



**STEVENS & LEE**  
A PROFESSIONAL CORPORATION

September 12, 2011

The Honorable Linda Thompson  
Mayor of the City of Harrisburg  
Dr. Martin Luther King, Jr. Government Center  
10 North 2nd Street  
Harrisburg, PA 17101

Mayor Thompson:

We are pleased to provide further clarification of the calculation and source of the "stranded debt" or non-asset bonded debt that was a component of the debt solution in our Recovery Plan presented to the City on July 8, 2011. Because of this request, I discussed the assumptions used and expected results of our July 8, 2011, debt solution with other team members.

The Recovery Plan dated July 8, 2011, contained a table (page 57) that outlined sources of funds including \$244,000,000 from the sale of the Resource Recovery Facility (RRF) and the monetization of the Parking Authority's assets. This valuation was estimated based on the independent offer from the Lancaster County Solid Waste Management for the RRF and the independent valuation of the parking assets by Wilbur Smith Associates. In addition to these sources, we also estimated sources from a legal settlement, available operating reserves, a Commonwealth grant, and new debt from the City and others; the total sources available are listed at \$313,219,542. The July 8, 2011, Recovery Plan also listed the estimated uses of these funds (page 58) including the payment of bonds outstanding, loans outstanding, capital improvements to the RRF, and a transfer to the City for 2011 expenses. These uses total \$312,657,199. The calculation of "stranded debt" or non-asset bonded debt was based on the difference expected between the estimated sources and uses of these funds to eliminate the debt associated with the RRF.

We believe that the assumptions used in our calculation of the possible stranded debt remain valid today. In your Recovery Plan submitted to the City Clerk on August 22, 2011, the table of sources was changed to reflect your approach to gain additional funds as sources to eliminate the \$26,000,000 in "stranded debt"; the table of uses was changed to reflect a higher amount of Parking Authority rental payments. With the exception of the anticipated elimination of the "stranded debt" through additional contributions or additional taxes and the higher payment to the City, the sources and uses in the August 22, 2011, Recovery Plan filed by you are the same as contained in the initial July 8, 2011, Recovery Plan.

While the sources of funds are different between the Mayor's August Recovery Plan and our Recovery Plan of July 2011, the basic assumptions as to the value of the assets that are possible and the uses of these funds to eliminate the City's RRF debt responsibility are still appropriate.

I hope that the preceding explanation presents the "stranded debt" in the proper context for your continued efforts to eliminate the City's RRF debt obligations through an adopted Act 47 Recovery Plan.

Please contact me or Julia Novak from our team if you have any further questions.

Sincerely,



Gerald Cross

Pennsylvania Economy League Central PA Division