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The Harrisburg Debt Deal: Who Gets What.

It's easy to label the series of agreements, contracts and bonds executed Monday as "the deal" — but it's actually a myriad of smaller, interlocking agreements among the various stakeholders involved in Harrisburg's financial crisis.

The following is a series of capsules for each stakeholder, what they get out of the deal and how it changes their relationship to Harrisburg.

Dauphin County and AGM:

Harrisburg has agreed that city attorneys won't pursue claims against Dauphin County and Assured Guaranty Municipal Corp. related to the incinerator financings responsible for \$362.5 million of Harrisburg's debt.

That's significant, given the clamor for accountability for those involved — and they included county officials and AGM representatives.

Quantifying the value of something like that is close to impossible, though, so it's illustrates why gains and losses realized by parties to Harrisburg's debt plan cannot completely explain the up-front cash settlements covered by a \$424 million bond deals closing Monday.

Some of the nuances didn't come up until the very end of negotiations.

The new items deal mainly with AGM and Dauphin County, and are detailed in their joint settlement with the city and the authority.

They included:

Indemnification from claims related to the incinerator financings. In exchange, AGM and the county had to grant the same to the city and the Harrisburg Authority.

Abandonment of pursuit of legal fee reimbursements and other remedies from the city and the Harrisburg Authority estimated at \$18 million.

Up to \$15 million in shares of related civil claims against other parties that Harrisburg's receiver has pledged to pursue.

Up to \$6.7 million to the two parties during the next five years through an agreement with the state Department of Transportation that replaces the unrealized fuel tax scheme mentioned in the city's debt plan filed in August. Annual amount up to \$1.3 million per year or a percentage that corresponds to the up to \$2 million annual value of state's investment in Harrisburg's roads, bridges and other infrastructure.

All of that is in addition to the \$233 million up front to settle their combined claims of \$302 million, and AGM's \$3.2 million bond insurance contract.

The pair's other potential benefits and liabilities include:

\$97 million through a revenue-sharing agreement that begins 15 years from now if parking system cash flow projections bear out.

Parking bond guaranty making the company and county taxpayers responsible for debt repayments if the parking system doesn't generate enough money. Long-term obligations total \$337.3 million for the bonds the county is backing alone; they're \$241.5 million for the bonds backed in conjunction with AGM.

Referred to jointly in the city's debt plan, the pair have a settlement detailing how they'll split everything, but it's not yet been released to the public.

Dauphin County:

Dauphin County did take an independent role in the incinerator sale, however, the county has committed:

To generate, at minimum, the same amount of trash it does now at increasing rates during the next 20 years as per its agreement with the facility's new owner, Lancaster County Solid Waste Management Authority.

To cover just under \$1 million of annual interest payments — or \$24 million — on a note that's part of the transaction's financing.

Suburban sewer customers:

Bond insurer Ambac Insurance Corporation and the suburban sewer customers — municipalities — agreed to settlements. Early consensus in both matters helped legitimize the bankruptcy threat used during negotiations with other creditors.

Here's what the deal means for them:

Bond proceeds cover their first installments due before year's end.

City revenue will fund future payments.

Ambac will get \$30 million more in interest than it would have previously.

Suburban sewer customers will get \$11.2 million of the \$25 million they claim to have been overcharged during a years-long duration

Many of those communities ceased paying for sewer service, some as long as 18 months ago. They won't be responsible for the full amounts that would, or should, have been paid. How, exactly, that's going to be handled is still being worked out.

The unions:

International Association of Firefighters Local 428 won't agree to changes that would save the city between \$1.5 million and \$1.8 million annually. Most other city employees took pay cuts:

No raises next year for Capital City Lodge No. 12 Fraternal Order of Police and 150 non-uniform workers represented by the Association of Federal, State County and Municipal Employees LOCAL. They'll also pay more for benefits. The changes will save about \$2.2 million next year. Raises return

in 2015 and 2016 — but no more than 1 percent.

Just 12 of 50 AFSCME's workers at the Harrisburg Parking Authority accepted positions with new operator Standard Parking. The company gave employees first crack, but most opted for buyouts over the jobs paying 90 percent of wages. That's guaranteed for more senior parking authority workers, but others could make less if they're reassigned to a subordinate position.

The employee residency requirement was removed from contracts — another intangible component of the deal.

The state:

As part of a series of commonwealth worker parking contracts provides for the following:

\$10.6 million: expected savings through a 20-year contract to power 15 Harrisburg-area properties and one in Scranton with the Lancaster authority taking over the city's incinerator.

\$15 million: estimated reduction in costs for state worker parking in Harrisburg during the next 30 years.

CIT Capital Management:

In 2006, as the project to retrofit Harrisburg's incinerator was in danger of running off the rails, Harrisburg officials and the project's designer, Barlow Construction borrowed \$25 million from CIT Capital to finance the remaining work.

In return, CIT gained the rights to the technology using the plant. Lawsuits ensued and a federal judge later ruled that the Harrisburg Authority owed CIT \$19.3 million — and that it must be paid before any other creditor.

As part of the settlement:

CIT will be paid \$21.5 million for its claims, and Dauphin County, the Harrisburg Authority and the receiver will withdraw all claims against it. The agreement also preserves CIT's right to be the first creditor paid.

In return, CIT will release the authority, county and city from any and all claims or litigation, now and in the future, while the various Harrisburg entities provide CIT with the same assurance.

Covanta:

As the retrofit of the Harrisburg incinerator failed, the authority turned to Covanta Energy to finish the project and manage the incinerator once it was complete. To finish the job, Covanta loaned the authority \$21.7 million.

Under the terms of its settlement, Covanta will receive:

\$9,500,000 in cash, as well as an agreement with the Lancaster Solid Waste Management Authority to operate the incinerator once Lancaster takes ownership.

Lancaster will pay Covanta about \$1 million a month to operate the plant, as well as an additional 49 installment payments of \$41,500.

In return, Covanta will drop all of its claims against the city and Harrisburg Authority.

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http://www.pennlive.com/midstate/index.ssf/2013/12/the_harrisburg_debt_deal_who_g.html

By Emily Previti and Nick Malawskey, of PennLive.com

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