

THE FINANCIAL CRISIS IN HARRISBURG, PENNSYLVANIA

Jane Beckett-Camarata, Ph.D., MPA
Senior Lecturer in Public Administration
School of Public Affairs
Penn State University-Harrisburg

Cleopatra Grizzle, PhD
Assistant Professor
School of Public Affairs and Administration
Rutgers University - Newark Campus

ABSTRACT

This article provides a comprehensive analysis of the Harrisburg, PA fiscal crisis and subsequent bankruptcy filing. While the “money burning” incinerator in Harrisburg was a major contributing factor to its overall financial crisis, there were other contributing factors. These include a mixture of political expediency, financial chicanery and malfeasance by public officials, demographic changes, economic decline of the city and the national economic environment during the Great Recession. The paper concludes by focusing on the lessons to be learned from the mistakes made by city officials and offers policy recommendations for other state and local governments to avoid future fiscal crises of this magnitude.

1. INTRODUCTION

Harrisburg, the capital of Pennsylvania, is not a large city by national standards; however it is currently the ninth most populous city in the state. In 1950, the population of Harrisburg was close to 90,000 people, but according to the latest 2011 census estimates, Harrisburg’s population now stands at 49,673. While Harrisburg historically was known for the 1979 Three Mile Island accident which occurred on its border, near Middletown, Harrisburg, in recent years has unfortunately, become better known for its much publicized fiscal troubles, its extremely high debt level (approximately \$1.5 billion at the end of 2012) and its “money burning” incinerator. According to an official from the State Department of Community and Economic Development, the City ended 2012 with a \$13 million budget deficit, \$9 million of that being accrued from missed general obligation bond debt payments (Veronikis, 2013).

This article explores the factors that can lead to municipal bankruptcy in general and provides an objective and comprehensive analysis of the Harrisburg bankruptcy filing in 2011. First, we provide a review of the literature on

municipal bankruptcy and seek to fill a large void in the knowledge of municipal bankruptcy within the field of public finance. Second, we present a framework for understanding the unique nature and outcome of the crisis in Harrisburg by delving into the underlying structural causes of the problem. Finally, we focus on the larger lessons to be learned from the mistakes made by city officials and offer policy recommendations for state and local governments to avoid future fiscal calamities of this magnitude.

This research uses quantitative data collection and analysis in support of research into the factors that explain Harrisburg's bankruptcy filing. Based on a case study research design using comprehensive annual financial reports (CAFRs), Pennsylvania's Financially Distressed Municipalities Act (ACT 47) and other financial data, we conclude that there was no single cause or decision completely responsible for the Harrisburg crisis. Rather, several causes and conditions collectively enabled and complicated the situation in Harrisburg including (1) Great Recession, (2) incinerator project, (3) Pennsylvania state policies regarding municipal oversight and bankruptcy filing, (4) declining population and tax revenues, (5) fiscal mismanagement, and (6) political expedience. It is our hope that the Harrisburg experience will serve as a warning to avert similar financial crises in other local governments.

2. BANKRUPTCY: AN HISTORICAL PERSPECTIVE

The Great Recession, which officially lasted from December 2007 to June 2009, had a severe impact on state and local government finances. Not only did tax revenues fall precipitously during the crisis but increased unemployment also increased demand for public services (Jonas, 2012). Long term fiscal outlooks for both state and local governments has also been adversely impacted due to the widening gap between promised pension and health care benefits and the availability of funds to make good on these promises (Jonas, 2012).

Following the last fiscal crisis of this magnitude, the Great Depression in 1937, Congress enacted a revised Federal Municipal Bankruptcy Act that permits municipalities but not states to file for Chapter 9 bankruptcy as a way to reorganize their finances (Brekke, 2010). The Federal Municipal Bankruptcy Act, Chapter 9, defines a municipality to include city, town, village, county, special taxing districts, municipal utility, and authority. Chapter 9 municipal bankruptcies historically have been the result of either economic problems such as experienced by Vallejo, California, or financial chicanery and malfeasance by elected and/or appointed officials, as was the case in Jefferson County, Alabama. They have also generally involved utility districts (water, sewer) or special districts. Chapter 9 bankruptcies are not designed to forgive debt. Rather, their intent is to aid a municipality through reorganization – for example, by renegotiating contractual obligations and seeking more favorable fi-

nancing – while the municipality continues to operate. A municipality cannot be forced to file, but if it chooses to file, it must meet five federal statutory requirements prior to a filing:

1. It must qualify as a municipality
2. State law must include authority to file for bankruptcy
3. Meet an insolvency test based on cash flow
4. Demonstrate a desire to put a plan into action
5. Negotiate with creditors

It is worth noting that the final authority to grant or deny a municipality the ability to file for bankruptcy, and the degree to which the bankruptcy filing process is regulated resides with the state. Today, there are 26 states that prohibit municipal bankruptcy and of the 24 that do allow it, 13 require only formal notification to the state before the filing. While municipal bankruptcies are considered a rare event, over the last twenty-five years there have been thirty-six municipal bankruptcies involving towns or cities (Holian & Joffe, 2013). A list of towns/cities filing for bankruptcy in the last twenty-five years follows.

3. REVIEW OF THE MUNICIPAL BANKRUPTCY LITERATURE

Municipalities who consider Chapter 9 bankruptcy usually are experiencing a fiscal crisis. While most of the literature use fiscal stress and fiscal crisis interchangeably, it is important to distinguish between the two terms. Honadle (2003) defines fiscal stress as a situation in which there is a “relatively large amount of stress or pressure on the local tax base” (p. 1433) and argues that fiscal stress is a precursor to fiscal crisis. Fiscal stress is also defined quite simply as the inability of a government to balance its budget (Dougherty, Klase & Song, 2009).

A fiscal crisis on the other hand, exists if “a municipality is not able to pay its creditors, continue to meet other credit obligations and has lost or is severely limited in its ability to raise revenue” (Honadle, 2003, p. 1433). Many local governments are currently in fiscal crisis because of health care costs and unfunded pension costs, and are “one step away from insolvency” (Fitzgerald, 2006, p. 1). In addition, many municipalities that have experienced unanticipated natural disasters are close to bankruptcy (Mysak, 2005; Municipal Bankruptcy in Perspective, 2006; Deal, 2007).

Municipal bankruptcies are an indication of underlying financial problems and weak state policies regarding oversight of local government finances by states (Deal, 2007). There are several known factors that could potentially contribute to a local government or municipality’s decision to consider a Chapter 9 bankruptcy filing. Municipal bankruptcies are caused by such factors as mismanaged investments, poor management oversight in financing an

infrastructure project or unsustainable labor and pension contracts (Deal, 2007). Further, in recent years many local governments have increased their dependence on tax revenues to fund operating budgets even in the wake of declining property tax revenue due to recent declines in the housing market. As taxable property values have declined state governments are themselves cutting aid to their local governments in order to balance their own budgets.

One of the key issues facing many local governments such as Harrisburg is the need to stabilize revenue and expenditures on an ongoing basis. In recent years, more local governments are having continuing difficulty balancing their revenues and expenditures and face the possibility of bankruptcy. The City of Harrisburg Pennsylvania filed for Chapter 9 bankruptcy because of the City's \$2 million structural deficit in its 2010 operating budget and because the city's annual debt service is over \$18 million per year on \$220 million in bonds outstanding (Act 47 Recovery Plan, 2010). Chapter 9 is being more widely considered by local governments such as Harrisburg as a potential short-term survival solution to long-term fiscal structural imbalances (Kevane, 2011).

In the bankruptcy case of Stockton, California, substantial borrowing, structural imbalances in revenues and spending, increasing costs to retiree benefits, reduced tax revenues associated with the Great Recession and past accounting practices which hid significant costs, including the cost of employee compensation and retiree costs, appear to be the driving factors. While in stark contrast, the bankruptcy filing of the High Sierra town of Mammoth Lakes appears to be driven by a single, discrete factor; a \$43 million breach-of-contract judgment against the town which is nearly three times the size of its annual operating budget.

In November 2011, Jefferson County Alabama filed the biggest municipal bankruptcy ever in the history of the United States up to that date, with debt balances exceeding 3.14 billion dollars (Denison & Gibson, 2013). The bankruptcy filing in Jefferson County was due to a combination of economic problems made worse by the Great Recession, corruption and malfeasance and lackluster administration. Twenty-six people have been indicted or pled guilty to a variety of charges stemming from bribery and corruption (Morris, 2011). More recently in July 2013, the city of Detroit, MI became the largest municipality in United States history both by population and outstanding debt (estimated to be within the range of \$18-\$20 billion) to file for Chapter 9 protection.

Despite the increasing frequency of bankruptcy among local governments in recent years as shown in Table 1 below, the issue of municipal bankruptcies has not been a focal area of study for public finance scholars. Most of the existing literature has instead focused on fiscal stress and financial health. Studies examine the definition and causes of fiscal stress, forms of fiscal stress ex-

perienced, and the actions that governments can take to both alleviate and prevent fiscal stress (Martin, 1982; Downing, 1991; Howell & Stamm, 1979; Rubin, 1982; Pammer, 1990; Ladd & Yinger, 1991; Dougherty, Klase & Song, 2000; Beckett-Camarata, 2004; Coe 2007a; Coe 2007b). However, “fiscal stress may not directly lead to bankruptcy and as such the causes of fiscal stress are not the same as the causes of bankruptcy” (Park, 2004, p.240).

Table 1. Towns/cities filing for Chapter 9 bankruptcy in the last 25 years

Year	Town, State
1988	Copperhill, TN
1991	Bridgeport, CT; Lipscomb, AL; North Bonneville, WA;
1992	North Courtland, AL
1994	Kinloch, MO
1995	Ozan, AK
1997	Westlake, TX; Winstonville, MS
1999	Pritchard, AL; Camden, NJ
2000	Macks Creek, MO; Tyrone, OK; Westminster, TX
2001	Hillsdale, MO; Kendleton, TX
2002	Reeds Spring, MO; Rio Bravo, TX
2003	Brooklyn, IL
2004	Millport, AL; Washington Park, IL
2005	Alorton, IL; Camp Wood, TX; Muldrow, OL
2006	Marshall Creek, TX; Moffett, OK
2007	Marion, MS
2008	Gould, AR; Vallejo, CA
2009	Westfall Township, PA; Pritchard, AL
2011	Central Falls, RI; Harrisburg, PA;
2012	Stockton, CA; San Bernardino, CA; Mammoth Lakes, CA
2013	Detroit, MI

The reasons why some local governments experiencing fiscal stress are not in Chapter 9 bankruptcy are varied. Some near bankrupt local governments are prohibited from filing for bankruptcy by their state governments, others obtain state assistance and intervention in dealing with their fiscal problems, others strategically default on some obligations but not others, and the remaining local governments are somehow able to ride out their financial problems without ever having to seek bankruptcy protection (Landry, 2007).

There have been some case studies of municipal bankruptcy published in the public financial management literature for example (Spiotto, 1995; Baldassare, 1998; Watson, Handley & Hasset, 2005; Landry, 2007; Howell-Moroney & Hall, 2011; Denison & Gibson, 2013) and fewer studies examining how individual states approach bankruptcy (Berman, 1995; Honadle 2005) but no comprehensive studies of municipal bankruptcy to date. Most of the existing studies on municipal bankruptcies can be found in the legal literature with studies examining the legal issues involved and state statutes in response

to municipal bankruptcy (Freyberg, 1997; Laughlin, 2005; Skeel, 2012; Skeel, 2013; Burns, 2011; Wolfe, 2012; Hempel, 1973). Public finance scholars have shied away from understanding the systematic causes of municipal bankruptcy, a trend that we hope is changing in wake of the Great Recession. This article is a first step in attempting to fill this void and a call for more research and dialogue on the systematic causes of municipal bankruptcy.

4. CONDITIONS THAT ENABLED HARRISBURG'S FISCAL DECLINE AND BANKRUPTCY FILING

This case study draws on the work of Park (2004) to understand the unique nature of the crisis in Harrisburg and to delve into the underlying structural causes of the problem. Park (2004) explains the causes of municipal bankruptcy by using three overlapping perspectives economic and political, long-term and short-term, and internal and external. He argues that while these categories are not “mutually exclusive” presenting them separately serves to highlight certain aspects of the causes of a particular municipal bankruptcy and downplays other aspects (Park, 2004, p.241). As such, his theory provides a multi-dimensional approach to understanding the causes of municipal bankruptcy.

4.1. POLITICAL FACTORS

According to Park (2004), local political factors play an even heavier role in the financial failure of governments than the economic factors across a wide spectrum of municipal entities. This appears to be the case in Harrisburg. The city has a mayor-council form of government. The office of the Mayor of Harrisburg is considered a “strong mayor” form with separate executive and legislative branches. The mayor is elected to four-year terms with no maximum limit of terms, is full-time in his or her position, and oversees approximately thirty-four agencies. The legislative branch, the City Council, is made up of seven elected officials, who serve on a part-time basis for overlapping four-year terms. Two additional people work as city treasurer and city controller.

Mayor Stephen R. Reed was Mayor of Harrisburg for 28 years, from 1982 through 2009. During Reed's tenure as Mayor, a lot of new construction and revitalization took place in the city, such as the transformation of the city island from a derelict site to a family playground, and the rebirth of the downtown area that included the building of the Hilton Harrisburg, The Whitaker Center, and Harrisburg University.

It was also during Mayor Reed's time in office that city debt escalated. Reed, an autocratic leader, spent \$15 million on museum artifacts to open a Civil War Museum and had plans to also open a Wild West Museum. Money for these projects came from a “special fund” for capital projects, which in

turn was funded by bonds issued by the Harrisburg Authority (THA). During his tenure, Mayor Reed spent \$8.3 million funded by bonds issued by THA, acquiring artifacts including a vampire kit, covered wagons, copper badges and Wyatt Earp's pistol to build the Wild West Museum. The museum was never built and most of the items are today being stored in a dusty warehouse¹. The modus operandi during Mayor Reed's tenure was to borrow money for one thing and move funds to a separate account, in effect giving him a blank check. It was also during his time as mayor that the city built a baseball stadium and bought the baseball team to prevent them from moving to Springfield, MA. The city also bought a hotel to prevent it from closing. In 2006, long before the Great Recession, a \$7.2 million budget bailout was taken by the city to cover a deficit.

4.2 ENVIRONMENTAL FACTORS

Environmental factors include measures of community needs and resources such as population, property value and poverty, and economic factors such as inflation, personal income and employment (OSC, 2008). These environmental indicators often provide the best "early warning" of future fiscal stress (OSC, 2008). Research conducted by OSC has concluded that there is a strong correlation between environmental factors and financial condition, and that fiscal stress is often apparent in these measures before it is evident in the financial data (OSC, 2008).

Per capita income in Harrisburg reached \$39,703 in 2010, an increase of \$9,021 between 2001 and 2010 (Census Bureau, 2012). During the same period, per capita income remained comparable to that of both the state of Pennsylvania and the United States as a whole. In fact, some of the suburbs of Harrisburg are among the top richest in the state. However, about one third of the population in Harrisburg also lives below the poverty level compared to thirteen percent in the state of Pennsylvania (Census Bureau, 2012). The number of people unemployed in Harrisburg peaked in March 2010 and has since then stabilized to 7.4% in January 2013 (Bureau of Labor Statistics, 2013). Harrisburg lags behind the state average in almost every other economic indicator including homeownership rate, housing value and the educational attainment of its population.

The City of Harrisburg does not have a diversified revenue base. In 2010, 41% of revenue collected for governmental activities came from taxes and 35% came from service charges (City of Harrisburg Comprehensive Annual

1. In July 2013 current Mayor Linda Thompson announced that city received just under \$2.6 million at an auction of the Wild West artifacts acquired by Mayor Reid. The entire collection cost at least \$8.3 million and the proceeds from the auction will go towards paying a loan of \$7.2 million taken against the artifacts.

Financial Report, 2010). The city is heavily dependent on property taxes and sixty percent of all tax revenue in 2010 came from property taxes. The city is further constrained in its revenue collections due to the fact that approximately 49% of all real estate in the city is exempt from paying any type of taxes under state law (Mayor Linda Thompson, 2010). This is largely because almost 50% of the properties located in Harrisburg are state government agency properties and from the large number of tax exemptions granted to organizations, such as non-profits (churches, hospitals, colleges and social service agencies) located in the city. While Harrisburg provides benefits and services to these tax-exempt organizations, it does not have the legal authority to levy property taxes or fees and instead must rely on payments in lieu of taxes and voluntary contributions. Thus, the legal ability of Harrisburg to increase revenues under the current system is limited. Because the city has such a large number of tax-exempt properties located in its jurisdiction, limited ability to increase property taxes, and a heavy reliance on transfers, the city's revenue base is not sufficient to cover its increasing costs and any unanticipated financial occurrences (Harrisburg Act 47 Recovery Plan, 2012). In addition, in recent years, real estate transfer tax revenues have declined substantially due to the poor economy and the decline in the housing market.

Like many American cities, Harrisburg reached its peak population in the 1950 census. The peak population was 90,000 people, and as of 2011 Harrisburg had less than 50% of that amount at just 49,673 residents (Census Bureau, 2011). The ongoing decline has left its mark on the city most notably with increasing crime, infrastructure problems, and persistently poor-performing schools, which have deterred many young people from settling in Harrisburg.

4.3 EXTERNAL FACTORS

The State of Pennsylvania, through the Department of Economic and Community Development (DECD), becomes involved in its municipalities' fiscal crises at the request of the municipality, under Financially Distressed Municipalities Act legislation, known as Act 47. Under Act 47, DECD, when requested, provides technical and financial assistance to the municipality. Four overall policy objectives guide Pennsylvania's definition of fiscal distress: (1) inability of the municipality to provide for the health, safety and welfare of residents; (2) inability to meet creditor obligations; (3) inability to meet debt obligations; (4) lack of sound financial management practices (Deal, 2007). There have been 27 cities that have filed under Act 47 since its' beginning in 1987 (Pa. Dept. of Economic Development, 2013).

The act provides for a limited state role over its distressed cities, under Act 47, in that: (1) there is no exit provision for cities designated as "distressed", (b) no provision for a time limitation on how long a distressed city remains

under Act 47, and (c) no provision for a state-appointed receiver, except in the case of “third class” cities such as Harrisburg (Pa. Dept. of Economic Development, 2013). Only six cities out of 27 have successfully emerged from Act 47 designation and about 12 of the cities on the list have remained in fiscal distress for more than 10 years. Previous studies seem to support this trend and have found that state intervention does not help with long-term, municipal fiscal stress problems (Berman, 1995).

The Act 47 designation is important because any Pennsylvania municipality considering a Chapter 9 bankruptcy must receive approval of the bankruptcy filing under Act 47 before the municipality initiates the bankruptcy. Harrisburg requested Act 47 designation and the Secretary of the Department of Economic and Community Development approved the Harrisburg fiscal distress request because the City: 1) had been unable to meet its debt obligations for bonded debt and judgments; 2) had four out of six years history of fiscal year-end structural budget deficits; 3) had declining fund balances; and 4) had continuous, considerable cash flow problems (City of Harrisburg Act 47 Recovery Plan, June 13, 2011).

Under the Harrisburg Act 47 Recovery Plan, taxes would increase, city employees would be laid off, and the city’s parking garages and incinerator would be sold or leased. The Act 47 Recovery Plan included a restructure of the Resource Recovery Facility (RRF) debt and required the city to reduce its existing operating budget by a minimum of \$2.5 million to pay for debt service.

4.4 INTERNAL FACTORS

The Harrisburg Authority (THA), a separate municipal entity owns the RRF, also called the incinerator or trash burning plant, but the City and Dauphin County guarantee a large part of the RRF’s debt. In 2003 the federal government required the RRF be shut down, because it was emitting the carcinogenic dioxin. Because of technology problems with the incinerator and to be in compliance with federal government requirements, the city overhauled the RRF and borrowed \$125 million to pay for it.

As illustrated in Table 2 and Figure 1, since the incinerator opened in 1972, the city has borrowed, using bonds and other financial instruments, eleven more times after that and the RRF debt is now more than \$310 million. Most of the proceeds from the subsequent bond sales, which put the city in even more debt, came from the refinancing of the original bonds used to retrofit the RRF. Costs also escalated because of fees paid to investment banks, lawyers and advisers to accomplish the financing. Harrisburg’s fiscal crisis is the direct result of its financing to fund the state-of-the-art RRF (City of Harrisburg Act 47 Recovery Plan, June 13, 2011). In addition to the RRF financial

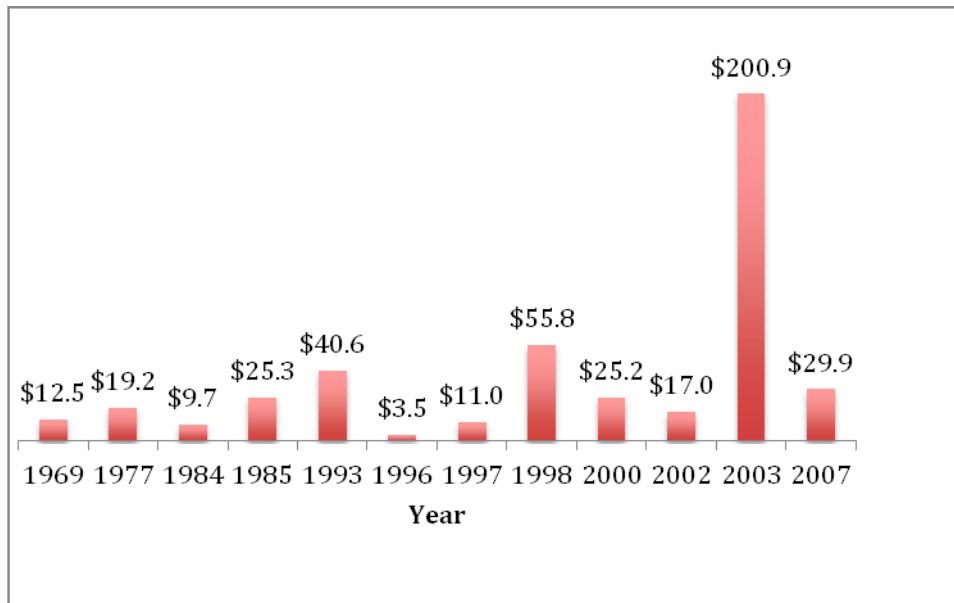
debt problem, the city's overall debt which includes the city's own subordinate guarantees, insurance or loans and accumulated, passed-due payments for which the city is responsible exceed \$75 million (City of Harrisburg Act 47 Recovery Plan, June 13, 2011).

Table 2. Debts Owed by the City Related to the Resource Recovery Facility (RRF)

Debt to	For	Amount
Dauphin County	Accrued Interest and Expenses	\$1,906,377
Dauphin County	Amounts paid under County guaranty	\$9,391,503
Dauphin County	Refinanced Series 2007 C and D Notes	\$34,685,000
AGM-Bond Insurer	Payments made under the insurance	\$6,166,346
Covenants	Loan	\$23,587,500
Total		\$75,736,725

Source: City of Harrisburg Act 47 Recovery Plan

Figure 1. Total municipal debt (\$million) taken on to finance the incinerator (RRF)



The 2007 Notes did not provide any additional working capital for the RRF beyond 2008. By December 2007, Harrisburg was responsible for approximately \$26 million of outstanding debt for the RRF through its primary guarantees. Dauphin County serves as a secondary guarantor on approximately \$141 million of that RRF debt. In addition to its RRF debt, by December 2007, Harrisburg had guaranteed approximately \$110 million of HPA bonds and about \$85 million of HRA bonds. Moreover, Harrisburg had outstanding \$43 million of general obligation debt. The City's outstanding obligations from both its general obligation bonds and the primary guarantees to its vari-

ous component units totaled approximately \$498 million as of December 31, 2007, which represented about eight times the City's annual general fund revenues of \$61 million for 2007.

Under the State's Act 47 plan, the city would have to sell the RRF, restructure the RRF debt, and reduce its existing operating budget by a minimum of \$2.5 million in order to pay for debt service. However, they would still face the problems stemming from the city's structural budget deficit.

Harrisburg has also used a series of reactive, one time fixes to try to deal with its annual deficits, as evidenced by its ongoing history of bond sales, interest rate swaps and transfers. The city has also funded a large percentage of its General Fund for many years by using transfers from operating systems funds, such as water and sewer revenues. Large amounts of bond debt also were used to pay operating deficits or to pay current amounts owed on bonds.

The issuance of timely and reliable financial reports demonstrates managerial capability and helps build trust and confidence in government. One of the most frequent and common concerns expressed to the Governmental Accounting Standards Board (GASB) by users of state and local government financial reports is the time it takes governments to issue financial reports once the fiscal year has ended (GASB, 2011). Financial report information retains at least some of its usefulness for up to six months after fiscal year-end and the relative usefulness of that information diminishes very rapidly (GASB, 2011). The focus on Harrisburg's troubled incinerator project has tended to obscure the fact that the city's credit quality has been in steady decline since 2007 due to its seriously delinquent financial reporting. In fact, the time to issuance for the city's 2010 Comprehensive Annual Financial Report (CAFR) was December 18, 2012, approximately two years after the close of the fiscal year. A recent study by GASB reports that the time to issuance for the largest local and county governments averaged about six months after the fiscal year end (GASB, 2011). Harrisburg has consistently lagged behind that average.

Variance analysis compares budgeted amounts to actual numbers to highlight deviations between strategy and execution (Kavanagh & Swanson, 2009). Variance analysis can illuminate the beginning of unsustainable trends and help a government manage its budget in a way that is better aligned with its strategic goals (Kavanagh & Swanson, 2009). The primary reason why budget variances occur is due to improper planning by the local budget office. Budget variances also occur due to factors that are beyond the government's control for example economic downturn or natural disasters. Table 3 presents variances for the city's anticipated revenue for the fiscal year ending December 31, 2010. During that period, the city experienced negative budget variances for all sources of revenue with the exception of miscellaneous revenue.

Financial condition analysis is used to assess the basic financial well being of a government (Johnson, Kioko & Hildreth, 2012) and is analogous to visiting a doctor for an annual physical or check-up. Sound fiscal health is imperative to ensuring the effective operation of governments and can provide valuable information on the current and future state of a government's ability to meet current and future obligations. Financial condition analysis can highlight potential fiscal problems allowing a government to address weaknesses and strengthen fiscal health on a timely basis. Many in the field will agree that it is imperative that state and local officials periodically assess the financial condition of their local government yet theory has outdistanced practice in this important area. Honadle (2003) reports that less than half of states report making some effort to predict local government fiscal crisis and only ten states had legislation or other formal measures in place. Kloha, Weissert and Kline (2005) report similar results finding that only fifteen states have indicators in place to assess or monitor local financial conditions. Of these fifteen states, many admit to using indicators that do not identify local problems before they occur. While these two studies are somewhat dated, recent events in Harrisburg, PA have led us to conclude that not much has changed since these two studies were first published. A comprehensive financial analysis using indicator variables from the city's government-wide financial statements for the period 2000 – 2010 revealed a warning trend of a deteriorating financial condition. This prompts us to conclude that city officials were not assessing the city's financial condition periodically as recommended. Harrisburg's bankruptcy filing did not happen overnight rather the city has had a persistent structural budget problem that was never adequately addressed by city officials.

Table 3. Variance of Actual with Final Budget (FY2010)

Taxes	(\$1,832,366)
Licenses and permits	(\$48,529)
Intergovernmental revenue	(\$1,219,568)
Departmental earnings	(\$1,343,694)
Fines and forfeits	(\$554,490)
Investment income	(\$50,790)
Miscellaneous	\$112,925

Source: City of Harrisburg CAFR

Based on our analysis, we conclude that the two most significant factors affecting the city's financial position are the extent of the city's debt load due to the assumption of guaranteed debt obligations primarily from the incinerator (RRF) and the city's structural deficit. We provide an in depth analysis of the city's historic financial condition in an appendix at the end of the paper.

Table 4 draws on the work of Park (2004) and presents a summary and model of what we believe went wrong in Harrisburg, PA. In the case of Harrisburg, the public perception is the RRF or incinerator was the primary cause of the Harrisburg bankruptcy. However, our study of Harrisburg reveals that there were multiple causes for the bankruptcy. There were many short-term and long-term, political and environmental, internal and external factors that jointly caused the city to file for bankruptcy.

The Securities and Exchange Commission (SEC) charged the City of Harrisburg with securities fraud on May 26, 2013. The SEC investigation and subsequent report found that Harrisburg made misleading statements in its budget, annual and mid-year financial statements, and a State of the City address. The SEC investigation found that Harrisburg failed to comply with requirements to provide ongoing financial information and audited financial statements, so that municipal investors had to rely on other public statements that misrepresented city finances. According to the SEC's order, which instituted administrative proceedings, Harrisburg is a "near bankrupt" city under state receivership that had not submitted annual financial information or audited financial statements since submitting its 2007 Comprehensive Annual Financial Report to the Municipal Securities Information Repository in January 2009. The city also made misleading public statements in a State of the City address. The SEC order requires Harrisburg to cease and desist from providing misleading public statements. Harrisburg has settled the charges with the SEC.

Table 4. The Causes of Municipal Bankruptcy in Harrisburg

	External		Internal	
	Political	Environmental	Political	Environmental
Short-term		Great Recession	Near-sighted decision making	Excessive debt
			Corruption	Excessive transfers to general fund
			Weak structural leadership	Lack of fiscal accountability
			Voter distrust	Lack of professional trained financial managers
Long-term	Limited state oversight of municipalities	Declining state revenue	No term limits	Structural budget problems
		Demographic changes/declining population	Part-time legislators in city council	Lack of revenue diversification
			Autocratic mayor for 28 years	

In order to avoid another bankruptcy filing, the Harrisburg Receiver filed a financial plan called "Harrisburg Strong" with the court, and subsequently received approval. The financial plan describes how the city will sell its municipal trash incinerator for between \$126 million and \$132 million and how it can

receive \$1.5 million a year from the 40 year lease of 13 parking garages and lots to outside operators (Harrisburg Strong, 2013). The goal of the plan is for Harrisburg to be permanently absolved of its incinerator debt and not have to increase real estate taxes. The plan calls for a balanced budget through 2016 and for the city to receive \$25 million for infrastructure, economic development and debt repayment (Harrisburg Strong, 2013). The plan also details steps to return financial management of the city to elected city officials.

5. CONCLUSIONS DRAWN FROM THE STUDY

Our findings validated and extended Park's three-dimensional factors that make municipalities go bankrupt. We found that the internal factors of fiscal mismanagement and political mismanagement played a major role in framing the financial breakdown of Harrisburg. We also identified additional relevant environmental factors not identified in the Park Model. These include: (1) excessive debt, (2) excessive transfers to the general fund, (3) lack of fiscal accountability, (4) lack of professionally trained financial managers, and (5) lack of revenue diversification. These additional factors coupled with structural budget problems, declining state revenues and demographic changes played a significant role in Harrisburg's financial crisis as well.

On the political front, similar to the Park Model, we found weak structural leadership to be a primary contributing factor to this bankruptcy. In addition, we were able to identify additional political factors that were specific to Harrisburg including: (1) the absence of term limits, (2) corruption, (3) part-time legislators, and (4) near-sighted decision-making by political figures. One additional long-term external political factor not considered by the Park Model, but very relevant in this case was the limited state oversight over distressed cities. Specifically we found that: (1) there is no exit provision for cities designated as "distressed", (2) there are no provisions for a time limit on how long a distressed city remains under Act 47, and (3) there is no provision for a state-appointed receiver, except in the case of "third class" cities such as Harrisburg.

6. LESSONS LEARNED AND IMPLICATIONS FOR HARRISBURG

The first lesson learned from this research is that Harrisburg has a persistent structural budget problem and it needs to be addressed immediately. The evidence is clear given our financial analysis that over many years the City of Harrisburg did not deal with its long-term, serious structural imbalances in its annual operating budgets and thus the problems grew worse and continued over time. Instead, Harrisburg leaders mismanaged these problems through untenable, political expediency, and short-run, nearsighted decision making such as their use of excessive continuous transfers to the General Fund. These excessive transfers from water and sewer funds to the General Fund were, in

effect, reactive “quick fixes”. The net result, we found, was that over time these transfers from the Proprietary Funds grew by 2010 to 33% of total general fund revenues and actually exceeded tax revenues. It is also evident from our analysis of the city’s general fund revenues that the City of Harrisburg needs to build stable tax revenue sources so that such expediency transfers can be eliminated. In addition, Harrisburg needs moderate growth in those tax revenue sources in order to meet its forecasted expenditure increases.

The second lesson learned is that Harrisburg needs a formal written debt policy. Because of its use of excessive continuous transfers and long-term debt to cover structural operating budget imbalances, Harrisburg over time experienced even larger amounts of long-term debt, and an excessive amount of debt service payments. The transfers, coupled with large amounts of long-term debt, also resulted in inadequate capital funding of needed capital improvements. Further, long-term debt, such as bonds issued by The Housing Authority, and interest rate swaps were also used to cover a large percentage of its ongoing annual operating budget shortfalls or to pay annual debt service payments on city bonds.

Our data also confirmed that the (RRF) which is managed by THA was a major catalyst in plunging Harrisburg further into financial crisis because the City had guaranteed THA’s outstanding debt. The total annual city’s debt service obligations, coupled with the RRF debt, far exceeded the declining general fund revenues available in the Harrisburg budget to pay the annual debt service payments. The annual debt service payments not only impact the cost of future debt, but also impact Harrisburg’s ability to pay the annual operating expenditures needed to manage a viable city.

A formal debt policy is also needed because the City’s current debt obligations are especially complex to manage because the city has a large number of tax-exempt properties and must rely on payments in lieu of taxes. It has limited ability to raise property taxes to increase tax revenue and its current revenue base does not cover current expenditures. A formal debt policy would spell out among other things, when debt can be used, the amounts of debt that can be used, both long term and short term, and pinpoint accountability for the use of debt.

The third lesson learned is the need for professional financial management of city finances. Harrisburg issued GO debt and some other complex debt instruments such as interest rate swaps to pay its long term and short term debt obligations. The City’s complex debt portfolio requires management by public finance professionals who have advanced knowledge of the municipal market. The complexity of Harrisburg’s debt instruments also mandates and requires regular, routine oversight by public finance professionals and regular public reporting and oversight of the use of and status of the debt instruments.

Professional financial management is also needed in the city's budgeting, accounting and reporting systems and close attention paid to the generally accepted professional standards of sound public financial management. Harrisburg's financial problems are the result of years of continuous budget deficits, inaccurate forecasting, lack of ongoing financial condition analysis, lack of debt capacity analysis, and lax oversight of its fiscal affairs.

7. IMPLICATIONS AND LESSONS FOR OTHER MUNICIPALITIES

The lessons learned from the Harrisburg study that may be useful for other municipalities fall into two categories: (1) internal short-term and long-term factors, (a) problems caused by no term limits (which led to an autocratic mayor in place for 20 years with no accountability), (b) the use of part-time legislators and (c) near-sighted fiscal policy decision making, and (2) long-term financial mismanagement factors, (a) use of excessive debt and (b) short-term stop-gap budget balancing to deal with long-term structural budget imbalance factors. These findings point to the need for cities to proactively develop professionally trained financial managers, strengthen their fiscal accountability, diversify their revenue sources, develop ongoing oversight of their debt levels, general fund transfers, and structural budget issues. Additionally, they need to work more closely with state government to integrate their fiscal management with the oversight provided by the state agency to be better able to anticipate and plan for long-run finances and therefore lessen or avoid a financial crisis.

Municipalities are facing varying degrees of fiscal stress for many reasons such as the Great Recession, declining revenue sources, excessive debt, and short-term, stop-gap budget balancing. The financial crisis in Harrisburg Pennsylvania suggests that it is important for other local governments that are similar to Harrisburg to work more closely on an ongoing basis with relevant state agencies in terms of their fiscal management. When such municipalities begin to experience fiscal stress, their states have far more avenues for assistance than cities alone. States vary in their level of assistance that they provide to help local governments manage their finances. In many states, this role is growing. Unfortunately, this expanding role is occurring at a time when states, themselves, are struggling with their own finances. The contribution provided by this study is that it validates, adds to and extends the Park Model by specifying unique factors contributing to fiscal stress, thereby giving municipal fiscal managers and leaders clearly defined and concrete financial indicators that they can plan for and thus manage their finances in a strategic manner.

REFERENCES

Appleson, J., Parsons, E., and Haughwout, A. (2012). *The Untold Story of Municipal Bond Defaults*. Accessed April 1, 2013

(<http://libertystreeteconomics.newyorkfed.org/2012/08/the-untold-story-of-municipal-bond-defaults.html>).

Baldassare, M. (1998). *When Government Fails: The Orange County Bankruptcy*, San Francisco: The Public Policy Institute of California.

Beckett-Camarata, J. (2004). "Identifying and Coping with Fiscal Emergencies in Ohio Local Governments," *International Journal of Public Administration* 27(8): 615-630.

Berman, D. R. (1995). "Takeovers of Local Governments: An Overview and Evaluation of State Policies," *Publius* 25(3): 55-70.

Burns, D. B. (2011). "Too Big to Fail and Too Big to Pay: States, Their Public-Pension Bills, and the Constitution," *Hastings Constitutional Law Quarterly* 39(1): 253-296.

Coe, C. K. (2007). "Preventing Local Government Fiscal Crises: Emerging Best Practices," *Public Administration Review* 68(4): 759-767.

Coe, C. K. (2007). Preventing local government fiscal crises: The North Carolina Approach. *Journal of Public Budgeting and Finance*, 27(3): 39-49.

Deal, K. (2007). *An Examination of Municipal Finance Reform Regarding Municipal Bankruptcy in the United States*, Unpublished Ph.D. dissertation.

Denison, D. V. and Gibson, B. J. (2013). "Adjustable Rate Debt Overwhelms Jefferson County, AL Sewer Authority: A Tale of Market Risk, False Hope, and Corruption," *Journal of Public Budgeting, Accounting, and Financial Management*, 25(2): 311-345.

Delegge, R. (2012). *4 Strikes Against Municipal Bonds*. Accessed April 1, 2013 (<http://www.advisorone.com/2012/08/31/4-strikes-against-municipal-bonds>).

Dougherty, M. J., Klase, K.A., and Song, S.G. (2000). "The Relationships Between Public Finance Issues, Financial Management Issues, and Conditions of Fiscal Stress in Small and Rural Governments: The Case of West Virginia," *Journal of Public Budgeting, Accounting and Financial Management*, 12(4): 545-565.

Downing, R. G. (1991). "Urban County Fiscal Stress: A Survey of Public Officials' Perceptions and Government Experiences," *Urban Affairs Review*, 27: 314-325.

Fitzgerald, P. (2006, January 9). *Lawyers See Wave of Municipal Filings on Cities Shortfalls*. The Associated Press.

Freyberg, D. J. (1997). "Municipal Bankruptcy and Express State Authorization To Be A Chapter 9 Debtor: Current State Approaches to Municipal Insolvency and What Will States Do Now?" *Ohio Northern University Law Review*, 23(1001): 2–28.

Governmental Accounting Standards Board (GASB). (2011). *Research Brief: The Timeliness of Financial Reporting by State and Local Governments Compared with the Need of Users*. Accessed April 1, 2013 (<http://www.gasb.org/cs/BlobServer?blobkey=id&blobwhere=1175822186092&blobheader=application%2Fpdf&blobcol=urldata&blobtable=MungoBlobs>)

Hempel, G. H. (1973). "An Evaluation of Municipal "Bankruptcy" Laws and Procedures," *The Journal of Finance*, 28(5): 1339-1351.

Hendrick, Rebecca M. (2011). *Managing the Fiscal Metropolis: The Financial Policies, Practices and Health of Suburban Municipalities*, Georgetown University Press: Washington, DC.

Holian, Matthew John and Joffe, Marc D., Assessing Municipal Bond Default Probabilities (April 30, 2013). Available at SSRN: (<http://ssrn.com/abstract=2258801>) or (<http://dx.doi.org/10.2139/ssrn.2258801>).

Honadle, B.W. (2003). "The States Role in U.S. Local Government Fiscal Crises: A Theoretical Model and Results of a National Survey," *International Journal of Public Administration*, 26(13): 1431-1472.

Howell, J. M. and Stamm, C. F. (1979). *Urban Fiscal Stress*. Lexington, KY: Lexington Books.

Johnson, C. L., Kioko S. N. and Hildreth, W. B. (2012). "Government-Wide Financial Statements and Credit Risk," *Public Budgeting & Finance*, 32(1): 80–104.

Jonas, J. (2012). *Great Recession and Fiscal Squeeze at US Subnational Government Level*, IMF Working Paper, No. 184, IMF Publishing.

Kavanagh, S. C. and Swanson, C. J. (2009). *Tactical Financial management: Cash Flow and Budgeting Variance Analysis*. Government Finance Officers Association. Accessed April 1, 2013 (http://www.gfoa.org/downloads/Doc47_TacticalFinMgt.pdf)

Kevane, H.C. (2011). "Chapter 9 Municipal Bankruptcy: The New "New Thing" Part I" *Business Law Today*: 1-3.

Kloha, P., Weissert, C.S., and Kleine, R. (2005). "Someone to Watch Over Me: State Monitoring of Local Fiscal Conditions," *The American Review of Public Administration*, 35: 236-255.

Ladd, H. F. and Yinger, J. (1991). *America's Ailing Cities: Fiscal Health and Design of Urban Policy*, Baltimore, MD: John Hopkins University Press.

Landry, R. (2007). "Causal Factors Leading to Municipal Bankruptcies: A Comparative Case Study," *Municipal Finance Journal*, 28(1): 19-36.

Laughlin, A. M. (2005). "Municipal Insolvencies: An Article On the Treatment of Municipalities Under Chapter 9 of the U.S. Bankruptcy Code," *Municipal Finance Journal*, 26(2): 37-60.

Lewis, C.W. (1994). "Municipal Bankruptcy and the States-Authorization to File Under Chapter 9," *Urban Affairs Quarterly*, 30(1): 3-26.

Martin, J. K. (1982). *Urban Financial Stress—Why Cities Go Broke*, Boston, MA: Auburn House Publishing Company.

Mysak, J. (2005). Katrina Spells Armageddon for Muni Bond Investors. *Bloomberg News*. Accessed June 2, 2006 (<http://www.bloomberg.com/news>)

Office of the New York State Comptroller (OSC). (2008). Financial Condition Analysis. Accessed April 1, 2013 (<http://www.osc.state.ny.us/localgov/pubs/lmgg/financialconditionanalysis.pdf>).

Pagano, M.A. and Hoene, C. W. (2006) *Research Brief on America's Cities – City Fiscal Conditions in 2005*. Accessed September 20, 2006 (<http://www.nlc.org/ASSETS/rmpctyfiscalcondbrf05.pdf>)

Pammer, W.J. (1990). *Managing Fiscal Strain In Major American Cities – Understanding Retrenchment in the Public Sector*. New York: Greenwood Press.

Park, K. (2004). "To File or Not to File: The Causes of Municipal Bankruptcy in the United States," *Journal of Public Budgeting, Accounting and Financial Management*, 16(2): 228-256.

Pew, (2011). *Municipal Bankruptcy Explained: What It Means to File for Chapter 9*. Stateline: The Daily News Service of Pew.

Rose, R. and Page, E. (Eds.). (1982). *Fiscal Stress in Cities*. Cambridge, NY: Cambridge University Press.

Rubin, I. S. (1982). *Running in the Red: The Political Dynamics of Urban Fiscal Stress*. Albany, NY: State University of New York Press.

Securities Industry and Financial Markets Association (SIFMA). (2009). Municipal Bond Credit Report 4Q'09 and Full Year. Accessed March 5, 2013 (<http://www.sifma.org/research/item.aspx?id=19442>).

Securities and Exchange Commission (SEC). (2012). *The State of the Municipal Securities Market*. Accessed April 1, 2013 (www.sec.gov/spotlight/municipalsecurities.shtml)

Skeel, D. A. Jr. (2012). "States of Bankruptcy," *The University of Chicago Law Review*, 79(2): 677-735.

Skeel, D. A. Jr. (2013). "Is Bankruptcy the Answer for Troubled Cities and States," *Houston Law Review*, 50(4): 1063-1094.

Spiotto, J.E. (1995). Government Bankruptcy: The Myth and Reality of Financially Troubled Municipalities: A Ripple or A Tidal Wave. In Gelfand, David (Ed.). *State and Local Government Debt Financing*. Wilmette, IL: West Group Publishing.

Veronikis, E. (2013). Harrisburg Ends 2012 With Combined \$13 Million Budget Deficit, Expects Sale/Lease of Incinerator and Garages By Late First Quarter. *The Patriot News*. Accessed January 24, 2013 (http://www.pennlive.com/midstate/index.ssf/2013/01/harrisburg_ends_2012_with_13_m.html)

Watson, D. J., Handley, D.M., and Hassett, W.L. (2005). "Financial Distress and Municipal Bankruptcy: The Case of Prichard, Alabama," *Journal of Public Budgeting, Accounting and Financial Management*, 17(2): 129-150.

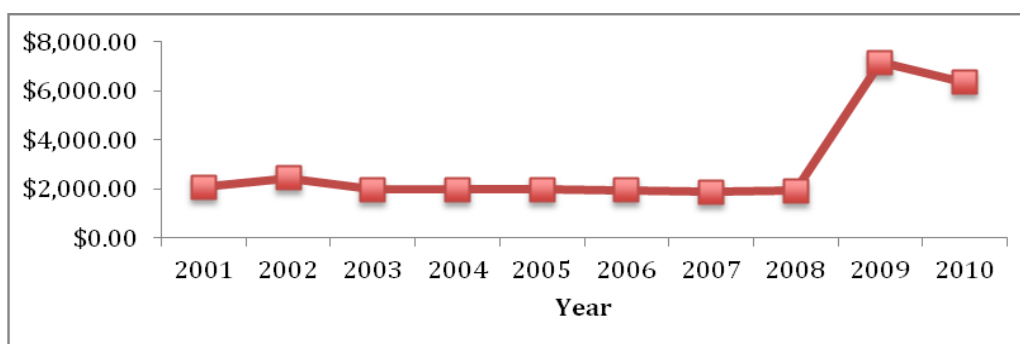
Wilson, R.A. (Ed.). (1984). *Allocating and Reallocating Financial Resources In An Environment of Fiscal Stress*. Tucson, Arizona: University of Arizona, Center for Study of Higher Education.

Wolfe, L. M. (2012). "The Next Financial Hurricane-Rethinking Municipal Bankruptcy in Louisiana," *Louisiana Law Review*, 72(2): 555-590.

APPENDIX

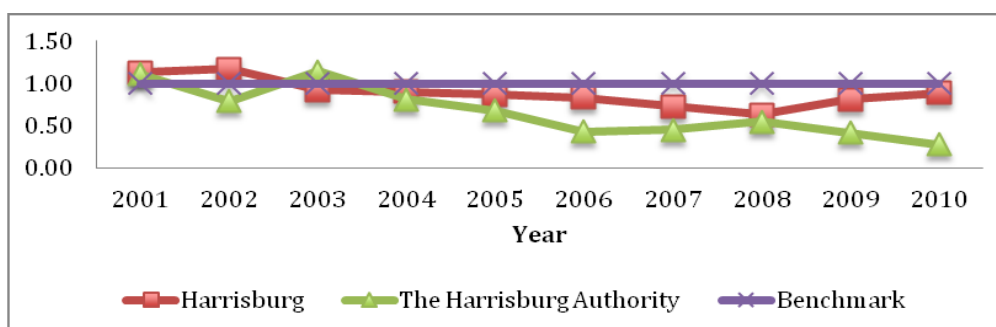
This appendix examines the financial condition of Harrisburg, PA using analysis of the city's Comprehensive Annual Financial Reports (CAFRs) over the past seven fiscal years ending in June 2010. Overall the city appears to be in fiscal distress. Key indicators of the city's financial performance have been trending in a negative direction indicating chronic fiscal instability. The charts presented here provide highlights of a visual overview of the city's fiscal decline and instability. Figure 2 illustrates the city's net general bonded debt per capita for the period 2001 to 2010. The amount of debt outstanding in 2009 was almost four times the amount in 2008.

Figure 2. City of Harrisburg, net general bonded debt per capita



Coverage ratios focus on a government's ability to meet its' debt service obligations with an industry benchmark of at least 1.00. As shown in figure 3, the city has been unable to meet its' debt service obligations for outstanding revenue bonds since 2002. The Harrisburg Authority, (THA) current owner of the troubled incinerator was last able to meet its obligations in 2001. In 2010, THA was only able to cover approximately 28% of its revenue bond debt service obligations.

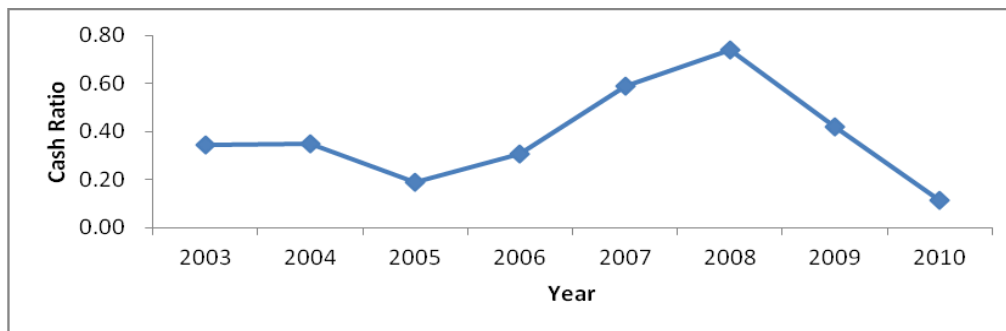
Figure 3. Revenue bond coverage ratio



Cash solvency ratios are related to liquidity and effective cash management and indicate a government's ability to generate sufficient resources to

pay its current liabilities. Cash ratio (cash + cash equivalents + investments / current liabilities) is a common measure that relates directly to short-term financial conditions while also providing a long-term indicator of cash solvency. As can be seen in figure 4 below, for the period 2003 to 2010, the city of Harrisburg consistently fell below the recommended benchmark of a cash solvency ratio greater than 1.00 indicating an inability to generate sufficient resources to pay its current liabilities.

Figure 4. City of Harrisburg cash solvency ratio 2003-2010



Budget solvency indicates a government's ability to generate sufficient revenues to fund and maintain the level of services demanded by the citizenry. One commonly used measure of budget solvency is the operating ratio, calculated by dividing total revenues by total expenditures. This ratio is very important to the short-term financial condition of a government and can provide the opportunity to make timely corrections to prevent deficits in the long run. A ratio greater than 1.00 indicates a budget surplus while a ratio below 1.00 indicates a deficit. Figure 5 illustrates the operating ratio for the City of Harrisburg for the period 2003 to 2010. The city enjoyed a very modest surplus for most of the time period examined. However, in 2009 the city experienced a huge deficit, clearly seen in figure 6. "The year 2009 was the year the City went from a 2008 statement of net assets position where assets exceeded liabilities by \$46,178,883, to a deficit in 2009 of \$227,092,975. It was the year in which the proverbial "chickens came home to roost" in the form of a contingent liability for the Harrisburg Authority Resource Recovery Facility debt guarantee of approximately \$264 million would be booked to the City's financial statements." (Mayor Linda Thompson, 2012).

Long run solvency indicates future resource availability of a government and is determined primarily by current long-term liabilities. Hendrick (2011, pg. 29) defines long run solvency as "...the balance between the collective revenue bases and spending needs of government in the long run and its ability to satisfy future liabilities." A commonly used measure of long-run solvency is the net asset ratio, calculated by net assets divided by total assets. The net asset ratio provides a clear picture of a government's future spending and ability and can provide an indication of whether a government is capable of overcom-

ing down cycles in the economy and other similar fiscal emergencies. A higher ratio indicates a better state of long-run solvency and provides a measure of what percentage of total assets is paid for. As shown in Figure 6, the net asset ratio remained fairly constant, small but positive up until 2008. For 2009 and 2010 coinciding with the Great Recession and the contingent liability from THA, the city is insolvent with a large percentage of total assets unpaid for.

Figure 5. City of Harrisburg operating ratio 2003-2010

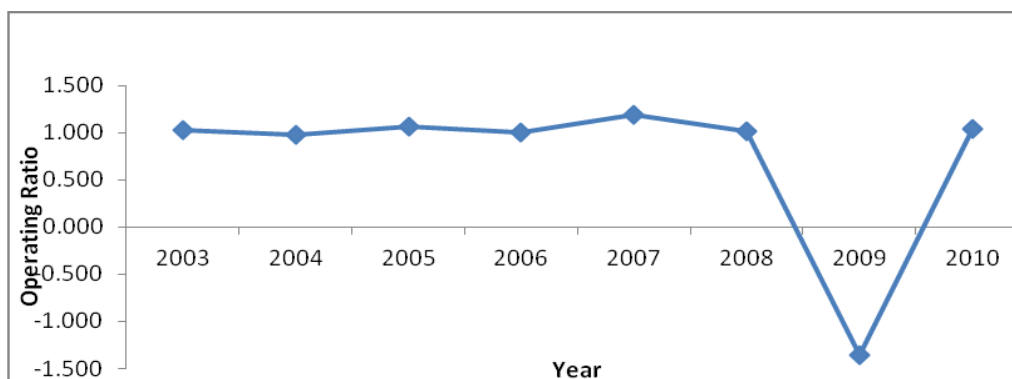
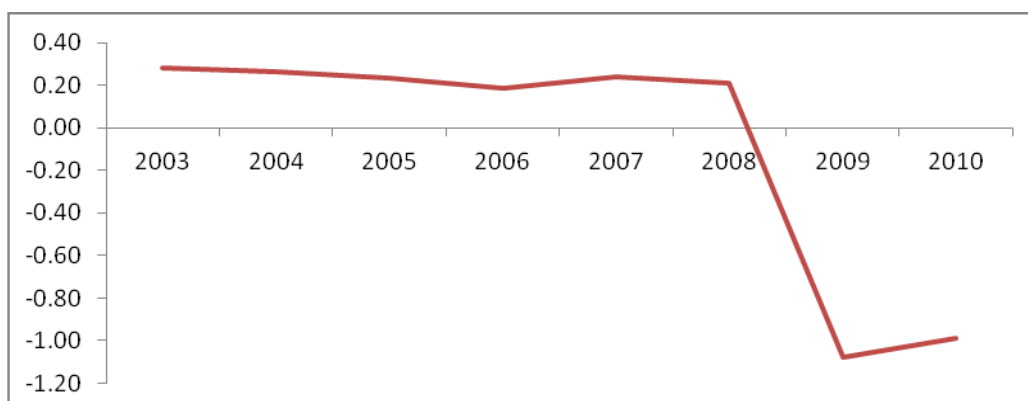


Figure 6. City of Harrisburg net asset ratio 2003 - 2010



Fund balance is the difference between assets and liabilities, put simply what would be left over if the assets were used to satisfy the liabilities. As illustrated in figure 7 below, for the period 2001 – 2010, Harrisburg had a positive net change in fund balance only in fiscal year 2003. The city's total net assets have also decreased significantly every year from 2003 – 2010 as shown in Figure 8 becoming negative from 2008 onwards.

Figure 7. Net change in fund balance – governmental funds

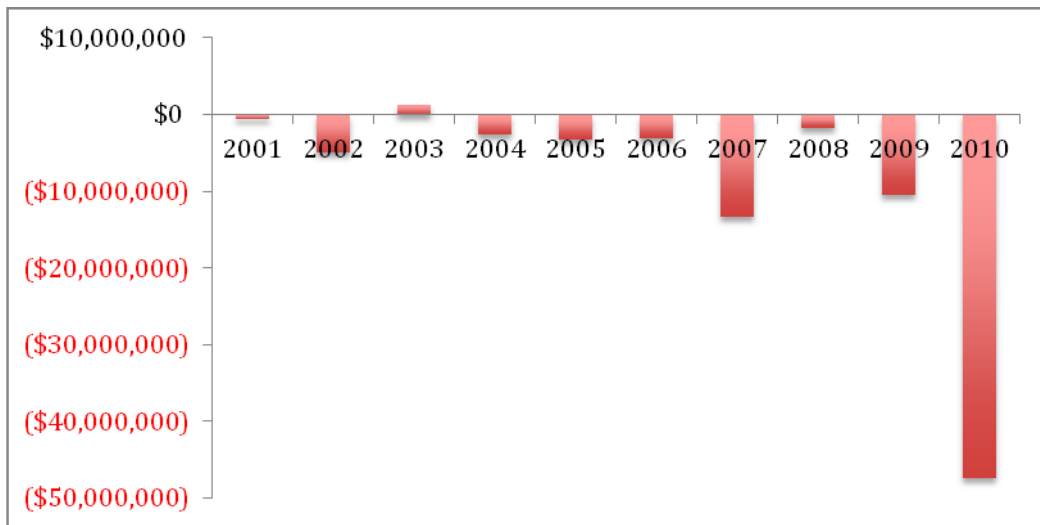


Figure 8. City of Harrisburg, total net assets (governmental activities) 2003 - 2010

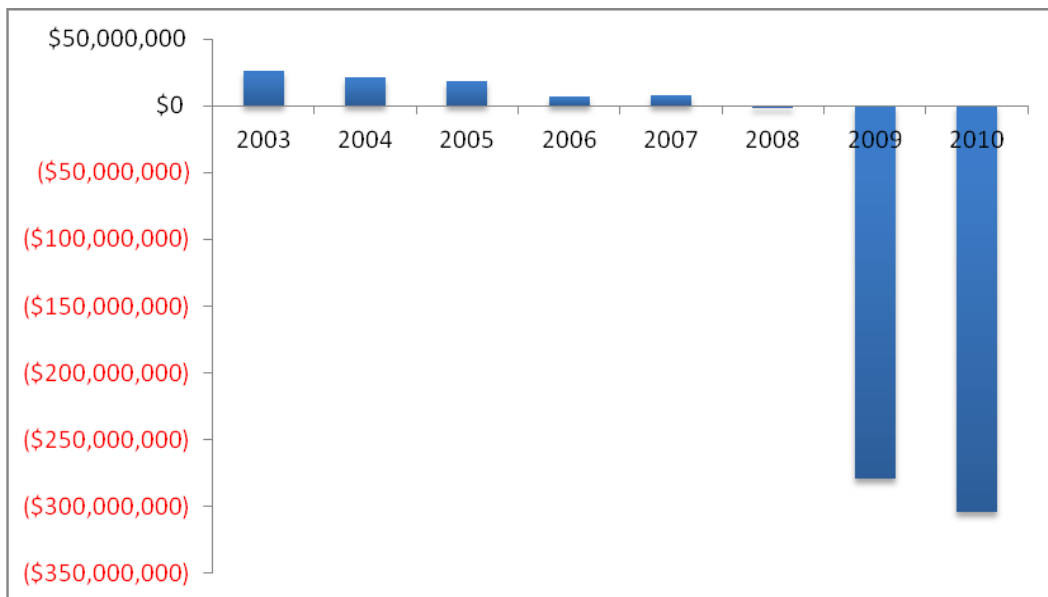


Table 5. How Did We Get Here?

Year	Reason for Debt
1969	City borrowed \$12.5 million to build a trash incinerator
1977	City borrowed \$19.2 million
1984	City borrowed \$9.7 million to build a 5,000 foot pipeline to vent steam to power a steel plant in nearby Bethlehem
1985	City borrowed \$25.3 million to add a turbine for on-site electricity generation
1993	THA purchased the RRF from the City financed by debt and borrowed an additional amount for improvements to the Facility (total cost of acquisition and improvements \$31,230,000 Series A guaranteed revenue bonds; \$9,415,000 Series B taxable bonds)
1996	THA issued additional debt of \$3.5 million for working capital and purchasing equipment
1997	THA issued the 1997A note in the amount of \$3 million to re-finance the 1996 borrowing THA also issued a 1997B note in the amount of \$7.9 million to fund capital repairs and additions, and the design, permitting and construction of a transfer station
1998	THA issued debt of \$55.8 million to refinance the 1993 and 1997 borrowings
2000	THA issued approximately \$25.2 million (\$4,195,000 Series A revenue notes; \$21,000,000 Series B taxable revenue notes) to restructure some of its existing debt and reimburse itself for prior payment of a portion of existing debt. This debt was later re funded with 2003 ABC
2002	THA issued debt in the amount of \$17 million Series A notes (\$1.1 million was used to pay interest on existing debt)
2003	THA issued \$75.9 million (\$22,555,000 Series A bonds; \$29,085,000 Series B; \$24,285,000 Series C) to restructure the 1998 and 2000 debt resulting in approximately \$10 million of additional interest expense. THA also issued \$125 million (\$96,480,000 Series D; \$14,500,000 Series E; \$14,020,000 Series F) to finance comprehensive retrofit modernization and certain working capital needs
2007	THA issues \$30 million in notes (\$20,961,574 Series C; \$9,033,234 Series D)

Source: How Did We Get Here-Bill Cluck Presentation on Financial Crisis, August 11, 2010

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.