

**METTE, EVANS & WOODSIDE**

A PROFESSIONAL CORPORATION  
ATTORNEYS AT LAW

3401 NORTH FRONT STREET  
P.O. BOX 5950  
HARRISBURG, PA 17110-0950

IRS NO.  
23-1985005

TELEPHONE FACSIMILE  
(717) 232-5000 (717) 236-1816

TOLL FREE: 1-800-962-5097

[HTTP://WWW.METTE.COM](http://www.mette.com)

HOWELL C. METTE  
ROBERT MOORE  
CHARLES B. ZWALLY  
PETER J. RESSLER  
JAMES A. ULSH  
JEFFREY A. ERNICO

MARY ALICE BUSBY  
KATHRYN L. SIMPSON  
THOMAS F. SMIDA  
PAULA J. LEICHT  
TIMOTHY A. HOY  
HENRY W. VAN ECK

MARK D. HIPP  
RONALD L. FINCK  
RANDALL G. HURST\*  
MELISSA L. VAN ECK  
HEATHER Z. KELLY  
AARON T. DOMOTO

JAMES W. EVANS  
1926 - 2008

\* MARYLAND BAR

November 9, 2011

Jason M. Hess, Esquire  
City of Harrisburg  
Office of the City Solicitor  
City Government Center  
10 North Second Street, Suite 402  
Harrisburg, PA 17101

VIA E-MAIL AND FACSIMILE

**RE: City of Harrisburg Consent Agreement**

Dear Mr. Hess:

We are responding on behalf of the Dauphin County Commissioners (the "County") to your letter dated November 8, 2011, setting forth certain terms for a Consent Agreement pursuant to Section 607 of the Amended Municipalities Financial Recovery Act ("Act 47"). The terms set forth in your letter are not satisfactory to the County; however, the County will pursue a proposed consent agreement with the City and other creditors as indicated herein.

First, we understand that the basis for the Consent Agreement is the July 8, 2011 Act 47 Plan prepared by DCED's Plan Coordinator (referenced as the "July 8 Plan" in your letter). The July 8 Plan is either misunderstood or is not properly reflected in your proposal. We suggest the following clarifications:

(1) The term "Stranded Debt" should be defined. We understand the term, as you have used it, to mean the amount of funds required to satisfy all City obligations and outstanding bonds related to the RRF that remain unpaid following application of (i) the proceeds of the sale of the parking system and the RRF, and (ii) other available funds as referenced in the July 8 Plan. (See Sources and Uses at pp. 57-58.) Frequently, the City has referenced the \$26 million GO bond issue proposed by the July 8 Plan as "Stranded Debt"; this is incorrect. The \$26 million is only the City's share of "Stranded Debt" under the July 8 Plan. The remaining portion of "Stranded Debt" is the \$25 million of subordinated debt to be issued by the Lancaster County Solid Waste

November 9, 2011

Page 2

Management Authority ("LCSWMA") upon acquisition of the RRF. Based upon our discussions with LCSWMA, the subordinated debt will be payable, if at all, only from surplus revenues and it is likely that at maturity the amount thereof guaranteed by the County will have to be paid by the County. Thus, under the July 8 Plan the "Stranded Debt" is a total of \$51 million of which amount \$26 million is allocated to the City. Furthermore, contrary to the suggestion made at our recent meeting, the CIT obligation should not be included within "Stranded Debt"; it is not an obligation of the City and at this time it is not an obligation of the RRF.<sup>1</sup>

(2) Your proposal for allocation of "Stranded Debt" fails to reflect the contributions and obligations to which the County committed in the July 8 Plan. It is as a result of these commitments that LCSWMA increased its proposal to purchase the RRF from \$45 million to the \$124 million included in the July 8 Plan. The County's commitments are detailed in an attachment to our letter dated June 17, 2011 which is attached as an appendix to the July 8 Plan. These commitments total approximately \$62 million over twenty years.

Accordingly, you are hereby advised that the County will consider participation in an equitable allocation of any "Stranded Debt" as defined herein among the City and all of the major creditors referenced in your letter, based upon the following:

(1) The County's share of responsibility for "Stranded Debt" shall reflect the contributions and obligations previously made under the July 8 Plan;

(2) The Consent Agreement shall set forth the obligations of the City, The Harrisburg Authority and the Harrisburg Parking Authority to sell or lease the parking system and the sale of the RRF based upon the LCSWMA proposal (or any comparable proposal approved by the County) upon terms which will provide net proceeds from the sales/leases at least in the amounts set forth in the July 8 Plan.

(3) The Consent Agreement shall provide that a consummation of the sales shall occur within a specific period of time. We propose six months from the date of the Consent Agreement.

(4) The Consent Agreement shall provide the percentages of "Stranded Debt" to be shared by all major creditors and the City.

(5) The County will reconsider its proposed grant of gaming funds in the amount of \$2 million per year for five years based upon the budget impact of the

---

<sup>1</sup> The CIT claim is \$30 million; the claim is subject to litigation in the federal court. The outcome is uncertain and may result in 0 recovery or a judgment of \$30 million. There is also uncertainty as to whether the claim will be payable from RRF revenues. Under the circumstances, the Consent Agreement should include arrangements to resolve the CIT claim, with input from LCSWMA, which has a stake in the outcome.

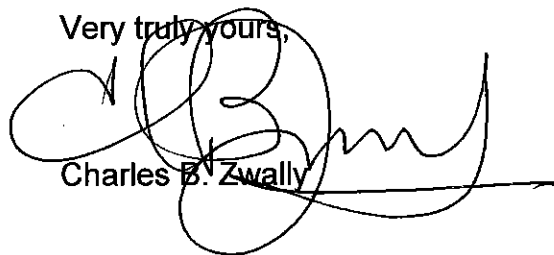
November 9, 2011  
Page 3

Consent Agreement including the City's share of "Stranded Debt." Any such grants may be limited to use for public safety purposes.

(6) Certain of the "conditions precedent" set forth in City Council's Resolution No. 25 of 2010 are inconsistent with the need to reach a consent agreement within the requirements set forth herein.

Should you have any questions concerning any of these matters, please do not hesitate to contact the undersigned.

Very truly yours,

A handwritten signature in black ink, appearing to be "Charles B. Zwally", written over a horizontal line. The signature is stylized and somewhat cursive.

Charles B. Zwally

CBZ:njc

cc: The Honorable Jeffrey Haste, Chairman (via e-mail)  
The Honorable George P. Hartwick, III (via e-mail)  
The Honorable Mike Pries (via e-mail)  
Jay Wenger (via e-mail)