

*Intergovernmental Cooperation Authority for Harrisburg
Minutes of the Governing Board Meeting
October 28, 2020
Via Teleconference on the Zoom Meeting Platform
hbgica.org*

Members Present	Ms. Audry Carter, Mr. Douglas Hill, Ms. Kathy Speaker MacNett, and Mr. H. Ralph Vartan	
Ex-Officio Members Present	Mr. Mark Ryan and Mr. Neil Grover	
Staff Present	Mr. Jeff Engle, Independent Counsel, and Mr. Jeffrey Stonehill, Authority Manager	
Call to Order	Mr. Stonehill reminded the participants that the meeting was being recorded and that they should mute themselves when not speaking. Ms. Carter called the meeting to order at 4:02 p.m. She informed the group that ex-officio member Neil Grover may be late to the meeting. Ms. Carter updated the assembled that Sen. Costa had yet to appoint a replacement for Board Member Tina Nixon.	
Election of Secretary/Treasurer	Ms. Carter stated that the Board had planned to wait until the replacement to Ms. Nixon was named to appoint a new Secretary/Treasurer. However, in the interest of time, the Board has decided to move forward. On a nomination by Mr. Hill, second by Mr. Vartan, Ms. Kathy Speaker MacNett was elected as Secretary/Treasurer of the Board.	Elected Kathy Speaker MacNett; approved 4-0
Approval of September 18, 2020 Minutes	Ms. Carter presented the minutes, which had been reviewed by her and Mr. Vartan; on a motion to approve by Mr. Hill, seconded by Ms. MacNett, the minutes were approved.	Minutes; approved 4-0
	Mr. Grover joined the meeting at 4:16 p.m.	
Review of Bills Paid	Mr. Stonehill reviewed the bills paid since the last regular meeting of the Authority. Mr. Stonehill stated that this is the report as of October 28, 2020, and the Authority has a fund balance of \$104,727.67.	
Report of the Chairperson	Ms. Carter said she would make a few quick comments. She mentioned that shortly she and Mr. Grover would be meeting to address the substantive differences related to the proposed Intergovernmental Cooperation Agreement. She noted that the proposed revised Mayor's Five-Year Financial Plan is due to the Board by October 31, 2020. They are on track for delivery. Ms.	

	<p>Carter challenged the Board to come back with a comment letter for the November 18, 2020, meeting. That would give the City fifteen days to respond to the comment letter.</p> <p>She noted she would be in touch with Charlie DeBrunner, City Controller, who will be asked to give his opinion on the proposed plan.</p> <p>Ms. Carter noted that the ICA and the City are entering a very busy time of year, with the City budget, and more; the Board must not let these deadlines slip.</p> <p>As a reminder, the next of the Mayor's Five-Year Financial Plan is due on April 30, 2021, which is the normal due date agreed to by the parties, with a goal of having it fully approved by June 30, 2021. Finally, she mentioned that it is important for the ICA and the City to continue to work together collaboratively.</p>	
<p>Discussion with Marita Kelley, Act 47 Recovery Coordinator, regarding</p>	<p>Ms. Carter introduced Ms. Marita Kelley of the Pennsylvania Department of Community and Economic Development. She said that we feel like the ICA and Ms. Kelley have become partners on this journey, and she appreciates the engaged conversations and informed insights along the way.</p> <p>Ms. Kelley gave a short update on her Third Quarter Report on the City Financial Status, which was recently filed with Senior Judge Bonnie Brigance Leadbetter.</p> <p>Ms. Kelley noted that Dauphin County had awarded a \$2.8 million COVID-19 relief grant for the City.</p> <p>She noted that one of her concerns for 2020 is that revenues are not coming in as they typically would by this point in a normal year. She added that tax revenues are trending well, and State pension aid arrived after the report. She noted that the Mayor and the Business Administrator have, as much as they could, held the line on expenditures.</p> <p>Ms. Kelley noted a sizable reduction in cash fund balance.</p> <p>She added that it is difficult to forecast what will happen in 2021.</p> <p>Ms. Kelley stated she is currently reviewing the City's draft 2021 Budget.</p> <p>Mr. Hill reiterated that taxes were tracking closer to normal by October 14, 2020.</p>	

	<p>Ms. Kelley added that parking revenues were abysmal.</p> <p>Mr. Stonehill asked about the completion of the current year budget by the Commonwealth of Pennsylvania. Mr. Ryan indicated that it was a work in progress.</p>	
<p>Presentation of Harrisburg Parking Scheme</p>	<p>Ms. Carter introduced Mr. Steve Goldfield, Senior Counselor at Public Resources Advisory Group (PRAG) and Principal of Municipal Advisor Solutions, to describe the architecture of the Harrisburg Parking Scheme. Ms. Carter added that Mr. Goldfield was instrumental in pulling together the Strong Plan for Harrisburg, especially the forensics for putting everything back together to a place it needed to be. She added that parking revenue has dropped the most during 2020 and this was of concern to the Board.</p> <p>Mr. Goldfield went on to summarize the parking transaction as was included in the recovery plan, noting that even those familiar with parking revenue bonds would find this to be a very unconventional structure.</p> <p>He added he has never done a deal that had to accomplish so much or was so complicated. So, it is not surprising that the Board, who came in afterwards, would wonder why certain things were done.</p> <p>Mr. Goldfield added that many revenue bond deals, such as stadiums and airports, are all suffering now due to the COVID-19 health crisis. He hoped his explanation of the parking arrangement would assist the Board in understanding what might occur going forward as parking revenue has all but disappeared during the crisis.</p> <p>There were 32 different creditors, who needed to be satisfied with the arrangement, as well as producing annual revenue for the City, the parking contractor, the sewer settlement with the suburban communities, and satisfying the incinerator debt and providing capital for small business loans. The challenge was to align everyone's incentives going forward including the bond people and Dauphin County.</p> <p>The deal paid off or restructured \$360 million in debt.</p>	

The Series A Bonds were the key to the deal, were squeezed for maximum impact, and are secured by the Commonwealth of Pennsylvania. Also, this is very unusual, but the payments for these bonds come senior to all other expenses, including the operating expenses of the parking facilities themselves.

Also, the City has a parking tax, which normally would bring in revenue, along with a share of the priority parking revenue.

Finally, Mr. Goldfield pointed out that typically capital improvements would be a higher priority in a plan, but in this plan, they were made less important as a part of the negotiations.

He summarized the flow of funds through the arrangement. A schematic was presented.

Mr. Goldfield added that the City did not guarantee any of these bonds, but Assured Guaranty Municipal Corp. (AGM) and Dauphin County did.

Mr. Goldfield wondered if enough revenue was coming in, due to COVID, to cover the Series A Bonds, operations, and the Series B and C bonds. The plan was working pretty well through 2016, which was the last year that Mr. Goldfield has numbers.

Mr. Stonehill noted that Mr. Grover did provide the Board with a letter from the Pennsylvania Department of General Services indicating that they are renewing their lease of parking spaces for the next year, which is an important part of the plan.

Mr. Grover said that there is an interest and principal payment due in 2021. Therefore, this is a conversation, which every stakeholder needs to have in light of the pandemic.

Mr. Vartan asked if there was any additional downside risk for the City other than the lost of revenue from taxes and a share of parking payments and also inquired as to holders of the Series A bonds

Mr. Vartan asked if the parking system provides credit worthiness benefits for the City.

Mr. Grover added that what really helps in reestablishing the City's credit worthiness is a clearing of the City's legal status, such as exiting from Act 47.

	<p>Mr. Vartan concluded that the parking system is very important for the City; the interconnectedness between the parking system and economic development are closely related.</p> <p>Ms. Carter said that there are quite a number of puzzle pieces, but they are sharper in the Board's mind as a result of Mr. Goldfield's explanation. She hoped Mr. Goldfield would indulge the Board if anyone had questions going forward.</p>	
Report of Authority Manager	<p>Mr. Stonehill reported that he had attended a recent meeting of the City Audit Committee and the 2019 Comprehensive Annual Financial Report (CAFR) has not yet been completed. He noted that at the meeting, Mr. Bryan McCutcheon, of the Finance Department, indicated that the City had filed a notice with the Electronic Municipal Market Access (EMMA), a free website that provides investors with key information about municipal bonds, indicating that they had missed the U.S. Securities and Exchange Commission (SEC) deadline for submission of the CAFR, due to the impact of the pandemic, changing audit firms, and the departure of the City's Director of Finance. He added that the independent auditor indicated that they anticipate publication before the end of the year.</p> <p>Mr. Stonehill concluded that this is a very busy time of year and the report may be published around the same time as the proposed 2021 budget and the aforementioned proposed update to the Mayor's Five-Year Financial Plan. He added that there were discussions of a special joint meeting between the ICA and the Audit Committee to review the audit at the same time.</p>	
Other Business	<p>Mr. Grover commented on Ms. Kelley's revenue figures earlier in the meeting.</p> <p>Mr. Grover went on to explain that there has been progress on negotiating a settlement on the Ambac debt.</p> <p>He added that the City has settled one of the disputes involving the public works building on Paxton Street. The issue of just compensation for the building remains outstanding.</p> <p>Mr. Grover added that the City was alerted not to anticipate revenue from the parking arrangement in 2021.</p>	

	<p>Mr. Vartan asked about the performance of the Neighborhood Services Fund.</p> <p>Mr. Grover mentioned that the audit did discover a way the Neighborhood Services Fund was tracking revenue in years past. He said that he anticipates the need for a restatement as a result. He said there was not a huge drop-off of revenue although some commercial accounts, such as the hotels and the schools, obviously have had fewer collections this year.</p> <p>Mr. Vartan asked about intergovernmental agreements.</p> <p>Mr. Grover said that the Steelton trash arrangement has been solid for the City.</p> <p>Ms. Carter asked if they could see a summary of the Steelton arrangement.</p> <p>Mr. Grover added that the City has explored several alternatives to motivate Steelton customers to pay their trash bills on time. Not collecting is not an option. He believes ultimately a lien system is the most effective mechanism.</p> <p>Mr. Hill clarified that the City direct-bills Steelton customers for the residential trash collection under the agreement.</p> <p>Ms. MacNett asked about the public works building.</p> <p>Mr. Grover said the settlement payment is lump sum from the Neighborhood Services Fund.</p>	
Public Comments	Mr. Stonehill read and responded to a series of public comments submitted by Mr. Eric Epstein.	
Adjourn	At 5:19 p.m., on a motion by Mr. Vartan and a second by Mr. Hill, the Authority adjourned.	Adjournment approved 4-0

Respectfully submitted:

Jeffrey Stonehill, Authority Manager

ICA for Harrisburg

APPENDIX DOCUMENTS

Summary of Bills Paid – Intergovernmental Cooperation Authority for Harrisburg

Report – October 28, 2020

- Digital Ocean \$10.60 October 1, 2020
Website software licenses
- Digital Ocean \$5.72 October 3, 2020
Web Host
- Shaffer & Engle Law Offices, LLC \$480.00 October 28, 2020
Legal services
- Factory 44 \$24.00 October 28, 2020
IT Services
- Pietragallo Gordon Alfano Bosick and Raspanti LLP
Legal Services (Litigation) \$3,426.35 October 28, 2020

Starting balance: \$108,674.34

Ending balance: \$104,727.67

- Interest earnings Y-T-D \$16.71
- Fees Y-T-D \$ -0-

The following questions were submitted by Eric Epstein:

1) Please provide a summary of the status as well as expenses, invoices and updates on all litigation involving the ICA.

"Litigation is ongoing, there has been no action on the case in recent months. There has been one expense, dated October 28, 2020, for \$3,426.35 to insurance company legal counsel, named Pietragallo Gordon Alfano Bosick and Raspanti LLP. This is the only expense. I can provide you the cover page of the two invoices associated after today's meeting."

2) Has the ICA communicated to Senator Cosrta regarding the appointment of an ICA member? If so, please provide copies of all correspondence, documents and notes.

"There has been one letter and two emails. There is no update to report. I will provide you copies of that communication after today's meeting."

3) Please provide copies of all correspondence between the ICA and Dan Miller?

"There is no correspondence between the parties."

4) "Ms. Carter noted that the City had issued their 2020 mid-year financial report and members of the Board have reviewed it. Mr. Woolley was unable to attend this meeting. Questions were submitted to Marc Woolley and he has responded. She encouraged Charlie and Bill from the Controllers Office to add their thoughts. Ms. Carter asked for comments."

"This amounts to a request for a document that was provided by Mr. Woolley and I will respond with it after the meeting."

Please provide the responses to the questions that were submitted as well as a copy of Thoughts and responses to thoughts

"This was a verbal conversation and therefore there is no written record of questions and answers discussed."

5) "The second category of debt is the money that Ambac loaned the City to make its debt payments. They stepped in as the insurance company. He said that the rate on that debt is 6.75%. He said that the City has made no payments and the Ambac debt has risen from about \$20 million to \$25 million."

5a) Can the interest rate be renegotiated? Please provide a summary of the debt expansion from \$20 million to \$25million?

"This is a question for the City of Harrisburg, and therefore it should be asked of the City rather than the Commonwealth. The ICA is a Commonwealth agency. The debt is held by the City."

5b) Has a final agreement between Ambac and the City been executed? If so, please provide a copy of the Agreement.

"This is a question for the City of Harrisburg, and therefore it should be asked of the City rather than the Commonwealth. The ICA is a Commonwealth agency. The City can provide an update."

6) What is the shared vision of the City of Harrisburg and the ICA?

"Thank you for your question, please refer to our Mission and Priorities Statement on our website."



October 6, 2020

Mayor Eric Papenfuse
City of Harrisburg
10 North Second Street
Harrisburg, PA 17101-1678

RE: Master Parking Lease # 94542-1

Dear Mayor Papenfuse:

Please be advised that as set forth under Page Two, Paragraph Two of Vehicle Parking Lease Amendment 94542-1 executed on May 12, 2016, as between the Pennsylvania Economic Development Financing Authority (Lessor) and the Pennsylvania Department of General Services (Lessee or Commonwealth), the Commonwealth designates all of the 344 Discount Parking Spaces as Base Contract Spaces at the Contract Parking Rate as set forth in Exhibit "D" of the Lease for calendar year 2021 and assigned to commensurate facilities.

For calendar year 2021 the Department of General Services is fully utilizing the parking spaces required in the lease and will be paying the regular contract rate of \$222.79 for the 344 spaces that have the discount option. We will continue to review this option annually based on the Commonwealth's parking needs.

Please do not hesitate to contact me at (717) 787-4394 or via email at elchristia@pa.gov with any questions.

Sincerely,

A handwritten signature in black ink that reads "Elizabeth N. Christian". The signature is written in a cursive style.

Elizabeth N. Christian, Director

cc: Beverly Hudson, Deputy Secretary for Administration
Stephen Drizos, Executive Director, PEDFA
Karen Weiss, Office of the Budget
DGS Office of Chief Counsel
FILE

SCANNED
10/23/20

BUREAU OF REAL ESTATE

503 NORTH OFFICE BUILDING | HARRISBURG, PA 17125 | P 717.787.4394 | F 717.783.0570 | www.dgs.pa.gov

Municipal Financial Recovery

Act Harrisburg Strong Plan

City of Harrisburg



Prepared on behalf of the
Commonwealth of Pennsylvania

Department of Community and Economic Development
Governor's Center for Local Government Services

Originally Filed - February 6, 2012/Confirmed March 9, 2012
Harrisburg Strong Plan - Filed August 2013/Confirmed September 23, 2013
Modifications - Filed November 25, 2015/Updated February 25, 2016
Updated March 21, 2016

City for this program. The City has also come up with a creative use of loading zones for short term parkers for drop off and pick up needs at downtown businesses. Other programs are also currently being considered.

In addition to the hundreds of millions of dollars of up-front benefits derived from the parking monetization, the City is receiving very significant additional benefits in the form of annual cash flow from the parking monetization. The Strong Plan had estimated an increase in annual revenues to the City (inclusive of additional parking tax revenues) of in excess of \$3 million per year, and the City realized these additional benefits in 2014 See Parking - Table I below.

**Parking -
Table I**

Group	Account Description	2012	2013	2014	2015	Change	
						\$	%
Parking Taxes	MBP PARKING TAXES CURRENT	1,507,727	1,613,906	3,100,722	3,289,446	1,781,720	118.2
Parking Taxes	MBP PARKING FEE	13,513	13,271	16,721	11,573	-1,940	-14.4
Parking Fees	PARKING LICENSE FEE-PRIOR	784	476	3,266	2,131	1,347	171.8
Parking Fees	PARKING LICENSE FEE-PENAL	2,298	668	3,477	2,007	-291	-12.7
Parking Fees	TOWING FEES	27,775	24,954	28,360	21,665	-6,110	-22.0
Parking Fees	METER BAG RENTAL	171,576	149,706	62,834	21,504	-150,072	-87.5
Parking Fees	FINE AND COSTS	91,092	72,919	72,570	49,535	-41,557	-45.6
Parking Fees	BOOTING FEES	16,200	1,925	14,595	8,850	-7,350	-45.4
Parking Tickets	PARK TICKETS-VIO FINE	1,093,142	880,585	1,887,962	1,100,593	7,451	0.7
Priority Parking Distribution	PRIORITY PARKING DISTR.	0	0	587,286	527,900	527,900	100.0
Rental Income	HPA RENTAL INCOME	24,267	0	20,800	0	-24,267	-100.0
Hbg Prk Auth Coord Pkg	HBG PRK AUTH COORD PKG	250,000	0	0	0	-250,000	-100.0
	Total Parking Revenue	3,198,374	2,758,410	5,798,592	5,035,205	1,836,831	57.4

In 2015, while the general fund again benefited from additional parking cash flow, it was a disappointing year in that parking fine revenues collected were approximately \$1 million below projections.² Because of the successful conclusion of the Verizon Building project, and an increase in scheduled rates paid under the DGS Vehicle Lease (the Commonwealth had been guaranteed below market rates for the first two years of the lease), the City is projecting receipt of amounts that exceed the amounts projected in the Confirmed Strong Plan again for 2016. See Parking-Table II below.

² The PEDFA bonds were marketed three months after confirmation of the Strong Plan and contained their own set of projections which were used to market and sell the bonds. The parking revenue projections used to sell the bonds were projected for Guggenheim Securities by nationally recognized parking consultant Desman Associates. Because Dauphin County was guaranteeing a significant amount of the parking bonds and ultimately bore a substantial amount of risk, the County retained another nationally recognized parking consultant (Walker Parking Consultants) to review the projections. Assured Guaranty Municipal Corporation thoroughly vetted the projections prior to guaranteeing the parking bonds as well. Finally, City Council asked the Receiver if it could retain (and the office of the Receiver authorized the retention and agreed to pay over \$45,000 for this purpose) nationally known turnaround firm Alvarez & Marsal to review the numbers and identify the risks to the City. Based upon the express statements in the Alvarez and Marsal report, the City was informed in writing of certain risks including that the *“Level of uncertainty in the revenue projections is a risk for the City and the Creditors. Enforcement and meter increases are based on slim underlying data, and therefore carry higher variability in the forecast.”*

Parking – Table II

Amounts built into Addendum 1 of Strong Plan (\$ millions)				
	2014	2015	2016	
Line 1	\$ 1.10	\$ 1.10	\$ 1.10	Baseline Tickets and Fines
Line 1	\$ 3.20	\$ 3.20	\$ 3.20	Parking Taxes/ 20% of off-street; includes ≈\$1.4 m per year increase
Line 4	\$ 0.40	\$ 0.40	\$ 0.40	Priority payments under waterfall of Indenture
Line 5	<u>\$ 0.50</u>	<u>\$ 1.00</u>	<u>\$ 1.50</u>	Priority payments under waterfall of Indenture
TOTAL	<u>\$ 5.20</u>	<u>\$ 5.70</u>	<u>\$ 6.20</u>	

Strong Plan vs. Actual/Updated Projection (\$ millions)				
	2014	2015	2016	
Strong Plan	\$ 5.20	\$ 5.70	\$ 6.20	
Actual/Projected	<u>\$ 5.62</u>	<u>\$ 4.66</u>	<u>\$ 6.39</u>	
Difference	<u>\$ 0.42</u>	<u>\$ (1.04)</u>	<u>\$ 0.19</u>	

Notes:
 2014 Actual is based upon City financial statements; includes \$521 m in parking fines outside of Competing Parking Area; \$2 m from PEDFA and \$3.1 m of taxes.
 2015 is based upon City financial statements; assumes \$463 m in parking fines outside of Competing Parking Area; \$1 m from PEDFA and \$3.2 m of taxes.
 2016 is based upon City budget; assumes \$47 m in parking fines outside of Competing Parking Area; \$2.12 from PEDFA and \$3.8 m of taxes.
 Amount allocable to 2015 may be increased upon receipt of amounts owed with respect to 2015 parking.

The Asset Purchase Agreement and the Trust Indenture for the Parking Bond transaction were executed four months after the Strong Plan was filed with the Commonwealth Court and are not the projections relied upon by the Strong Plan. The provisions of those agreements were negotiated with credit enhancers and creditors and ultimately will allow for the City to receive 100% of the excess cash flow (after operating expenses and debt service) on a priority basis and prior to certain payments to Standard (SP+), Trimont, PEDFA, etc. These contractual provisions are not guaranteed amounts nor should they be used as forming a basis for the City's budget. These negotiated levels were designed to provide the City with some of the upside benefits of the parking transaction if, and only to the extent there are excess revenues. The Asset Manager has stated that the City payment schedule in the Asset Transfer Agreement will be followed to the extent the system generates sufficient revenues to meet debt service and operating expenses until such time as all parties agree to any change. The transaction was negotiated so that if the parking transaction was successful the City would share in the success. The intent was to have the incentives of the operator, asset manager and City focused on success and aligned.

Parking Taxes and Waterfall Payments

2014 Results of Operation.

As a direct result of the parking monetization, parking taxes to the City increased by approximately \$1.5 million, according to the 2014 audit. This was a result of using parking “acquisition” proceeds to repay the Harrisburg University Bonds and the HPA Series U Bonds (these bonds were repaid using upfront proceeds of the parking monetization).

In addition, the amount the City had collected from meter fines (\$880.6 K in 2013) was replaced with payments by PEDFA under the Indenture waterfall. See Parking – Table I above for the year over year comparison based upon the City's records.

The amount of waterfall payments was projected in the PEDFA operating budget and by the City to be \$2 million for 2014 and when taking into account amounts received in 2015 but, allocated to 2014, the City booked precisely that amount. When taken together, the increase in cash flow with respect to parking taxes and the waterfall resulted in a significant improvement in cash flow to the City (approximately \$3 million more to the City than prior to implementation of the parking monetization). This improvement in cash flow along with continuing fiscal restraint by the City's management enabled the City to not only

maintain a balanced budget in 2014, but also provided for an increase in its fund balance. The City was also able to adopt a balanced budget in 2015.

2015 Results of Parking Operations

Due in large part to the disappointing performance of fines and penalty revenues, payments to the City under the waterfall have declined from last year to approximately \$1.0 million paid through November 1, 2015. Tax revenues though continue to be \$1.5 million or more greater than in 2013, with \$3.3 million collected in 2015, so the combined benefit of the waterfall payments and the increased tax revenues resulted in the City receiving approximately \$2.5 million more from parking in 2015, as compared with 2013 (or pre-Strong Plan consummation) results of operation from parking.

- Transient revenue ran under budget (\$359,501) but was more than offset by higher meter revenues (\$764,008).
- Monthly contract revenues are for the most part on budget, but for delays in payment due to the Commonwealth of Pennsylvania not having an adopted budget for 2015-2016.
- Approximately 300 new occupants of the “Verizon Building” have begun drawing parking passes and generated additional revenue for the system in 2015 including additional Local Service Taxes paid to the City.
- Fines and penalty revenues are well below budget (\$1,567,951). A booting program will be initiated in the near future that should assist with parkers who disregard tickets issued.
- Operating Expenses came in slightly above budget for 2015.

CDM Smith Consulting Report. PEDFA engaged CDM Smith to undertake a review of operations as required under the Trust Indenture because the 125% debt service coverage ratio was not met in 2014. The coverage ratio was 122%. CDM Smith, the long-time consultant for the parking system was retained and provided the following findings to PEDFA at its October 21 meeting.

SP+

- *It is the opinion of CDM Smith that a much smoother handover from HPA to SP+ could have taken place, including temporarily hiring former HPA employees. Hence, we believe that SP+ management should have better planned for the transition from HPA to their firm. This transition also should have included more support from SP+ managers outside Harrisburg.*
- *It would have been difficult to completely mobilize because the transfer date was uncertain. Devoting resources in a standby capacity during the holiday season would have been difficult. Further complicating the transition period from HPA to SP+ was the company’s recent merger between Standard Parking and Central Parking becoming SP+.*
- *PK Harris also expressed concern with the on street parking enforcement equipment’s inability to allow a 5 minute grace period on parking meter violations. According to SP+, it is a technology issue, and the vendor has not provided a solution. A 5 minute grace period would engender some goodwill with downtown Harrisburg parkers. (The grace period has now been implemented)*

Enforcement Revenues - Lower than Projected.

- *There were two key actions SP+ needed from governmental agencies to be able to collect parking violation fine revenue. On May 27, 2014, SP+ received their Originating Agency Identifier (ORI) from the Pennsylvania State Police needed to complete their responsibilities in writing parking citations. On November 12, 2014, the City of Harrisburg passed Bill Number 16 Ordinance Number 13 of Session 2014 that raised the parking violation fee from \$14 to \$30, with an additional \$20 assessed if it is not paid in 96 hours.*
- *On July 22, 2015, Judge Richard Lewis ordered the Magisterial District Courts for the City of Harrisburg to not accept for filing any summons, citation, or other document charging an infraction where the violation occurred more than 365 days prior to such filing. Therefore, all tickets issued between January 2014 and July 22, 2014 were beyond the Statute of Limitations.*
- *Based on Judge Lewis’s July 22, 2015 Statute of Limitations decision, all parking tickets issued between January 1, 2014 and July 22 2014 are null and void.*
- *We believe that it would have been difficult to predict the difficulty in receiving the ORI from the State Police and the parking enforcement enabling law from the Harrisburg City Council. Those two actions, as well as the*

organization of AOPC in order to receive and process a large number of parking tickets, resulted in unexpected delays and ultimately a reduction in enforcement revenue.

- *Annual enforcement revenue generated from fines and penalties is expected to range from a low of \$1.5 million to a high of \$1.9 million once the system settles down and everything is working smoothly.*

Overall Performance.

- *The Park Harrisburg system underperformed slightly in 2014 because it produced a coverage of 1.22, and the Trust Indenture requires a 1.25 coverage. The 2015 coverage is projected to also fall below the 1.25 requirement. In 2014, the coverage would have been achieved had the system produced \$310,000 of additional net revenue. Unrecoverable enforcement revenue in the court system from January 2014 through July 2014 is estimated to be \$250,000. Recoverable income from August 2014 through December 2014 is estimated to be \$200,000. When the recoverable income is secured by SP+, the system's 2014 coverage should reach 1.24. We assume that the recoverable income will be applied to 2014 financial results.*

In the absence of the implementation of the Strong Plan, the City's obligations to repay the incinerator bonds, notes, swaps and other obligations would have been in excess of \$17.5 million in 2015, and the parking revenues would have been approximately \$2.5- \$3 million less, which would have resulted in an approximately \$20 million deficit (or, 33.7% structural deficit). As a result of the incinerator sale, the parking monetization and expenditure restraint, last year's budget saw a year end surplus which added to the fund balance of the City. This year there is a projected \$1,000,000 budget deficit (or 1.7%) based upon current cash flow estimates. Because the police, fire and non-uniformed employees will be receiving raises, increased health care payments and pension payments, and with limited revenue growth, a structural deficit may again begin to form, however the magnitude of such deficit will be far less, and management will have a variety of ways of addressing it.

The "Verizon Bond Problem" has been addressed.

The Verizon Bond Problem is described in greater detail in the Strong Plan, and originated from the fact that the so-called Verizon Bonds were issued as long term, capital appreciation bonds in 1998 to fill a budget shortfall of the City at the time. The assumption was that Verizon or someone would be a tenant in the building paying sufficient rent to pay approximately \$41.6 million of debt service from 2016 – 2033. The City of Harrisburg had guaranteed repayment of all the debt service on the Verizon Bonds. The Verizon lease ended prior to the requirement that debt service be paid. Therefore, if Verizon moved out prior to the debt service becoming due, which was expected in recent years, and actually occurred, and the building remained fallow, the City would be required to pay the entire \$41.6 million in debt service.

The Coordinator's team worked diligently with the various parties involved through 2014 and early 2015 to develop a viable resolution to this liability. The negotiation of a lease between Harristown Development Corporation (HDC) and DGS was a critical component to providing an ongoing revenue stream. The City's repayment obligations were also structured so as to make them affordable and provide it with capacity to borrow for capital improvements over the next several years.

The Mayor and City Council had been provided with an executive summary and periodic, in-person updates as to progress on the Verizon issue during late 2014 and early 2015. The summary provided details of how a tenant was procured, how a rental rate was negotiated, how a Commonwealth statute had to be changed to accommodate the move, how Harristown Development Corporation had to make concessions and procure an energy savings based loan for significant improvements to the building, the approval process involved, how the City's repayment obligations were structured in order to make them affordable and provide the City with the capacity to borrow for capital improvements beginning in the next several years, along with the summary of the Settlement Agreement entered into with Assured Guaranty Municipal Corporation (AGM). The Settlement Agreement was approved by the Court on March 13, 2015.

Benefits to the City

The benefits to the City of the arrangement that was consummated on January 30, 2015 include:

- The Commonwealth as a single tenant, with high credit rating and high likelihood of staying in Harrisburg entered into a 17 year lease (the entire repayment term of Verizon Bonds).
- HDC concessions and DGS willingness to make installment purchase payments provide significant reduction (expected to be in excess of a \$20 million reduction) in City repayment obligations.
- HDC is provided incentives to increase the subsidy of City debt service coming from lease payments.
- Property remains on the tax rolls generating real estate revenue.
- Over \$16 million in capital improvements are being made to the three buildings in the Strawberry Square complex.
- Significant energy savings improvements to reduce cost to Commonwealth and increase amounts available to City.