25 JUN 2015 08

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

C. ALAN WALKER, in his capacity as Secretary for the Department of Community and Economic Development, *Petitioner* v. CITY OF HARRISBURG, *Respondent*	:	Docket No. 569 MD 2011

STATUS REPORT

AND NOW, comes William B. Lynch, Receiver for the City of Harrisburg, to provide a Status Report as to implementation of the Recovery Plan confirmed by this Honorable Court on March 9, 2012. The Status Report is filed as directed by the Honorable Bonnie Brigance Leadbetter in her Order dated May 24, 2012 and is also being provided to the Secretary of Community and Economic Development and the City of Harrisburg as required by Judge Leadbetter's Order of May 24, 2012. In compliance with the Order of May 24, 2012, the Receiver for the City of Harrisburg avers as follows:

1. A Memorandum addressed to this Honorable Court entitled "Update on Receiver's Plan Implementation" authored by the Receiver for the City of Harrisburg is attached hereto as Exhibit "A" and incorporated herein by reference as if set forth in full. Attached to the Memorandum are the following attachments which provide further updates as to various aspects of the Recovery Plan implementation: (a) the minutes of the Municipal Financial Recovery Advisory Committee meetings held since the date of the last status report; (b) a cash flow Memorandum provided to the City of Harrisburg by the Pennsylvania Economy League, including actual data as of May 31, 2012; and (c) a chronological summary of the progress made with respect to monetizing the Harrisburg Authority's Resource Recovery Facility (the "Incinerator"), the Harrisburg Authority's Water, Wastewater and Storm-water Systems, and the Harrisburg Parking Authority assets, since May 11, 2012, the date of the last status report provided to this Honorable Court.

Respectfully submitted,

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Attorneys for the Receiver for the City of Harrisburg

Dated: June 25, 2012

EXHIBIT "A"

Date: June 25, 2012

To: The Honorable Judge Leadbetter

From: William Lynch, Receiver

Re: Update on Receiver's Plan Implementation

I am pleased to provide the Court with an update on the status of the implementation of the Receiver's Recovery Plan as confirmed by the Court on March 9, 2012. Since my confirmation as Receiver on May 24, 2012, I have continued to oversee the implementation of the confirmed recovery plan and to move the recovery process forward.

This memo supported by several attachments will provide the Court with a summary of the actions that have occurred since my confirmation.

Municipal Financial Recovery Advisory Committee

Pursuant to the provisions of Section 711 of Act 47, I have convened semi-monthly meetings of the Municipal Financial Recovery Advisory Committee. Since the last status report meetings were held on May 16, May 23 and June 13 with another meeting scheduled for June 27. The meetings were attended by the 4 members designated in the Act, Mayor Linda Thompson, Council President Wanda Williams, David Black of the Harrisburg Regional Chamber (Governor's appointee), Fred Lighty (Dauphin County designee for Commissioner Jeffrey Haste) and me. At each meeting an update of the status of the implementation of the Receiver's plan was provided, questions were answered, and comments from the public were accepted. Minutes of the meetings are attached.

Cash Flow

The Office of Receiver continues to closely monitor cash flow as part of the implementation of the confirmed plan and the Emergency Action Plan. The City received $2,020,892 in revenue for April and $3,657,629 for May and ended May with a cash balance of $5,562,101. This positive balance is the result of tax revenues that have been received and the fact that the March debt service payment on certain General Obligation bonds was not made. This positive balance will be drawn down in subsequent months as the bulk of the City's tax revenues are received in the early part of the year. It is estimated that the City will continue to have a positive operating balance thru late summer and then begin to experience a deficit. A second major debt payment on General Obligation bonds is due in mid September and a decision will be made closer to that time as to the City's ability to make that payment. Efforts continue to monitor City expenditures including the review of payables on a bi-weekly basis prior to the City making payments and the review of all position vacancies. Requests to fill vacancies are submitted to the Office of the Receiver and approval is required by the Receiver prior to positions being filled. To date only limited requests have been

approved when properly supported as critical to providing necessary and vital services. The latest cash flow thru May 31 is attached.

Operational Issues

The Receiver previously engaged the Novak Consulting Group to assist with both the development and implementation of the Receiver's Plan. The Office of the Receiver has continued to work with the Novak Team to further implementation efforts. Weekly status conference calls have been held since the confirmation of the Plan.

Implementation efforts have focused on key priorities that are the most time sensitive. The appointment of a Ricardo Mendez-Saldivia as Chief Operating Officer has greatly strengthened the City's administrative capacity. Since starting on April 23, Mr. Mendez-Saldivia has taken an active role in administering day to day City operations. I have met with him on multiple occasions to review the confirmed recovery plan and he has expressed his full support to work aggressively on its implementation.

Active negotiations are underway with the 3 collective bargaining units with the initial focus on the Police and Fire bargaining units. Since my confirmation I have had the opportunity to meet with 2 of the 3 bargaining units. A meeting with the IAFF was scheduled though cancelled by the IAFF attorney. It is being rescheduled. The Office of the Receiver has engaged labor counsel to work with the City's labor counsel on collective bargaining matters. The dialog with the bargaining units has been constructive to date though no proposed agreements have been reached. It is critical that significant cost containment of labor contracts be achieved as early as possible as labor represents almost 70% of the City's operating budget.

Since plan confirmation, the Novak Team has met with the Department Directors for all City departments to review priorities and provide further guidance on implementation activities. A status report on implementation activities is attached.

Asset Monetization

The Receiver had previously engaged the McKenna Long and Aldridge LLP (MLA) and Public Resource Advisory Group (PRAG) to assist with the monetization of the Resource Recovery Facility, the Parking Facilities and the management of the water and sewer systems. The Receiver had also appointed three individuals to the Screening and Evaluation Teams (SET) for each of the three assets. A very detailed procurement process was established for each of the three assets. The Receiver worked hard to establish a process that is fair and transparent, yet rigorous and protective of competitive-sensitive and propriety information. The process was designed to be open to all potential offers and to maximize the value of the assets. Each of these teams has continued to move forward and I have had the opportunity to participate in these processes since my confirmation. A summary of the actions that have occurred with each of the three asset monetization's is attached. I recognize that prior to any final action being taken on the assets that any proposed asset sale or monetization will be brought back to the Court for confirmation or approval as you have directed.

As we proceed with implementation of the confirmed Receiver's Plan, we will continue to keep the Court apprised of the status of the confirmed plan.

MFRAC MEETING MINUTES

MINUTES

MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE FOR THE CITY OF HARRISBURG
April 25, 2012
8:30 a.m.
Council Chambers

Present: Fred A. Reddig, Acting Administrator, Facilitator

Mayor Linda Thompson
David Black, President & CEO, Harrisburg Regional Chamber & CREDC
Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners

Anne Morrow (Recording Secretary)

Absent: Wanda Williams, City Council President

Reports

Mr. Reddig reported that an icon has been added to the Office of the Receiver's website that provides a link that has been specifically created for the Advisory Committee activities on the home page of the Receiver's website. This icon currently has a schedule of meeting dates and a list of membership. The Minutes of the meetings will also be stored here.

Mr. Reddig noted that the Minutes from the April 11th meeting were distributed previously to the members. Mr. Reddig asked if there were any additional comments or corrections to those Minutes.

There were none.

Mr. Reddig reported on the Recovery Plan activities:

- The Office of the Receiver has continued to keep the process of implementing the Receiver's confirmed Plan moving forward.
- Various activities are moving ahead on the operational side.
- The City's cash flow position is stable.
- The most recent check-run has been reviewed and approved consistent with the confirmed Plan.
- We've been working with the Mayor and her Administration on filling certain key vacancy positions. The City is moving through the recruitment process for fire positions and the senior accounting position.
- One position to highlight is the City's new Chief Operating Officer (COO), Ricardo Mendez-Saldivia, who is now on board and started this week. The Office of the Receiver will be engaging with him on a regular basis as the implementation process continues to move forward.
- We are also working with the Administration on a number of other vacancies. Some of which have already been approved and others are pending. We expect action within the next week or so.

Mr. Reddig noted City Council will be considering budgetary amendments at their Budget & Finance Committee Meeting on May 2nd. Council is then scheduled to take action on the budgetary amendments on May 8th.

Mr. Reddig also reported on the asset monetization process:

- Three Evaluation Teams are in place, one for each of the assets.
- All proposals have been received and are under review.
- It has been determined that the Parking and Incinerator proposals are the two key priorities and those efforts are moving along the timelines that were outlined in the Receiver's Plan.
- The Water and Sewer proposals timeline may be a bit slower because of the number of respondents we received to the other proposals. In order to provide appropriate due diligence we may be looking at a possible slightly revised timeline for the Water and Sewer management proposals.

Mr. Reddig asked if there were any further comments from the Committee on the updates to the Office of the Receiver.

Mr. Black responded that everything sounds like it's moving along as scheduled. He also gave credit to Mr. Reddig and the Team in light of being absent a Receiver.

Recommendations:

No recommendations were given at this time.

Public Comments:

Susan Weldon, resident of Harrisburg and President of Non-Uniformed Employees Local

- Speaking on behalf of the Non-Uniformed Employees Local, are you, Mr. Reddig as Acting Administrator, in the near future looking to contact the three unions that are involved to start up negotiations or begin negotiations where the Receiver left off?

Mr. Reddig responded that the Team has been meeting with the bargaining units, most recently with the IAFF and the FOP. As Mr. Reddig understands it, the lead negotiator is reaching out to the AFSCME representative to arrange discussions with them. He indicated that he would follow up with the lead negotiator on Ms. Weldon's request.

Mr. Reddig asked if there were any other comments. Hearing none, Mr. Reddig called this meeting adjourned.

Approved this 25th day of April 2012.

Fred A Reddig
Facilitator – Fred A. Reddig, Acting Administrator

Anne Morrow
Secretary – Anne Morrow

MINUTES

MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE FOR THE CITY OF HARRISBURG
May 16, 2012
8:30 a.m.
Council Chambers

Present: Fred A. Reddig, Acting Administrator, Facilitator

Mayor Linda Thompson
Wanda Williams, City Council President
David Black, President & CEO, Harrisburg Regional Chamber & CREDC
Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners

Anne Morrow (Recording Secretary)

Reports

Mr. Reddig called the meeting to order at 8:30 a.m. The Minutes to the April 25 meeting were previously distributed to the members of the Committee. Mr. Reddig asked if there were any additional comments or corrections to those Minutes.

Hearing none, Mr. Reddig approved the April 25 meeting Minutes and advised they would be posted to the Receiver website – www.pa.gov/harrisburgreceiver.

Mr. Reddig provided several updates to the Committee.

- Last Friday, May 11, the Secretary of DCED, C. Alan Walker, filed a petition with the Commonwealth Court nominating Major General William B. Lynch, USAF, Retired, to be the new Receiver for the City.
- Earlier this week the Commonwealth Court, Judge Leadbetter's office, scheduled a hearing on the Petition of a Receiver for Thursday, May 24 at 10:30 a.m. at the Judicial Center, 601 Commonwealth Avenue, Harrisburg, in Courtroom 3001.
- General Lynch was unable to attend today's MFRAC meeting due to minor surgery earlier in the week but asked Mr. Reddig to relay some comments on his behalf.
    - It is not General Lynch's intention to start over again. He wants to move forward building on the process that has already been undertaken.
    - General Lynch plans to reach out to all the various stakeholders that are involved in this process, keeping the community's best interest in mind.
    - General Lynch looks forward to engaging with the Committee as the implementation of the confirmed Plan moves forward.
- Also on Friday, May 11, Mr. Reddig responded to the request from Commonwealth Court by submitting a Status Report updating Judge Leadbetter on the implementation of the confirmed Recovery Plan for the Office of the Receiver. Mr. Reddig handed out the comprehensive report to the Committee members for their review.

- A few of the highlights from the Status Report are as follows:
    - The report reflects the status of what has taken place since late January on the three different asset monetizations.
        - There have been approximately 140 potential entities who submitted proposals. A list of responders to the Request for Qualifications ("RFQ") has been posted to the Receiver website. The Screening and Evaluation Teams ("SET") have been activity involved in the review of the Statement of Qualifications ("SOQ") as well as the proposals. These teams have been working through the process to make their recommendations for the Receiver's consideration. We don't believe any time has been lost in this process over the past six weeks since the Receiver's resignation. The SET has continued their evaluations and worked closely on this process with The Harrisburg Authority as well as The Harrisburg Parking Authority. The timeline for a final selection for the Resource Recovery Facility and The Harrisburg Parking Authority facilities is by the end of June. Likewise, the timeline for a final selection for the management of The Harrisburg Authority's Water, Wastewaster and Stormwater Systems will most likely be extend after June but the recommendation is to be made by the end of June.

Mrs. Williams asked for clarification on the timeframe Mr. Reddig gave regarding the monetization assets. Mr. Reddig reiterated that June 30 is the date they hope to have an entity selected for each of the asset monetizations. At such time, the new Receiver will be involved in the process and will file an amended or revised Plan with the Commonwealth Court for approval before any transaction is put into place.

Mr. Black noted it is essential for the Advisory Committee members as well as for the public to have a good understanding of the process and the timelines that are in place regarding the monetization of assets. We have not gone through this process before so it's good that we use this forum and then count on the news media to disseminate this information to help everyone gain a better understanding.

Mr. Reddig reported on the Operational side of the confirmed plan:

- One of the main highlights to note is the hiring of the new Chief Operating Officer (COO), Ricardo Mendez-Saldivia. Mr. Reddig has had several meetings with Mr. Mendez-Saldivia and is very pleased that this important position has been filled which was one of the key elements of the Receiver's Plan.
- Under Mr. Mendez-Saldivia's leadership coupled with the Mayor's strong support, the plan implementation team is in place. The internal departmental implementation committees that will be guiding implementation on a department basis and reporting back on the status are also in place.
- Action has been taken to further the completion of the 2009 audit with a target completion date by June. Shortly thereafter work will begin on the 2010 audit followed by the 2011 audit with a timeline of completion of both by year-end.
- We've been working with the Mayor and her staff on filling certain vacancies. Those are being done on an "as needed" basis recognizing the fiscal constraints of the City, however, we also recognize that all necessary and vital services need to be addressed and are reviewing positions as they are advanced by City administration.

In addition to the BA position being filled, we've addressed certain positions in the Fire Department and have recommended their approval. In part, predicated upon the receipt of a Federal Grant under the SAFER Program. Also, the hiring a Senior Accountant, a Network Administrator, a replacement of the Department of Public Works Director and certain CDBG positions have been approved. There are also several other positions that are under reviewe.

- The fee study that had been started through funding from the department under the Earlier Intervention Program is very near to completion and should be completed by June. Those recommendations will bear on City revenues following their completion. At such time, there will be recommendations advanced for adjustment of fee schedules consisted with the Receiver's confirmed plan.
- Contract negotiations have continued with the FOP and IAFF. Based on the feedback from our April meeting, we also reached out to the AFSCME Local regarding negotiations.
- Mr. Reddig appeared at Council's Budget meeting to address the budget amendments that were part of the confirmed Recovery Plan and encouraged Council to move forward expeditiously with the budget amendments. The budget amendments were tabled at the last Budget meeting, however, it is hoped that these amendments will be on the agenda at the upcoming Council Budget meeting.
- The cash flow of the City is stable. As of the end of March, the City had a cash balance of $5,229,000 which was a result of not paying the March Debt Service Bond payment by Mr. Unkovic which is a key element to having a stable cash balance at this point in time. The bill payment check-run is being reviewed and monitored on a bi-weekly basis and will be screened as the operating expenses come due.

Mr. Reddig opened the floor asking if the Committee members had any comments or questions regarding his report.

Mayor Thompson commented on the proposals and pieces of legislation that were given to City Council for approval but have been tabled. Mayor Thompson made a special request to the Council President asking for her assistance in working with the Chairs of these specific committees to advance the legislation on their agendas so actions can begin and to ultimately have a successful outcome which will benefit the City with its structural deficit. Some of those items are:

- The hiring of the Communications Director, the confirmation of the Chief Operating Officer and some other positions.
- The legislation that relate to initiatives in the Revenues chapter – Earned Income Tax and the increases in Parking Tax.

Mr. Reddig concurred with the Mayor and also asked City Council to act expeditiously on approving these items.

Mr. Black asked for clarification on whether the Receiver could implement these actions if they were not acted upon through the normal process. He feels it's in the best interest of the Commonwealth and of the residents of Harrisburg if those initiatives could be resolved without the needless process of litigation.

Mr. Reddig asked that City Council work expeditiously towards a resolution so that the Receiver would not have to take other actions to implement those initiatives through the Commonwealth Court.

Mrs. Williams responded that she has initiated and requested that Council put those certain items on their Committee agendas. She noted that a majority of City Council is opposed to the Recovery Act and was not comfortable with some of the initiatives that are in the confirmed Recovery Plan. Council doesn't want the City's financial distress to worsen but at this point Council is not comfortable with what the Commonwealth has requested that Council do. Mrs. Williams is in contact with Council members every day and has asked that they bring those items out of their committees. If they don't bring them out of their committee then you will have to go through the court to do what you need to do to bring them out on the agenda. She said she will put the confirmation of Mr. Ricardo Mendez-Saldivia on the agenda for the next meeting but Council is not in agreement with the EIT increase due to the effect it will have on the citizens of Harrisburg. Mrs. Williams said they have had several meetings with the Department of Public Safety and Chair Mrs. Smith regarding the parking rates and fines, however, Council received a lot of criticism from residents on the increases. Other proposals or legislation, such as the hiring of the Director of Communications, are tabled. Currently they have six Council members who aren't comfortable approving this position.

Public Comments:

Bill Cluck, resident of Harrisburg and a Board member of The Harrisburg Authority

- Will there be some kind of posting of the initiatives and the work that has been done to date? Mayor Thompson had said there are 16 initiatives that have been completed.

Mayor Thompson responded and advised there could be more than 16 initiatives that have been completed and that these initiatives will all be updated on the City website. Mayor Thompson said they are working on displaying these initiatives in the lobby at City Hall and at Town Hall meetings. Mayor thanked Mr. Cluck for his recommendation to post the initiatives in the lobby at City Hall.

Mr. Cluck continued.

- In the Status Report, the Office of the Receiver indicates that the Receiver has hired labor counsel to work with the City's labor counsel. Who are the two law firms and counsel representing the law firms who's serving in this capacity?

Mr. Reddig responded that the City has engaged in hiring Campbell Durrant Beatty Palombo & Miller, P.C., a law firm from Pittsburgh. Stevens & Lee, a law firm out of Lancaster, was hired to represent the Receiver's Office. Both firms were hired approximately 5 months ago.

- Mr. Cluck stated that June 30 is the deadline that prohibits the City to file a Chapter 9 Bankruptcy petition under state legislation. Would Dauphin County commit that they will not lobby the legislature to extend that prohibition for another year? Mr. Cluck thinks it's imperative to come to a resolution on the sale or lease of assets and whether or not there will be stranded debt. He feels Dauphin County has been a road block. He believes it's time for the County to step up and say they are going to let this process unfold, let the Office of the Receiver, the Receiver and their financial teams negotiate with the creditors without taking away that tool of bankruptcy.

Neil Grover, resident of Harrisburg and attorney in the city for Debt Watch Harrisburg

- I'm in the business of words and words have meaning but they also leave impressions. The impression left by some of the words is that nothing is moving forward but the impression by other words is that the process is still happening. Those are two different messages that go out from the government. There's the process that Mr. Unkovic started and you're saying that that process continued but there are no end decisions being made because there's no decision maker. I think that's what the message is saying but when the words come out in shorthand it's misinterpreted. Additional efforts need to be made to accurately convey these important messages to the public. Mr. Grover is concerned how the process can be moving forward without a Receiver, who is the decision maker. Secondly, if the process is being continued it's being done in the dark and it's not being done in the light of the public. Negotiation can continue, Mr. Grover understands, but continuing the other processes makes the public believe there are backroom deals being made. The concern from the public is that someone is making the decisions and it's just going to be handed over as a done deal. Mr. Grover asked the Committee not to be so subtle in their communications with the public but to give concise and accurate information to alleviate any misunderstandings.

Mr. Reddig understands the concerns Mr. Grover has and agreed the Committee needs to work together to find different ways to communicate their information so the public is on the same wavelength.

In conclusion, Mr. Reddig and Mr. Black both noted that ultimately cooperation is needed from all parties involved. The sooner a resolution can be made the better the process will be moving forward.

Mr. Reddig asked if there were any other comments. He also thanked everyone for their input in today's meeting.

Hearing no further comments, Mr. Reddig called this meeting adjourned.

Approved this 16th day of May 2012.

Fred A Reddig
Facilitator – Fred A. Reddig, Acting Administrator

Anne Morrow
Secretary – Anne Morrow

MINUTES

MUNICIPAL FINANCIAL RECOVERY ADVISORY COMMITTEE FOR THE CITY OF HARRISBURG
May 23, 2012
8:30 a.m.
Council Chambers

Present: Fred A. Reddig, Acting Administrator, Facilitator

Mayor Linda Thompson
Wanda Williams, City Council President
David Black, President & CEO, Harrisburg Regional Chamber & CREDC
Fred W. Lighty, Esquire (Alternate), Dauphin County Board of Commissioners

Anne Morrow (Recording Secretary)

Reports

Mr. Reddig called the meeting to order at 8:30 a.m.

Mr. Reddig asked the Committee members if there were any corrections or edits to the minutes from May 16, 2012.

Hearing none, Mr. Reddig said the minutes stand approved and would be posted to the Receiver website. Mr. Reddig highlighted that the minutes to these meetings are all posted to the Receiver website – www.pa.gov/harrisburgreceiver.

Mr. Reddig provided an update on the Receiver and the Receivership position.

- C. Alan Walker, Secretary of DCED, filed a petition on May 11, 2012 nominating Major General William B. Lynch to be the next Receiver for the City. This was also reported at last week's meeting. A hearing has been scheduled for this Thursday, May 24, 2012, on General Lynch's nomination. We look forward to the Courts rapid action on his confirmation and moving forward and engaging him in the recovery process. Mr. Reddig then welcomed General Lynch who was in attendance to the meeting.

Mr. Reddig provided an update status to the confirmed Recovery Plan.

- A comprehensive update from last week's meeting was provided consistent to the Status Report update that was presented to the Commonwealth Court.
- On the asset monetization side, there has not been a lot of activity since last week. There are some exchanges going back and forth with the proposals on the Parking monetization addressing some of the questions that have come up through the SET review process. Beyond that, in the last week there have not been any significant updates since what was reported and filed with the court.

Mr. Reddig provided an update on the operational side of the confirmed Recovery Plan.

- The Operational team, The Novak Consulting Group along with the Pennsylvania Economy League met last week with Mayor Thompson along with COO, Ricardo Mendez-Saldivia and spent the afternoon reviewing the plan matrix. A copy of the matrix was distributed to the Committee members for review. Subsequent to that

team meeting, there were several other meetings held with various department heads. As the teams move forward with implementing the many recommendations, we agreed on a priority organization of activities that need to occur. Noted on the matrix are the three different categories.

  - Priority 1 - Being the most important one, these are the initiatives that need to be addressed as expeditiously as possible;
  - Priority 2 – These are the actions that need to be completed basically within the next year; and
  - Priority 3 - Are those that have a longer term horizon associated with it.

- The City has assembled their internal implementation teams under the business team leadership and those teams are beginning to meet. They will be getting into the weeds on the different recommendations that fall under their particular purview.
- We have had discussions relative to the audit situation and the need to expeditiously complete the 2009 audit as well as the 2010 and 2011 audits. We are looking to provide some internal and external assistance to the City to try to bring those audits up to date as quickly as possible.
- From an internal stand point, we have approved the Sr. Accountant position as requested by the City on an interim 120 day basis. The City has identified a candidate to begin work, hopefully within the next week or two. We are also looking at the engagement of some outside resources to further assist the City especially as it relates to the 2010 and 2011 audit completions.
- Contract negotiations have also been moving forward, although the meetings that were scheduled last week, at the request of the bargaining units, were postponed. Following the confirmation of the Receiver, it is the intent to engage the Receiver along with the City's labor counsel in those negotiations. It is anticipated that the bargaining sessions will be rescheduled within the next two weeks, in the early part of June.
- Following up on last week's meeting concerning actions related to the confirmed plan, Council's action is needed on several of the recommendations that are part of the confirmed Plan. We are very concerned about the delay in action, especially with respect to some of the revenue generating recommendations as well as some of the management capacity recommendations that those items need to be acted on expeditiously. As required by the directive designating DCED to serve as Acting Administrator, the Court is being apprised of the status of these matters.
- It is my intent as we move through the confirmation process for the Receiver to continue to keep the Court updated on actions or inactions that have occurred with respect to the confirmation of the Plan that is consistent with the directive that the Governor signed designating DCED and myself to serve as the Administrator for the Office of the Receiver and to keep the Court appraised of activities with respect to the confirmed Plan.
- An updated cash flow was supplied to the Committee members. It reflects information that was provided by the City Finance office through the end of April and then updated projections through year-end. By year-end the cash flow reflects a deficit of $6.8 million. The current cash balance is positive. As of the end of April it was approximately $3.2 million. We anticipate that the cash balance will remain positive through the summer months. When we hit September the debt service payment of approximately $4M is due and is factored into this cash flow. This is

what will create a negative cash flow. A decision will need to be made later in the summer or early fall as to whether that debt service payment will be made. In March the debt service payment was not made on its General Obligation Bonds and that is what has allowed the City to have a positive balance at this point and at least through the end of the summer.

In regard to the revenue side for the City, May is a good month for municipal collection of property tax. Mr. Black asked if the collection of property tax was on schedule and being paid.

Mayor Thompson responded that the City has been receiving the property tax revenue and that they are at their usual level of 89% of collection.

Mr. Reddig agreed with the Mayor and said the review of the real estate collections are on target for this year. They are not seeing any major variances in terms of what had been projected. The EIT has been a little slow but not unanticipated because of the transition that has occurred with Act 32. We think that will work itself out though it has had some impact on revenues in the short term.

Mr. Reddig thanked Mr. Black in providing the color coding recommendation with respect to the Priority categories. As we work logistically through the process in terms of the web presence we will put the color coding on the websites for easier public viewing of the matrix.

Mr. Reddig mentioned we have been working through the legislative process to try to address the results of the Supreme Court decision that occurred from last October dealing with the City of Scranton. We have reached an agreement in negotiating language that will allow legislation to go forward to amend the decision that will help the City. It's an important element that will help the City, as well as other Act 47 communities and labor cost containment issues.

Mr. Reddig opened the floor once again asking the Committee members if they have any other comments.

There were none. Mr. Reddig asked Council President, Wanda Williams, as a follow-up to last week's meeting, has there been any movement on the part of Council with respect to the several legislative items that are before Council?

Council President, Wanda Williams said the committee meetings have been set up to address the legislative items that were discussed at last week's meeting. Mr. Reddig asked if there is a schedule for these meetings. Mrs. Williams said she did not have a schedule on hand. Mayor Thompson replied she sent Kirk Petroski, City Clerk, an email asking if Councilman Brad Koplinski was planning on holding any meetings prior to the end of the month. Mr. Petroski had not gotten any information from him but said he would reach out to Mr. Koplinski to see if he had any meetings planned. Mr. Petroski had not received a response back yet from Mr. Koplinski.

Mrs. Williams said she spoke to Mr. Koplinski last evening and he said he would be setting up a meeting that will be worked around the meetings being scheduled by Ms. Smith and Ms. Reed.

Mr. Reddig requested this information be provided to him so he can provide an update to Commonwealth Court.

Public Comments:

Mr. Midlin – addressed two questions.

- The Court's order indicates that before any sale of the assets occurs would an amended or revised plan have to go through Federal Court. Do you have a date when you plan to take it back to court since your last comment was to stay in line with a June deadline?

Mr. Reddig responded he does not have a date at this point in time but said Mr. Midlin was correct that a revised Plan would go back to the Court once we're at a point where we're ready to finalize the asset monetization issues.

- Mr. Midlin asked as a follow-up, is there some sense of a timeline on that? In other words, do you expect it to be done in the next couple of weeks or within a month?

Mr. Reddig said we're looking roughly at a little over a month. We are still targeting for that end of June time period to have recommendations in place for the asset monetizations.

- Mr. Midlin said there have been conversations in the public regarding whether the Plan is complete as it is and my understanding from what I've heard basically is that the only thing that would be modified would be the asset monetization aspect. Is that all that's going to be changed or do you have intentions of altering some other aspects of the Plan?

Mr. Reddig responded at this point there may be some other areas of the Plan that might need to be modified to some degree. One of the issues we want to take a close look at and we'll have to await final legislation on this is the issue I just mentioned with respect to the Senate Bill 1321 which would amend Act 47. We may need to do modify the plan to address the revised language.

- Mr. Cluck had three items to discuss. Mr. Cluck first, procedurally, addressed Mayor Thompson stating he thinks he found the chart on the City's website, under Office of the Receiver and there's a link. The last update as of this morning was April 11.

Mayor Thompson responded that there's actually another update which she's getting from the directors and should have it completed in about a week.

- With respect to whatever the chart is, is it possible for the public to see that so when it's time us to comment I know what I'm commenting on?

Mr. Reddig replied he has copies of the updated matrix which Mr. Cluck could get a copy of.

- Mr. Cluck commented on the cash flow. He said Mr. Reddig said there was a projected deficit of $6.8 million dollars and that it does include the September debt service payment of $4 million dollars in the General Obligation Bonds. Does it include the missed payment or is that considered "missed" and we'll just wait to see what the Court does? Mr. Reddig replied, that is correct.

- Mr. Cluck said so if the decision is not to make the September debt service payment then the deficit is only $2.4 million dollars. Mr. Reddig agreed.

- With respect to the generated revenue initiatives that you're waiting for Council's action on, and this is just a comment, if it where my decision I would wait on increasing the EIT for City residents so we have a better understanding where the creditors are. I understand the asset monetization is happening. I understand the sale of assets is happening but there is a forensic investigation that says there are entities responsible and before taxes are increased we need to exhaust looking at them participating in the process and hopefully the monetization of the assets and the lease or sell will actually generate sufficient revenue beyond paying off of debt but also address the structural deficit. So I think raising the EIT is a little premature right now.

- Lastly, Mr. Cluck said he just downloaded Senate Bill 1321, which was amended yesterday. It appears to be the fix for the Supreme Court decision but there's also an amendment on bankruptcy. It appears as though Section 261 is being amended that instead of authorizing the filing of Chapter 9, this amendment, if enacted into law, would require the municipality to apply to DCED for permission to file which is slightly different than from an authorization. It then lists certain criteria that must be meet. What I found interesting is that this authorization must be approved by a majority vote of the municipality's governing body and that would appear to be a change in law contrary to even the bankruptcy court or one of the federal decisions that said only the Mayor or City Council. I just want to make sure you folks are aware of that.

- Mr. Cluck reiterated, he hopes that nobody is lobbying the legislature to extend the prohibition on the City's ability to file Chapter 9 come July 1 if negotiations fall apart.

Mr. Reddig asked if there were any other comments from the public.

Hearing none Mr. Reddig thanked everyone for their attendance and noted the meetings would be back on schedule come June.

Mr. Reddig called this meeting adjourned.

Approved this 23rd day of May 2012.

Fred A. Reddig
Facilitator – Fred A. Reddig, Acting Administrator

Anne Morrow
Secretary – Anne Morrow

CASH FLOW MEMORANDUM
(ACTUAL DATA AS OF 5/31/2012)

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MEMORANDUM

To: Ricardo Mendez-Saldivia, P.E., Robert Kroboth, and Joseph Bream

From: Gerald E. Cross, Executive Director

Date: June 15, 2012

Subject: City of Harrisburg Cash Flows with Actual Data as of May 31, 2012

PEL has prepared a Cash Flow statement for the City of Harrisburg upon receipt of the Operating Revenues and Expenditures through May 31, 2012 from the City Budget Manager. The basis of the cash flow projection is the original Recovery Plan Baseline Projections as shown on Schedule 2 of the Receiver's Plan. PEL then allocated the total revenues and expenditures monthly based on 2011 receipts and disbursements. Monthly allocations for payroll reflect 2012's payroll schedule.

We prepare adjustments to each monthly cash flow report to individual operating line items based on actual year to date transactions e.g. parking ticket revenues; however, we **have not** made adjustments based upon Recovery Plan initiatives unless they have been already implemented by the City. As of May 2012, there is no adjustment made for the Plan's increased EIT rate. The cash flow report has annual revenue from EIT at the anticipated 2012 revenue level from Schedule 2 in the Receiver's Plan.

Schedules A and B attached are PEL's cash flow projections for 2012 based upon City supplied revenue and expenditure data through May 31, 2012. Schedule A shows the current projected operating (non-cash) deficit for 2012 at $9,859,453. This deficit reflects the operating shortfall between revenues and expenditures and this deficit includes the allocation of $5,325,000 in March for the missed debt service payment. We are treating this missed payment as an expenditure for purposes of the operating (non-cash) deficit and have created a "Due to Debt Service Missed Payment" in our balance sheet transactions. Based upon our projections and with the loss of the utility transfers, the City has operated at a non-cash deficit since April and will continue to have monthly operating deficits through November.

The monthly cash position of the City is also shown on Schedule A. For the purposes of cash flow projections, we assume the City carries a monthly accounts payable (A/P) balance of approximately $4.1 million (May 31 balance). Based on the A/P assumption, the Schedule A cash projections show the City will have a cash shortfall beginning in September, totaling $3,842,285 by December. This cash flow shortage assumes the payment in cash of the September debt service of $3,933,173. As noted above, the City did not make the March 2012 debt service payment.

The attached Schedule B reflects a cash position that assumes all payables are paid in full every month with no carry over of unpaid bills. This schedule shows an year ending deficit balance of a projected $12,691,042 compared to the projected cash shortfall on Schedule A of $3,842,285. The difference in deficits is explained by the accounts payable balance of $4,114,168 and the missed March 2012 debt service ($5,325,000), items which positively effect cash, combined with other balance sheet changes that negatively effect cash by $590,412.

Cash Flow and City Projection Concerns

Upon review of the City's most recent data, we continue to monitor several items of concern.

- Earned Income Tax revenues are trending above their 2011 levels, however we have kept our projected levels at the Receiver's projected level until more monthly data is received later this year.

- The City's expected parking tax revenue is down significantly, year over year. The City reports that the Harrisburg Parking Authority (HPA) has not remitted its parking taxes, instead opting to hold the taxes due until the City can make its contribution to the Coordinated Parking Fund. This action by HPA has suppressed the parking tax revenue, regardless of the increase in the tax rate passed by the City. As of this report, PEL is projecting parking tax revenue at the 2012 total of the Receiver's plan. Additionally, the expected contribution of $1,400,000 from the Coordinated Parking Fund of the HPA is maintained at $200,000 per month starting in June. There is some concern on our part about this transfer occurring as expected.

- We maintain an assumed accounts payable balance held by the City at a constant monthly balance of approximately $4.1 million. The City has been relatively current in its accounts payable through May 2012. However, the City has reported to us that it will begin to hold payments on bills, thereby increasing the monthly accounts payable balance and freeing up cash. If one assumes that the City carries no accounts payable balance, the City would run out of cash in June or July. We anticipate that the City's practice of holding accounts payable to manage cash will continue through the year.

- The cash reports show the cash position on a monthly beginning and ending cycle; it is possible that the weekly or daily cash position of the City will be greater or worse than we show. It is the responsibility of City officials to monitor cash on a daily or weekly basis and we believe that the staff does the appropriate monitoring.

City of Harrisburg
Cash Flow
Accounts Payable Balance Held at $4.1 Million

	Actual Jan	Actual Feb	Actual Mar	Actual Apr	Actual May	Estimated Jun	Estimated Jul	Estimated Aug	Estimated Sep	Estimated Oct	Estimated Nov	Estimated Dec	Total
Revenues without Transfers	1,250,169	4,497,639	11,368,121	2,020,892	3,657,629	1,813,528	1,668,855	2,524,368	2,894,468	2,316,947	2,274,375	5,993,739	42,280,729
Sanitation Utility Fund	282,031	0	362,000	0	0	564,959	71,561	564,959	399,260	376,639	0	25,275	2,646,684
Sewerage Utility Fund	643,325	0	0	0	0	0	202,806	0	0	0	0	0	846,131
Hbg Water Utility Fund	124,644	0	38,000	0	0	0	671,316	0	0	0	0	0	833,960
Hbg Prk Auth Coord Pkg	0	0	0	0	0	200,000	200,000	200,000	200,000	200,000	200,000	200,000	1,400,000
Total Revenues	**2,300,169**	**4,497,639**	**11,768,121**	**2,020,892**	**3,657,629**	**2,578,487**	**2,814,538**	**3,289,327**	**3,493,727**	**2,893,586**	**2,474,375**	**6,219,014**	**48,007,504**
Expenditures without Debt Service	2,487,259	3,291,058	4,373,890	3,349,432	3,854,504	3,509,557	3,409,275	3,808,039	3,077,930	6,159,231	3,209,527	5,320,910	45,850,612
Debt Service Paid	0	0	352,836	654,122	1,011,416	0	370,552	0	3,933,173	0	369,246	0	6,691,345
Debt Service Not Paid	0	0	5,325,000	0	0	0	0	0	0	0	0	0	5,325,000
Total Expenditures	**2,487,259**	**3,291,058**	**10,051,727**	**4,003,553**	**4,865,920**	**3,509,557**	**3,779,827**	**3,808,039**	**7,011,103**	**6,159,231**	**3,578,774**	**5,320,910**	**57,866,957**
Operating Surplus/(Deficit)	**-187,091**	**1,206,581**	**1,716,395**	**-1,982,662**	**-1,208,291**	**-931,070**	**-965,289**	**-518,712**	**-3,517,375**	**-3,265,645**	**-1,104,399**	**898,104**	**-9,859,453**
Unrestricted Cash Balance Beginning of Month	**3,326,128**	3,033,730	4,671,128	7,478,722	5,829,480	5,562,101	4,631,031	3,665,742	3,147,030	-370,345	-3,635,990	-4,740,389	
Surplus/(Deficit)	-187,091	1,206,581	1,716,395	-1,982,662	-1,208,291	-931,070	-965,289	-518,712	-3,517,375	-3,265,645	-1,104,399	898,104	
Change in Balance Sheet	-105,308	430,817	1,091,200	333,419	940,911	0	0	0	0	0	0	0	
Unrestricted Cash Balance End of Month	**3,033,730**	**4,671,128**	**7,478,722**	**5,829,480**	**5,562,101**	**4,631,031**	**3,665,742**	**3,147,030**	**-370,345**	**-3,635,990**	**-4,740,389**	**-3,842,285**	

Note: This assumes the AP Balance remains at May Balance of $4.1 million.

Changes to Balance Sheet Affecting Cash Balance					
Restricted Cash	-8	-9	-8	8	0
Loans Receivable	12,688	56,038	22,333	16,553	19,815
Prepaid Expenses	-109,235	-143,898	45,330	482,821	-281,041
Accounts Payable	-8,752	529,414	-3,597,095	-168,120	1,201,005
Encumbrances	0	-10,728	-704,360	2,158	0
Fund Balance	0	0	0	0	1,132
Due to Debt Service Missed Payment	0	0	5,325,000	0	0
Total Balance Sheet Changes	-105,308	430,817	1,091,200	333,419	940,911

Beginning Balance Cash					
Restricted	7,209,074	6,916,683	8,554,090	11,361,693	9,712,442
Unrestricted	3,882,945	3,882,953	3,882,962	3,882,970	3,882,978
	3,326,128	3,033,730	4,671,128	7,478,722	5,829,464
Surplus Deficit	-187,091	1,206,581	1,716,395	-1,982,662	-1,208,291
Change in Balance Sheet	-105,308	430,817	1,091,200	333,419	940,911
Ending Balance Cash					
Restricted	6,916,683	8,554,073	11,361,677	9,712,458	9,445,063
Unrestricted	3,882,953	3,882,945	3,882,954	3,882,978	3,882,978
	3,033,730	**4,671,128**	**7,478,722**	**5,829,480**	**5,562,084**

Accounts Payable Beginning of Month	-6,157,717	-6,148,965	-6,678,379	-3,081,283	-2,913,163
Accounts Payable End of Month	**-6,148,965**	**-6,678,379**	**-3,081,283**	**-2,913,163**	**-4,114,168**
Change in Accounts Payable	-8,752	529,414	-3,597,095	-168,120	1,201,005

Note: This assumes the AP Balance remains at May Balance of $4.1 million.

City of Harrisburg
General Fund Cash Flows
2012 Estimated, Jan - May Actuals

	General Fund Operating Revenues	Revenue Anticipated from City Utilities	Parking Authority Transfer	Total Revenues	General Fund Expenditures	General Fund Transfers to DSR	Debt Service Payment Not Made	Total Expenditures	Surplus/ (Deficit)	Ending Balance
2011 Balance										($2,831,589)
JANUARY	$1,250,169	$1,050,000	$0	$2,300,169	$2,487,259	$0	$0	$2,487,259	($187,091)	($3,018,679)
FEBRUARY	$4,497,639	$0	$0	$4,497,639	$3,291,058	$0	$0	$3,291,058	$1,206,581	($1,812,098)
MARCH	$11,368,121	$400,000	$0	$11,768,121	$4,373,890	$352,836	$5,325,000	$10,051,727	$1,716,395	($95,703)
APRIL	$2,020,892	$0	$0	$2,020,892	$3,349,432	$654,122	$0	$4,003,553	($1,982,662)	($2,078,365)
MAY	$3,657,629	$0	$0	$3,657,629	$3,854,504	$1,011,416	$0	$4,865,920	($1,208,291)	($3,286,656)
JUNE	$1,813,528	$564,959	$200,000	$2,578,487	$3,509,557	$0	$0	$3,509,557	($931,070)	($4,217,726)
JULY	$1,668,855	$945,683	$200,000	$2,814,538	$3,409,275	$370,552	$0	$3,779,827	($965,289)	($5,183,015)
AUGUST	$2,524,368	$564,959	$200,000	$3,289,327	$3,808,039	$0	$0	$3,808,039	($518,712)	($5,701,727)
SEPTEMBER	$2,894,468	$399,260	$200,000	$3,493,727	$3,077,930	$3,933,173	$0	$7,011,103	($3,517,375)	($9,219,102)
OCTOBER	$2,316,947	$376,639	$200,000	$2,893,586	$6,159,231	$0	$0	$6,159,231	($3,265,645)	($12,484,746)
NOVEMBER	$2,274,375	$0	$200,000	$2,474,375	$3,209,527	$369,246	$0	$3,578,774	($1,104,399)	($13,589,145)
DECEMBER	$5,993,739	$25,275	$200,000	$6,219,014	$5,320,910	$0	$0	$5,320,910	$898,104	($12,691,042)
TOTAL	$42,280,729	$4,326,775	$1,400,000	$48,007,504	$45,850,612	$6,691,345	$5,325,000	$57,866,957		

Note: This assumes all Accounts Payables are paid, ie. AP Balance goes to $0 every month.

ASSET MONETIZATION SUMMARIES/STATUS

Resource Recovery Facility

The following is a chronological summary of the progress made with respect to monetizing The Harrisburg Authority's Resource Recovery Facility ("HRRF") since May 11, 2012:

On or about May 22, 2012, a brief update was provided to the remaining Selected Interested Parties ("SIPs"), Lancaster County Solid Waste Management Authority ("LCSWMA") and Cambridge Project Development ("Cambridge"). The update was provided via memorandum which summarized that on May 11, 2012, C. Alan Walker, Secretary of Community and Economic Development, Commonwealth of Pennsylvania, submitted to the Commonwealth Court a Petition for Appointment of Receiver for the City of Harrisburg, requesting the appointment of Major General William B. Lynch, USAF, Ret., to fill the vacancy in the Office of the Receiver and to act as the Receiver for the City of Harrisburg. It also indicated that the Commonwealth Court had scheduled a hearing on this Petition for May 24, 2012. It also informed the SIPs that on May 11, 2012, Secretary Walker filed in Commonwealth Court a Status Report regarding the activities of Mr. Frederick Reddig since his designation as acting administrator of the Office of the Receiver of the City of Harrisburg. It further indicated that after conclusion of the Commonwealth Court's confirmation hearing process, the Receiver would provide an update to the preliminary schedule provided in Section VIII of the RFQ, and that it was anticipated that upon confirmation, the Receiver was going to receive a briefing of relevant issues shortly thereafter, and then the next steps in the RFQ schedule would be addressed.

From May 11, 2012 to May 31, 2012, the advisory team developed and prepared in depth briefings for the incoming Receiver, so that the Receiver could be brought up to speed as quickly as possible with a goal of presenting him with several key decision points that needed to be addressed in order to move the process forward. This briefing was prepared while the advisory team continued to advance the RFQ process and maintain the ongoing structure put in place by the former Receiver.

On May 31, 2012 and June 1, 2012, the advisors to the Receiver conducted two days of in-person briefings with the Receiver, which included extensive briefings on the HRRF, its history, background on the RFQ process, current status, question and answer sessions, and a detailed discussion on the issues requiring immediate direction from the Receiver. Subsequent to those briefings, the Receiver provided direction to the advisory team, specifically that it continue further due diligence discussions to obtain additional information and clarification from the remaining SIPs (LCSWMA and Cambridge), and that the team begin further due diligence investigation into possible solutions to major policy issues affecting the HRRF, such as tipping fee structure, power purchase agreements for electricity generated and sold from the facility, flow control, and advancement of a RCAP Grant for the facility.

On June 7, 2012, the advisory team met with Cambridge. The meeting provided an opportunity for the advisory team to ask questions about the Cambridge proposal, request

supplemental information from Cambridge with creative proposals and solutions to the challenges facing the HRRF, and to update Cambridge on the confirmation of the new Receiver and the status of the RFQ process.

On June 8, 2012, the advisory team met with LCSWMA. The meeting provided an opportunity for the advisory team to ask questions about the LCSWMA proposal, request supplemental information from LCSWMA with creative proposals and solutions to the challenges facing the HRRF, and to update LCSWMA on the confirmation of the new Receiver and the status of the RFQ process. The same topics were discussed with both Cambridge and LCSWMA, and no bidding information submitted by a SIP was shared with the other party.

Subsequent to those meetings, on or about June 12, 2012, Cambridge and LCSWMA provided supplements to their proposals with additional information and additional proposed solutions to the issues facing the HRRF. A package containing the supplements and a summary was assembled by the advisory team and transmitted to the Screening and Evaluation Team ("SET"). Additionally, the THA Board was granted confidential access to all of the proposals and supplements for their review as well.

On June 13, 2012, the SET convened a meeting at the THA Offices, was briefed by the advisory team, and reviewed in detail the Cambridge and LCSWMA supplemental proposals submitted on June 12, 2012, along with the supplements and summaries thereof. Subsequent to that meeting, the SET finalized its consensus recommendations to the Receiver. On June 18, 2012, the Receiver received the SET Recommendations and began reviewing and considering them.

On June 19, 2012, the Receiver visited the THA Offices and had an opportunity to meet with the THA Board while it met in Executive Session. During the Executive Session meeting, the THA Board and Receiver received an update and briefing from the advisory team regarding the status of the RFQ process, the Statements of Qualification from all four original proposers, the proposals and supplemental information from LCSWMA and Cambridge, and the status of all issues affecting the HRRF, their history, and various proposed solutions going forward. The discussion was also placed in the context of the RFQ process and status of other potential monetizations and the broader, long term solutions of the City of Harrisburg's financial challenges, all subject to an understanding of confidentiality with the THA Board.

On June 20, 2012, the advisory team began further investigation into development and structuring of a power purchase agreement for the long term sale of electricity by the HRRF. The advisory team also continued exploration of potential creative solutions for flow control issues, tipping fees, and the RCAP Grant.

On June 21, 2012, the Receiver formally notified the SIPs of the current status of the RFQ process and that a decision on further status of the SIPs would be forthcoming as early as the week of June 25, 2012. It is anticipated that the Receiver will provide a decision on status sometime after June 25, 2012.

The Receiver continues to obtain regular updates on the status of the HRRF, its related issues, and the monetization process.

Water, Wastewater and Stormwater Systems

The following is a chronological summary of the progress made with respect to entering into an agreement to manage and/or operate The Harrisburg Authority's Water, Wastewater and Stormwater Systems:

On May 11, 2012, C. Alan Walker, Secretary of Community and Economic Development, Commonwealth of Pennsylvania, submitted to the Commonwealth Court a Petition for Appointment of Receiver for the City of Harrisburg, requesting the appointment of Major General William B. Lynch, USAF, Ret., to fill the vacancy in the Office of the Receiver and to act as the Receiver for the City of Harrisburg. The Commonwealth Court had scheduled a hearing on this Petition for May 24, 2012. On May 11, 2012, Secretary Walker filed in Commonwealth Court a Status Report regarding the activities of Mr. Frederick Reddig since his designation as acting administrator of the Office of the Receiver of the City of Harrisburg. It further indicated that after conclusion of the Commonwealth Court's confirmation hearing process, the Receiver would provide an update to the preliminary schedule provided in Section VIII of the RFQ, and that it was anticipated that upon confirmation, the Receiver was going to receive a briefing of relevant issues shortly thereafter, and then the next steps in the RFQ schedule would be addressed.

From May 11, 2012 to May 31, 2012, the advisory team developed and prepared multiple, detailed, in depth briefings for the incoming Receiver, so that the Receiver could be brought up to speed as quickly as possible with a goal of presenting him with several key decision points that needed to be addressed in order to move the process forward. These briefings were prepared while the advisory team continued to advance the RFQ process in accordance with the Plan put into place by the former Receiver.

On May 31, 2012 and June 1, 2012, the advisors to the Receiver conducted two days of in-person briefings before the Receiver, which included extensive briefings on all of the RFQ processes including water and wastewater, background on the RFQ process, current status, question and answer sessions, and a detailed discussion on the issues requiring immediate direction from the Receiver.

As indicated in the prior status update, the short-term plan was to collect and add additional documents to the electronic data room for access by the Selected Interested Parties ("SIPs") and then to provide for site visits. In assembling information for the SIPs, and in an effort to accelerate the completion of the 2010 and 2011 audited financial statements, it became clear to the Office of the Receiver and the Department of Community and Economic Development ("DCED"), as well as to The Harrisburg Authority, that the completion of audited financial statements was going to need to be a priority and was going to require extraordinary effort and resources. The Office of the Receiver and DCED conducted a search for Certified Public Accountants and firms that would be interested and available to undertake the audit preparation work. The scope of services was defined through a series of conference calls with individuals familiar with the needs of the City. A telephone solicitation was undertaken and three proposals were received. The DCED reviewed the proposals, asked for necessary clarifications and has made a recommendation to the Office of the Receiver. At this time the Office of the Receiver is exploring funding for the audit prep work that appears to be necessary to prepare the 2010 Audit.

Arcadis has continued work on a baseline model that is intended to be used to project revenues and expenses and potential rate increases necessary to fund the mandated sewer treatment plant project and other necessary capital improvements. On May 18, 2012 representatives from Arcadis, THA and the City met to discuss the model and to identify additional required information. The additional information is being provided to Arcadis, as it is obtained. Representatives of Novak Group will be meeting on June 25, 2012 with representatives of the City to explore a wide variety of issues that relate to staffing needs, revenues and expenses relating to water and wastewater. The purpose of this analysis is to identify potential efficiencies that can be achieved.

THA and the Office of the Receiver have participated in conference calls with The United States Environmental Protection Agency and Department of Justice along with the Commonwealth Department of Environmental Protection on Friday, June 22, 2012 to discuss, among other things expectations of the regulators with respect to bringing these systems into regulatory compliance.

During August, the Receiver and THA intend to provide an opportunity for the Selected Interested Parties to tour the water and sewer systems to obtain more information to assist in their further responses during the RFQ process.

By the beginning of September at the earliest, the Receiver and THA intend to have assessed their statement of requirements for a transaction. At the completion of that assessment, the Receiver and THA likely will amend the RFQ to include a revised, more specific statement of requirements and request that the Selected Interested Parties respond to the revised statement. It is intended that the RFQ process will then proceed as currently provided in the RFQ, but under a revised set of dates. The Receiver and THA expect that a revised RFQ will seek creative approaches from the Selected Interested Parties on how the Selected Interested Parties would assist the City of Harrisburg with, among other things, responses to Environmental Protection Agency mandates.

Harrisburg Parking Assets

The following is a chronological summary of the progress made with respect to the Harrisburg Parking Authority assets since May 11, 2012:

On May 11, 2012, C. Alan Walker, Secretary of Community and Economic Development, Commonwealth of Pennsylvania, submitted to the Commonwealth Court a Petition for Appointment of Receiver for the City of Harrisburg, requesting the appointment of Major General William B. Lynch, USAF, Ret., to fill the vacancy in the Office of the Receiver and to act as the Receiver for the City of Harrisburg. It also indicated that the Commonwealth Court had scheduled a hearing on this Petition for May 24, 2012. It also informed the SIPs that on May 11, 2012, Secretary Walker filed in Commonwealth Court a Status Report regarding the activities of Mr. Frederick Reddig since his designation as acting administrator of the Office of the Receiver of the City of Harrisburg. It further indicated that after conclusion of the Commonwealth Court's confirmation hearing process, the Receiver would provide an update to the preliminary schedule provided in Section VIII of the RFQ, and that it was anticipated that upon confirmation, the Receiver was going to receive a briefing of relevant issues shortly thereafter, and then the next steps in the RFQ schedule would be addressed.

From May 11, 2012 to May 31, 2012, the advisory team developed and prepared multiple, detailed, in depth briefings for the incoming Receiver, so that the Receiver could be brought up to speed as quickly as possible with a goal of presenting him with several key decision points that needed to be addressed in order to move the process forward. These briefings were prepared while the advisory team continued to advance the RFQ process in accordance with the Plan put into place by the former Receiver.

On May 31, 2012 and June 1, 2012, the advisors to the Receiver conducted two days of in-person briefings before the Receiver, which included extensive briefings on the Parking Assets, background on the RFQ process, current status, question and answer sessions, and a detailed discussion on the issues requiring immediate direction from the Receiver. Subsequent to those briefings, the Receiver provided direction to the advisory team, specifically that it continue further discussions to obtain additional information and clarification from the remaining nine Selected Interested Parties (SIPs) and that the team continue further investigation into possible solutions to major policy issues affecting the Parking Assets including long-term contracts with key parties and other credit enhancement and operational enhancements.

As mentioned in the previous update, the SET had met on May 4, 2012 and requested that the advisors continue to explore additional financing and operational structures for the transaction and clarify issues and questions raised with respect to certain SIP responses. The SET provided specific questions and issues that it wanted to be explored further. In order to begin to answer the questions and address the issues raised, all nine SIPs were contacted about participating in conference calls or in-person meetings. During the balance of May meetings and conference calls were conducted in order to obtain answers to the various questions and to explore various issues that had been raised.

The same topics were discussed with each of the SIPs, and no bidding information submitted by any SIP was shared with another SIP.

The meetings and conference calls also provided an opportunity for the advisory team to request supplemental information and additional creative proposals and solutions, and to update the SIPs regarding the confirmation of the new Receiver and the status of the RFQ process.

On June 5, 2012, the advisory team sent out a request for additional information to all nine SIPs in an effort to normalize some of the revenue and expense assumptions being used. A meeting of the SET was convened and the supplemental requests and responses were discussed. It was the consensus of the SET that the advisory team prepare a draft report for the SET, that would contain strengths and weaknesses of the various models and proposals coupled with the written comments of the members of the SET. The advisory team has prepared a first draft of the report which is currently under review by the team and is expected to be sent to the SET by next week. The next step will be for the SET to comment on the report and if ready to make a recommendation to the Receiver relating to which SIPs it believes are most likely to be able to enter into successful negotiations with the Receiver, in light of the court confirmed plan being pursued by the Office of the Receiver.

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

C. ALAN WALKER, in his capacity as Secretary for the Department of Community and Economic Development,	)	
Petitioner	)	
v.	)	Docket No. 569 MD 2011
CITY OF HARRISBURG,	)	
Respondent	)	

CERTIFICATE OF SERVICE

I, Joseph Krolikowski, Esq., do hereby certify that I served a true and correct copy of the foregoing **Status Report** upon the following below-named individual(s) by depositing the same in the U.S. Mail, postage pre-paid this 25th day of June, 2012 and by e-mail to the addresses indicated below.

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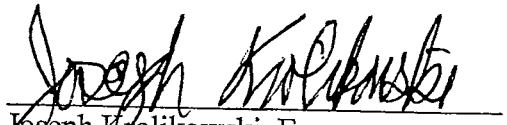
MCKENNA LONG & ALDRIDGE LLP

Date: June 25, 2012

By: 

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