



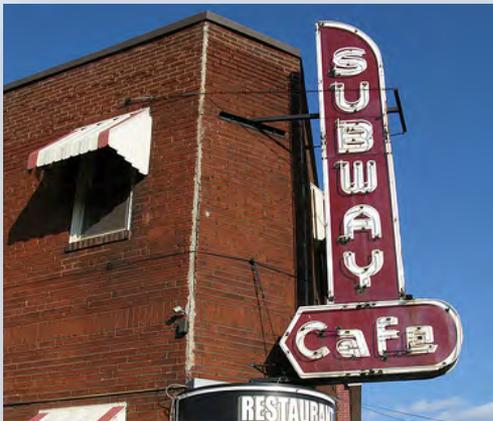
Office of the Receiver for the City of Harrisburg 101

William B. Lynch, Receiver



- What is Act 47
- Challenges
- The way ahead
- Questions

"Our" Capital City





How Did We Get Here?

- Act 47 “Municipalities Financial Recovery Act” 1987
- Policy Objectives
 - Foster fiscal integrity of municipalities
 - Provide for health, safety & welfare of residents
 - Pay principal and interest on debt
 - Meet creditor obligations
 - Provide proper accounting, budgeting & taxing practices
- “the failure to do so is hereby determined to affect adversely the health, safety and welfare.”



How Did We Get Here?

- Act 47 contemplates a cooperative effort
 - A Coordinator's Plan or Mayor's Plan would be adopted
- Harrisburg rejected both
 - Chapter 6 & 7 were added to Act 47
 - Chapter 6 allows for chance to achieve consensus
 - Chapter 7 allows for the appointment of a Receiver
- In no other Act 47 community has it been deemed necessary to appoint a Receiver



Harrisburg Is Unique

- Mayor seeks Act 47 status October 2010
 - Coordinator appointed; Plan developed
- Plan rejected July 2011
- Mayor proposes alternative Plan
 - Rejected August 2011
- Governor signs legislation amending Act 47 to add Chapter 6 & 7 October 2011
- Governor declares a fiscal emergency October 2011
- Act 47 Chapter 6
 - One more chance
 - Rejected November 2011



Harrisburg Is Unique

- Petition filed to name a Receiver
 - Act 47 Chapter 7
- Receiver approved December 2011
- Receivers Recovery Plan is “confirmed” March 2012
- Receiver resigns March 30, 2012
- New Receiver confirmed May 24, 2012



Effect Of Confirmation

“The confirmation of the Recovery Plan and any modification to the Receiver’s Plan... shall have the effect of:

(1) Imposing on the elected and appointed officials of the distressed city or authority a mandatory duty to undertake the acts set forth in the Recovery Plan.”



Receiver's Duties

- Craft a Recovery Plan
- Secure Commonwealth Court's confirmation of the Plan
- Execute the Plan

Note:

- The “confirmed” Plan can be modified as necessary by the Receiver.
- The initiatives in the confirmed Plan are directive to City Government Officials.



Situation Overview

- This situation is extraordinarily complex with many stakeholders and issues.
- The incinerator debt, over \$300 million, is the biggest issue to face. Even with the sale/lease of the incinerator, and monetization of other assets; there will be unresolved debt that will require further negotiation with creditors – stranded debt.
- The City's structural deficit (the difference between income and expenses) is running in the millions every year and growing.
- Even without the incinerator debt Harrisburg has a problem.



Situation Overview

- 70 percent of the City's operational budget obligations are tied to personnel costs with a major factor being increase in expense of medical insurance and wages. The Receiver is actively negotiating with the three City bargaining units.
- BUT, this is not just a math problem!





Current Situation

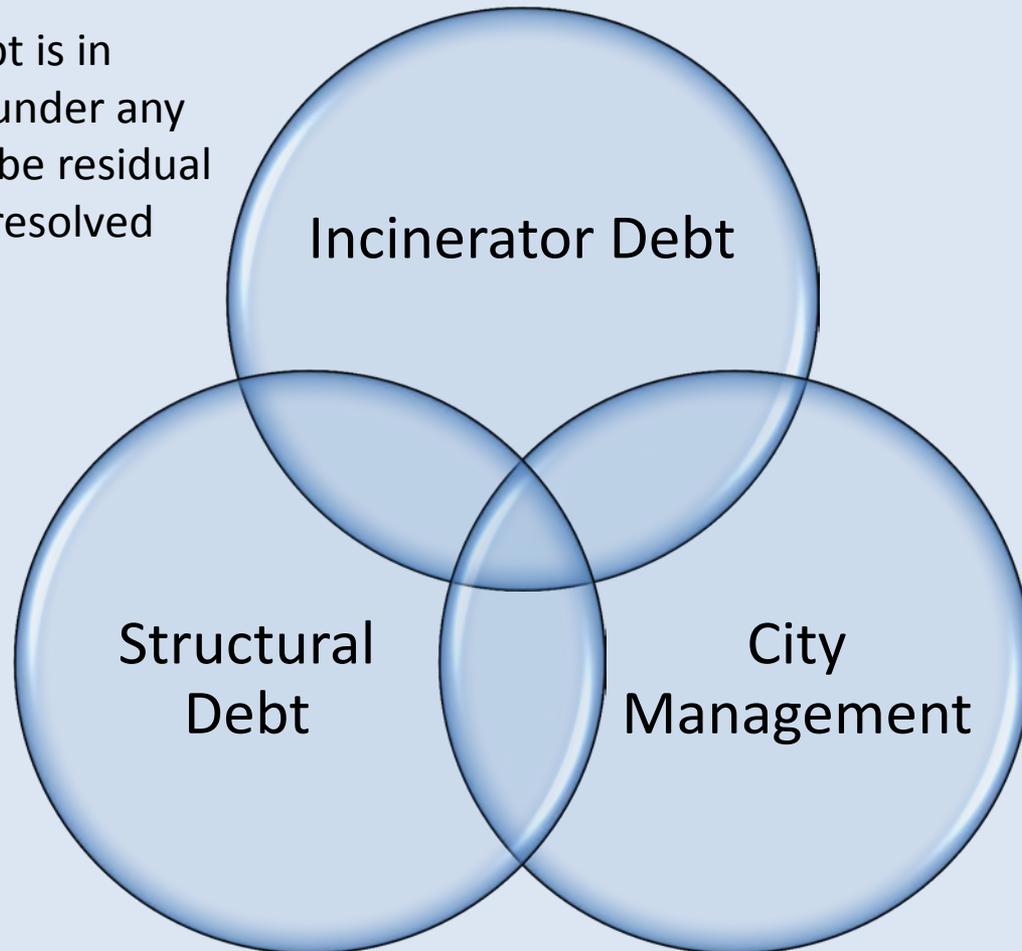
- A second major debt payment on the General Obligation bonds is due in late September.
- The hiring of the Chief Operating Officer and for the City was a significant step in the right direction.
- Collective bargaining is underway with the unions. No proposed agreements have been reached but it is critical since labor represents 70 percent of the operating budget.
- The City's three assets (incinerator, parking and water & sewer management) have all been assigned Screening and Evaluation Teams with a process in place to determine the real value and potential for providing a revenue stream to the City in the future.



Three Primary Challenges

The incinerator debt is in excess of \$300M - under any scenario there will be residual debt that must be resolved somehow.

The structural debt is the ongoing amount the City's operating expenses exceed its revenue.



Day-to-day operations need to improve in city government in order to begin operating effectively.

**“The Incinerator”
Resource Recovery Facility**

Goal – Determine the value of assets and pursue resolution of stranded debt with stakeholders.

COMMUNICATION & ENGAGEMENT

Structural Debt

Goal – Reduce the City’s operating deficit by reducing personnel costs and increase revenue sources, simultaneously maintain critical services for the citizens.

COMMUNICATION & ENGAGEMENT

City Management

Goal – The City now has a Chief Operating Officer and still needs key staff positions filled in order to continue moving forward.

COMMUNICATION & ENGAGEMENT

Stakeholders

Goal – Increase communications/cooperation among stakeholders and focus on the initiatives of the plan.

Overall Goal

Near Term – Communicate with stakeholders and begin implementing initiatives of the Plan that will help bring revenue to the operating budget enabling the City to function day-to-day.

Intermediate Term - The establishment of a negotiated agreement that leads to resolution of debt and greater stability in the City’s fiscal well-being.

End State – To have Harrisburg financially secure and operating within a functioning budget.

The Valuation Of Assets

The Incinerator, Parking assets and Water & Sewer management are the key assets

Request for Qualifications and Proposals (RFQ&P)

Proposals are submitted and Screening and Evaluation Teams begin their review

Receiver enters into negotiations with parties with the advice of subject matter experts

Receiver then assists in negotiating issues related to stranded debt

Receiver then files amendments to the Recovery Plan with Commonwealth Court and begins the process of resolving debt

Paying the incinerator debt must be balanced with maintaining the ability to pay for the costs of day-to-day operation and critical services



Harrisburg Is Unique

- It's everybody's capitol city
- I don't like the 3rd Class City label
- It's a 1st Class City





Objective

- To help create conditions that allow Harrisburg City Government Officials to achieve the long-term financial stability that fosters economic development and growth



Notice, I Said Help

- This will take EACH of us and ALL of us.
 - City residents
 - The business community
 - The unions
 - Surrounding communities
 - Surrounding counties
 - Creditors
 - State government
 - Service organizations



Bottom Line

- This is a very complicated problem that won't be solved easily or quickly.
- The solution requires a cooperative effort, a spirit of public service, a degree of optimism and plain hard work.

Questions

For more information: www.pa.gov/harrisburgreceiver