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No Bankruptcy Plan from Harrisburg

The city of Harrisburg, Pennsylvania was given a deadline till last Monday by the bankruptcy court to submit a plan to resolve their \$318 million debt. Unfortunately, the deadline came and went without any submission by the city. It will now be up to the State of Pennsylvania or the bankruptcy court to decide what to do.

Pennsylvania's capital city, Harrisburg was given until 5 p.m. local time last Monday to come up with a deal with their creditors, largely from a renovation project done on the city incinerator. No deal was made so it appears the state will take over matters now. In explaining what transpired, Harrisburg Council President Gloria Martin Roberts said that there had been a deal formulated but most of the city council members backed out of the deal reached behind closed doors early on Friday.

Martin Roberts said, "After we met with (council members) Brad Koplinski and Susan Brown Wilson, we had a consent agreement. We agreed to come back at 7 p.m. on Friday evening so that we could all sign that agreement (but) when we got in that meeting... those two council members completely changed. We had no consent agreement".

Just before the 5 p.m. deadline Monday, a final attempt was made at forging an agreement with creditors but the meeting had to be cancelled when four council members and representatives of Assured Guarantee Municipal (AGM) failed to turn up. Assured Guarantee is the insurer for the bond that was issued.

So now, bankruptcy judge Mary France will decide in a hearing November 23 if the bankruptcy case would continue. According to Harrisburg Mayor Linda Thompson, the city's failure to find a solution means it has to accept a state-appointed receiver under the terms of a new law that just came into effect last month.

Some of the council members who voted for Chapter 9 bankruptcy are of the opinion that the Federal court could still step in to help the city overcome its growing financial burden. The seven-member city council voted 4 to 3 in favor of filing for bankruptcy in October. But both the Mayor (who did not agree to filing for bankruptcy) and representatives from the county agree that bankruptcy would cost the city millions of dollars.

Mayor Thompson and the remaining city council members had wanted AGM, Dauphin County, Covanta (the incinerator operator) and Ambac Financial Corporation to pay the leftover, or stranded, debt after Harrisburg sold its incinerator and leased its parking garages under the terms of a consent agreement. The amount of stranded debt stands at between \$26 and \$60 million.

But for the council members like Brad Koplinski, settling the stranded debt is not good enough. Koplinski wants AGM, Dauphin County and Covanta to pay \$100 million each regardless of the money raised in selling the incinerator and leasing its parking.

“(The) Council believes there are a number of entities that helped make this deal happen and that each of them should be responsible for paying part of what’s due,” said Chuck Ardo, Mayor Thompson’s ex-press secretary who spoke on behalf of the council majority.