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Pennsylvania Sues Over Troubled Harrisburg Incinerator Bond Deals.

NEW YORK (Reuters) – Pennsylvania Governor Tom Wolf’s administration on Monday sued an array of financial, legal and other professional firms over their involvement in a 15-year-old incinerator upgrade project that nearly bankrupted the state capital, Harrisburg.

The state sued RBC Capital Markets, Buchanan Ingersoll & Rooney PC, Public Financial Management Inc (PFM) and others over the 2003 ill-fated trash-to-energy project, which saddled the city with more than \$360 million of debt.

The city filed for bankruptcy in 2011 but the case was later thrown out. In its time, Harrisburg’s debt saga was the most dramatic episode in U.S. public finance, coming before both Detroit and Puerto Rico filed their respective bankruptcies.

“It is time to hold those responsible for the failed incinerator debt scheme accountable and recoup the taxpayer dollars wasted by their negligence and deception,” Wolf said in a statement.

In their push to close bond deals so they could be paid, the professionals named in the lawsuit, dubbed the Working Group, misled the city by providing false information and concealing important facts, according to the complaint.

The city backed the bonds used to finance the project. After the bonds defaulted, the city was forced into the state’s first and only municipal receivership – paid for by state and local taxpayers.

A spokeswoman for RBC declined to comment. Representatives of Buchanan Ingersoll & Rooney and PFM did not immediately respond to emails seeking comment.

Eckert Seamans, which provided legal advice to underwriters of the 2003 bonds and in 2007 to the authority that issued the bonds, said on Monday that it had cooperated fully with investigations over the years “because we are confident that the firm represented its clients professionally, competently, and ethically.” “We will vigorously defend our service to our clients and aggressively fight these unfounded allegations,” the firm’s Chief Executive Officer Timothy Hudak said in a statement.

The state seeks punitive damages, with interest.

Adding to taxpayer frustration was the case of Stephen Reed, who was mayor at the time and who ended his 28-year tenure in 2010.

Reed was charged in 2015 with hundreds of criminal counts for using some bond proceeds to travel the country and buy a bizarre list of roughly 10,000 artifacts, including a sarcophagus, a suit of armor and a “vampire hunting kit,” that he said were destined for museums.

Last year he pleaded guilty and received probation to a shortened list of charges.

BY HILARY RUSS

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