



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

November 3, 2015

The Honorable Eric Papenfuse, Mayor
City of Harrisburg
Rev. Dr. Martin Luther King Jr. Government Center
10 North Second Street
Harrisburg, PA 17101

Dear Mayor Papenfuse:

I write as a follow-up to the comments you provided to the Pennsylvania Economic Development Financing Authority Board at its October 21, 2015 meeting.

The team dedicated to supporting the City of Harrisburg's recovery efforts is committed to providing the highest level of professional assistance. Given this fact, we take any allegations of fraud very seriously. That is why we were distressed by your comments implying that the Pennsylvania Economic Development Financing Authority (PEDFA), the Receiver, the Coordinator, and other supporting entities intentionally misrepresented the parking revenue projections. Those implications were unsubstantiated and are categorically untrue.

Parking revenues were projected and reviewed by a number of nationally recognized companies and consultants including a review on behalf of Dauphin County and Assured Guaranty prior to guaranteeing the parking bonds. Additionally, Harrisburg City Council worked with another external consultant to review the numbers in order to identify the risks to the City at which time it was informed of the level of uncertainty in the revenue projection because of the limited data available.

The Receiver, Coordinator, PEDFA, and the entire recovery team have made great strides on the City's behalf to ensure the highest yield possible from parking revenues, recognizing that cash flow is critical to the City. Indeed while the Commonwealth, Receiver and Coordinator did not create the projections, the Receiver's Team fought hard to make sure that the payments to the City were the top priority after payment of debt service on the bonds – even before the remaining payments to the parking operator, the asset manager and PEDFA itself. The parking transaction was a key element in securing the financial stability of the City. Thus, we were pleased that the revenues generated by parking in 2014 were sufficient to make all debt service payments on the PEDFA bonds on time, and will continue to do so throughout the rest of 2015. So, even though the Commonwealth Court-approved Harrisburg Strong Plan will require modifications moving forward, the parking transaction will continue to be a significant revenue-generating part of the plan. We count the parking piece as a long-term win for the City of Harrisburg.

Before the Harrisburg Strong Plan was implemented, the City was losing approximately \$1.6 million per year in parking taxes that should have been going to the general fund, even though it was diverted to pay principal and interest on the Harrisburg University and HPA bonds. It was also only receiving approximately \$250,000 per year in parking revenue. By comparison, this year, the City is on target to receive \$3.2 million in parking tax revenue. This significant increase, combined with the waterfall payments, have resulted in approximately \$2.2 million more being infused into the City than before parking monetization was implemented -- a considerable improvement for the City's cash flow.

We acknowledge that, due in large part to the disappointing performance of fines and penalty revenues, waterfall payments to the City have declined from last year and are less than what we projected.

However, we want to make it very clear that our projections were never fraudulently established. Initial projections were based on the information available at that time and require modifications based on actual performance. Now, armed with nearly two years of actual data, we are in a better position to amend the Strong Plan with new projections through 2018 as required through the amendments to Act 47 enacted in 2014.

As the CDM Smith report illustrated, the late enactment of the City's revised ordinances delayed ticket processing, which ultimately led to unrecoverable revenue and a delay in the receipt of hundreds of thousands of additional recoverable revenue for the City. Now that those issues have been resolved and the infrastructure is in place to support ticket processing, the City will be able to make the most of those revenues moving forward.

Looking ahead to 2016, our outlook remains positive as the Verizon Tower will be fully occupied, adding an estimated 765 vehicles to the parking system. This move will increase Local Services Tax revenues by approximately \$46,000 per year, increase the revenue to the system by an estimated \$1.65 million per year under the DGS Vehicle lease, increase parking tax collections for the City by approximately \$330,000 annually, and should increase economic activity in the downtown area.

I also want to emphasize the significant and ongoing participation by a number of state agencies in partnering together with the City to further its recovery efforts. This includes DGS's involvement with the power purchase agreement, long term parking agreement, assistance with public safety and the lease for and relocation of employees to the Verizon Tower, PennDOT's \$10 million allocation to the City for street related projects and their willingness to make a substantial investment in the Harrisburg Transportation Center, the Historical and Museum's commitment to build a new facility in the City as well as my Department's allocation of \$4.5 million in public safety funding, and the ongoing technical assistance provided by the Coordinator and the entire Act 47 team.

I hope you agree that the City of Harrisburg is in a much better place financially today than it was before the Harrisburg Strong Plan was developed and implemented. We have every reason to remain positive as we look to the future. We appreciate the work done by CREDC on PEDFA's behalf thus far and look forward to coming to the table with all parties related to the City's recovery efforts to review the actual data and will provide new projections.

We appreciate your willingness to offer your services and assistance as we address further enhancements to the parking system and the modifications to the Strong Plan that will move the City towards a path of sustainability. No one in Pennsylvania succeeds if the Strong Plan fails and that is why we must all do everything within our power to ensure that Harrisburg remains on a path that leads to strong fiscal stability for years to come.

Sincerely,



Dennis M. Davin
Chairman
PEDFA

cc: PEDFA Board Members
Scott Dunkleberger, Deputy Secretary
Stephen Drizos, Executive Director