

Mr. Goldfield stated, "The expectation is that the transition agreement, which is going to be between HPA and the union membership, is going to be voted on this coming Monday. That will take things to closing and the transitioning agreement specifies that there is going to be a year where that which is agreed to now is going to be enforced under certain parameters. Then Standard is going to have to negotiate with AFSCME a new collective bargaining agreement that will start thereafter. We have a labor lawyer on our team and there are a lot of people have been working on this. We will get you something in more detail about that."

Mr. Moyer stated, "I'm just going back to my banking background. So there is a one year labor agreement and that is all we have."

Mr. Goldfield stated, "There is an issue where Standard doesn't want to become a successor interest to HPA and so the labor lawyers have tailored this so that there is a contract with HPA and it has expired, but under labor law they are still operating under it. The transition agreement is going to take it from closing through the completion of the negotiation between the new employer of the employees, which is Standard. Standard is going to be the employer. There is a pre agreed one year arrangement where people who have come over have their jobs and salary that have been agreed to."

Mr. Moyer asked, "The employees are not in any way employees of PEDFA?"

Mr. Goldfield stated, "No. They are Standard employees."

Mr. Moyer asked, "So we are looking to SP to deliver operational employment for the facilities?"

Mr. Goldfield stated, "Correct. I will go back adding some information to answers that you had on, what is PEDFA potentially going to be responsible for? We are drafting all these documents. I have

been involved in negotiations with the creditors. We are going to have every three years an engineering study. Desmond and Welker are the two most famous names in parking. There has been an engineering study which we can make available to the Board. There will be over \$10 million dollars, with bond proceeds and equity going into a capital reserve on day one. So you are going to see some significant improvements. Every three years we are going to do a capital improvement program that is going to be funded through the cash flow. The other thing is that in talking with CREDC and in knowing what these documents are going to be, their involvement on a day to day basis is much more significant in your Forum Place transaction. There are invoices and things that come in on a regular basis that they are not going to see here. This is more of an annual event. They will be your eyes and ears to make sure it is getting done. Desmond is coming in every three years. Somebody is looking at the sufficiency of the rates for cash flows. It is kind of a checklist which CREDC will be able to put together. They are going to talk more and it is going to be a lot less frequent involvement."

Mr. Brace stated, "PEDFA and CREDC are AEW's clients. It is really very much up to you to define how much direct involvement you want to have. I want let you know that on most of that \$20 million dollars that AEW manages, we are given complete discretion and complete control to make operating budget decisions and capital budget decisions. Our job is the financial reporting. We are happy to work with you in whatever level of control that you want. But you should feel assured that our institution and our company has the experience to really do soup to nuts, in terms of overseeing the operations."

Mr. Goldfield stated, "CREDC wasn't always involved in the construct. AEW was the asset manager for the owner and they do typically do those themselves. In talking with Steve and Carol they asked who is going to make sure the right questions are asked of our asset manager and that when we get stuff there is another level of review. CREDC can be viewed as kind of a redundancy to AEW."

Mr. Moyer stated, "My questions are focused on the fact that it is a very complex transaction and 100 balls have to come together to get it done. Relatively speaking this is the easy part. The harder part is to make this thing run, because it is a long term commitment, and to do it well. I want to see if the term sheet is going to talk about liability responsibilities. We have a very unique situation and we should ask all the hard questions now."

Another thing is that if we get similar requests from other Act 47 cities are we prepared to do something similar in those situations? I am concerned about that."

Mr. Goldfield stated, "Everything that we have done, it is very clear to us, could be an opening of a door where the Act 47 communities stands behind. We have a purchase agreement. We don't have that many resource recovery facilities that could deliver energy for the capital complex. In our view it looks like the Commonwealth is extending a handout for one and for all. We tried to put this together in a way where nobody is going to say you did that for them can you do it for us."

Mr. Drizos stated, "We had some conflict over the whole thing for about five months."

Mr. Moyer stated, "From a political aspect there are going to be members of the legislature that aren't going to want to hear that. They are going to say you did something there and what can you do to help us?"

Mr. Goldfield stated, "They would be advised to use the local IDAs. It is broader thing to use and it would be much easier to do with them."

Mr. Moyer stated, "I would like to see some type of data with the term sheet and financials."

Mr. Drizos stated, "Again, let me say please don't hesitate to call with any questions."

Mr. Harper stated, "Looking at the commitment I'm hearing 4,200 spaces more or less. At the same time with the state's backing with the pensions, in all probability there will have to be some form of reduction in state employment. What are the provisions to handle that? How do you deal with 1,200 spaces that are no longer necessary?"

Mr. Goldfield stated, "We have spoken with DGS and I can tell you that last year every couple of weeks I got a call from the Harrisburg Parking Authority telling me they had problems that so and so just put back 100 spaces. Or someone else put back 150 spaces. I was doing the math in my head on what that meant on a monthly basis and an annual basis to the proceeds. We lost around 400 to 500 spaces through attrition and budget constraints. What we are doing is using three techniques that are going to be built into this. None of this is a guarantee and none of it is a certainty, but the three techniques that we are building is first, we are taking the number of cars that the Commonwealth needs now and we are giving them about a ratio of 110%, meaning that the reverse of that would be that if they need spaces for 4,500 people they are only going to be paying for 90% of that 4,500. There is a little bit of leeway on how we are going to manage that. In the term sheet to the Commonwealth there are ways to add and subtract as well. One thing that would be easy to do is if the City turns around as we hope it does in the next few years and the economy improves and there is more need elsewhere the Commonwealth will have been put right, so to speak. They will be able to say, will you take these 100 cars and because they are below market and we will be below market the whole time if there is a need in the City we will replace them and reduce our numbers. We are going to have a safety valve in year 20. Every car that Harrisburg University has, HPA has been able to place. At the 20th year there will be a flat percentage reduction.

Mr. Albarran stated, "If there are excess funds we can use those excess funds to call down debt service. Part of this is to provide more certainty.

Mr. Goldfield stated, "I think the Guggenheim people were thinking, wouldn't it be great if some of that excess cash flow could be used to pay bonds off earlier? They talked to me and we saw that was the way to go and we sold it to the creditors and we sold it to the City. That is going to be in the transaction now. You will see modeling that in 38 or 39 years it will be brought down to a shorter term.

DGS has told us that they have a desire to consolidate and to move people that are outside the central business district into some of the buildings surrounding the capital. A lot of the times they are

not able to get them to move because of parking. The senior people have free parking there and they have to add \$150.00 a space. The junior people have parking in the outlying areas and under their collective bargaining agreement if they have parking and they are going to do the same job you have to give them parking. What DGS has been trying to implement through consolidation and what we have done recently is that City Island is available. It gets complicated.

Mr. Harper stated, "I am assuming the rate is set by council and I'm assuming there is some sort of negotiation on a fixed period or fixed percentage."

Mr. Goldfield stated, "It stays at 20% for the life of the bonds."

Mr. Kane asked, "Can someone explain to me the critical timing? It sounds like we have to get this done in the next 30 days. What is driving that?"

Mr. Goldfield stated, "The November 18-19 date that you see was a line in the sand drawn by the buyer of the Resource Recovery Facility. It gets back to the initial conversation. There is \$212 million dollars' worth of bonds allocated. If that gets sold and everybody gets paid off the uninsured accounting will get \$90 million and they would have to write a check. There is a difference between \$90 million and \$212 million. They don't want to do that. They need this transaction to close so the check is much smaller at the closing of the Resource Recovery Facility. So we are trying to catch this up to that."

Mr. Drizos stated, "If anybody has a desire to have a meeting before the Board meeting, you can tell me now or get back to me later."

Mr. Kane stated, "Maybe after we get a chance to look at the term sheet."

Mr. Drizos stated, "We don't have the final term sheet yet. We will review the term sheet then see if we need to have another meeting prior the next Board meeting."

ADJOURNMENT

It was moved by Mr. Moyer and seconded by Mr. Petrone that the Board adjourn.