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**COMMENTS OF
DEBT WATCH HARRISBURG
IN ACCORDANCE WITH
THE MUNICIPAL FINANCIAL RECOVERY ACT
ON THE
PROPOSED RECOVERY PLAN FOR
THE CITY OF HARRISBURG
June 28, 2011**

I. DEADLINE FOR PUBLIC COMMENTS UNFAIRLY RESTRICTED

On June 13, 2011, the Coordinators appointed by the Pennsylvania Department of Community and Economic Development (DCED), caused a proposed Recovery Plan to be filed with the Secretary of DCED and the City Clerk of Harrisburg. The Act 47 Team then required all written or oral Comments to be due by June 28, 2011.

The Act 47 Team and DCED previewed at least some recommendations and/or negotiated some its provisions with persons or entities outside the four (4) separate entities that make up the Act 47 Team, as confirmed by public statements and discussions since the filing. They did not similarly preview these recommendations with the general public, our organization or our local elected municipal officials, and so provided some creditors with a preview to prepare their response but did not do so for the public. This is inherently unfair.

It is worthy to recall that the approval of Mayor Thompson's Application for distressed municipality status under Act 47 was approved by the Secretary of DCED in mid-December 2010. An initial "emergency" appointment of Mr. O'Donnell occurred in late 2010, with the full Team was on board and appointed by the Secretary by early January 2011. The Secretary, DCED and the Act 47 Team together managed to extend the statutory time to craft a Plan to address these complex problems far beyond the 90-day statutory limit, by first approving pay vouchers or purchase orders to fund the

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professional work at hand and leaving the execution of the required formal Contract to begin in February. The last necessary signature from the Commonwealth was not set down until on or about April 4. This effectively provided the Team 8-10 extra weeks to draft a plan.

This recitation is presented to assist everyone's understanding of what should be obvious: this public has not been provided enough time. We need time to review the Team's 422-page Proposal, time to determine its full impact and time to draft full, meaningful comments that address the impact of these proposals on our lives. DCED and the Act 47 Team were able to work in tandem to afford themselves more time. So too can they find a way to afford us more time. Accordingly, the Act 27 Coordinators should not ADJOURN the June 28 Public Meeting, but instead take a formal recess of the proceeding so as to keep the record open for additional ORAL AND WRITTEN COMMENTS to be received at a later specified date. We propose an additional 15 days.

II. FACTUAL ERRORS and FAILED INVESTIGATION

The June 13 Proposed Plan contains numerous factual errors and gaps in required information. Some errors are minor, some material in nature. On page 47, before stating initial conclusions, the Proposal reports that:

In preparation of Recovery Plan, the Act 47 Coordinator has requested large quantities of financial and other data from the City of Harrisburg. Because of time and other practical constraints, the Act 47 Coordinator has not independently verified the accuracy or completeness of the data. In certain cases the data received seemed to be inconsistent or incomplete. In other cases, the data and information was either not available or readily available for the required analysis. Therefore, either secondary sources or best estimates were utilized.

With this disclaimer of reliability in mind, the task of coordinating constructive comments has proven impossible, as readers have been unable to glean from the Act 47 report which of the cited details are grounded on actual reliable data. This has been exacerbated by a plethora of complaints and oral comments from individuals with knowledge of some given topic(s) set forth in the report, citing misstatements of the facts in the document.

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There are too many to absorb and report, but examples include the statutory permissible limits on Game Commission payments for use or lease of land (\$400 per acre instead of \$1500); what public or private entity holds actual title to lands or other property; the amount of NEW TAXES to be payable by mot local residents just from the face of the report; the fact that the report requires that the local government NOT pass on savings from any reduction in trash rates to the City; the dates of events; the statutory role and powers of this body; the number of employees; and much more.

The public requires accurate information to make informed decisions. It has been a series of past decisions that ignored or overlooked the facts that brought Harrisburg to this catastrophic tipping point. The Team should continue their research, independently determine and confirm all the facts they rely upon in their decision making, and reissue their recommendations in a modified report.

III. DEBT WATCH HARRISBURG'S OBJECTIVES

DWH has been attempting to introduce reason and a practical approach to this financial crisis. We have demanded the taxpayers' interest should be the foremost consideration in addressing the crisis. We expressly asked to meet with representatives from each entity of the Act 47 Team and to be advised how the Coordinators' was proceeding and viewing the problem. The Team sent Robert O'Donnell to pacify our request, while extensively meeting with outside legal counsel for Dauphin County and others.

We expressed our concern that the sale or lease of the garage system in its current monopoly configuration was bad policy and an outright betrayal of the interests of local citizens, business owners and taxpayers. We expressed that any sale of the Resource Recovery Facility (RRF) in a manner that left local taxpayers on the hook for unfunded stranded debt payments was a formula for further harm to the City. We outlined a multi-pronged structure for a rational approach to negotiating and resolving the crisis, which required exercising the actual power of government to bring all responsible parties to a negotiation table to forge a practical result on the basis of the assets, liabilities, rights, defenses and of the parties.

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Our approach, our interests, our concerns and our recommendations may have received politically correct lip service, but in fact the Act 47 Team has rejected the taxpayer as someone with whom they must concern themselves. Somehow, the Coordinators have misconstrued their job description as finding out what the creditors of Harrisburg want to happen and then helping those creditors.

This approach will not benefit the City, save the City or correct te problems that plaque the City. The report demonstrates a remarkable absence of insight, imagination or courage when addressing the Harrisburg Debt Crisis. It is a regurgitated, consultant report ripped from the pages of past consultant reports.

Moreover, the Act 47 Term, DCED or both were involved in circulating a Term Sheet to "secure" an outline of commitments in principal from various stakeholders and interested parties or bidders. The Team did not make the document or its terms part of the Plan, meaning that the public remains purposely uninformed on the steps to be taken by the Act 47 Team.

We seek candor. We seek non-politicalization of the creation of a Solution. That has not happened.

IV. FAILED DESIGN OF A PLAN

The details outlined in the Proposed Act 47 Plan are unworkable. The Plan repeatedly relies on bad facts and offers incomplete information. The Plan repeatedly proposes action steps for which it cannot determine in any way the anticipated economic impact for Harrisburg. Will the step save money, cost us more money or be revenue neutral? The Team does not attempt to predict the impacts, yet concludes overall these steps somehow must make the City on the road to fiscal recovery.

V. **OTHER OPTIONS**

The City of Harrisburg has other options.

- The City can reorganize its parking system so that it generates significantly more revenue, while not transferring a public asset to purely profit-driven private investors. By itself, that reorganization, with rational rate and fine increases, can close the entire structural budget gap of Harrisburg.
- The City can transfer control of the Parking System to a nonprofit consortium, to generate up-front payments to pay toward larger debt service obligations such as the guaranties on the RRF. This would maintain the public interest nature of our parking system and secure streams of revenue for the consortium to aid local services to the public, relieving the City itself from some of those constant demands.
- The City can take back the RRF under the Municipal Authorities Act, thereby helping to instantly salvage The Harrisburg Authority so that it can proceed with its other public functions in an unencumbered manner.
- The City can cease providing public services to all other governmental bodies who do not contribute the actual fair value of those services, including police, fire and sanitation.
- The City could consolidate its law enforcement services with the Capital police, saving on the costs of fleets, training, personnel and overtime.
- A dedicated 1% or less sales tax could be implemented with a sunshine provision to raise dedicated, restricted funds at the City, County or regional level. This would address not only the debt issue, but other needs for securing funds for roads, schools, and emergency services.

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- The City could implement a long term plan for the slow transfer of public parking facilities to the private sector, one (1) or two (2) per year. This will create a competitive market for not only the buildings, but for the price of parking in our area.
- The City could turn its development attention away from pure office space and move to cluster particular industries here in the City with the significant open, unused spaces throughout the City, such as pharmaceutical companies, medical supply distributors, computer and electronic research houses and developers and more. It would be a future driven, long-term focus.
- The City could move for aggressive exercise of annexation rights on neighboring communities who utilize City services and monies.

DWH is not suggesting the adoption of the entire list of the above options. In fact, we cannot determine what options were considered, vetted and rejected by the Act 47 Team. The list is not intended to be exhaustive. We understand some of these ideas were suggested. We are NOT claiming each of these ideas are options we want implemented. We are simply pointing to these possibilities as potential components of a complete recovery plan. We need to work through these proposals in more detail, just as you as paid professionals on the Act 47 Team have been hired to work through the options.

Likewise, we do not reject all of the options and steps in the Proposal. But the Proposal as a whole does not work. It must be re-worked. It must be future looking. It must not pray for the pardon of creditors, but take a hardline with those entities who have paid their lobbyist to drop the lion's share of the costs of this debacle on the doorsteps of City residents, as they exit to their suburban enclaves. If that reworking does not happen, in all likelihood, the City will likely lose most of the taxpaying residents a long time before the Act 47 control comes to an end, which means Act 47 control will never end.

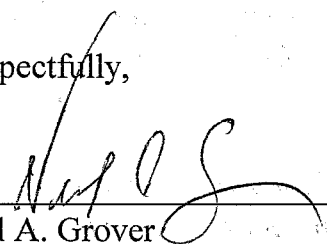
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These Comments are incomplete in drafting, construction and recommendations. This is directly because of the time constraints placed upon the public. Therefore, we must request additional time to fully comment and respond and so hereby expressly reserve the right to do so.

Respectfully,

By: 
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Counsel for Debt Watch Harrisburg