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City of Harrisburg Office of the City Solicitor

Friday, November 11, 2011

Holly Horn
AGM
31 West 52nd Street
New York, NY 10019
Via Fax at (212) 581-3268; email: hhorn@assuredguaranty.com

Dauphin County Commissioners
c/o Charles B. Zwally, Esq.
Mette, Evans & Woodside
3401 N. Front Street
PO Box 5950
Harrisburg, PA 17110
Via Fax at (717) 236-1816; email: njchristensen@mette.com

Paul Stauder, Senior Vice President
Of Domestic Business Management
Covanta Energy Corporation
40 Lane Road
Fairfield, NJ 07004
Via Email: pstauder@covantaenergy.com

Joan Allman, 1st Vice President
AMBAC Assurance Corporation
One State Street Plaza
New York, NY 10004
Via Fax at (212) 797-5725; email: jallman@ambac.com

RE: City of Harrisburg Consent Agreement


Dear Ladies and Gentlemen:

Attached, please find a proposed Consent Agreement containing the terms by which the City of Harrisburg would adopt the Act 47 Plan proposed and submitted by the Act 47 Coordinators on July 8, 2011, if agreed to by the major creditors and a majority of City Council. Please be aware that Mayor Thompson and the three City Council members, whose signatures are provided, are supportive of the attached proposal and are prepared to vote on it Monday evening, subject to the approval of the major creditors. If a fourth Council signature can be obtained, the attached Consent Agreement would become the City's Act 47 Recovery Plan, subject to further approval by the Secretary of the Commonwealth Department of Community and Economic Development. The City has made what amount to painful concessions in working towards a viable solution. We trust that each of you will seriously consider these proposals in ultimately arriving at a solution.

We are prepared to meet, in person or by conference call, representatives from each of your organizations, who are authorized to make decisions on your behalf, to discuss and further negotiate these matters. Once again we remind you that the City must finalize this agreement by Monday evening, November 14, 2011. We eagerly await your responses to this letter.

Any responses to this letter can be sent to Office of the City Solicitor at fax number (717) 255-3056, to jhess@cityofhbg.com, or by calling (717) 255-3065 or (717) 773-0427. We eagerly await your reply to this letter.

Sincerely,



Jason M. Hess

Cc: Frederick Reddig, DCED
Royce Morris, Esq.
Timothy Anderson, Esq.

CITY OF HARRISBURG CONSENT AGREEMENT
BETWEEN MAYOR LINDA THOMPSON AND
HARRISBURG CITY COUNCIL

Pursuant to § 607 of the Municipalities Financial Recovery Act, The Mayor and City Council of the City of Harrisburg adopt as its Consent Agreement the Financial Recovery Plan prepared by the Act 47 Coordinators appointed by the Commonwealth of PA Department of Community and Economic Development (DCED) and submitted to the City of Harrisburg on July 8, 2011 (hereinafter, "DCED Plan"), which is incorporated herein by reference, with the following additions, modifications, and stipulations:

- (1) The City agrees that it shall sell **the Harrisburg Authority's Resource Recovery Facility ("Incinerator")** and lease **the Harrisburg Parking Authority's parking garages to eliminate the City's debt related to the City's guarantees of RRF bonds issued by the Harrisburg Authority (THA) and the bonds issued by the Harrisburg Parking Authority (HPA) related to the parking garages**, subject to general compliance with the terms of Resolution 25 of 2010 (attached hereto as Exhibit "A" and incorporated herein by reference), with the caveat that Paragraph 2 of Resolution 25 of 2010 requires only that the Harrisburg Authority continue to make a good faith effort to complete the forensic audit with monthly updates to the City and the additional caveat that the 30-year lease limit is flexible. The City shall also make a good faith effort to work with THA in implementing the recommendations made as a result of the forensic audit. The City shall work as expeditiously as possible to begin the process of soliciting bids for the disposition of City assets as described above and to move the process forward towards completion.

- (2) The stranded debt, defined as the remainder of (1) the Guaranteed THA Resource Recovery Facility Debt - Series 1998, 2002, 2003 (p. 48 of DCED Plan) + (2) the Guaranteed Parking Authority Debt (p. 48 of DCED Plan) + (3) the Covanta Loan debt (p. 50 of DCED Plan) + (4) the County Working Capital (p. 50 of DCED Plan), after the disposition of the City's above-mentioned assets, as outlined in Paragraph (1) shall be forgiven by each of the City's major creditors indicated below up to a maximum of \$60 Million according to the following percentages:
 - a. Assured Guaranty - 50%
 - b. Dauphin County - 40%
 - c. Covanta - 5%

d. AMBAC - 5%

- (3) The City shall assume 20% of any stranded debt, as defined in Paragraph (2), exceeding \$60 million. The remaining portion of such "stranded debt" shall be borne by the following major creditors, according to the following percentages:
 - a. Assured Guaranty - 40%
 - b. Dauphin County - 32%
 - c. Covanta - 4%
 - d. AMBAC - 4%
- (4) All other concessions given by the creditors named in Paragraph (2) and Paragraph (3) contained with the DCED Plan remain in place.
- (5) In no event shall the Creditors mentioned in paragraphs (2) and (3) be responsible for any debt forgiveness beyond the elimination of stranded debt, as defined in paragraph (2), except as provided in paragraph (4).
- (6) In order to help fill the revenue loss gap in the City's annual budget, the Commonwealth maintains its commitment to provide \$2.5 Million annually to the City, along with the other commitments as outlined in its letter from Governor Corbett to Mayor Thompson of August 23, 2011 (Attached hereto as Exhibit "B" and incorporated by reference).
- (7) Dauphin County commits to providing \$3 million annually for years 2012 to 2016 to the City in gaming revenue grants, subject to the City's submission of timely applications for purposes permitted according to the regulations governing the use of gaming revenue grants.
- (8) The Commonwealth of Pennsylvania commits to providing the approximately \$500,000 as outlined in Appendix C of the DCED Plan, in addition to approximately \$400,000 for labor Council to assist the City in renegotiating labor contracts.
- (9) This Consent Agreement is conditioned upon the approval of the major creditors indicated in Paragraphs (2) and (3).

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

By signing this document, I hereby accept the terms associated with the Consent Agreement outlined above. I understand that I will act within the authority of my elected position within the City in following through with the provisions contained in the Final Consent Agreement.



Linda Thompson, Mayor

Date

11-11-11



Gloria Martin-Roberts, Council President

Date

Nov. 11, 2011



Patty Kim, Council Vice President

Date

11-11-11

Brad Koplinski, Councilmember

Date

Eugenia Smith, Councilmember

Date



Kelly Summerford, Councilmember

Date

11-11-2011

Wanda Williams, Councilmember

Date

Susan Brown-Wilson, Councilmember

Date