

# The Office of Mayor William Courtright | The City of Scranton



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## **Remarks of the Mayor of Scranton in the 2015 State of the City Address** *May 1, 2015*

Good afternoon, and welcome to the 2015 State of the City Address.

As Mayor of the City of Scranton it is my honor and privilege to report to you that the state of the City is solid and getting stronger every day.

I have some people to thank and I can't possibly thank everybody, but, first, I want to thank the Chamber for hosting us today. I'd also like to thank:

Senator Blake, Representative Flynn, Representative Farina, Congressman Cartwright, Senator Casey, and our County Commissioners, Wansacz, O'Malley, and Staback, and I also want to thank all the other elected officials, community leaders, friends, family, and everybody who's helped our City progress as far as it has these past 16 months.

I especially want to thank the people who have been by my side, day in and day out; the people who have been there for the long days, and often deep into the late night hours. Those people are the members of my cabinet and my secretary Kay.

I have saved my most important thank you for last, that is to the first lady of the City of Scranton, my wife, Kim, whose love and support have guided me and been my rock throughout my life, and especially throughout the last year and a half.

I'm here, today, to give a state of the city, a state of Scranton, our City.

More specifically, we are here because of our abiding love for our City. We are here to talk about the difficult but necessary choices and sacrifices we must make, together, in order to set Scranton on a course for greater prosperity.

I'm excited about where we are and even more excited about where we're going.

Over the past year and a half we've made some difficult choices, set the course for recovery, and, today, I can report that through putting a plan in place and following the plan, our city is making real progress.

I'll be the first to say that we have some difficult challenges facing us. Challenges that touch every family, every person, and every business who calls Scranton home - but I believe that we - as Scrantonians - are up for the challenge.

I ran for Mayor because I saw our City struggling under the weight of decades of financial and economic hardship.

I ran for Mayor because I saw families and businesses struggling to make ends meet.

I ran for Mayor because I knew we couldn't give up. I ran for Mayor because I believe in Scranton.

From day one, it was clear that getting back on track wouldn't be easy.

It was clear it wouldn't be quick.

But Scranton doesn't back down from a fight - and we don't give in.

It's not glamorous and the victories may sometimes seem small, but they are always significant, because they continue to propel us towards financial stability and future prosperity, one step at a time.

When I came into office I brought on HJA Strategies with the generous support of the Chamber to build a plan that could work.

We've been sticking to the plan.

Much of that plan has become a part of the Revised Recovery Plan drafted by the Pennsylvania Economy League, who have been an invaluable partner to my Administration.

I want to stress to you all how productive our relationship has been with the Economy League, as well as the Commonwealth and DCED. We've really built this recovery plan together.

Now, we've all seen recovery plans come and go and our City has remained in Act 47 for some 20 years.

But I believe that this time will be different. This time, we're all rowing in the same boat. We built this plan together—my Administration, HJA Strategies, PEL, DCED, and Council—and we're going to make it happen together.

A big part of my job as Mayor is working every day to tell people—in our city, around the Commonwealth, and all over the country—that we're moving forward; that we're moving beyond the mistakes and, frankly, the embarrassments of the past.

My initial focus has been to restore credibility and calm, to make Scranton a place where people don't see risk, but where they see stability and opportunity—a place where they can start a business or raise a family.

Now, it's no secret: we're going to have to endure pain and sacrifice to get there, but the important point is we are getting there.

We are no longer putting the public's safety at risk by paying minimum wage to police and firefighters.

We are no longer defaulting on our debts.

We are no longer wasting time playing politics by fighting with Council.

Instead, we're pursuing common-sense solutions that work. We have taken an inclusive approach and have a strong and valuable partner in the City Council. We may not always agree, but that's okay. That's just a part of good government.

I cannot overstate the importance of this strong and productive relationship.

If we're talking to anyone wanting to invest in the City, anyone wanting to build something, anyone considering lending us money, one of the first questions they ask is: are the Administration and Council working together?

The answer is yes.

We've gotten to work and achieved real victories together.

The council wars are over.

To provide some perspective, when I came into office, we got used to seeing story after story, in the paper, on the evening news and on the radio—all around the country—telling us our city was about to go bankrupt, that we were teetering on the brink of more defaults, that we were paying our workers minimum wage just to make payroll, and even that our City Council meetings would make good material for a reality show.

You don't see those stories anymore.

In just over a year, we've been able to tell a different story about Scranton. A story of hope and optimism, backed up by real progress.

We are restoring trust in our city and that trust matters when credit agencies are looking at us: when businesses are looking to invest, when people are looking to move to the City and, most importantly, it matters for the people of Scranton.

When I came into office, financial institutions had little faith in Scranton's ability to meet its obligations. As a result, we couldn't find anyone who wanted to give us a Tax Anticipation Note or a TAN.

Because tax revenues come in only a few times a year, many cities around the country issue bonds to help bring in enough money to pay employees and make the kind of necessary purchases the city needs to run. When the tax revenue comes in, we pay the lender back.

It's a normal part of how cities operate and is typically considered to be one of the lowest risk investments out there.

The fact that we couldn't find a bank that would even talk to us spoke volumes about how financial institutions viewed Scranton.

I understand why. After having defaulted on a debt payment in 2012, banks viewed Scranton as a bad investment.

Now the TAN that came out of the budget I inherited carried around a 9 percent cost, which is

more than 4-times the average cost for a TAN.

4 times!

We just couldn't afford it.

So, we got to work and fixed it.

Over the past year and half, we've cut the cost of the TAN by half.

That's real savings.

The only way to get this done was to get serious about our finances and restore trust. No one's going to give us better rates if I just go around telling people things are getting better. They actually have to be better!

Now, local banks, regional banks, and national banks are talking to us again. Scranton is earning trust back.

What else did we do?

We cleared up the defaulted debt to Landmark Bank and NBT Bank, closing the book on one of our most embarrassing moments. This allowed us to get on with fixing the Parking Authority, and open up credit markets again.

We are financing the biggest paving program in decades—over \$3.5 million dollars by getting loans that we just wouldn't have been able to get in the past.

We are getting national companies to look at insuring our bonds again, something that would never have happened a year and a half ago.

We are on track with one of our biggest initiatives—monetizing the Scranton Parking Authority. Through innovative partnerships and a great team, we are going to get this done – and - I believe get an even better outcome than what we expected.

We have only been able to do this because we are working together, because we believe in Scranton.

But we aren't done yet. We have a lot work to do and we're going to do it. We are following the Plan.

Now, one of the biggest financial challenges we face is the 20-million-dollar judgment. It's an anchor around the City's neck. We have to pay it.

The longer we wait, the more interest it gathers—about \$100,000 a month. Finding a way to pay this back, responsibly, is a priority for my administration. The sooner we address this debt, the sooner we will be able to turn the corner toward a brighter, more prosperous future for our city.

It's not going to be easy and we have to approach it creatively. We can't do this the conventional way - by just issuing more debt without it being part of a bigger solution. And, at the end of the

day, we cannot do it alone.

That's why we're working with the Commonwealth and other stakeholders each every day and I'm happy to report we're getting close to a genuine and holistic solution.

Now, to be successful we all have to all make sacrifices. Everybody has to give something; and, we have to recognize that it will be difficult.

One of these groups - one of the most important partners we have in our effort to move Scranton forward are the men and women of our unions.

Our police, who have made Scranton one of the safest cities in the Commonwealth.

Our firefighters, who we know will be there in some of our most difficult moments, when no one else will.

Our DPW workers, who keep this City beautiful, our clerical workers, and all the men and women who make the government work each and every day.

To our entire team here in Scranton; I'm proud of you and Scranton's proud of you.

Now, there's no way forward for this City without our public workers, but there is certainly no way forward without real reform. We are in this together—every step of the way.

Just like you all, they know things have to change.

My message to the unions has not changed. A strong Scranton is good for everyone, but we won't get there if all parties involved aren't willing to make necessary sacrifices and compromises.

To date, we've bargained with the unions to achieve savings for our City's budget, to bring in new revenues, and to help shore up the pension funds. The impact is real.

My job, my administration's job, as a negotiator, is to get the best possible deal for the City and I believe we have.

I'm not going to waste my time asking for things that are never going to happen, and I'm certainly not going to push this City into another risky and costly arbitration that takes nearly a decade to work out.

And, the reality is, this City cannot afford to find itself—*again*—on the wrong end of a \$20 million court award.

Now that doesn't mean we're not on opposite sides of the bargaining table. We are. The important thing is, we went to the bargaining table and we got results.

It was clear that the contracts we had with our police and fire unions needed to be changed. That's what the Amoroso plan said, that's what the Recovery Plan said, and believe me, I know that's what you're all saying.

We could not wait. We had to act.

But the unions could have waited.

I could've made as much noise as I wanted, but at the end of the day, their contracts wouldn't have expired until the end of 2017. If they didn't want to come to the table, they didn't have to.

But I got the unions to the bargaining table with the understanding that everyone has to pitch in to move Scranton forward.

We worked hard for that.

You almost never see a union open up their contract mid-term and even more rarely do you see it resulting in concessions. If we had waited any longer, we would have lost valuable time—and money.

So, what did we accomplish?

We got, by far, the lowest raises in a generation.

We got the unions to double their pension contributions.

We're tightening up on overtime and reduced costly high-ranking staff.

And we got this all without going to arbitration.

Arbitration would have meant handing over the keys to a panel, who, at the end of the day, almost always gives the unions a generous contract that we couldn't afford.

We don't have to look far to see what could have happened.

Just recently, the County Correctional and Probation officers went into contract negotiations with Lackawanna County.

What happened?

They went to arbitration and got double digit raises over the life of the contract.

We did it ourselves and we kept it in the single digits.

We did it ourselves and got the most affordable contracts we've seen in decades.

The contracts we negotiated are less than half of what the Arbitration Panel handed down to the County. Less than half.

We can also look back on what happened the last time the City went into arbitration with the Police and Fire unions. When the City tried to fight the Arbitrators' award for the contract between 2008 and 2014, the Court of Common Pleas denied our case and the City faced a 26% raise over the life of that contract. This is what happens in arbitration.

If we average out the raise per year, the contract from the fire arbitration amounted to 3.8%. When the City went into arbitration, the award was about 3 times higher than what we were able to negotiate through good faith bargaining with our unions. One raise in that contract was 8 percent; the biggest raise we had was 1.75 percent. Actually, *every* raise in that contract was bigger than *any* in the one we negotiated.

But, I'm not going to dwell on the past, but by using history as a guide, we were able to avoid an outcome that would have been harmful to the City's recovery. Past administrations have tried following the rabbit down the hole and it didn't work. We can't afford another eight years fighting it out in the courts.

Now, I know these contracts aren't perfect, but they're the product of compromise and common sense. We'll take the same approach with DPW and Clerical unions.

What I am going to do with these contracts, and what I have done with Police and Fire, is to bring them to the table and get the best deal possible for this City.

No double digit raises.

No crippling arbitration awards.

Just real savings and the knowledge that we've made this City one of the safest in the Commonwealth.

Now there's more to do. The contracts are just a piece of what we have to work out with the unions.

And, ladies and gentlemen, we are not done yet.

Ultimately, the biggest challenge our city faces is shoring up our pension, and so tackling that challenge, in whatever way we can, has always been goal number one of this recovery.

Look, this problem is not unique to the City of Scranton. We are seeing cities all across the country struggle with this same issue. Chicago, one of our nation's great cities, is also getting crushed by pension obligations.

This isn't an excuse for what's happening here, but rather adds context to our own struggles.

The bottom line is, it's unsustainable. That's why we've worked hard to bring people to the table with the message that we are in this together and if we can find common sense on common ground, we will succeed together.

First, the contracts we negotiated *double* the required pension contributions that police and fire have to make to their own retirements, taking some of the burden off of taxpayers.

We're also cracking down on abuse. This is something that is important to me. I simply will not tolerate it. It's unfair to our taxpayers, and, most of all, it is unfair to the men and women who worked hard to earn those pensions. We are going to do everything we can, work with whoever we need to, to go after those abusers.

That's why we're cooperating with the composite pension board, the Auditor General, the State

Police, and the Federal government in whatever ways we can to root out past abuse.

That's why we're cooperating with the Scranton Sewer Authority and the Commonwealth on a responsible monetization that will keep rates low and help provide critical funding to our pensions, which will help lower the burden for taxpayers.

That's why we held the line on pension raises. I'm not going to allow the City to put itself in even further financial distress by permitting raises that we believe are illegal and that we can't afford. It would be unfortunate if the Board chooses to take the City to court over this issue, but we are prepared to litigate the matter if need be. I have an obligation to all of the taxpayers to insure the City is not paying out money it is not supposed to be paying out. I have an obligation to the Pensioners to insure that the City can continue to make their base pension payments.

As I've said, there will be critics and there will be those who say that meaningful change is not possible. I welcome debate and thoughtful discussion, but we don't welcome pessimism. I did not run for Mayor just to hand our City's fate over to the unknown, I ran for Mayor to help fix this City.

If this City goes to bankruptcy, it will not be by my hand.

Bankruptcy is not a way out, and it is certainly not in my plan for Scranton's revitalization.

I will say again today, bankruptcy is bad for Scranton and I will do everything in my power to avoid it.

And we can.

Let me be clear: bankruptcy for our City would not be a new start. It would not be a clean slate. Municipal bankruptcy and personal bankruptcy are very different animals.

It doesn't mean breaking union contracts.

It doesn't mean we get out of our debt obligations.

And it certainly doesn't mean we get out of our pension obligation.

It also doesn't mean taxes go down at the end of the day; it probably means they go up significantly.

Bankruptcy takes the fate of our City out of our hands and places it the hands of a judge.

Our plan requires sacrifice from the people of this city and I know it's painful. I acknowledge that and I cannot express enough my gratitude to the people of Scranton for banding together and for taking pride in the idea that if we believe and we work hard we can fix this city together.

Ultimately, we just don't know what a municipal bankruptcy would look like. I know the critics and naysayers think we're the next Detroit.

I am here to tell you that we are not.

We are Scranton, Pennsylvania.

We have a plan and we have a real opportunity to put all of this behind us without inflicting the crippling damage that a bankruptcy would bring to this City, the entire region, and the Commonwealth. As goes Scranton, so goes Northeastern Pennsylvania.

Bankruptcy means giving up, it means that we have no options left. We are nowhere near there. We have a plan and it is working.

I intend to see it through.

[Partnerships]

You know, one of the things I love about being the Mayor of a city as great as Scranton is that you have a chance to do something positive every single day.

I think one of the big reasons for this is who I get to work with. When I look around this room, I see partners in this fight. I see residents and business leaders who have said, “we love Scranton,” but more importantly who have put their blood, sweat and tears behind making it better. That’s the Scranton I’m proud to call home.

That’s our Scranton.

I see people who want to see this City succeed more than anything. When I look outside this room, when I look all over our city and across the Commonwealth, I know people don’t want to see this city fail.

I see people with a helping hand extended.

One partner I am incredibly excited to be working with is our Governor, Tom Wolf, who has been a key ally in our fight to put Scranton on the road to recovery. I am grateful to the Governor for what he’s trying to do for Scranton, for the time he’s put in, and the access he’s given us to his team. We have a great friend in Harrisburg who wants to do what he can to help us and a friend who gets it.

Senator Bob Casey, a proud son of Scranton and one of our greatest advocates, was kind enough to set up a meeting for us with the Governor’s team just weeks after the Governor took office. We had a chance to have a proactive discussion about how we could work to move Scranton forward.

I’ll never forget, just as we were getting ready to close the meeting, they asked me what my vision was for Scranton.

After we had stabilized our finances, after we had paid our debts, what did I want to see for our City?

They wanted to know what’s special about Scranton, what we’re working towards. I told them that our city is safe, that it has some of the best infrastructure in the country. I told them about our great universities, colleges, and hospitals, and about our innovative business community.

But what I really emphasized to the Governor is the amazing community we have here. We have some of the hardest working, most inventive and committed people you'll ever meet. I told him, Scranton is a place where family comes first and roots run deep. It's a place where people care and truly believe in the promise of this city.

The Scranton I remember as a kid, was a Scranton of tight-knit neighborhoods and strong communities. Scranton was a place that welcomed generations of immigrants looking for a better life, looking to live the American dream. Today, we are still a city where people go to find opportunity.

So what is my vision? I want Scranton to be a city of strong neighborhoods, strong community, and a place where people can come for good jobs, to start a business, and to raise a family.

We can renew the promise of the American Dream right here in Scranton. If we stick together to continue down the path to recovery, if we continue to fight, if we continue believing in Scranton we can make it happen.

Thank you,

God bless you, and God Bless the City of Scranton!

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**End**

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