

AGENDA
REGULAR MEETING OF COUNCIL
July 20, 2017
6:30 PM

1. ROLL CALL
2. READING OF MINUTES
3. REPORTS & COMMUNICATIONS FROM MAYOR & HEADS OF DEPARTMENTS AND INTERESTED PARTIES AND CITY CLERK'S NOTES:
 - 3.A MINUTES OF THE REGULAR MEETING OF THE MEMBERS OF THE SCRANTON HOUSING AUTHORITY HELD JUNE 5, 2017.

[Scranton Housing Authority June 5, 2017.pdf](#)
 - 3.B CHECK RECEIVED IN THE AMOUNT OF \$2,262.00 FROM GOODWILL AT NORTH GERALD T. LANGAN APARTMENTS (COMMUNITY REALTY MANAGEMENT), WHICH IS PAYMENT IN LIEU OF TAXES FOR THE CITY OF SCRANTON.

[Goodwill at North Apts. PILOT 7-17-17.pdf](#)
 - 3.C CONTROLLER'S REPORT FOR MONTH ENDING JUNE 30, 2017.

[Controller's Report 6-30-17.pdf](#)
 - 3.D MINUTES OF THE NON-UNIFORM MUNICIPAL PENSION BOARD MEETING HELD JUNE 21, 2017.

[Non-Uniform Municipal Pension Board Minutes 6-21-17.pdf](#)
 - 3.E MINUTES OF THE SCRANTON POLICE PENSION COMMISSION MEETING HELD JUNE 21, 2017.

[Scranton Police Pension Commission Meeting 6-21-17.pdf](#)

- 3.F MINUTES OF THE COMPOSITE PENSION BOARD MEETING HELD JUNE 21, 2017.

[Composite Pension Board Meeting Minutes 6-21-17.pdf](#)

- 3.G AGENDA FOR THE NON-UNIFORM MUNICIPAL PENSION BOARD MEETING HELD JULY 19, 2017.

[Agenda for Non-Uniform Municipal Pension Board 7-19-17.pdf](#)

4. CITIZENS PARTICIPATION

5. INTRODUCTION OF ORDINANCES, RESOLUTIONS, APPOINTMENT AND/OR RE-APPOINTMENTS TO BOARDS & COMMISSIONS MOTIONS & REPORTS OF COMMITTEES:

5.A MOTIONS

- 5.B FOR INTRODUCTION – AN ORDINANCE – GRANTING DEED OF EASEMENTS AND RIGHTS-OF-WAY OVER PARCELS OF PROPERTY OWNED BY THE CITY OF SCRANTON AS NOTED BELOW IN CONNECTION WITH THE SCRANTON SEWER AUTHORITY’S SEWER/STORMWATER COLLECTION SYSTEM ACCESS AND MAINTENANCE EASEMENT. (EMERGENCY CERTIFICATE ATTACHED).

[Ordinance-2017 SSA Sewer Stormwater Collection System.pdf](#)

- 5.C FOR INTRODUCTION – A RESOLUTION – AUTHORIZING THE MAYOR AND OTHER APPROPRIATE CITY OFFICIALS TO EXECUTE AND ENTER INTO THE SIXTH AMENDMENT TO THE FEDERAL AID BRIDGE PROJECT AGREEMENT NO. 041222 BETWEEN THE COMMONWEALTH OF PENNSYLVANIA (“DEPARTMENT”) AND THE CITY OF SCRANTON (“MUNICIPALITY”) FOR THE PURPOSE OF INCREASING CONSTRUCTION FUNDING AND UPDATING STANDARD FEDERAL PROVISIONS OF THE ROCKWELL AVENUE BRIDGE PROJECT.

[Resolution-2017 6th Amendment to increase funding for Rockwell Avenue Bridge Project.pdf](#)

- 5.D FOR INTRODUCTION - A RESOLUTION - AMENDING RESOLUTION NO. 133, 2017 ENTITLED "AUTHORIZING THE MAYOR AND OTHER APPROPRIATE CITY OFFICIALS TO EXECUTE AND ENTER INTO A CONTRACT WITH PMA MANAGEMENT CORP. FOR CITY OF SCRANTON SELF-INSURED WORKERS' COMPENSATION AND HEART AND LUNG CLAIMS THIRD PARTY ADMINISTRATION FOR A PERIOD OF THREE (3) YEARS FROM APRIL 1, 2017 THROUGH MARCH 31, 2020" TO INCLUDE EXHIBIT "C" TO THE CONTRACT.

[Resolution-2017 Add Exhibit C to PMA Management Contract.pdf](#)

6. CONSIDERATION OF ORDINANCES - READING BY TITLE

- 6.A READING BY TITLE - FILE OF THE COUNCIL NO. 111, 2017 - AN ORDINANCE - ADOPTING AND IMPLEMENTING THE ACT 47 EXIT PLAN FOR THE CITY OF SCRANTON PURSUANT TO THE FINANCIALLY DISTRESSED MUNICIPALITIES ACT; AND AUTHORIZING THE MAYOR OF THE CITY OF SCRANTON TO ISSUE AN ORDER DIRECTING THE IMPLEMENTATION OF THE ACT 47 EXIT PLAN WHICH WILL BECOME EFFECTIVE UPON ADOPTION ATTACHED HERETO AS EXHIBIT "A" IN ACCORDANCE WITH THE PROVISIONS OF 53 Pa. C.S.A. §11701.245, THE MUNICIPALITIES FINANCIAL RECOVERY ACT.

[Ordinance-2017 Adopting & Implementing Act 47 Exit Plan.pdf](#)

7. FINAL READING OF RESOLUTIONS AND ORDINANCES

- 7.A FOR CONSIDERATION BY THE COMMITTEE ON PUBLIC WORKS - FOR ADOPTION - FILE OF THE COUNCIL NO. 110, 2017 - AN ORDINANCE - CLOSING AND VACATING A PORTION OF WRIGHT COURT BETWEEN LINDEN STREET AND THE FORMERLY VACATED PORTION OF WRIGHT COURT.

[Ordinance-2017 Closing & Vacating Portion of Wright Court.pdf](#)

8. ADJOURNMENT

**MINUTES OF THE REGULAR
MEETING OF THE MEMBERS OF
SCRANTON HOUSING AUTHORITY
JUNE 5, 2017**

RECEIVED

JUL 13 2017

**OFFICE OF CITY
COUNCIL/CITY CLERK**

The members of the Scranton Housing Authority met in a regular session at the office of the Authority in the City of Scranton, Pennsylvania, at 5:00 P.M. on June 5, 2017.

Pledge of Allegiance.

Mrs. Mary Anne Sinclair, Madame Chairman, called the meeting to order. Roll call please.

1. Roll Call.

Present

Absent

Mary Anne Sinclair
Thelma Wheeler
Mary Clare Kingsley
William J. Egan, Jr.
Terrence V. Gallagher

In addition to the board members, those in attendance were Gary P. Pelucacci, Executive Director, Karl P. Lynott, Deputy Executive Director; Boyd Hughes, Solicitor, and Ann Frye, Executive Assistant to the Executive Director.

2. Executive Session.

Mrs. Sinclair: Executive Session.

Attorney Hughes: Yes, we discussed litigation and personnel.

Mrs. Sinclair: Thank you.

3. Approval of the minutes of the Regular Meeting held May 1, 2017.

Mrs. Sinclair: Approval of the minutes of the regular meeting held May 1, 2017.

Mr. Egan: So moved.

Ms. Kingsley: Second.

Upon roll call, the ayes and nays were as follows:

| AYES | NAYS |
|-----------------------|------|
| Mary Anne Sinclair | None |
| Thelma Wheeler | |
| Mary Clare Kingsley | |
| William J. Egan, Jr. | |
| Terrence V. Gallagher | |

4. Treasurer's Report for the period April 27, 2017 to May 31, 2017.

Mrs. Sinclair: Treasurer's Report for the period April 27, 2017 to May 31, 2017.

Mr. Egan: This report is as of May 31, 2017. The balances in our checking accounts are \$2,454,730.97. The Section 8 NRA Fund has a balance of \$1,553.68. This savings account is required by HUD to deposit excess HAP funds not used by the Authority. The payroll account will now be listed as the bank is requiring the account to have on deposit the amount of the direct deposit funds two days prior to the disbursement of the funds. Thus, the SHA will keep at minimum at least \$75,000 on deposit in the payroll account. Investments made in Certificates of Deposits amounted to \$4,598,710.05. Petty Cash totaled \$300.00, for a grand total of \$7,055,294.70. Paid bills from April 27, 2017 to May 31, 2017 were forwarded to all board members. If there are no questions, a motion should be made for approval of this report.

Mr. Gallagher: So moved.

Ms. Kingsley: Second.

Upon roll call, the ayes and nays were as follows.

AYES

NAYS

Mary Anne Sinclair
Thelma Wheeler
Mary Clare Kingsley
William J. Egan, Jr.
Terrence V. Gallagher

None

5. Secretary's Report.

Mrs. Sinclair: Secretary's Report.

Mr. Gallagher: Madame Chairperson, there has been no correspondence received since our last meeting.

6. Committee Reports.

6.(a) Chairman Report.

Mrs. Sinclair: Committee Reports, I have nothing to report at this time. Executive Director's Report.

6. (b) Executive Director Report.

Mr. Pelucacci: Yes, Madame Chairman. Under our Utility Report for the month of April, 2017 our total utility cost was \$220,379.41 and for the month of May, 2017 our total utility cost was \$216,027.71.

On our Tenant's Accounts Receivable Report, for the month of March, 2017 we had a total of 270 delinquents totaling \$126,847.80; for the month of April, 2017 we had 248 delinquents totaling \$115,668.79 and for the month of May, 2017 we had 261 delinquents totaling \$129,498.59.

On our Construction Report Madame Chairman, work has been progressing smoothly on the comprehensive renovations of buildings 3 and 16 at Valley View Terrace. Both buildings should be complete within the next month.

That is all I have, Madame Chairman.

Mrs. Sinclair: Thank you. Attorney Hughes, Solicitor's Report?

6.(c) Solicitor Report.

Attorney Hughes: Yes, Madame Chairman, my report is covered by articles 8(c) and 8(d) the bid openings for the electrical maintenance contract and the fire alarm replacement.

Mrs. Sinclair: Thank you. Apartment Report.

6.(d) Apartments.

Mr. Pelucacci: Yes, Madame Chairman. Under our Public Housing Program, we have an A.C.C. of 1,269 units with 1,231 units under effective lease. There are Thirty-Eight (38) vacant apartments in which Twenty-Five (25) vacant units are under modernization at Valley View Terrace. Under our Section 8 Housing Choice Voucher Program, we have an A.C.C. of 1050 units with 858 units under effective lease. Total apartments under effective lease by the Scranton Housing Authority as of May 31, 2017, are 2,089 out of an A.C.C. of 2,319.

That concludes the Apartment Report, Madame Chairman.

Mrs. Sinclair: Any unfinished business?

7. Unfinished Business.

Mr. Pelucacci: Not to my knowledge, Madame Chairman.

Mrs. Sinclair: New Business.

8. New Business.

8.(a) Resolution No. 17-11 – Approval for the Establishment of a Checking Account for the Capital Fund Program.

Mr. Pelucacci: Madame Chairman, Item 8(a) is Resolution No 17-11 which is for the approval to establish a Checking Account for the Capital Fund Program.

“Whereas, the Scranton Housing Authority applied for the Capital Fund Program from the United States Department of Housing and Urban Development and received funds from said program (PA 26P003501-16); and

Whereas, the Scranton Housing Authority must establish a checking account for said program; and

Now, Therefore, Be It resolved that the Board of Commissioners of the Scranton Housing Authority hereby approves the execution of all required documents to establish a checking account for said program at the First National Community Bank, 102 E. Drinker Street, Dunmore, Pennsylvania, 18512.”

It would be my recommendation that the Board of Commissioners pass Resolution No. 17-11.

Mr. Egan: So moved.

Mr. Gallagher: Second.

Upon roll call, the ayes and nays were as follows.

AYES

NAYS

Mary Anne Sinclair
Thelma Wheeler
Mary Clare Kingsley
William J. Egan, Jr.
Terrence V. Gallagher

None

8.(b) Resolution No. 17-12 – Approval for the Disposal of Excess Equipment.

Mr. Pelucacci: Madame Chairman, Item 8(b) is Resolution No. 17-12 which is for the approval to dispose of excess equipment.

“Whereas, the Scranton Housing Authority on June 5, 2000 adopted an Amended Disposition Policy; and

Whereas, in accordance with said Disposition Policy equipment and/or personal property that is worn out, obsolete or surplus to the needs of the Housing Authority excess to be disposed of, must be written off and disposed of in an efficient manner; and

Now, Therefore, Be It Resolved that the Board of Commissioners of the Scranton Housing Authority hereby approves the attached list, designated as Exhibit "A" of worn out excess equipment from the referenced developments be written off and disposed of in an efficient manner.”

It would be my recommendation that the Board of Commissioners pass resolution No. 17-12.

Ms. Kingsley: So moved.

Mr. Egan: Second.

Upon roll call, the ayes and nays were as follows.

AYES

NAYS

Mary Anne Sinclair
Thelma Wheeler
Mary Clare Kingsley
William J. Egan, Jr.
Terrence V. Gallagher

None

8.(c) Bid Opening – May 23, 2017 – Electrical Maintenance for all Developments.

Mr. Pelucacci: Madame Chairman, we had a bid opening on May 23, 2017 at 10:00 a.m. for electrical maintenance work for all developments. We received three bids for the electrical maintenance work.

The first bid was from Joyce Electrical, Inc. for a total rate of \$65.90 per hour (which is \$61.90 per hour base rate and \$4.00 per hour for a service truck). The second bid was from Leber Electric for a total rate of \$80.00 per hour (which is \$65.00 per hour base rate and \$15.00 per hour for a service truck). The third bid was from G.R. Noto for a total rate of \$82.00 (which is \$70.00 per hour base rate and \$12.00 per hour for a service truck).

The bids were reviewed by Authority staff and our Solicitor.

It would be my recommendation to make the award to the lowest bidder Joyce Electrical, Inc. for a total rate of \$65.90 for the base rate and \$4.00 per hour for a service truck. This contract is for a one year period.

Mr. Egan: So moved.

Mr. Gallagher: Second.

Upon roll call, the ayes and nays were as follows.

| | |
|-----------------------|------|
| AYES | NAYS |
| Mary Anne Sinclair | None |
| Thelma Wheeler | |
| Mary Clare Kingsley | |
| William J. Egan, Jr. | |
| Terrence V. Gallagher | |

8.(d) Bid Opening – May 24, 2017 - Fire Alarm replacement at 420 Adams Avenue High Rise.

Mr. Pelucacci: Item 8(d) is a bid opening for a Fire Alarm system for Adams High Rise. We had a bid opening on May 24, 2017 at 10:00 a.m. for a new Fire Alarm system for Adams High Rise.

We received six bids for this work. The first bid was from DDK Security & Automation Systems, LLC for \$93,350.00. The second bid was from G.R. Noto Electrical Construction, Inc. for \$125,000. The third bid was from Leber Electric, Inc. for \$172,250.00. The fourth bid was from Mulrooney and Sporer, Inc. for \$197,300.00. The fifth bid was from Everon Electrical, Inc. for \$247,448.00. The sixth bid was from Richard Mellow, Inc. \$327,400.00.

The bids were reviewed by Authority and staff and our Solicitor.

It would be my recommendation to make the award to the lowest bidder DDK Security & Automation Systems, LLC for \$93,350.00.

Mr. Egan: So moved.

Mr. Gallagher: Second.

Upon roll call, the ayes and nays were as follows.

AYES

Mary Anne Sinclair
Thelma Wheeler
Mary Clare Kingsley
William J. Egan, Jr.
Terrence V. Gallagher

NAYS

None

Mrs. Sinclair: Personnel.

9. Personnel.

Mr. Pelucacci: Yes, Madam Chairman, under personnel, we have no resignations and no retirements. Under Workers Compensation, Robert Griffiths has been off since July 7, 2016. Ryan O'Hora has been off from November 9, 2016.

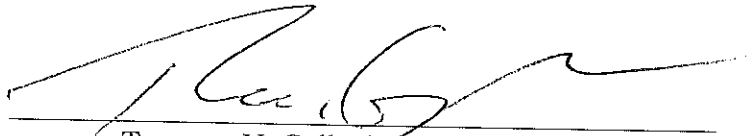
Mr. Pelucacci: That concludes the Personnel Report, Madame Chairman.

10. Public Comment.

(No people were present for Public Comment)

11. Adjournment.

There being no further business to come before the board, the meeting was adjourned at the call of the Chair on motion made by Mr. Kingsley, and seconded by Ms. Wheeler.



Terrence V. Gallagher, Secretary

Certificate

I, Terrence V. Gallagher, hereby certify that:

1. I am the duly appointed, qualified and acting Secretary of the Scranton Housing Authority.

2. I am custodian of the records of said Authority.

3. The attached copy of the Minutes of the Regular Meeting of said Authority held June 5, 2017 is a true and correct copy of the original Minutes of said meeting, as approved at the meeting of said Authority on July 10, 2017 and is recorded in the Minutes of the Authority.

In Witness Whereof, I have hereunto set my hand and the corporate seal of this Authority this 10th DAY of JULY, 2017.



Terrence V. Gallagher
Secretary



DEPARTMENT OF BUSINESS ADMINISTRATION

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4118 • FAX: 570-348-4225

MEMORANDUM

DATE: July 17, 2017
TO: Wayne Beck, City Treasurer
FROM: Nancy Krake, Staff Accountant
RE: Check for Deposit

RECEIVED

JUL 17 2017

OFFICE OF CITY
COUNCIL/CITY CLERK

Enclosed kindly find the following check received from Goodwill at North Gerald T. Langan Apts (Community Realty Management), which is payment in lieu of taxes for the City of Scranton:

| | | |
|--|------------------|-------------------|
| Goodwill at North Gerald T. Langan Apts | Ck. # 100 | \$2,262.00 |
|--|------------------|-------------------|

This check is to be deposited into Account #01.359.35900

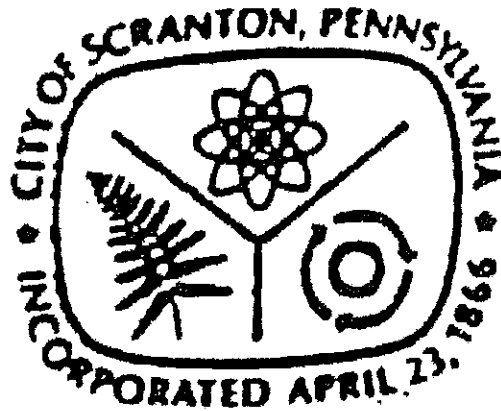
cc: Mayor Bill Courtright
Roseann Novembrino, City Controller
Scranton City Council ✓
File

**CITY OF SCRANTON
PENNSYLVANIA**

RECEIVED

JUL 18 2017

OFFICE OF CITY
COUNCIL/CITY CLERK



**OFFICE OF THE CITY CONTROLLER
AND BUREAU OF INVESTIGATIONS**

**ROSEANN NOVEMBRINO
CITY CONTROLLER**

**CONTROLLER'S REPORT
FOR THE MONTH ENDING
JUNE 30, 2017**

City of Scranton
Pennsylvania

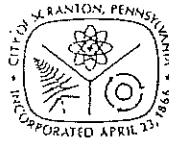
Roseann Novembrino

City Controller

Municipal Building

Scranton, Pennsylvania 18503

(570) 348-4125



*Office of the City Controller
and Bureau of Investigations*

July 18, 2017

The Honorable Mayor William L. Courtright

And

The Honorable City Council

Municipal Building

Scranton, Pa 18503

Dear Honorable Mayor and Honorable Council:

In Accordance with the Home Rule Charter of the City of Scranton, I am hereby submitting the report of the Office of the City Controller for the month of June, 2017.

The first section of this report includes a summary of the General Fund Activities for the month as well as a year to date revenue summary. The second section contains a detailed listing of the purchases in all departments for the period. Both sections are the end result of the review, authoritative approval, and audit procedures applicable to each section. This reflects the Controller's integral part of the internal control environment and the application of those independent audit techniques designed to provide improvement within the system and/or identify irregularities.

Rather than traditional audit reports which outline the results of an examination performed on a particular schedule within the calendar cycle, this department applies audit reviews on a daily, bi-weekly and monthly basis. Audit procedures were applied to the following financial applications which are an integral part of or have a direct impact on this report; all cash receipts flowing through the Treasurer's Office, all bank account reconciliations, Capital Budget reviews, Operating budget review/monthly reconciliation, payroll review and reconciliation, and voucher/requisition order review/authorization. Any item considered reportable would have been detailed later in this report (page 2).

This report is presented for your review. All figures are accurate as of this date but are subject to change due to subsequent postings by the Business Administration Department. Any such posting will be accounted for within the next monthly report from this department.

Sincerely,

Roseann Novembrino

Roseann Novembrino

City Controller

CITY OF SCRANTON
GENERAL FUND EXPENDITURES
MONTH OF JUNE 2017

| CODE # | DEPARTMENT | EXPENDITURES |
|-------------------------------|----------------------------------|------------------------|
| 10 | Mayor's Office | \$ 13,923.27 |
| 11 | Public Safety | - |
| 20 | City Council | 31,534.05 |
| 30 | Controller | 27,661.78 |
| 40 | Business Administration | 399,564.46 |
| 41 | Bureau of Human Resources | 44,994.20 |
| 42 | Bureau of Information Technology | 15,611.53 |
| 43 | Treasurer | 14,432.43 |
| 51 | Inspections and Licenses | 61,377.77 |
| 60 | Law | 50,365.89 |
| 71 | Police | 2,122,876.70 |
| 75 | Traffic Maintenance | - |
| 78 | Fire | 1,913,190.03 |
| 80 | Public Works | 334,238.50 |
| 81 | Engineering | 16,990.47 |
| 82 | Buildings | 74,354.07 |
| 83 | Highways | 242,272.64 |
| 84 | Refuse | 401,978.58 |
| 85 | Garages | 98,756.20 |
| 90 | Single Tax Office | 92,999.29 |
| 100 | Parks and Recreations | 62,222.80 |
| 341 | Fiscal Activities | - |
| 501 | O.C.E.D. | - |
| TOTAL DEPARTMENTAL | | \$ 6,019,344.66 |
| NON DEPARTMENTAL | | |
| 1000 | Boards and Commissions | \$ 10,033.33 |
| 1100 | Utilities | - |
| 1300 | Contingency | - |
| 1500 | Special Items | - |
| 1600 | Unpaid Bills | 11,193.60 |
| 1700 | Grants and Contributions | - |
| 1900 | Special Items (Non Add) | - |
| TOTAL NON DEPARTMENTAL | | \$ 21,226.93 |
| GRAND TOTAL: | | \$ 6,040,571.59 |

CITY OF SCRANTON
GENERAL FUND REVENUE REPORT
FOR THE MONTH OF JUNE 2017

| CODE # | FUND SOURCE | REVENUES |
|---------------------------|---|------------------------|
| 300 | Previous Year Balance | \$ - |
| 301 | Real Property Taxes | 1,822,703.87 |
| 302 | Landfill and Refuse Fees | 414,289.97 |
| 304 | Utility Tax | - |
| 305 | Non-Resident Tax | - |
| 310 | Local Taxes (Act 511) | 1,444,574.18 |
| 319 | Penalties and Interest (Delinquent Taxes) | 43,203.33 |
| 320 | Licenses and Permits | 92,645.11 |
| 330 | Fines and Forfeitures | - |
| 331 | Police Fines and Violations | 49,951.37 |
| 341 | Interest Earnings | - |
| 342 | Rents and Concessions | 500.00 |
| 350 | Inter-Government-Revenue Reimbursements | 121,749.55 |
| 359 | Local Governments (Payments in Lieu) | 61,797.13 |
| 360 | Departmental Earnings | 13,884.00 |
| 367 | Recreational Departments | 3,254.00 |
| 380 | Cable TV and Miscellaneous Revenue | 125,948.90 |
| 392 | Interfund Transfers | - |
| 392* | Interfund Transfers (Non Add) | - |
| 394 | Tax Anticipation Loan/Note | - |
| TOTAL | | \$ 4,194,501.41 |
| *Non Add | | |
| MONTH TO DATE | | |
| Revenues To June 2017 | | \$ 67,836,372.03 |
| Expenditures To June 2017 | | 64,703,554.18 |
| NET: | | \$ 3,132,817.85 |

CITY OF SCRANTON
JUNE 30, 2017
GENERAL FUND REVENUE REPORT
YEAR TO DATE

| CODE # | FUND SOURCE | ESTIMATED | REALIZED | UN-REALIZED |
|---------------|---|--------------------------|-------------------------|-------------------------|
| 300 | Previous Year Balance | \$ - | \$ - | \$ - |
| 301 | Real Property Taxes | 34,273,286.91 | 26,725,304.65 | 7,547,982.26 |
| 302 | Landfill and Refuse Fees | 7,662,500.00 | 5,078,476.82 | 2,584,023.18 |
| 304 | Utility Tax | 68,000.00 | - | 68,000.00 |
| 305 | Non-Resident Tax | 460,000.00 | - | 460,000.00 |
| 310 | Local Taxes (Act 511) | 37,329,174.91 | 18,215,095.54 | 19,114,079.37 |
| 319 | Penalties and Interest (Delinquent Taxes) | 132,100.00 | 109,240.75 | 22,859.25 |
| 320 | Licenses and Permits | 2,356,700.00 | 943,168.49 | 1,413,531.51 |
| 330 | Fines and Forfeitures | 100.00 | - | 100.00 |
| 331 | Police Fines and Violations | 478,250.00 | 225,911.45 | 252,338.55 |
| 341 | Interest Earnings | 10,000.00 | 35,992.89 | (25,992.89) |
| 342 | Rents and Concessions | 5,000.00 | 2,500.00 | 2,500.00 |
| 350 | Inter-Government-Revenue Reimbursements | 4,298,246.00 | 355,799.99 | 3,942,446.01 |
| 359 | Local Government (Payments in Lieu) | 219,864.75 | 61,797.13 | 158,067.62 |
| 360 | Departmental Earnings | 579,692.00 | 106,194.05 | 473,497.95 |
| 367 | Recreational Departments | 52,500.00 | 29,047.00 | 23,453.00 |
| 380 | Cable TV and Miscellaneous Revenues | 1,396,500.00 | 3,197,843.27 | (1,801,343.27) |
| 392 | Interfund Transfers | 5,942,007.72 | - | 5,942,007.72 |
| 392* | Interfund Transfers SSA/SPA | - | - | - |
| 394 | Tax Anticipation Loan/Note | 12,750,000.00 | 12,750,000.00 | - |
| 395 | Unfunded Pension | - | - | - |
| 396 | Capital Budget Reimbursements | - | - | - |
| TOTALS | | \$ 108,013,922.29 | \$ 67,836,372.03 | \$ 40,177,550.26 |

PURCHASE ORDER REPORT

MONTH ENDING JUNE 30, 2017

ACCOUNT BALANCES AS OF JUNE 30, 2017

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | ACTIVITY | ENDING BAL |
|--|-------------|---------------|-------------------------------|------------|
| OFFICE OF THE MAYOR | | | | |
| 0101000000 4270 DUES & SUBSCRIPTIONS | 22,500.00 | 0.00 | | 0.00 |
| 0101000000 4290 STATIONERY / OFFICE SUPPLIES | 150.00 | 150.00 | | 150.00 |
| 0101000000 4420 TRAVEL & LODGING | 500.00 | 173.30 | | 173.30 |
| DEPARTMENT OF PUBLIC SAFETY | | | | |
| POLICE BUREAU | | | | |
| 0101100071 4201 PROFESSIONAL SERVICES | 15,000.00 | 10,157.37 | | 10,157.37 |
| 0101100071 4210 SERVICES & MAINTENANCE FEE LEXISNEXIS RISK DATA MANAGEMENT | 64,500.00 | 12,033.48 | 200.00 | 11,833.48 |
| 0101100071 4270 DUES & SUBSCRIPTIONS FIDELITY DEPOSIT & DISCOUNT BANK YIS COWDEN GROUP | 3,100.00 | 885.00 | 150.00 106.75 | 628.25 |
| 0101100071 4280 MISCELLANEOUS SERVICES - NON CLASSIFIED PERSONNEL EVALUATION, INC. YIS COWDEN GROUP | 2,500.00 | 2,364.70 | 40.00 47.50 | 2,277.20 |
| 0101100071 4290 STATIONERY / OFFICE SUPPLIES ENCUMBERED: PREVIOUS PERIOD ENCUMBERED: CURRENT PERIOD | 2,500.00 | 415.25 | (89.97) 89.97 | 415.25 |
| 0101100071 4380 GUNS / AMMUNITION | 22,500.00 | 22,500.00 | | 22,500.00 |
| 0101100071 4390 MATERIALS / SUPPLIES (MISC) ENCUMBERED: PREVIOUS PERIOD ENCUMBERED: CURRENT PERIOD CROKER CUSTOM GRAPHICS | 20,000.00 | 10,404.09 | (15.50) 677.87 1,300.00 | 8,441.72 |
| 0101100071 4420 TRAVEL & LODGING | 3,500.00 | 8.14 | | 8.14 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE, 2017 ACTIVITY | ENDING BAL. |
|--|-------------|---------------|------------------------|-------------|
| 0101100071 4470 TRAINING & CERTIFICATION | 45,000.00 | 3,624.85 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (15,980.00) | |
| LACKAWANNA COUNTY DAY'S OFFICE | | | 40.00 | |
| SOUTHERN TIER POLICE | | | 325.00 | |
| HAMPTON INN DOYLESTOWN | | | 419.58 | |
| BAE SYSTEMS INFORMATION | | | 15,000.00 | |
| HYATT REGENCY BALTIMORE | | | 1,081.16 | |
| CROWN PLAZA HARRISBURG | | | 486.40 | |
| WEAVER, JIM | | | 104.52 | |
| TURNER, WILLIAM | | | 98.53 | |
| THOMAS, GLENN, LT. | | | 60.00 | |
| BACHMAN, RICHARD | | | 30.00 | |
| JALVO, INC. | | | 980.00 | 977.66 |
| 0101100071 4550 CAPITAL EXPENDITURES | 190,000.00 | 20,110.93 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (67,860.00) | |
| ENCUMBERED: CURRENT PERIOD | | | 67,860.00 | 20,110.93 |
| 0101100071 4570 MAINTENANCE COMMUNICATION EQUIPMENT | 7,750.00 | 2,822.17 | | |
| | | | | 2,822.17 |
| 0101100071 6003 SPCA - ANIMAL CONTROL | 86,576.00 | 23,607.12 | | |
| SPRINGBOOK KENNELS | | | 1,400.00 | |
| | | | | 22,207.12 |
| FIRE BUREAU | | | | |
| 0101100078 4201 PROFESSIONAL SERVICES | 25,000.00 | 22,008.75 | | |
| WELLS,, ERIC | | | 83.00 | |
| | | | | 21,925.75 |
| 0101100078 4210 SERVICE & MAINTENANCE FEE | 45,000.00 | 42,189.47 | | |
| BUDGET TRANSFER TO: 0101100078 4580 | | | 30,000.00 | |
| | | | | 12,189.47 |
| 0101100078 4270 DUES & SUBSCRIPTIONS | 1,000.00 | 500.00 | | |
| | | | | 500.00 |
| 0101100078 4320 BUILDING REPAIR - SUPPLY MAINTENANCE | 5,000.00 | 4,388.83 | | |
| KEYSTONE PROPANE | | | 170.00 | |
| GRAINGER | | | 97.12 | |
| | | | | 4,121.71 |
| 0101100078 4390 MATERIALS / SUPPLIES (MISC) | 7,250.00 | 1,602.42 | | |
| SCRANTON GRINDER & HARDWARE | | | 38.63 | |
| | | | | 1,563.79 |
| 0101100078 4420 TRAVEL & LODGING | 1,000.00 | 556.21 | | |
| LUCAS, ALLEN | | | 491.29 | |
| | | | | 64.92 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE, 2017 ACTIVITY | ENDING BAL. |
|---|--------------|---------------|------------------------|--------------|
| 0101100078 4430 AIR PACK / REHAB SUPPLIES | 6,000.00 | 6,000.00 | | 6,000.00 |
| 0101100078 4470 TRAINING & CERTIFICATION | | | | |
| SAMUEL, ALBERT | | 47,779.55 | 705.65 | |
| SCHIRRA, PAUL | | | 705.65 | |
| BROWN, MICHAEL | | | 705.65 | |
| GOLDEN, PAUL | | | 705.65 | 44,956.95 |
| 0101100078 4550 CAPITAL EXPENDITURES | | | | |
| HIGHLAND ASSOCIATES | 1,630,000.00 | 1,500,133.75 | 17,500.00 | |
| HARTLEY & ESGRO WATERPROFFING | | | 94,020.00 | 1,388,613.75 |
| 0101100078 4570 MAINTENANCE COMMUNICATION EQUIPMENT | 4,000.00 | 853.50 | | 853.50 |
| 0101100078 4575 MAINTENANCE-EQUIPMENT | 1,000.00 | 1,000.00 | | 1,000.00 |
| 0101100078 4680 GENERAL EQUIPMENT | 70,000.00 | 49,232.06 | | |
| BUDGET TRANSFER FROM: 0101100078 4210 | | | (30,000.00) | |
| ENCUMBERED: CURRENT PERIOD | | | 26,698.60 | |
| WITMER ASSOCIATES, INC. | | | 5,684.19 | |
| THE KNOX COMPANY | | | 1,009.00 | |
| OMG NATIONAL | | | 2,480.01 | |
| SCRANTON GRINDER & HARDWARE | | | 269.09 | |
| GLEN SUMMIT SPRINGS WATER | | | 28.65 | |
| LEE ELECTRIC SUPPLY CO., INC. | | | 23.94 | 43,038.58 |
| OFFICE OF THE CITY CLERK / CITY COUNCIL | | | | |
| 0102000000 4201 PROFESSIONAL SERVICES | 41,000.00 | 34,096.69 | | |
| GLOBE DIGITAL BUSINESS SERVICES | | | 1,062.10 | |
| MCCOOL, MARIA | | | 294.00 | |
| NARDOZZI, CATHENE | | | 1,356.00 | |
| EDM AMERICAS INC. | | | 227.79 | |
| SCRANTON TIMES | | | 1,354.95 | 29,801.85 |
| 0102000000 4210 SERVICES & MAINTENANCE FEE | 9,700.00 | 100.00 | | 100.00 |
| 0102000000 4230 PRINTING & BINDING | 5,000.00 | 0.00 | | 0.00 |
| 0102000000 4250 ADVERTISING | 21,500.00 | 9,573.00 | | |
| SCRANTON TIMES | | | 1,054.65 | 8,518.35 |

| DEPARTMENT / ACCOUNT | JUNE 2017 | | |
|--|-------------|----------------|-------------|
| | 2017 BUDGET | BEGINNING BAL. | ENDING BAL. |
| 0102000000 4290 STATIONERY / OFFICE SUPPLIES GLEN SUMMIT SPRINGS WATER | 500.00 | 206.33 | 178.83 |
| CITY CONTROLLER | | | |
| 0103000000 4201 PROFESSIONAL SERVICES | 40,000.00 | 39,000.00 | 39,000.00 |
| 0103000000 4240 POSTAGE & FREIGHT USPS | 100.00 | 100.00 | 24.00 |
| 0103000000 4270 DUES & SUBSCRIPTIONS | 200.00 | 18.00 | 18.00 |
| 0103000000 4290 STATIONERY / OFFICE SUPPLIES GLEN SUMMIT SPRINGS WATER | 200.00 | 144.55 | 105.85 |
| BUSINESS ADMINISTRATION DEPARTMENT | | | |
| 0104000000 4201 PROFESSIONAL SERVICES RAINEY & RAINEY CPAS TURNKEY TAXES ARRIS ENGINEERING GROUP, LTD HIGHLAND ASSOCIATES GREATER SCRANTON CHAMBER OF COMMERCE ARBITRAGE REBATE PMA COMPANIES, INC. | 155,000.00 | 87,191.43 | 50,436.55 |
| 0104000000 4210 SERVICES & MAINTENANCE FEE GREAT AMERICA FINANCIAL SERVICES | 1,500.00 | 663.06 | 540.57 |
| 0104000000 4230 PRINTING & BINDING PARTRIDGE-WIRTH CO., INC. | 1,250.00 | 615.10 | 399.10 |
| 0104000000 4240 POSTAGE & FREIGHT POSTAGE | 20,363.00 | 7,176.05 | 2,176.05 |
| 0104000000 4250 ADVERTISING SCRANTON TIMES | 17,250.00 | 9,588.21 | 9,032.21 |
| 0104000000 4270 DUES & SUBSCRIPTIONS | 1,000.00 | 110.00 | 110.00 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE 2017 ACTIVITY | ENDING BAL. |
|---|--------------|---------------|-----------------------|--------------|
| 0104000040 4290 STATIONERY / OFFICE SUPPLIES | 9,667.00 | 4,073.26 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (2,313.64) | |
| ENCUMBERED: CURRENT PERIOD | | | 1,688.81 | |
| PHILLIPS SUPPLY CO. | | | 295.65 | |
| OFFICE DEPOT | | | 187.86 | |
| GENERAL CODE PUBLISHERS | | | 126.00 | 4,088.58 |
| 0104000040 4390 MATERIALS / SUPPLIES (MISC) | 600.00 | 534.75 | | 534.75 |
| 0104000040 4420 TRAVEL & LODGING | 1,500.00 | 64.18 | | 64.18 |
| 0104000040 4470 TRAINING & CERTIFICATION | 1,000.00 | 1,000.00 | | 1,000.00 |
| 0104000040 6009 OPERATING TRANSFERS - WORKERS' COMP | 3,323,826.00 | 223,425.00 | | 223,425.00 |
| 0104000040 6024 BANK FEES AND CHARGES | 4,000.00 | (122,511.36) | | |
| PNC MERCHANT FEE | | | 15.00 | |
| PNC MERCHANT FINANCIAL ADJ. | | | 1.25 | |
| FED WH ON ST. LIGHT | | | 16.00 | (122,543.61) |
| HUMAN RESOURCES | | | | |
| 0104000041 4201 PROFESSIONAL SERVICES | 175,000.00 | 118,810.40 | | |
| COLFLESH, RALPH H., JR, ESQUIRE | | | 1,400.00 | |
| CONCORDE, INC. | | | 207.44 | |
| P & A GROUP ADMIN SERVICE | | | 359.48 | |
| NORTHEASTERN REHABILITATION ASSOCIATION | | | 296.00 | |
| MILLENNIUM ADMINISTRATORS | | | 3,044.85 | |
| MEDPSYCH CONSULTANTS LLC | | | 1,875.00 | |
| MCCONNELL, THOMAS G., JR. | | | 1,050.00 | |
| WE PAY PROCESSING CHARGES | | | 6,889.50 | 103,888.13 |
| 0104000041 4290 STATIONARY / OFFICE SUPPLIES | 500.00 | 500.00 | | 500.00 |
| 0104000041 4390 MATERIALS / SUPPLIES (MISC) | 500.00 | 311.25 | 21.95 | 289.30 |
| GLEN SUMMIT SPRINGS WATER | | | | |
| 0104000041 4420 TRAVEL & LODGING | 500.00 | 500.00 | | 500.00 |
| 0104000041 4470 TRAINING & CERTIFICATION | 5,000.00 | 4,273.33 | | 4,273.33 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE, 2017 ACTIVITY | ENDING BAL. |
|---|--------------|---------------|--|-------------|
| 0104000041 4630 LIABILITY / CASUALTY INSURANCE MANCI'S COLLISON REPAIR BRIT GLOBAL SPECIALTY USA ABRAHAMSEN CONABOY & ABRAHAMSEN, PC OLIVER, PRICE & RHODES | 1,050,000.00 | 333,191.70 | 4,677.77 1,000.00 650.50 370.50 | 326,492.93 |
| INFORMATION TECHNOLOGY | | | | |
| 0104000042 4201 PROFESSIONAL SERVICES | 63,250.00 | 3,267.55 | | 3,267.55 |
| 0104000042 4210 SERVICES & MAINTENANCE FEE | 77,500.00 | 62,028.75 | | 62,028.75 |
| 0104000042 4250 STATIONARY / OFFICE SUPPLIES | 1,000.00 | 1,000.00 | | 1,000.00 |
| 0104000042 4390 MATERIALS / SUPPLIES (MISC) NORTHEAST MUSIC CENTER, INC. SWIETNICKI, FRANK | 65,000.00 | 32,275.24 | 1,424.99 348.87 | 30,501.38 |
| 0104000042 4440 TELEPHONE COMCAST | 145,000.00 | 106,403.93 | 95.42 | 106,308.51 |
| 0104000042 4470 TRAINING & CERTIFICATION | 1,000.00 | 1,000.00 | | 1,000.00 |
| 0104000042 4550 CAPITAL EXPENDITURES | 225,000.00 | 225,000.00 | | 225,000.00 |
| 0104000042 4560 EQUIPMENT MAINTENANCE / LEASES | 50,000.00 | 50,000.00 | | 50,000.00 |
| TREASURY | | | | |
| 0104000043 4201 PROFESSIONAL SERVICES | 11,250.00 | 11,250.00 | | 11,250.00 |
| 0104000043 4390 MATERIALS / SUPPLIES (MISC) ENCUMBERED; PREVIOUS PERIOD OFFICE DEPOT GLEN SUMMIT SPRINGS WATER | 1,000.00 | 707.95 | (238.35) 246.30 11.55 | 688.45 |
| 0104000043 6000 TAX & MISCELLANEOUS REFUNDS | 1,000.00 | 1,000.00 | | 1,000.00 |
| 0104000043 6001 TAX COLLECTION COMMITTEE EXPENSE | 7,257.00 | 7,257.00 | | 7,257.00 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE, 2017 ACTIVITY | ENDING BAL. |
|--|-------------|---------------|------------------------|-------------|
| BUREAU OF LICENSES, INSPECTIONS & PERMITS | | | | |
| LICENSE INSPECTIONS & PERMITS | | | | |
| 0105100051 4201 PROFESSIONAL SERVICES | 25,000.00 | 12,544.00 | | 12,544.00 |
| 0105100051 4290 STATIONERY / OFFICE SUPPLIES | | | | |
| ENCUMBERED: PREVIOUS PERIOD | 1,000.00 | 923.81 | (23.19) | |
| STAPLES BUSINESS ADVANTAGE | | | 69.57 | 877.43 |
| 0105100051 4390 MATERIALS / SUPPLIES (MISC) | 500.00 | 500.00 | | 500.00 |
| 0105100051 4470 TRAINING & CERTIFICATION | 1,000.00 | 950.00 | | 950.00 |
| 0105100051 4550 CAPITAL EXPENDITURES | 25,000.00 | 25,000.00 | | 25,000.00 |
| 0105100051 4570 MAINTENANCE COMMUNICATION EQUIPMENT | 500.00 | 500.00 | | 500.00 |
| 0105100051 4590 BUILDING DEMOLITION | 35,000.00 | 29,060.00 | | 29,060.00 |
| BUREAU OF BUILDINGS | | | | |
| 0105100082 4201 PROFESSIONAL SERVICES | 40,000.00 | 26,220.00 | | 26,220.00 |
| 0105100082 4320 BUILDING REPAIR - SUPPLY MAINTENANCE | 175,000.00 | 115,088.37 | | |
| J. C. EHRlich CO. | | | 180.00 | |
| BURKE, MICHAEL | | | 2,160.00 | |
| CINTAS CORPORATION | | | 408.40 | |
| MESKO GLASS & MIRROR | | | 310.00 | |
| LOWE'S | | | 192.25 | |
| BENJAMIN, ALLEN | | | 465.00 | |
| SCHINDLER ELEVATOR CORP. | | | 850.00 | |
| R E MICHEL COMPANY LLC | | | 351.84 | |
| AMERICAN JANITOR | | | 1,487.67 | |
| ABINGTON LOCK & SAFE | | | 162.50 | |
| | | | | 108,510.71 |
| 0105100082 4445 SEWER CHARGES | 50,000.00 | 50,000.00 | | |
| EIDEN, JAMES | | | 2,300.00 | 47,700.00 |
| 0105100082 4447 UGI - GAS | 155,000.00 | 97,001.87 | | |
| UGI PENN NATURAL GAS | | | 1,625.91 | 95,375.96 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE, 2017 ACTIVITY | ENDING BAL |
|---|-------------|---------------|---|------------|
| 0105100082 4448 PAWC - WATER PENNSYLVANIA AMERICAN WATER | 385,000.00 | 248,586.19 | 27,926.57 | 220,659.62 |
| 0105100082 4450 ELECTRICAL PPL ELECTRIC UTILITIES | 275,000.00 | 172,059.67 | 23,671.56 | 148,387.81 |
| 0105100082 4466 BUILDING SUPPLIES | 1,000.00 | 1,000.00 | | 1,000.00 |
| LAW DEPARTMENT | | | | |
| 0106000000 4201 PROFESSIONAL SERVICES SAUL EWING LLP OLIVER, PRICE & RHODES NOGI APPLETON WEINBERGER & WREN, PC ABRAHAMSEN CONABOY & ABRAHAMSEN, PC TODD A. JOHNS, ESQUIRE KEYSTONE COURT REPORTING | 225,000.00 | 158,404.07 | 10,672.00 7,692.45 4,511.40 5,458.50 175.75 145.20 | 129,748.77 |
| 0106000000 4270 DUES & SUBSCRIPTIONS | 3,950.00 | 3,579.00 | | 3,579.00 |
| 0106000000 4290 STATIONERY / OFFICE SUPPLIES ENCUMBERED: PREVIOUS PERIOD STAPLES BUSINESS ADVANTAGE | 500.00 | 413.92 | (86.08) 86.08 | 413.92 |
| 0106000000 4390 MATERIALS / SUPPLIES (MISC) | 500.00 | 500.00 | | 500.00 |
| 0106000000 4420 TRAVEL & LODGING | 500.00 | 500.00 | | 500.00 |
| 0106000000 4470 TRAINING & CERTIFICATION PA BAR ASSOCIATION | 500.00 | 500.00 | 150.00 | 350.00 |
| 0106000000 4550 CAPITAL EXPENDITURES | 3,250.00 | 3,250.00 | | 3,250.00 |
| DEPARTMENT OF PUBLIC WORKS ADMINISTRATION BUREAU | | | | |
| 0108000080 4201 PROFESSIONAL SERVICES PA ONE CALL SYSTEM, INC. | 7,500.00 | 7,500.00 | 86.80 | 7,403.20 |
| 0108000080 4210 SERVICES & MAINTENANCE FEE | 547.55 | 11.61 | | 11.61 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL. | JUNE, 2017 ACTIVITY | ENDING BAL. |
|--|-------------|----------------|--|-------------|
| 0108000080 4570 MAINTENANCE COMMUNICATION EQUIPMENT INDUSTRIAL ELECTRONICS, INC. | 16,500.00 | 10,636.00 | 1,485.00 | 9,150.00 |
| 0108000080 4576 MAINTENANCE SUPER FUND SIGHT | 16,500.00 | 15,038.55 | | 15,038.55 |
| 0108000080 6007 FLOOD PROTECTION SYSTEM MAINTENANCE ENCUMBERED: CURRENT PERIOD DUNBAR'S EVERGREEN LANDSCAPING | 29,500.00 | 26,532.59 | 1,444.95 2,416.67 | 22,670.97 |
| ENGINEERING BUREAU | | | | |
| 0108000081 4201 PROFESSIONAL SERVICES LABELLA ASSOCIATES | 69,500.00 | 46,000.00 | 5,875.00 | 40,125.00 |
| 0108000081 4210 SERVICES & MAINTENANCE FEE | 200.00 | 20.02 | | 20.02 |
| 0108000081 4290 STATIONERY / OFFICE SUPPLIES | 100.00 | 100.00 | | 100.00 |
| 0108000081 4390 MATERIALS / SUPPLIES (MISC) | 100.00 | 8.19 | | 8.19 |
| 0108000081 4470 TRAINING & CERTIFICATION | 1,000.00 | 1,000.00 | | 1,000.00 |
| HIGHWAYS BUREAU | | | | |
| 0108000083 4250 RENTAL VEHICLES & EQUIPMENT PROGRESSIVE (PROPERTY DAMAGE) POWELL'S RENTAL SWIFT FENCE CO. | 57,500.00 | 48,928.75 | (1,675.00) 1,300.00 725.00 | 48,578.75 |
| 0108000083 4340 CONSTRUCTION - PAVING MATERIAL ENCUMBERED: PREVIOUS PERIOD DUNMORE MATERIALS KEYSTONE QUARRY, INC. DIXON SEALER & SUPPLY, INC. | 85,000.00 | 46,713.72 | (191.62) 34,826.00 191.62 133.00 | 11,755.72 |
| 0108000083 4350 PAINT / SIGN MATERIAL ENCUMBERED: PREVIOUS PERIOD ENCUMBERED: CURRENT PERIOD BASSLER EQUIPMENT CO. BRADCO SUPPLY CO. GLECO PAINTS, INC. | 12,500.00 | 3,389.63 | (5,196.14) 217.63 126.97 4,298.20 804.44 | 3,138.63 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE 2017 ACTIVITY | ENDING BAL. |
|---|--------------|---------------|-----------------------|-------------|
| 0108000083 4390 MATERIALS / SUPPLIES (MISC) | 22,500.00 | 6,720.30 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (6,667.38) | |
| ENCUMBERED: CURRENT PERIOD | | | 2,935.75 | |
| CENTRAL CLAY PRODUCTS | | | 1,128.42 | |
| S & S TOOLS & SUPPLIES | | | 99.56 | |
| GLECO PAINTS, INC | | | 48.98 | |
| BILL'S ACE HARDWARE | | | 4,203.92 | |
| AMERICAN JANITOR | | | 83.02 | 4,888.03 |
| 0108000083 4410 SALT | 275,000.00 | 97,709.52 | | 97,709.52 |
| 0108000083 4480 STREET LIGHTING | 375,000.00 | 164,145.03 | | |
| PPL ELECTRIC UTILITIES | | | 44,300.87 | 119,844.16 |
| 0108000083 4466 STREET LIGHTING SERVICE / MAINTENANCE | 77,500.00 | 47,000.30 | | |
| REILLY ASSOCIATES | | | 4,008.00 | |
| WALSH ELECTRICAL, INC. | | | 57.25 | |
| A & M ELECTRICAL CONSTRUCTION, INC. | | | 3,665.00 | |
| URBAN ELECTRICAL CONTRACTORS, INC. | | | 3,600.40 | 35,669.65 |
| 0108000083 4550 CAPITAL EXPENDITURES | 814,063.84 | 814,063.84 | | 814,063.84 |
| REFUSE BUREAU | | | | |
| 0108000084 4390 MATERIALS / SUPPLIES (MISC) | 750.00 | 45.80 | | 45.80 |
| 0108000084 4490 LANDFILL | 1,344,095.86 | 867,094.59 | | |
| KEYSTONE SANITARY LANDFILL | | | 144,117.52 | 722,976.97 |
| 0108000084 4550 CAPITAL EXPENDITURES | 200,000.00 | 220.00 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (7,160.00) | |
| LOWE'S | | | 7,160.00 | 220.00 |
| GARAGES BUREAU | | | | |
| 0108000085 4220 CONTRACTED SERVICES | 750.00 | 27.00 | | 27.00 |
| 0108000085 4301 GAS, OIL, LUBRICANTS | 425,500.00 | 316,174.35 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (199.95) | |
| ENCUMBERED: CURRENT PERIOD | | | 22.00 | |
| WEX BANK | | | 15,003.16 | |
| D. G. NICHOLAS CO. | | | 2,785.06 | |
| TALLEY PETROLEUM ENTERPRISES INC. | | | 11,558.25 | |
| DENAPLES AUTO PARTS | | | 78.30 | |
| POWELL'S SALES & SERVICE | | | 15.00 | |
| PUNDOK CONSTRUCTION | | | 145.98 | 286,766.55 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE, 2017 ACTIVITY | ENDING BAL. |
|--|-------------|---------------|------------------------|-------------|
| 0108000085 4310 EQUIPMENT/VEHICLE REPAIR/MAINTENANCE | 315,000.00 | 165,912.91 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (7,370.74) | |
| ENCUMBERED: CURRENT PERIOD | | | 7,814.98 | |
| C. G. CUSTOM TRUCKS | | | 2,886.98 | |
| DENAPLES AUTO PARTS | | | 2,628.00 | |
| WAYNE COUNTY FORD | | | 682.56 | |
| JORDAN'S TOWING | | | 525.00 | |
| TRIPLE CITIES ACQUISITIONS, LLC | | | 250.57 | |
| POWELL'S RENTAL | | | 126.72 | |
| A.I.T. AUTOMOTIVE | | | 493.55 | |
| DAVE'S AUTO IGNITION | | | 110.00 | |
| WELLER'S LOCK & KEY SERVICE | | | 95.00 | |
| FARGIONE AUTO SERVICE | | | 45.00 | |
| ELECTRO BATTERY | | | 421.00 | |
| AIR BRAKE & EQUIPMENT CO., INC. | | | 769.96 | |
| FRP FIRE & RESCUE PRODUCTS | | | 192.39 | |
| NORTHEAST HYDRAULICS | | | 70.00 | |
| TEREX SERVICES | | | 1,960.26 | |
| EAGLE TRUCK EQUIPMENT, INC. | | | 202.96 | |
| D. G. NICHOLAS CO. | | | 555.90 | |
| F & S SUPPLY COMPANY, INC. | | | 410.90 | |
| FASTENAL COMPANY | | | 8.37 | |
| POWELL'S SALES & SERVICE | | | 150.00 | |
| BRADCO SUPPLY CO. | | | 1,400.00 | |
| DAILEY RESOURCES | | | 204.00 | 151,279.57 |
| 0108000085 4360 SMALL TOOLS / SHOP SUPPLIES | 6,500.00 | 4,183.51 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (40.49) | |
| ENCUMBERED: CURRENT PERIOD | | | 165.50 | |
| D. G. NICHOLAS CO. | | | 84.46 | 3,974.04 |
| 0108000085 4390 MATERIALS / SUPPLIES (MISC) | 59,500.00 | 35,797.00 | | |
| ENCUMBERED: PREVIOUS PERIOD | | | (883.16) | |
| ENCUMBERED: CURRENT PERIOD | | | 590.70 | |
| D. G. NICHOLAS CO. | | | 1,305.17 | |
| C. G. CUSTOM TRUCKS | | | 1,044.62 | |
| DAILEY RESOURCES | | | 11.90 | |
| TRIPLE CITIES ACQUISITIONS, LLC | | | 654.73 | |
| DENAPLES AUTO PARTS | | | 187.00 | |
| A.I.T. AUTOMOTIVE | | | 476.25 | |
| PETHICK PAINT SUPPLY | | | 30.25 | |
| FASTENAL COMPANY | | | 337.89 | |
| S & S TOOLS & SUPPLIES | | | 20.75 | 32,020.90 |
| 0108000085 4401 TIRES | 109,500.00 | 81,066.06 | | |
| MCCARTHY TIRE SERVICE, INC. | | | 10,999.49 | 70,066.57 |

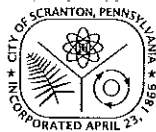
| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL | JUNE, 2017 ACTIVITY | ENDING BAL. |
|--|-------------|---------------|------------------------------|-------------|
| 0108000065 4901 MAINTENANCE (PREVENTATIVE) | 5,000.00 | 5,000.00 | | 5,000.00 |
| PARKS & RECREATION DEPARTMENT | | | | |
| 0110000000 4280 MISC SERVICES - NON CLASSIFIED | 8,950.00 | 7,877.22 | | 7,877.22 |
| 0110000000 4290 STATIONERY / OFFICE SUPPLIES | 1,000.00 | 1,000.00 | | 1,000.00 |
| 0110000000 4320 BUILDING REPAIR - SUPPLY MAINTENANCE GLECO PAINTS, INC. LEE ELECTRIC SUPPLY CO, INC. F & S SUPPLY COMPANY, INC. | 20,000.00 | 18,341.50 | 48.98 25.71 4,280.77 | 13,986.04 |
| 0110000000 4330 MEDICAL, CHEMICAL, LAB SUPPLIES MAIN POOL & CHEMICAL CO. | 25,000.00 | 24,207.00 | 1,360.00 | 22,847.00 |
| 0110000000 4360 SMALL TOOLS / SHOP SUPPLIES | 200.00 | 200.00 | | 200.00 |
| 0110000000 4370 PARKS & RECREATION SUPPLIES | 750.00 | 750.00 | | 750.00 |
| 0110000000 4420 TRAVEL AND LODGING | 750.00 | 750.00 | | 750.00 |
| 0110000000 4530 PERFORMING ARTS | 16,500.00 | 725.00 | | 725.00 |
| 0110000000 4540 SPRING / SUMMER PROGRAMS | 3,000.00 | 1,485.00 | | 1,485.00 |
| 0110000000 4550 CAPITAL EXPENDITURES GLECO PAINTS, INC | 95,000.00 | 85,176.22 | 294.86 | 84,881.36 |
| NON-DEPARTMENTAL EXPENDITURES | | | | |
| 0140110030 4299 ZONING BOARD SCRANTON TIMES PLEVYAK, MARY M. PENETAR, DANIEL | 18,500.00 | 9,565.20 | 847.20 175.00 1,320.00 | 7,223.00 |
| 0140110060 4299 EVERHART MUSEUM | 29,000.00 | 0.02 | | 0.02 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL. | JUNE, 2017 ACTIVITY | ENDING BAL. |
|--|---------------|----------------|--------------------------------|----------------|
| 0140110075 4299 FIRST NIGHT SCRANTON | 10,000.00 | 0.00 | | 0.00 |
| 0140110080 4299 SCRANTON TOMORROW | 32,500.00 | 2,500.00 | | 2,500.00 |
| 0140110110 4299 SHADE TREE COMMISSION NORTHERN TREE EXPERT CO. CORKY'S GARDEN CENTER LLC TITAN TREE SERVICE | 55,500.00 | 34,765.47 | 3,650.00 304.63 3,100.00 | 27,710.84 |
| 0140110120 4299 ST. CATS AND DOGS | 10,000.00 | 10,000.00 | | 10,000.00 |
| 0140110130 4299 MAYOR'S 504 TASK FORCE | 1,500.00 | 1,500.00 | | 1,500.00 |
| 0140110140 4299 CIVIL SERVICE COMMISSION PERRY LAW FIRM | 47,500.00 | 45,905.78 | 636.50 | 45,269.28 |
| 0140110150 4299 HUMAN RELATIONS COMMISSION | 10,000.00 | 10,000.00 | | 10,000.00 |
| 0140115230 4299 TAN SERIES | 12,750,000.00 | 12,750,000.00 | | 12,750,000.00 |
| 0140115240 4299 TAN SERIES INTEREST | 210,000.00 | 210,000.00 | | 210,000.00 |
| 0140115307 4299 OPER TSF TO DBT SVC - 2003 SERIES B BDS | 2,176,468.76 | 1,607,538.30 | | 1,607,538.30 |
| 0140115308 4299 OPER TSF TO DBT SVC - 2003 SERIES C BDS | 495,000.00 | 126,316.42 | | 126,316.42 |
| 0140115309 4299 OPER TSF TO DBT SVC - 2003 SERIES D BDS | 750,000.00 | 582,928.92 | | 582,928.92 |
| 0140115310 4299 OPER TSF TO DBT SVC - STREET LIGHTING | 532,541.68 | 432,541.68 | | 432,541.68 |
| 0140115313 4299 OPER TSF TO DBT SVC - 2006 BOND | 1,653,020.00 | (7,340,842.00) | | (7,340,842.00) |
| 0140115316 4299 OPER TSF TO DBT SVC - OTHER FIN. SOURCE | 61,585.08 | 51,585.08 | | 51,585.08 |
| 0140115320 4299 OPER TSF TO DBT SVC - GUARANTEED ENERGY SAVINGS | 178,861.63 | 106,362.65 | | 106,362.65 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | BEGINNING BAL. | JUNE, 2017 ACTIVITY | ENDING BAL. |
|---|--------------|----------------|------------------------|----------------|
| 0140115323 4299 OPER TSF TO DBT SVC - 2011 UNFUNDED DEBT LN | 1,000.00 | (6,540,174.10) | | (6,540,174.10) |
| 0140115324 4299 OPER TSF TO DBT SVC - FDM REVOLVING AID LN FDM LOAN PAYMENT | 100,000.00 | 100,000.00 | 100,000.00 | 0.00 |
| 0140115325 4299 OPER TSF TO DBT SVC - 2012 SERIES C | 1,000.00 | (6,892,078.86) | | (6,892,078.86) |
| 0140115326 4299 OPER TSF TO DBT SVC - 2013 SERIES A | 1,000.00 | (3,916,176.07) | | (3,916,176.07) |
| 0140115327 4299 OPER TSF TO DBT SVC - 2012 SERIES B | 1,000.00 | (977,806.41) | | (977,806.41) |
| 0140115328 4299 OPER TSF 2016 REDEVELOPMENT AUTH SERIES AA INTEREST PAYMENT | 918,175.00 | 918,175.00 | 206,587.50 | 711,587.50 |
| 0140115329 4299 OPER TSF TO DBT SVC - LEASE OF REFUSE PACKERS | 170,360.33 | 42,813.82 | | 42,813.82 |
| 0140115330 4299 OPER TSF TO DBT SVC - LEASE OF KME ENGINE | 49,849.00 | 0.00 | | 0.00 |
| 0140115331 4299 OPER TSF TO DBT SVC - SERIES 2017 DEBT SERV REFUNDING | 1,000.00 | 1,000.00 | | 1,000.00 |
| 0140115332 4299 OPER TSF TO DBT SVC - SERIES 2017 GENERAL OBLIGATION REFUNDING | 1,000.00 | 1,000.00 | | 1,000.00 |
| 0140115334 4299 OPER TSF TO DBT SVC - LEASE OF JOHN DEERE WHEEL LOADER | 25,853.00 | 25,853.00 | | 25,853.00 |
| 0140115335 4299 OPER TSF TO DBT SVC - LEASE OF LAW ENFORCEMENT MGMT SYSTEM | 439,729.50 | 220,171.90 | | 220,171.90 |
| 0140115336 4299 OPER TSF TO DBT SVC - LEASE OF TURNOUT GEAR | 80,000.00 | 0.00 | | 0.00 |
| 0140115338 4299 OPER TSF TO DBT SVC - 2016 RED AUTH SERIES A INTEREST PAYMENT | 1,490,500.00 | 1,490,500.00 | 745,250.00 | 745,250.00 |
| 0140115339 4299 OPER TSF TO DBT SVC - 2016 GENL. OBL. NOTES INTEREST PAYMENT | 1,652,500.00 | 1,652,500.00 | 821,250.00 | 831,250.00 |

| DEPARTMENT / ACCOUNT | 2017 BUDGET | JUNE, 2017 | | ENDING BAL. |
|---|-------------|----------------|------------------|-------------|
| | | BEGINNING BAL. | ACTIVITY | |
| 0140115340 4299 OPER TSF TO DBT SVC - 2016 LEASE FORD TRKS | 53,925.94 | 0.00 | | 0.00 |
| 0140115341 4299 OPER TSF TO DBT SVC - PIB LOAN | 244,968.88 | 244,968.88 | | 244,968.88 |
| 0140115342 4299 OPER TSF TO DBT SVC - LEASE STREET LIGHTING | 395,475.00 | 0.00 | | 0.00 |
| 0140113090 4299 CONTINGENCY | 585,000.00 | 288,105.00 | | 288,105.00 |
| 0140113100 4299 OECD CONTINGENCY | 45,000.00 | 45,000.00 | | 45,000.00 |
| 0140116090 4299 UNENCUMBERED EXPENSES PRIOR YEAR OBLIG. CINTAS CORPORATION FOLEY, COGNETTI, COMERFORD, CIMINI & CUMMINS | 850,000.00 | 697,499.51 | 165.17 351.50 | 596,982.84 |
| 0140116270 4299 COURT AWARDS EPA-HAZARDOUS SUBSTANCE | 200,000.00 | 72,676.20 | 10,676.93 | 61,999.27 |
| 0140117020 4299 VETERAN'S ORGANIZATION | 100.00 | 100.00 | | 100.00 |
| 0140117050 4299 TRIPP PARK COMMUNITY CENTER | 1,000.00 | 0.00 | | 0.00 |

City of Scranton
Pennsylvania



RECEIVED

JUL 19 2017

OFFICE OF CITY
COUNCIL/CITY CLERK

Non-Uniform Municipal Pension Fund
MINUTES

NON-UNIFORM MUNICIPAL PENSION BOARD

June 21, 2017

The City of Scranton's Non-Uniform Municipal Pension Board held their monthly meeting on Wednesday, June 21, 2017 at 9:30 a.m. in City Council Chambers.

In attendance were:

Ernest Reich, President

John Hazzouri, Vice President

Roseann Novembrino, City Controller

Larry Durkin, Esquire, Attorney for Board

Danielle Kennedy, Proxy for Mayor

Lori Reed, Proxy for City Council

President Reich asked for a motion to accept the minutes of the May 17, 2017 meeting as presented.

John Hazzouri made a motion to accept the minutes from the prior meeting.

Lori Reed seconded the motion.

President Reich: On the question? All in favor? (All were in favor). Okay, motion carried.

President Reich: First item on our agenda, received check #5287 dated May 15, 2017 in the amount of \$132.00 from Scott Thomas, former Library employee, which represents his pension contributions for the first six months of 2017. Do I have a motion to accept?

John Hazzouri made a motion to accept the payment from Scott Thomas.

Lori Reed seconded the motion.

President Reich: On the question? All in favor? (All were in favor). Motion carried.

President Reich: Item number 2, received check #4489 dated May 22, 2017 in the amount of \$264.00 from Karin Walsh, former City of Scranton employee, which represents her pension contributions for all of 2017. Do I have a motion to accept?

Roseann Novembrino made a motion to accept the payment from Karin Walsh.

John Hazzouri seconded the motion.

President Reich: On the question? All in favor? (All were in favor). Motion carried.

President Reich: Item number 3, received an invoice from Durkin MacDonald, LLC in the amount of \$2,233.00 which represents services rendered from May 16, 2017 through June 16, 2017. Do I have a motion to pay?

Roseann Novembrino made a motion to pay the invoice.

John Hazzouri seconded the motion.

President Reich: On the question? All in favor? (All were in favor). Okay, motion carried.

President Reich: Item number 4, received a request for a refund of pension contributions from former City employee Susan Magnotta. Mrs. Magnotta was employed by the City from February 24, 2006 to the date of her resignation which

was June 16, 2017. She has contributed a total of 137 months and is due a refund of \$3,014.00. Do I have a motion?

Roseann Novembrino made a motion to refund the pension contributions of Susan Magnotta.

John Hazzouri seconded the motion.

President Reich: On the question?

John Hazzouri: I'd just like to say a couple words about Sue Magnotta. I want to wish her good health and try to have some happiness since her husband passed away. She was an excellent worker in the Treasurer's office from the time that she was here. That's all I have to say. Thank you.

Roseann Novembrino: I agree with that. She was wonderful.

President Reich: All in favor? (All were in favor). Okay, motion carried.

President Reich: Anything from the board?

Attorney Durkin: I have a couple of things that I'd like to talk to you in executive session about, maybe at the end of the meeting. Specifically, the litigation, the two sets of litigation that were filed recently. In non-executive session, in terms of the appeals, the decision of the hearing officers, the status update is that there is new counsel involved for all of the retirees. I have agreed with them to consolidate the cases to one docket. So that's just a procedural thing. It's not a substantive thing. Up until this point, the only one who was not represented was Joe Schimes but they are now representing Joe Schimes, also. Now that they are consolidated, the next step is we will file a record of the hearing with the court, which I expect will happen before the next meeting. Mr. Schimes, when he appealed, he had also included, I think, the Mayor, and potentially, the City of Scranton in the appeal. They are represented by Michael O'Brien and he filed an objection to them being part of this. That's scheduled to be heard, that objection is scheduled to be heard, I think in August, in either July or August, by Judge Nealon. That doesn't particularly involve us. We don't really have a position on it. But, that's the status of the appeals and I'll talk to you about the other things, privately.

President Reich: Anything else? Okay, let's open up the floor.

Marie Schumacher: The contributions you got from people who no longer work for the City, are you allowed to contribute to the pension after you depart? Is there any age time?

John Hazzouri: Until you reach the age of retirement, which is 55.

Marie Schumacher: And there is no minimum amount of time that you have to work prior?

Attorney Durkin: There is a minimum. You are vested at 15 years. Once you are vested at 15 years, you are entitled to the pension but you can't get it until you qualify, you meet all of the qualifications.

Marie Schumacher: Okay. Thank you.

President Reich: Anything else? We are going to recess and reconvene in executive session.

Executive Session: 9:37 AM to 10:10 AM

President Reich: Anything else? Do I have a motion to adjourn?

John Hazzouri made a motion to adjourn the meeting.

Lori Reed seconded the motion.

President Reich: All in favor? (All were in favor).

President Reich: Okay, motion carried. Meeting adjourned at 10:10 a.m.

Minutes approved by: _____ Date: _____
Ernie Reich, President

Respectfully submitted: _____ Date: _____
Kathy Carrera, Recording Secretary

**SCRANTON POLICE PENSION
COMMISSION MEETING**

SCRANTON CITY COUNCIL CHAMBERS
JUNE 21, 2017

BOARD MEMBERS

1. THOMAS TOLAN- PRESENT
2. EDWARD BONIN- PRESENT
3. NANCY KRAKE- PRESENT
4. ROSEANNE NOVEMBRINO-PRESENT
5. PAUL HELRING- PRESENT
6. MICHAEL CAMMEROTA- PRESENT

ALSO IN ATTENDANCE ATTORNEY LARRY DURKIN.

MINUTES FROM WEDNESDAY MAY 17, 2017 MEETING OF THE SCRANTON POLICE PENSION COMMISSION MEETING, WERE REVIEWED. MOTION MADE BY CAMMEROTA TO ACCEPT THE MINUTES AND SECONDED BY HELRING. THE MOTION PASSED.

BILLS:

A BILL FROM DURKIN MACDONALD LLC ATTORNEY AT LAW FOR SERVICES RENDERED FOR ONE MONTH. MAY 16, 2017 THRU JUNE 16, 2017 TO THE AMOUNT OF \$1,174.50.

A MOTION MADE BY HELRING TO PAY DURKIN MACDONALD LLC ATTORNEY AT LAW FOR SERVICES RENDERED FOR 1,174.50 FROM MAY 16, 2017 THRU JUNE 16, 2017. SECONDED BY NOVEMBRINO, ALL IN FAVOR MOTION PASSED.

COMMUNICATION:

A MOTION WAS MADE BY HELRING AND SECONDED BY NOVEMBRINO TO REIMBURSE JOSEPH HARRIS HIS PENSION CONTRIBUTIONS. JOSEPH HARRIS WAS

HIRED IN 2002 AND RESIGNED MAY 8, 2017. HIS CONTRIBUTIONS WERE 29,752.85. THE MOTION PASSED.

A MOTION WAS MADE BY CAMMEROTA AND SECONDED BY KRAKE TO SEND DAVID GULLONE TO AN IME DOCTOR BECAUSE HE IS REQUESTING A WORK RELATED DISABILITY PENSION. THE MOTION PASSED.

ATTORNEY DURKIN ADVISED THE BOARD THERE IS NO UPDATE ON THE THIRD PARTY ADMINISTRATOR AT THIS TIME.

HELRING MADE THE MOTION TO ADJOURN AND SECONDED BY KRAKE. MEETING ADJOURNED AT 1035HRS.

RECEIVED

JUL 19 2017

OFFICE OF CITY
COUNCIL/CITY CLERK

COMPOSITE PENSION BOARD MINUTES

June 21, 2017

The regular meeting of the Composite Pension Board was held on Wednesday, on June 21st at 11:00AM in City Council Chambers.

The following were in attendance:

JOHN HAZZOURI – V.P. – Municipal Employee Representative
DAVID MITCHELL – Secretary - Police Employee Representative
ROBERT SENCHAK – Fire Employee Representative
EDWARD BONIN – Police Board Representative
JOHN JUDGE – Fire Board Representative
DANIELLE KENNEDY – (Proxy) Mayor
LORI REED – (Proxy) City Council
ROSEANN NOVEMBRINO – City Controller
MARK YASENCHAK – The PFM Group (Trustee) 12/1/2021
LARRY DURKIN – Durkin MacDonald (Legal Counsel) 4/13/2020

John Hazzouri... Opened the meeting, he asked for a Motion to accept last month's Minutes. **Motion to accept made by Ed Bonin, seconded by John Judge, on the question, no response, all were in favor.**

Bills:

Tom Anderson & Associates... \$19,125.00 Motion to pay made by David Mitchell, seconded by Roseann Novembrino, all were in favor.

Durkin & MacDonald... \$1,145.50 Motion to accept by Danielle Kennedy, seconded by Ed Bonin, all were in favor.

Durkin & MacDonald... \$913.50 Motion to accept made by Ed Bonin, seconded by Roseann Novembrino, all were in favor.

PFM... \$9,208.19. Motion to accept made by Ed Bonin, seconded by David, all were in favor.

They had to do a reorganization since Gary's term is up. John said what a great job Gary did, he appreciated his help.

President – John Hazzouri nominated David Mitchell, seconded by John Judge, all were in favor.

Vice President – Roseann Novembrino nominated John Hazzouri, seconded by Ed Bonin, all were in favor.

Secretary – John Judge nominated Robert Senchak, seconded by David Mitchell, all were in favor.

Mark Yasenchak... Distributed reports to the Board members. In July PFM has corporate meetings and it falls on the date of our next meeting so he will not be able to attend next month's meeting. He will have the summary sent to the Board. He said someone else can attend. Dave said his only concern is if something drastically changes in the next 30 days sending nobody may be an issue if they want to make changes. Mark said he could communicate with him and John and let them know if it's business as usual, he'll send them a little write up or if there's something major he could send somebody. Dave doesn't have a problem with that. If it's something send a representative so we can talk with him a day or two before.

The last few weeks the market, the S&P 500 for the month of May was up 1.4% it's up another 1% up through June. Non US Equities are doing even better. They are up about 3.25%. The markets continue to thrive. It's something like a 3% GDP we have been hovering just below 2%.

We are still pro equities. We are being somewhat cautious because we're probably a little over valued in the markets right now. The fixed income returns have been pretty good, they are up $\frac{3}{4}$ of a percent over the last month of May and a little bit more here in June, that's good for the equity side. For the fixed income side longer term bonds should be an indication where the short term rates are going.

He discussed rates. The Fed raised the short term bench mark rates in June, that kind of prompt up the short term, the money market. He talked about the GED tax plans. They are standing still on their strategy on the fixed income side.

The summary of the market in May has been pretty good, through mid-June has been pretty good too. What that looks like in terms of your plan, the numbers as of 5/31 1.33% vs. 1/30 partially ahead of the benchmark for this month and it looks like we've added .50% through June. Year to date is 6.07 and you have a .50 added to that for June so far.

John Hazzouri asked about the negative small cap stock of -.52, he wanted to know what percentage we had in that. Mark said it's 3.9 almost 4% of the portfolio, that is our overweight

of the total stock market. That 4% is a mild overweight to the market. They do have a projection that they are going to see potentially some growth capitalized by being in some smaller companies vs. larger companies but that hasn't played out yet. Dave said out year to date is still positive in most. Mark said yes we were. The fixed income side of the portfolio is about relative return a relative standpoint. A lot of the non US markets have been undervalued for a while. They get beat up pretty good the past few years.

The balance as of 6/15 is \$57,606,359.00. They do an internal reconciliation once a week every Friday as of the close Thursday. Dave asked if the \$57 million took into consideration the \$500,000.00 that would have been paid on the 15th, Mark said yes. Last month's return on investments was \$767,800.00, pretty good returns, not much to complain about, maybe just the small cap investments doesn't look attractive but otherwise the portfolio is doing well.

John Hazzouri said he liked the Oppenheimer International Small Mid Company. He wanted to know if they'd recommend maybe boosting it up 1% maybe up to 4%. Mark said yes they would discuss it.

Audience participation:

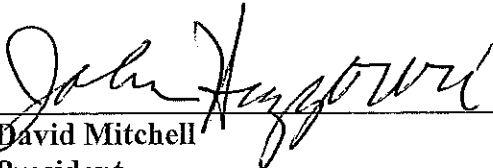
Marie Schumacher asked the Board for their thoughts on the exit plan. Danielle answered her but I could not make out all of what she said. She said Board members could attend as private citizens.

Joan Hodowanitz asked about the proceeds of the sale of the Sewer Authority. David said that is out of the Board's control, that's the City's job. She also asked about the Third Party Administrator. The RFP went bust. Dave thinks they are working on it. Larry said they asked for the Third Party Administrator they didn't get a response and if not we'll deal with it.

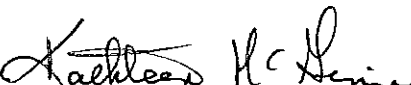
Motion to adjourn made by John Judge, seconded by Roseann Novembrino, all were in favor.

July 19th is our next meeting.

Minutes approved July 19, 2017:



David Mitchell
President



Kathleen McGinn
Recording Secretary

JUL 19 2017



OFFICE OF CITY
COUNCIL/CITY CLERK

Non-Uniform Municipal Pension Fund

NON-UNIFORM MUNICIPAL PENSION

AGENDA

JULY 19, 2017

1. RECEIVED AN INVOICE PAYABLE TO BEYER-BARBER COMPANY DATED JUNE 21, 2017 IN THE AMOUNT OF \$175.00 WHICH IS FOR PREPARATION OF PENSION BENEFIT CALCULATION FOR FORMER SINGLE TAX OFFICE EMPLOYEE DAWN R. LLOYD.

2. RECEIVED AN INVOICE FROM DURKIN MACDONALD, LLC IN THE AMOUNT OF \$ 3,886.00 WHICH REPRESENTS SERVICES RENDERED FROM JUNE 17, 2017 THROUGH JULY 17, 2017.

FILE OF THE COUNCIL _____

2017

AN ORDINANCE

GRANTING DEED OF EASEMENTS AND RIGHTS-OF-WAY OVER PARCELS OF PROPERTY OWNED BY THE CITY OF SCRANTON AS NOTED BELOW IN CONNECTION WITH THE SCRANTON SEWER AUTHORITY'S SEWER/STORMWATER COLLECTION SYSTEM ACCESS AND MAINTENANCE EASEMENT.

WHEREAS, pursuant to the sale of the Assets of the Scranton Sewer Authority to Pennsylvania American Water Company, the City of Scranton is required to grant easements and rights-of-way to Pennsylvania American Water Company on parcels of land owned by the City of Scranton located at the following locations:

1. Nay Aug Park Arthur Ave. (Pin No. 15710-070-004)
2. 1327 & Rear 1327 Albright Ave. (Pin No. 13420-050-029)
3. BRT Ice Providence Road (Pin No. 14512-020-019)

WHEREAS, the easements and rights-of-way need to be substantially consistent with the forms attached hereto and marked Exhibit "A".

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SCRANTON that the Mayor and other appropriate City officials are hereby authorized to execute the easements and rights-of-way for parcels of land owned by the City of Scranton as listed above, copies of which are attached hereto as Exhibit "A" and incorporated herein as if set forth at length. Said easements and rights-of-way to be transferred to Pennsylvania American Water Company.

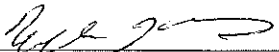
SECTION 1. If any section, clause, provision or portion of this Ordinance shall be held invalid or unconstitutional by any Court of competent jurisdiction such decision shall not affect any other section, clause, provision or portion of this Ordinance so long as it remains legally enforceable minus the invalid portion. The City reserves the right to amend this Ordinance or any portion thereof from time to time as it shall deem advisable in the best interest of the promotion of the purposes and intent of this Ordinance, and the effective administration thereof.

SECTION 2. This Ordinance shall become effective immediately upon approval.

SECTION 3. This Ordinance is enacted by the Council of the City of Scranton under the authority of the Act of Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Optional Plans Law" and any other applicable law arising under the laws of the State of Pennsylvania.

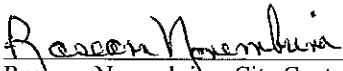
EMERGENCY CERTIFICATE

This is to certify that an emergency exists requiring the immediate passage of the attached Ordinance authorizing the granting of Deed Easements and Rights of Way over parcels of property owned by the City of Scranton as noted in connection with the Scranton Sewer Authority's Sewer/Stormwater Collection System and Maintenance Easement. Pursuant to the sale of the assets of the Scranton Sewer Authority to Pennsylvania American Water Company the City of Scranton is required to assign to Pennsylvania American Water Company certain Easements and Rights-of-Way on parcels of land owned by the City of Scranton.



Mayor William L. Courtright

I hereby certify and concur in the above emergency.



Roseann Novembrino, City Controller

DEED OF EASEMENT AND RIGHT OF WAY
(AND CONSENT OF MORTGAGEE, if applicable)

THIS INDENTURE, made this _____ day of _____, 20____, by and between **THE CITY OF SCRANTON, PENNSYLVANIA**, a municipal corporation, having an office for the transaction of business at 340 N. Washington Avenue, Scranton, Pennsylvania, hereinafter referred to as the "Grantor" and **PENNSYLVANIA AMERICAN WATER COMPANY**, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, having an office for the transaction of business at 800 West Hershey Park Drive, Hershey, Pennsylvania, hereinafter referred to as the "Grantee".

W I T N E S S E T H

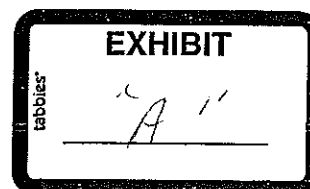
The Grantor, in consideration of the covenants and agreements hereinafter recited and the sum of One Dollar (\$1.00), the receipt of which is hereby acknowledged, does hereby give, grant and convey unto the Grantee, its successors and assigns, forever, an easement and a free uninterrupted and unobstructed right of way, in, under, across and over the property of the Grantor, situate in the City of Scranton in Lackawanna County, Pennsylvania; said right of way to be described as follows:

Pin No.: 15710-070-004

Physical Address: Nay Aug Park, Arthur Avenue, Scranton

This easement and right-of-way is exclusively for the purpose of installing, laying, operating, maintaining, inspecting, removing, repairing, replacing, relaying and adding to from time to time pipe or pipes, with necessary fittings, appurtenances and attached facilities, including laterals and connections for the collection and transmission of wastewater.

Together with the right to the Grantee, its successors and assigns, to (i) enter in and upon the premises described above, through existing access driveway(s) located on the property, with men and machinery, vehicles and material at any and all times for the purpose of maintaining, repairing, renewing or adding to the aforesaid wastewater pipelines and appurtenances, (ii) remove trees, bushes, undergrowth and other obstructions interfering with the activities authorized herein, and (iii)



for doing anything necessary, useful or convenient for the enjoyment of the easement herein granted.

The right of the Grantor to freely use and enjoy its interest in the premises is reserved to Grantor, its successors and assigns insofar as the exercise thereof does not endanger or unreasonably interfere with the construction, operation, and maintenance of Grantee's wastewater pipelines and attached facilities, except that no building, structure or similar improvements shall be erected within said easement, nor shall the grade or ground cover over Grantee's facilities be substantially altered, without the consent of the Grantee. Notwithstanding the foregoing, no other pipes or conduits shall be placed within three (3) feet, measured horizontally, from the said wastewater mains except pipes crossing same at right angles, in which latter case, a minimum distance of two (2) feet shall be maintained between the pipes. No excavation or blasting shall be carried on which in any way endangers or unreasonably interferes with the wastewater pipelines and attached facilities.

TO HAVE AND TO HOLD the above granted easement and right of way unto the same Grantee, its successors and assigns forever.

The Grantee agrees, by the acceptance of this Deed of Easement and Right of Way that, upon any opening made in connection with any of the purposes of this easement and right of way, said opening shall be backfilled and resurfaced to as nearly as possible the same condition as existed when said opening was made, provided that Grantee shall not be obligated to restore landscaping, other than re-sodding any grass which was removed upon entry, all such work to be done at the expense of the Grantee.

And the said Grantor does covenant with the said Grantee as follows:

1. That the Grantor is the owner in fee simple of the real estate hereby subjected to said easement and right of way, and has good title to convey the same.
2. That the Grantee shall quietly enjoy the said easement and right of way.

3. That the premises hereby subjected to said easement and right of way are subject to no mortgages except No Exceptions.
(If none, state "No Exceptions.") (If mortgages exist, have Consent and Agreement of Mortgagee executed and attached.)

IN WITNESS WHEREOF, the Grantor has duly executed this INDENTURE, all as of the day and year first above written.

ATTEST/WITNESS:

GRANTOR

By: _____
Lori Reed, City Clerk

By: _____
William L. Courtright, Mayor

By: _____
Roseann Novembrino, City Controller

APPROVED AS TO FORM:

By: _____
Jessica L. Boyles, Esq., Solicitor

IN WITNESS WHEREOF, the Grantee has duly executed this INDENTURE, all as of the day and year first above written.

**ATTEST:
COMPANY**

**GRANTEE
PENNSYLVANIA-AMERICAN WATER**

By: _____

By: _____

COMMONWEALTH OF PENNSYLVANIA)

SS:

COUNTY OF _____)

On this, the _____ day of _____, 2017, before me, a Notary Public,

personally appeared, _____ as _____ of _____

THE CITY OF SCRANTON, known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument and as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained.

In Witness Whereof, I have set my hand and official seal.

Notary Public

My Commission expires:

(ACKNOWLEDGMENT FOR PENNSYLVANIA-AMERICAN WATER COMPANY)

COMMONWEALTH OF PENNSYLVANIA)

SS:

COUNTY OF _____)

On this, the _____ day of _____, 2017, before me, a Notary Public,

personally appeared, _____, known to me as _____ of _____

PENNSYLVANIA-AMERICAN WATER COMPANY, a corporation, known to me or satisfactorily proven to be the person whose name is subscribed to the within instrument, and as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained.

In Witness Whereof, I have set my hand and official seal.

Notary Public

My Commission expires:

DEED OF EASEMENT AND RIGHT OF WAY
(AND CONSENT OF MORTGAGEE, if applicable)

THIS INDENTURE, made this _____ day of _____, 20__, by and between **THE CITY OF SCRANTON, PENNSYLVANIA**, a municipal corporation, having an office for the transaction of business at 340 N. Washington Avenue, Scranton, Pennsylvania, hereinafter referred to as the "Grantor" and **PENNSYLVANIA AMERICAN WATER COMPANY**, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, having an office for the transaction of business at 800 West Hershey Park Drive, Hershey, Pennsylvania, hereinafter referred to as the "Grantee".

W I T N E S S E T H

The Grantor, in consideration of the covenants and agreements hereinafter recited and the sum of One Dollar (\$1.00), the receipt of which is hereby acknowledged, does hereby give, grant and convey unto the Grantee, its successors and assigns, forever, an easement and a free uninterrupted and unobstructed right of way, in, under, across and over the property of the Grantor, situate in the City of Scranton in Lackawanna County, Pennsylvania; said right of way to be described as follows:

Pin No.: 13420-050-029

Physical Address: 1327 & Rear 1327 Albright Ave., Scranton

This easement and right-of-way is exclusively for the purpose of installing, laying, operating, maintaining, inspecting, removing, repairing, replacing, relaying and adding to from time to time pipe or pipes, with necessary fittings, appurtenances and attached facilities, including laterals and connections for the collection and transmission of wastewater.

Together with the right to the Grantee, its successors and assigns, to (i) enter in and upon the premises described above, through existing access driveway(s) located on the property, with men and machinery, vehicles and material at any and all times for the purpose of maintaining, repairing, renewing or adding to the aforesaid wastewater pipelines and appurtenances, (ii) remove trees, bushes, undergrowth and other obstructions interfering with the activities authorized herein, and (iii)

for doing anything necessary, useful or convenient for the enjoyment of the easement herein granted.

The right of the Grantor to freely use and enjoy its interest in the premises is reserved to Grantor, its successors and assigns insofar as the exercise thereof does not endanger or unreasonably interfere with the construction, operation, and maintenance of Grantee's wastewater pipelines and attached facilities, except that no building, structure or similar improvements shall be erected within said easement, nor shall the grade or ground cover over Grantee's facilities be substantially altered, without the consent of the Grantee. Notwithstanding the foregoing, no other pipes or conduits shall be placed within three (3) feet, measured horizontally, from the said wastewater mains except pipes crossing same at right angles, in which latter case, a minimum distance of two (2) feet shall be maintained between the pipes. No excavation or blasting shall be carried on which in any way endangers or unreasonably interferes with the wastewater pipelines and attached facilities.

TO HAVE AND TO HOLD the above granted easement and right of way unto the same Grantee, its successors and assigns forever.

The Grantee agrees, by the acceptance of this Deed of Easement and Right of Way that, upon any opening made in connection with any of the purposes of this easement and right of way, said opening shall be backfilled and resurfaced to as nearly as possible the same condition as existed when said opening was made, provided that Grantee shall not be obligated to restore landscaping, other than re-sodding any grass which was removed upon entry, all such work to be done at the expense of the Grantee.

And the said Grantor does covenant with the said Grantee as follows:

1. That the Grantor is the owner in fee simple of the real estate hereby subjected to said easement and right of way, and has good title to convey the same.
2. That the Grantee shall quietly enjoy the said easement and right of way.

3. That the premises hereby subjected to said easement and right of way are subject to no mortgages except No Exceptions.
(If none, state "No Exceptions.") (If mortgages exist, have Consent and Agreement of Mortgagee executed and attached.)

IN WITNESS WHEREOF, the Grantor has duly executed this INDENTURE, all as of the day and year first above written.

ATTEST/WITNESS:

GRANTOR

By: _____
Lori Reed, City Clerk

By: _____
William L. Courtright, Mayor

By: _____
Roseann Novembrino, City Controller

APPROVED AS TO FORM:

By: _____
Jessica L. Boyles, Esq., Solicitor

IN WITNESS WHEREOF, the Grantee has duly executed this INDENTURE, all as of the day and year first above written.

**ATTEST:
COMPANY**

**GRANTEE
PENNSYLVANIA-AMERICAN WATER**

By: _____

By: _____

* * * * *

* * * * *

My Commission expires:

My Commission expires:

DEED OF EASEMENT AND RIGHT OF WAY
(AND CONSENT OF MORTGAGEE, if applicable)

THIS INDENTURE, made this _____ day of _____, 20____, by and between **THE CITY OF SCRANTON, PENNSYLVANIA**, a municipal corporation, having an office for the transaction of business at 340 N. Washington Avenue, Scranton, Pennsylvania, hereinafter referred to as the "Grantor" and **PENNSYLVANIA AMERICAN WATER COMPANY**, a corporation organized and existing under the laws of the Commonwealth of Pennsylvania, having an office for the transaction of business at 800 West Hershey Park Drive, Hershey, Pennsylvania, hereinafter referred to as the "Grantee".

W I T N E S S E T H

The Grantor, in consideration of the covenants and agreements hereinafter recited and the sum of One Dollar (\$1.00), the receipt of which is hereby acknowledged, does hereby give, grant and convey unto the Grantee, its successors and assigns, forever, an easement and a free uninterrupted and unobstructed right of way, in, under, across and over the property of the Grantor, situate in the City of Scranton in Lackawanna County, Pennsylvania; said right of way to be described as follows:

Pin No.: 14512-020-019

Physical Address: BRT Ice, Providence Rd., Scranton

This easement and right-of-way is exclusively for the purpose of installing, laying, operating, maintaining, inspecting, removing, repairing, replacing, relaying and adding to from time to time pipe or pipes, with necessary fittings, appurtenances and attached facilities, including laterals and connections for the collection and transmission of wastewater.

Together with the right to the Grantee, its successors and assigns, to (i) enter in and upon the premises described above, through existing access driveway(s) located on the property, with men and machinery, vehicles and material at any and all times for the purpose of maintaining, repairing, renewing or adding to the aforesaid wastewater pipelines and appurtenances, (ii) remove trees, bushes, undergrowth and other obstructions interfering with the activities authorized herein, and (iii)

for doing anything necessary, useful or convenient for the enjoyment of the easement herein granted.

The right of the Grantor to freely use and enjoy its interest in the premises is reserved to Grantor, its successors and assigns insofar as the exercise thereof does not endanger or unreasonably interfere with the construction, operation, and maintenance of Grantee's wastewater pipelines and attached facilities, except that no building, structure or similar improvements shall be erected within said easement, nor shall the grade or ground cover over Grantee's facilities be substantially altered, without the consent of the Grantee. Notwithstanding the foregoing, no other pipes or conduits shall be placed within three (3) feet, measured horizontally, from the said wastewater mains except pipes crossing same at right angles, in which latter case, a minimum distance of two (2) feet shall be maintained between the pipes. No excavation or blasting shall be carried on which in any way endangers or unreasonably interferes with the wastewater pipelines and attached facilities.

TO HAVE AND TO HOLD the above granted easement and right of way unto the same Grantee, its successors and assigns forever.

The Grantee agrees, by the acceptance of this Deed of Easement and Right of Way that, upon any opening made in connection with any of the purposes of this easement and right of way, said opening shall be backfilled and resurfaced to as nearly as possible the same condition as existed when said opening was made, provided that Grantee shall not be obligated to restore landscaping, other than re-sodding any grass which was removed upon entry, all such work to be done at the expense of the Grantee.

And the said Grantor does covenant with the said Grantee as follows:

1. That the Grantor is the owner in fee simple of the real estate hereby subjected to said easement and right of way, and has good title to convey the same.
2. That the Grantee shall quietly enjoy the said easement and right of way.

3. That the premises hereby subjected to said easement and right of way are subject to no mortgages except No Exceptions.
(If none, state "No Exceptions.") (If mortgages exist, have Consent and Agreement of Mortgagee executed and attached.)

IN WITNESS WHEREOF, the Grantor has duly executed this INDENTURE, all as of the day and year first above written.

ATTEST/WITNESS:

GRANTOR

By: _____
Lori Reed, City Clerk

By: _____
William L. Courtright, Mayor

By: _____
Roseann Novembrino, City Controller

APPROVED AS TO FORM:

By: _____
Jessica L. Boyles, Esq., Solicitor

IN WITNESS WHEREOF, the Grantee has duly executed this INDENTURE, all as of the day and year first above written.

ATTEST:

**GRANTEE
PENNSYLVANIA-AMERICAN WATER**

COMPANY

By: _____

By: _____

* * * * *

* * * * *

My Commission expires:

My Commission expires:



DEPARTMENT OF LAW

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

July 18, 2017

To the Honorable Council
Of the City of Scranton
Municipal Building
Scranton, PA 18503

RECEIVED

JUL 18 2017

OFFICE OF CITY
COUNCIL/CITY CLERK

Dear Honorable Council Members:

ATTACHED IS AN ORDINANCE GRANTING DEED OF EASEMENTS
AND RIGHTS-OF-WAY OVER PARCELS OF PROPERTY OWNED BY THE CITY
OF SCRANTON AS NOTED BELOW IN CONNECTION WITH THE SCRANTON
SEWER AUTHORITY'S SEWER/STORMWATER COLLECTION SYSTEM ACCESS
AND MAINTENANCE EASEMENT.

Respectfully,

Jessica L. Boyles Esquire
City Solicitor

JLB/sl

RESOLUTION NO. _____

2017

AUTHORIZING THE MAYOR AND OTHER APPROPRIATE CITY OFFICIALS TO EXECUTE AND ENTER INTO THE SIXTH AMENDMENT TO THE FEDERAL AID BRIDGE PROJECT AGREEMENT NO. 041222 BETWEEN THE COMMONWEALTH OF PENNSYLVANIA ("DEPARTMENT") AND THE CITY OF SCRANTON ("MUNICIPALITY") FOR THE PURPOSE OF INCREASING CONSTRUCTION FUNDING AND UPDATING STANDARD FEDERAL PROVISIONS OF THE ROCKWELL AVENUE BRIDGE PROJECT.

WHEREAS, the Parties entered into Agreement No. 041222 dated August 21, 1996, whereby the DEPARTMENT was to provide to the MUNICIPALITY Federal funds for the design, acquisition of right of way and construction of the Rockwell Avenue Bridge (the Project) as set forth therein; and

WHEREAS, the parties desire to amend the Original Agreement further for the purpose of increasing the construction funding allocated for the Project and updating standard Federal provisions.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SCRANTON that the Mayor and other appropriate City Officials are hereby authorized to execute and enter into Supplemental Reimbursement Agreement No. 041222-F attached hereto as Exhibit "A" and incorporated herein by reference thereto with the Commonwealth of Pennsylvania for the purpose of increasing construction funding of the Rockwell Avenue Bridge Project.

SECTION 1. If any section, clause, provision or portion of this Resolution shall be held invalid or unconstitutional by any Court of competent jurisdiction such decision shall not affect any other section, clause, provision or portion of this Resolution so long as it remains legally enforceable minus the invalid portion. The City reserves the right amend this Resolution or any portion thereof from time as is shall deem advisable in the best interests of the promotion of the purposes and intent of this Resolution, and the effective administration thereof.

SECTION 2. This Resolution shall become effective immediately upon approval.

SECTION 2. This Resolution shall become effective immediately upon approval.

SECTION 3. This Resolution is enacted by the Council of the City of Scranton under the authority of the Act of the Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Optional Plans Law", and any other applicable law arising under the laws of the State of Pennsylvania.

Lackawanna County
City of Scranton
Rockwell Avenue Bridge

AGREEMENT NO 041222-F
MPMS NO. 7912
FED ID NO. 24-6000704
SAP Vendor 141721

**AMENDMENT TO FEDERAL-AID BRIDGE PROJECT AGREEMENT BETWEEN
THE COMMONWEALTH OF PENNSYLVANIA AND
THE CITY OF SCRANTON**

THIS SIXTH AMENDMENT to the Federal Aid Bridge Project Agreement,
Agreement No. 041222 is entered into the _____ day of
_____, 20_____ by and between the Commonwealth of
Pennsylvania, acting through the Department of Transportation, ("DEPARTMENT"),

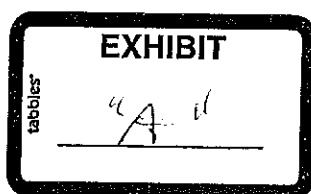
AND

the City of Scranton, Lackawanna County, of the Commonwealth of Pennsylvania,
acting through its proper officials, ("MUNICIPALITY"). As used in this Agreement, the
DEPARTMENT and MUNICIPALITY are sometimes collectively referred to as the
"Parties."

WITNESSETH:

WHEREAS, the Parties entered into Agreement No. 041222, dated August 21,
1996 ("Original Agreement"), whereby the DEPARTMENT was to provide to the
MUNICIPALITY Federal funds for the design, acquisition of right-of-way and
construction of the Rockwell Avenue Bridge (the "Project") as set forth therein;

WHEREAS the Parties entered into Agreement No. 041222-A dated December 17,
2001, to increase design costs, and update various exhibits;



WHEREAS the Parties entered into Agreement No. 041222-B, dated December 6, 2007, to increase design costs further, add right-of-way, utility, and construction costs, and update the Federal Audit Clause;

WHEREAS the Parties entered into Agreement No. 041222-C, dated July 18, 2013, to increase design costs and right-of-way costs and update standard Commonwealth and Federal provisions and exhibits;

WHEREAS the Parties entered into Agreement No. 041222-D, dated November 27, 2013, to switch design funding to State funds and increase construction costs;

WHEREAS, the Parties entered into Agreement No. 041222-E, dated January 3, 2017, to increase construction funding of the project and update standard Commonwealth and Federal provisions and exhibits; and

WHEREAS, the Parties desire to amend the Original Agreement further for the purposes of increasing construction funding of the project and updating standard Federal provisions.

NOW, THEREFORE, the Parties, intending to be legally bound, agree to that the Original Agreement shall be amended further as follows:

1. Section 8(b) of the Original Agreement is hereby struck in its entirety and is replaced with the following:

(b) The DEPARTMENT will pay the MUNICIPALITY for all but the MUNICIPLAITY's share of the project costs up to a maximum of eight million, nine hundred seven thousand, seven hundred eighty dollars (\$8,907,780.00). The DEPARTMENT, for the federal share of Project costs, will submit necessary documents

to the Federal Highway Administration ("FHWA") for payment. Upon receipt of federal funds, the DEPARTMENT will credit same to the Highway Bridge Improvement restricted account within the Motor License Fund.

2. Section 3 of Agreement 041222-A is hereby struck in its entirety and replaced with the following:

(a) The MUNICIPALITY shall not discriminate on the basis of race, color, national origin or sex in the performance of this Agreement. The MUNICIPALITY shall carry out applicable requirements of 49 C.F.R. Part 26 in the award and administration of United States Department of Transportation-assisted contracts. Failure by MUNICIPALITY to carry out these requirements is a material breach of this Agreement, which may result in the termination of this Agreement or such other remedy as the recipient deems appropriate, which may include, but is not limited to:

1. withholding monthly progress payments;
2. assessing sanctions;
3. liquidated damages; and/or
4. disqualifying the contractor from future bidding as non-responsible.

(b) The MUNICIPALITY must include the assurance contained in subsection (a) in each contract into which it enters to carry out the Project.

3. Section 9 of Agreement 041222-C is hereby struck in its entirety and replaced with the following:

The Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101-3104, applies to this Agreement. Therefore, this Agreement is subject to, and the MUNICIPALITY shall comply with the clause entitled Contract Provisions – Right to Know Law,

attached and made part of this Agreement as Exhibit "LL." As used in this exhibit, the term "Contractor" refers to the MUNICIPALITY.

4. Exhibit "L" to Agreement No. 041222-C is hereby struck in its entirety and is replaced with Exhibit "LL," which is attached to and made part of this Sixth Amendment.
5. Section 11 to Agreement 041222 and Section 4 to Agreement No. 041222-B are hereby struck in its entirety and is replaced with the following:

As specified by the Federal Office of Management and Budget, the MUNICIPALITY agrees to satisfy the audit requirements contained in the Single Audit Act of 1984, as amended, 31 U.S.C. Section 7501 et seq., and, for this purpose, to comply with the current version of the *Audit Clause to Be Used in Agreements with Subrecipients Receiving Federal Awards from the Commonwealth*, which is attached as Exhibit "CCCC" and made part of this Amendment. As used in the Audit Clause, the term "Subrecipient" means MUNICIPALITY.

6. Exhibit "CCC" to Agreement No. 041222-B is hereby struck in its entirety and is replaced with Exhibit "CCCC," which is attached to and made part of this Sixth Amendment.
7. Exhibit "AAAAAA" to Agreement No. 041222-E is hereby struck in its entirety and is replaced with Exhibit "AAAAAAA," which is attached to and made part of this Sixth Amendment.

8. The following Section is added to the end of the Original Agreement:

The MUNICIPALITY agrees that, as a condition to receiving federal financial assistance from the United States Department of Transportation through the FHWA, it is subject to and will comply with the Standard Title VI/Non-Discrimination Assurances, attached and made part of this Agreement as Exhibit "R."

9. Except as explicitly provided by this Sixth Amendment, the other provisions of the Original Agreement and its amendments, shall remain in full force and effect.

[Remainder of this page left intentionally blank.]

IN WITNESS WHEREOF, the Parties have executed this Sixth Amendment the date first above written.

ATTEST:

CITY OF SCRANTON*

Title: Date

BY _____
Title: Date

DO NOT WRITE BELOW THIS LINE - FOR COMMONWEALTH USE ONLY

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF TRANSPORTATION

BY _____
District Executive Date

APPROVED AS TO LEGALITY
AND FORM:

BY _____
for Chief Counsel Date

FUNDS COMMITMENT DOC. NO. _____
CERTIFIED FUNDS AVAILABLE UNDER
SAP NO. _____
SAP COST CENTER _____
GL ACCOUNT _____
AMOUNT _____

BY _____
Deputy General Counsel Date

BY _____
for Comptroller Operations Date

BY _____
Deputy Attorney General Date

Contract No. 041222-F is for, expenditure amount of \$7,512,232.00 for Federal Funds and expenditure of \$ 1,395,460.00 for State funds. The related Federal Assistance program name and number is Bridge Replacement Off System (BOF); Q11. The State Assistance program name and number is Local Bridge (LCB); 284.

CITY OF SCRANTON

ATTEST:

BY: _____
Lori Reed, City Clerk

Date: _____

BY: _____
William L. Courtright, Mayor

Date: _____

BY: _____
Roseann Novembrino, City Controller

Date: _____

By: _____
John J. Pocius, P.E., P.L.S.
City Engineer, LaBella Associates

Date: _____

By: _____
Linda B. Aebli, Executive Director
Office of Economic and Community
Development

Date: _____

APPROVED AS TO FORM:

BY: _____
Jessica L. Boyles, Esq., City Solicitor

Date: _____

EXHIBIT AAAAAAA
PROJECT COSTS

Design, Right-of-Way, Utilities and Construction

| | Municipality Incurred Costs | Commonwealth Incurred Costs | Phase Totals |
|--------------------|--------------------------------|--------------------------------|------------------------|
| Design | \$ 400,000.00 | \$ 5,000.00 | \$ 405,000.00 |
| Design (80% state) | \$ 56,000.00 | \$ 2,000.00 | \$ 58,000.00 |
| Right-of-Way | \$ 60,000.00 | \$ 2,500.00 | \$ 62,500.00 |
| Utilities | \$ 15,000.00 | \$ - | \$ 15,000.00 |
| Construction | \$ 8,929,400.00 | \$ 100,000.00 | \$ 9,029,400.00 |
| SUBTOTALS | \$ 9,460,400.00 | \$ 109,500.00 | \$ 9,569,900.00 |

COST SHARING
(Municipality Incurred Costs)

| | Federal | State | Municipality | Phase Totals |
|-------------------|------------------------|------------------------|----------------------|------------------------|
| Design | \$ 148,800.00 | | \$ 37,200.00 | \$ 186,000.00 |
| Final | \$ 160,000.00 | | \$ 54,000.00 | \$ 214,000.00 |
| Final (80% State) | | \$ 44,800.00 | \$ 11,200.00 | \$ 56,000.00 |
| Right-of-Way | \$ 48,000.00 | \$ 9,000.00 | \$ 3,000.00 | \$ 60,000.00 |
| Utilities | \$ 12,000.00 | \$ 2,250.00 | \$ 750.00 | \$ 15,000.00 |
| Construction | \$ 7,143,520.00 | \$ 1,339,410.00 | \$ 446,470.00 | \$ 8,929,400.00 |
| TOTALS | \$ 7,512,320.00 | \$ 1,395,460.00 | \$ 552,620.00 | \$ 9,460,400.00 |

COST SHARING
(Commonwealth Incurred Costs)

| | Federal | State | Municipality | Phase Totals |
|-------------------|---------------------|---------------------|--------------------|----------------------|
| Design | \$ 2,000.00 | | \$ 500.00 | \$ 2,500.00 |
| Final | \$ 2,000.00 | | \$ 500.00 | \$ 2,500.00 |
| Final (80% State) | | \$ 2,000.00 | | |
| Right-of-Way | \$ 2,000.00 | \$ 375.00 | \$ 125.00 | \$ 2,500.00 |
| Utilities | \$ - | | | \$ - |
| Construction | \$ 80,000.00 | \$ 15,000.00 | \$ 5,000.00 | \$ 100,000.00 |
| TOTALS | \$ 86,000.00 | \$ 17,375.00 | \$ 6,125.00 | \$ 109,500.00 |

TOTAL COST

| Federal | State | Municipality | Totals |
|-----------------|-----------------|---------------|-----------------|
| \$ 7,598,320.00 | \$ 1,412,835.00 | \$ 558,745.00 | \$ 9,569,900.00 |

COUNTY: Lackawanna
MUNICIPALITY: City of Scranton
PROJECT NAME: Rockwell Avenue Bridge
Reimbursement Agreement No. 041222-F

Exhibit "AAAAAAA"

**AUDIT CLAUSE TO BE USED IN AGREEMENTS WITH SUBRECIPIENTS
RECEIVING FEDERAL AWARDS FROM THE COMMONWEALTH**

The [NAME OF SUBRECIPIENT] must comply with all applicable federal and state grant requirements including *The Single Audit Act Amendments of 1996; 2 CFR Part 200 as amended*; and any other applicable law or regulation, and any amendment to such other applicable law or regulation that may be enacted or promulgated by the federal government.

If the [NAME OF SUBRECIPIENT] is a local government or non-profit organization that expends \$750,000 or more in federal awards during its fiscal year, the [NAME OF SUBRECIPIENT] is required to provide the appropriate single or program specific audit in accordance with the provisions outlined in *2 CFR Part 200.501*.

If the [NAME OF SUBRECIPIENT] expends total federal awards of less than the threshold established by *2 CFR 200.501*, it is exempt from federal audit requirements for that year, but records must be available for review or audit by appropriate officials (or designees) of the federal agency, pass-through entity, and Government Accountability Office (GAO).

If the [NAME OF SUBRECIPIENT] is a for-profit entity, it is not subject to the auditing and reporting requirements of *2 CFR Part 200, Subpart F - Audit Requirements (Subpart F)*. However, the pass-through commonwealth agency is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients. The contract with the for-profit subrecipient should describe applicable compliance requirements and the for-profit subrecipient's compliance responsibility. Methods to ensure compliance for federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the contract and post-award audits. The post-award audits may be in the form of a financial audit in accordance with *Government Auditing Standards*, a single audit report or program-specific audit report in accordance with *Subpart F*. However, these post-award audits must be submitted directly to the affected commonwealth agency that provided the funding. Only single audit reports for local governmental and non-profit subrecipients are electronically submitted to the Federal Audit Clearinghouse.

ADDITIONAL POTENTIAL COMPONENTS OF THE SINGLE AUDIT REPORTING PACKAGE

In instances where a federal program-specific audit guide is available, the audit report package for a program-specific audit may be different and should be prepared in accordance with the appropriate audit guide, *Government Auditing Standards*, and *Subpart F*.

In addition to the requirements of *Subpart F*, commonwealth agencies may require that the single audit reporting packages include additional components in the SEFA, or supplemental schedules, as identified through the respective grant agreement.

SUBMISSION OF THE AUDIT REPORT

The [NAME OF SUBRECIPIENT] must submit an electronic copy of the audit report package to the Federal Audit Clearinghouse, which shall include the elements outlined in *Subpart F*.

SUBMISSION OF THE FEDERAL AUDIT CLEARINGHOUSE CONFIRMATION

The subrecipients must send a copy of the confirmation from the Federal Audit Clearinghouse to the resource account RA-BOASingleAudit@pa.gov.

AUDIT OVERSIGHT PROVISIONS.

The [NAME OF SUBRECIPIENT] is responsible for obtaining the necessary audit and securing the services of a certified public accountant or independent governmental auditor.

The commonwealth reserves the right for federal and state agencies or their authorized representatives to perform additional audits of a financial or performance nature, if deemed necessary by commonwealth or federal agencies. Any such additional audit work will rely on work already performed by the [NAME OF SUBRECIPIENT]'s auditor and the costs for any additional work performed by the federal or state agencies will be borne by those agencies at no additional expense to the [NAME OF SUBRECIPIENT].

Audit documentation and audit reports must be retained by the [NAME OF SUBRECIPIENT]'s auditor for a minimum of five years from the date of issuance of the audit report, unless the [NAME OF SUBRECIPIENT]'s auditor is notified in writing by the commonwealth, the cognizant federal agency for audit, or the oversight federal agency for audit to extend the retention period. Audit documentation will be made available upon request to authorized representatives of the commonwealth, the cognizant federal agency for audit, the oversight federal agency for audit, the federal funding agency, or the GAO.

Contract Provisions – Right to Know Law

- a. The Pennsylvania Right-to-Know Law, 65 P.S. §§ 67.101-3104, (“RTKL”) applies to this Contract. For the purpose of these provisions, the term “the Commonwealth” shall refer to the contracting Commonwealth agency.
- b. If the Commonwealth needs the Contractor’s assistance in any matter arising out of the RTKL related to this Contract, it shall notify the Contractor using the legal contact information provided in this Contract. The Contractor, at any time, may designate a different contact for such purpose upon reasonable prior written notice to the Commonwealth.
- c. Upon written notification from the Commonwealth that it requires the Contractor’s assistance in responding to a request under the RTKL for information related to this Contract that may be in the Contractor’s possession, constituting, or alleged to constitute, a public record in accordance with the RTKL (“Requested Information”), the Contractor shall:
 - 1. Provide the Commonwealth, within ten (10) calendar days after receipt of written notification, access to, and copies of, any document or information in the Contractor’s possession arising out of this Contract that the Commonwealth reasonably believes is Requested Information and may be a public record under the RTKL; and
 - 2. Provide such other assistance as the Commonwealth may reasonably request, in order to comply with the RTKL with respect to this Contract.
- d. If the Contractor considers the Requested Information to include a request for a Trade Secret or Confidential Proprietary Information, as those terms are defined by the RTKL, or other information that the Contractor considers exempt from production under the RTKL, the Contractor must notify the Commonwealth and provide, within seven (7) calendar days of receiving the written notification, a written statement signed by a representative of the Contractor explaining why the requested material is exempt from public disclosure under the RTKL.
- e. The Commonwealth will rely upon the written statement from the Contractor in denying a RTKL request for the Requested Information unless the Commonwealth determines that the Requested Information is clearly not protected from disclosure under the RTKL. Should the Commonwealth determine that the Requested Information is clearly not exempt from disclosure, the Contractor shall provide the Requested Information within five (5) business days of receipt of written notification of the Commonwealth’s determination.
- f. If the Contractor fails to provide the Requested Information within the time period required by these provisions, the Contractor shall indemnify and hold the Commonwealth harmless for any damages, penalties, costs, detriment or harm that the Commonwealth may incur as a result of the Contractor’s failure, including any statutory damages assessed against the Commonwealth.

EXHIBIT “LL”

g. The Commonwealth will reimburse the Contractor for any costs associated with complying with these provisions only to the extent allowed under the fee schedule established by the Office of Open Records or as otherwise provided by the RTKL if the fee schedule is inapplicable.

h. The Contractor may file a legal challenge to any Commonwealth decision to release a record to the public with the Office of Open Records, or in the Pennsylvania Courts, however, the Contractor shall indemnify the Commonwealth for any legal expenses incurred by the Commonwealth as a result of such a challenge and shall hold the Commonwealth harmless for any damages, penalties, costs, detriment or harm that the Commonwealth may incur as a result of the Contractor's failure, including any statutory damages assessed against the Commonwealth, regardless of the outcome of such legal challenge. As between the parties, the Contractor agrees to waive all rights or remedies that may be available to it as a result of the Commonwealth's disclosure of Requested Information pursuant to the RTKL.

i. The Contractor's duties relating to the RTKL are continuing duties that survive the expiration of this Contract and shall continue as long as the Contractor has Requested Information in its possession.

EXHIBIT "LL"



DEPARTMENT OF LAW

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

July 12, 2107

RECEIVED

JUL 12 2017

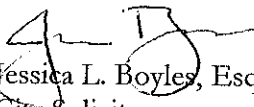
To the Honorable Council
Of the City of Scranton
Municipal Building
Scranton, PA 18503

OFFICE OF CITY
COUNCIL/CITY CLERK

Dear Honorable Council Members:

ATTACHED IS A RESOLUTION AUTHORIZING THE MAYOR AND OTHER APPROPRIATE CITY OFFICIALS TO EXECUTE AND ENTER INTO THE SIXTH AMENDMENT TO THE FEDERAL AID BRIDGE PROJECT AGREEMENT NO. 041222 BETWEEN THE COMMONWEALTH OF PENNSYLVANIA ("DEPARTMENT") AND THE CITY OF SCRANTON ("MUNICIPALITY") FOR THE PURPOSE OF INCREASING CONSTRUCTION FUNDING AND UPDATING STANDARD FEDERAL PROVISIONS OF THE ROCKWELL AVENUE BRIDGE PROJECT.

Respectfully,


Jessica L. Boyles, Esquire
City Solicitor

JLB/sl

RESOLUTION NO. _____

2017

AMENDING RESOLUTION NO. 133, 2017 ENTITLED "AUTHORIZING THE MAYOR AND OTHER APPROPRIATE CITY OFFICIALS TO EXECUTE AND ENTER INTO A CONTRACT WITH PMA MANAGEMENT CORP. FOR CITY OF SCRANTON SELF-INSURED WORKERS' COMPENSATION AND HEART AND LUNG CLAIMS THIRD PARTY ADMINISTRATION FOR A PERIOD OF THREE (3) YEARS FROM APRIL 1, 2017 THROUGH MARCH 31, 2020" TO INCLUDE EXHIBIT "C" TO THE CONTRACT.

WHEREAS, Scranton City Council passed Resolution No. 133, 2017 on March 30, 2017 authorizing the Mayor and other appropriate City officials to execute and enter into a Contract with PMA Management Corp. for City of Scranton Self-Insured Worker's Compensation and Heart and Lung Claims Third Party Administration for a period of three (3) years from April 1, 2017 through March 31, 2020; and

WHEREAS, PMA has requested that the City Amend the Contract to include Exhibit "C", which is attached hereto and incorporated herein by reference thereto; and

WHEREAS, all remaining provisions of the Contract by and between the City of Scranton and PMA not specifically in Exhibit "C" hereto shall remain in full force and effect.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SCRANTON that Resolution No. 133, 2017 is hereby amended to include Exhibit "C" to the Contract by and between the City of Scranton and PMA Management Corp. for the City of Scranton Self-Insured Workers Compensation and Heart and Lung Claims Third Party Administration.

SECTION 1. In all other respects Resolution No. 133, 2017 will remain in full force and effect.

SECTION 2. If any section, clause, provision or portion of this Resolution shall be held invalid or unconstitutional by any Court of competent jurisdiction, such decision shall not affect any other section, clause provision or portion of this Resolution so long as it remains legally enforceable minus the invalid portion. The City reserves the right to amend this Resolution or any portion thereof from time to time as it shall deem advisable in the best interests of the promotion of the purposes and intend of this Resolution and the effective administration thereof.

SECTION 3. This Resolution shall become effective immediately upon approval.

SECTION 4. This Resolution is enacted by the Council of the City of Scranton under the authority of the Act of Legislature, April 13, 1972, Act No. 62, known as the “Home Rule Charter and Optional Plans Law”, and any other applicable law arising under the laws of the State of Pennsylvania.

Exhibit C to
Contract between City of Scranton ("Scranton") and PMA Management Corp. ("Contractor")

1. FUNDING of CLAIMS and EXPENSES

CONTRACTOR will establish a non-interest bearing checking account in CONTRACTOR's name ("**Payment Account**") with CONTRACTOR's bank, which is to be funded by Scranton but which CONTRACTOR will administer for the purposes of paying Qualified Claims and ALAE, in accordance with the procedures set forth in this Section. CONTRACTOR will provide Scranton with a monthly schedule ("**Payment Register**") outlining all claim payments, ALAE, and correction items funded by CONTRACTOR and will contain the name of the payee, date of payment, amount of payment, and claim number for all transactions occurring during the prior month.

- a) The Payment Account will initially be funded by Scranton in the amount of \$395,000 (equal to three months estimated claims payments and ALAE) which amount may be revised at CONTRACTOR's discretion at any time based upon actual claims and expense payment history. Within 15 calendar days of the receipt of the Payment Register and invoice, Scranton shall reimburse CONTRACTOR for the total amount of payments made, which reimbursement shall replenish the Payment Account to its required balance. If at any time the Payment Account balance is depleted by 75% or more during the course of any given month, CONTRACTOR shall provide written notice of such depletion to Scranton, and Scranton shall replenish the balance within two business days of receipt of notice.
- b) Should Scranton fail at any time to maintain the required funding after receiving notification from CONTRACTOR, CONTRACTOR will stop providing services, including ceasing to pay claims and expenses, until such funding has been restored and any related CONTRACTOR bank charges, fees, or penalties have been paid by Scranton.
- c) CONTRACTOR is not obligated to pay any claims or expenses on behalf of Scranton unless the required funds are made available by Scranton to CONTRACTOR to do so. Should CONTRACTOR advance funding on the part of Scranton, then Scranton shall immediately reimburse CONTRACTOR or CONTRACTOR will stop providing services, including ceasing to pay claims and expenses, until full reimbursement has been received and any related CONTRACTOR bank charges, fees, or penalties have been paid by Scranton.
- d) This Section of the Contract shall survive the termination of the Contract.

2. PAYMENT of CLAIM HANDLING SERVICE FEES

- a) Scranton will pay the fee set forth in Exhibit B to the Contract in 12 monthly installments.
- b) CONTRACTOR will bill Scranton for claim handling services to be rendered on a monthly basis. Scranton will pay such bills within 30 days after receipt. If bills are not paid within 30 days after receipt, CONTRACTOR reserves the right to stop providing services, including ceasing to pay claims and expenses, until such bills and interest have been paid in full.

3. **TERMINATION**

- a) The Contract may be terminated:
 - i. by mutual agreement of the parties;
 - ii. by CONTRACTOR if Scranton is in default in payment of any fees or expenses due hereunder or fails to maintain the requisite claim funding levels as required herein and CONTRACTOR has given Scranton prior written notice of such default five days prior to the date set for termination.
- b) Scranton and CONTRACTOR acknowledge that certain approved indemnity, medical and expense payments may still be in process of payment upon the date of termination. Therefore Scranton agrees that Scranton will remain responsible for payment of any and all indemnity, medical and expense payments which may be processed by CONTRACTOR for a Qualified Claim, which shall include, at a minimum, the maintenance of a claim funding mechanism for at least 45 days after the Contract terminates. In addition, CONTRACTOR shall return to Scranton any outstanding checks remaining unpaid after termination. CONTRACTOR shall not be responsible for Scranton's escheat obligations with regard to issued but unrepresented checks either before or after the termination of this Contract.
- c) This Section of the Contract shall survive the termination of this Contract. Nothing in this Section of the Contract shall limit any other remedy that may be available to CONTRACTOR.

4. **INDEMNIFICATION, HOLD HARMLESS, and LIMITATION OF LIABILITY**

- a) CONTRACTOR shall protect, defend indemnify and hold harmless the City of Scranton, and the Commonwealth of Pennsylvania, and their respective officers, directors, boards, commissions, commissioners, agents, contractors, employees, and/or their invitees from and against all claims, demands, loss, fines, penalties, and causes of action, damages, or liability (i) for bodily injury, including death, and for damage to property of any of them, incurred by reason of any willful or negligent act of commission or omission of CONTRACTOR, its agents or employees, arising out of or taking place in the course of the performance of this Contract, (ii) or results from or arises out of the violation of any third party's trade secrets, trademarks, copyright, patent rights, or other proprietary rights in connection with a breach of any warranty set forth in this Contract. The indemnification shall include the fees and expenses of attorneys and experts. However the parties agree that CONTRACTOR will not be liable to Scranton or any third party for claims arising from CONTRACTOR's performance under this Contract in those cases where CONTRACTOR acted at the specific request of or with the specific consent of Scranton.
- b) Promptly after the receipt by any party seeking indemnification under this section ("Indemnatee") of notice of the commencement of any action or the assertion of any claim against such Indemnatee by a third party, such Indemnatee shall give such indemnifying party written notice thereof. If the indemnifying party fails to defend or, after undertaking such defense, fails to prosecute or withdraws from such defense, the Indemnatee shall have the right to undertake the defense and settlement thereof at the indemnifying party's expense. If the indemnifying party is defending such action or claim, the Indemnatee may retain separate counsel at its sole cost and expense and may participate in the defense of such action or claim. An indemnifying party may only settle an action or claim with the consent of the

Indemnitee, which consent shall not be unreasonably withheld or delayed. If the Indemnitee does not consent to a settlement proposed by the indemnifying party that includes a full release of Indemnitee from all claims at issue, the Indemnitee shall be responsible for any settlement, award, judgment or damages incurred above the settlement amount proposed by the indemnifying party, as well as all costs and expenses, including attorneys' fees, incurred in the defense of the claims from the date of the proposal.

- c) The indemnification provided in this section represents the sole remedy for actions or claims brought by third parties.
- d) Neither party shall be liable to the other party for punitive or consequential damages.
- e) This Section of the Contract shall survive the termination of the Contract. This Section of Exhibit C supersedes Article IV - Indemnification of the Contract.



DEPARTMENT OF LAW

PENNSYLVANIA CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

July 13, 2017

To the Honorable Council
Of the City of Scranton
Municipal Building
Scranton, PA 18503

RECEIVED

JUL 13 2017

OFFICE OF CITY
COUNCIL/CITY CLERK

Dear Honorable Council Members:

ATTACHED IS A RESOLUTION AMENDING RESOLUTION NO. 133, 2017 ENTITLED "AUTHORIZING THE MAYOR AND OTHER APPROPRIATE CITY OFFICIALS TO EXECUTE AND ENTER INTO A CONTRACT WITH PMA MANAGEMENT CORP. FOR CITY OF SCRANTON SELF-INSURED WORKERS' COMPENSATION AND HEART AND LUNG CLAIMS THIRD PARTY ADMINISTRATION FOR A PERIOD OF THREE (3) YEARS FROM APRIL 1, 2017 THROUGH MARCH 31, 2020" TO INCLUDE EXHIBIT "C" TO THE CONTRACT.

Respectfully,

A handwritten signature in black ink, appearing to read "Jessica L. Boyles".

Jessica L. Boyles, Esquire
City Solicitor

JLB/sl

FILE OF THE COUNCIL NO. _____

2017

AN ORDINANCE

ADOPTING AND IMPLEMENTING THE ACT 47 EXIT PLAN FOR THE CITY OF SCRANTON PURSUANT TO THE FINANCIALLY DISTRESSED MUNICIPALITIES ACT; AND AUTHORIZING THE MAYOR OF THE CITY OF SCRANTON TO ISSUE AN ORDER DIRECTING THE IMPLEMENTATION OF THE ACT 47 EXIT PLAN WHICH WILL BECOME EFFECTIVE UPON ADOPTION ATTACHED HERETO AS EXHIBIT "A" IN ACCORDANCE WITH THE PROVISIONS OF 53 Pa. C.S.A. §11701.245, THE MUNICIPALITIES FINANCIAL RECOVERY ACT.

WHEREAS, the City of Scranton has been declared a Distressed Municipality by the Secretary of the Department of Community and Economic Development ("DCED") of the Commonwealth of Pennsylvania in accordance with Public Law 246, July 10, 1987, Act 47, the Distressed Municipalities Act, ("Act 47"); and

WHEREAS, DCED commissioned the Pennsylvania Economy League to develop an Act 47 Exit Plan for the City of Scranton pursuant to Act 47; and

WHEREAS, the Recovery Plan Coordinator, the Pennsylvania Economy League, with the assistance of the City of Scranton, has prepared an Act 47 Exit Plan which will become effective upon adoption of said Plan hereby amending any and all previous Recovery Plans, which is hereby submitted; and

WHEREAS, the Municipalities Financial Recovery Act, 53 Pa. C.S.A. §11701.245, states that the Chief Executive Officer (the Mayor of Scranton) in a Home Rule Municipality, may issue an Order directing the implementation of the Act 47 Exit Plan no later than seven (7) days following the enactment of an Ordinance approving the Plan.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SCRANTON that the Act 47 Exit Plan attached hereto as Exhibit "A" submitted by the Pennsylvania Economy League is hereby approved and adopted in accordance with the provisions of the Financially Distressed Municipalities Act, and Exhibit "A" shall supersede and control any conflicts with the prior Recovery Plan which it amends and the Mayor and other appropriate Officials of the City of Scranton are hereby authorized to execute any and all documents necessary to implement the Act 47 Exit Plan attached hereto as Exhibit "A".

BE IT FURTHER ORDAINED BY THE COUNCIL OF THE CITY OF SCRANTON that any Ordinances approving and authorizing the implementation of prior Recovery Plans, Amended Recovery Plans, or Revised Recovery Plans are hereby repealed.

SECTION 1. If any section, clause, provision or portion of this Ordinance shall be held invalid or unconstitutional by any Court of Competent Jurisdiction such decision shall not affect any other section, clause, provision or portion of this Ordinance so long as it remains legally enforceable minus the invalid portion. The City reserves the right to amend this Ordinance or any portion thereof from time to time as it shall deem advisable in the best interest of the promotion of the purposes and intent of this Ordinance, and the effective administration thereof.

SECTION 2. This Ordinance shall become effective immediately upon approval.

SECTION 3. This Ordinance is enacted by the Council of the City of Scranton under the authority of the Act of Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Option Plans Law" and any other applicable law arising under the laws of the State of Pennsylvania.

**ACT 47 EXIT PLAN
FOR THE
CITY OF SCRANTON**



**PENNSYLVANIA
ECONOMY LEAGUE**
Information, Insight, Integrity.

88 North Franklin Street, Suite 200 • Wilkes-Barre, PA 18701-1393
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**ACT 47 EXIT PLAN
FOR THE
CITY OF SCRANTON**

Prepared For:
The City of Scranton

Date Filed as Revised:
June 30, 2017
Effective Upon Adoption by Ordinance

Prepared By:
Pennsylvania Economy League, Central PA Division, LLC
88 North Franklin Street, Suite 200
Wilkes-Barre, PA 18701

June 2017



PENNSYLVANIA ECONOMY LEAGUE

Information, Insight, Integrity.

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Harrisburg ♦ Philadelphia ♦ Pittsburgh ♦ Wilkes-Barre

June 30, 2017

Mayor William Courtright
City of Scranton
340 North Washington Avenue
Scranton, PA 18503

Mr. Joseph Wechsler
Council President
City of Scranton
340 North Washington Avenue
Scranton, PA 18503

Mr. David Bulzoni
Business Administrator
City of Scranton
340 North Washington Avenue
Scranton, PA 18503

Dear Mayor Courtright, Council President Wechsler, and Mr. Bulzoni:

The Pennsylvania Economy League filed copies of the *Act 47 Exit Plan for the City of Scranton* with the City of Scranton on June 5, 2017. PEL received two written comments on the *Exit Plan*—one from the Department of Community and Economic Development and one from the Department of Labor and Industry. PEL also held a public meeting on June 21, 2017, in Scranton City Council Chambers and received comments on the *Exit Plan* from City Council members and the public.

PEL has reviewed all of the comments and has made several revisions to the *Exit Plan*. Some revisions are grammatical or punctual and have been edited into the *Exit Plan*. Others revision are more substantive. For these substantive revisions PEL has included a table to guide the reader in locating the page and section where these revisions have been incorporated into the *Exit Plan*.

PEL is required to file this revised *Exit Plan* within 10 days of the public meeting mentioned above. The *Exit Plan*, as revised, is the complete and final document for the City's consideration. The City is required by Act 47 of 1987, as amended, to enact an ordinance adopting this revised *Exit Plan* no later than 45 days following the public meeting. If you have any questions regarding this letter, please contact me at (570) 824-3559.

Sincerely,

Gerald E. Cross /s/
Executive Director

cc: Members of City Council
DCED

Summary of Revisions

| Page Number | Section | Action |
|-------------|---|--|
| 2-5 | Conclusion | Revised text. |
| 3-5 | Exit Plan Compliance with Act 133 of 2012 | Deleted Single Tax Office from Act 133 Aggregate Limits by Collective Bargaining Unit. |
| 3-10 | WF17 Defined Contribution Retirement Plans | New initiative. |
| 4-3 | Eliminate High Coupon Debt | Revised tables and inserted new table. |
| 4-8 | D2 Develop and Adopt Financial Policies— 1. Debt Management Policy | Revised text. |
| 5-1 | Introduction | Revised text. |
| 5-3 | WC1 Safety and Accident and Injury Prevention | Revised text. |
| 5-4 | WC4 Conduct Independent Actuarial Evaluation | Revised text. |
| 5-5 | WC6 Excess Coverage | Revised text. |
| 5-6 | WC7 Job Descriptions for Light Duty and Return to Work Programs | New initiative. |
| 7-5 | ED6 Establish a Land Bank | Deleted. |
| 7-6 | ED7 Participate in Phase II of the SAPA Plan | Deleted. |
| 9-7 | REV7 County-wide Property Reassessment | New initiative. |

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CHAPTER 1

BACKGROUND

The City of Scranton (City) was incorporated as a city on April 23, 1866 with a population of 35,000. The City is located in Lackawanna County and is the largest municipality in northeastern Pennsylvania. It became a major industrial city—a center of mining, railroads and industry—and attracted thousands of new immigrants. By the mid-1930s, the City's population had swelled beyond 140,000 due to growth in mining and industry. After World War II, anthracite coal lost favor to oil and gas as heating fuel and manufacturing moved to lower labor cost areas of the United States and overseas. The City's population began a downward trend to a 2010 Census count of 76,089. The Census Bureau has estimated the City's 2016 population of 77,291, an increase over 2010 and indicative of growth in population.

The City is currently governed by a home rule charter adopted by the City's voters in a referendum on May 21, 1974. The Home Rule Charter of the City of Scranton (Home Rule Charter) became effective on January 5, 1976. Under the Home Rule Charter the Mayor and Council, jointly, are the governing body of the City. The governing powers are divided between the executive and legislative branches. The executive branch is headed by a Mayor elected at large for a four year term. The Mayor has, among other powers, the power to veto ordinances and resolutions passed by Council, negotiate contracts, and to draft and propose to Council an annual operating budget and an annual capital budget. The Mayor appoints a Business Administrator with the advice and consent of Council. The Business Administrator is responsible for supervising the administration of the City's adopted operating budget and all operating department supervisors report to the Business Administrator.

The legislative branch is a Council that consists of five members elected at large for four year terms. City Council appoints a City Clerk who is responsible for giving notice of Council meetings and keeping a journal of its proceedings. Council is required to meet once a week in regular session. All official and final action is taken by a majority vote. Ordinances or resolutions only become effective upon being signed by the Mayor or when passed by an extraordinary majority over the Mayor's veto. Council may adopt the Mayor's proposed budgets with or without amendments. If Council does not adopt a budget by December 15th the

Mayor's proposed budget becomes the City's official budget for the ensuing year. The City's fiscal year commences on January 1 and ends on December 31.

The voters of the City also elect a City Controller for a four year term. The City Controller is responsible for maintaining accounting systems for the City government and for examining and approving all contracts, purchase orders and other financial obligations against the City.

Pursuant to the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act, Act 47 of 1987, as amended, (Act 47) the City was declared a financially distressed municipality by order of the Secretary of the then Department of Community Affairs (now Department of Community and Economic Development) (DCED) on January 10, 1992. The Pennsylvania Economy League (PEL) was subsequently appointed the Act 47 Coordinator (Coordinator) for the City. The City adopted its original Act 47 Recovery Plan (Recovery Plan) in 1992 and adopted subsequent Recovery Plan amendments in 1995, 2002, 2012 and 2015. The City has been in the Commonwealth's Act 47 program for over twenty-five years.

The current elected and appointed City officials have cooperated with the Coordinator in implementing many of the initiatives included in the City's 2012 and 2015 Recovery Plan Amendments. In January 2014, in an effort to strengthen the City's financial capacity and achieve long term budget stability, HJA Strategies, LLC was engaged by the Greater Scranton Chamber of Commerce to assist the City with budgetary and long-term financial solutions. HJA continues to provide guidance to the City and has worked closely with the Coordinator in that regard.

Act 199 of 2014 (Act 199) amended Act 47 to provide a timeline and process for municipalities to exit from their distressed determination. For the City, the *Revised and Updated Act 47 Recovery Plan For the City of Scranton* adopted by Scranton City Council on August 23, 2012 started the Act 199 timeline for the City to exit from the Act 47 program. As part of the Act 199 exit process, the Coordinator was required to prepare and file a report stating the financial condition of the City. On February 17, 2017, the Coordinator filed with the City a *Report Stating the Financial Condition of the City of Scranton* (Financial Condition Report). See Appendix A.

The Financial Condition Report reviewed the City's financial performance from 2012 – 2016, evaluated the City's current financial condition and included a recommendation on the

City's future in the Act 47 program. The Financial Condition Report noted that while the City alternated between operating budget surpluses and deficits during the 2012 – 2016 period, the City avoided financial crises. The Financial Condition Report also recognized that the City completed significant financial objectives as required by the 2015 Revised Recovery Plan that constructively impacted the City's finances. In April 2015 the City's petition to increase its Local Services Tax (LST) from \$52 to \$156, effective for the 2015 fiscal year, was approved by the Lackawanna Court of Common Pleas (Common Pleas). The City has subsequently petitioned and received annual Common Pleas approval to levy the \$156 LST rate in the fiscal years 2016 and 2017. In June 2016, the City obtained \$29,810,000 in bond financing to pay the police and fire judgment resulting from a 2011 Pennsylvania Supreme Court ruling and also refinanced a letter of credit that backed a 2008 taxable variable rate demand note with a \$7,720,000 bond issue for the purpose of reducing interest rate risk. In August 2016, the City successfully monetized the parking assets of the Scranton Parking Authority (SPA) and the City. Under the terms of a concession and lease agreement, the City leased the City's parking assets for forty-five years. The City used the proceeds from the concession to defease outstanding SPA debt related to the parking garages. The City also issued \$32,850,000 in bonds to generate the funds needed to defease the remaining outstanding debt of the SPA. The City's ability to finance both the judgement award and the stranded debt financing (at acceptable rates of interest) provided significant evidence that the negative credit impact of the SPA default of 2012 has been lessened by the City's current actions and progress toward fiscal stability. Finally, in December 2016 the City and the Borough of Dunmore sold the Scranton Sewer Authority's (SSA) wastewater assets to PA American Water Company for \$195 million. After approximately \$70 million in SSA debt was defeased through transaction proceeds, an approximately \$12 million cash adjustment was made, and the Borough of Dunmore was paid its 1/5th share, The City received an upfront payment of \$69.9 million from the sale. An additional \$14 million is set aside in escrow accounts that the City and the Borough of Dunmore may receive in segments over the next three years. The City has begun to and will continue to utilize a significant portion of the proceeds of the sale to defease long-term high interest debt and to make contributions to the City's distressed pension plans.

The Financial Condition Report's 2016 baseline projections for the period 2017 – 2020 indicated that the City would incur operating budget deficits throughout the projection period

beginning in 2017 with a deficit of -\$562,376 and increasing to -\$11,918,130 in 2020.¹ The Financial Condition Report projects the City's operating expenditures to increase on average of 2.3 percent annually while the City's operating revenues are projected to remain relatively constant. Expenditure increases in employee wages, healthcare (both active and retiree), pension obligations and debt service are the primary expenditure drivers. **Based upon the projected escalating operating budget deficits, the Financial Condition Report concluded that a three-year exit plan shall be prepared for the City to improve the City's ability to achieve long-term financial sustainability.**

The Coordinator conducted a public meeting on March 7, 2017, to receive comments on the Financial Condition Report. Three members of the public and one City Council member provided comment. The public comments involved concerns for pension costs and the assumed rate of return, legacy costs, the potential for tax increases, and also some comments unrelated to the Financial Condition Report. The Coordinator received one written comment from the Office of the Mayor of the City of Scranton which "respectfully" disagreed that a three-year exit plan was necessary and that the City will work to exit the Act 47 program "as expeditiously as possible." See Appendix B. Taking into account all of the comments received, the Coordinator, in its discretion, decided not to revise the Financial Condition Report.

Pursuant to the Act 199 exit process, the Coordinator is required to prepare and file this Exit Plan with the City within 90 days of the public meeting referred to above. The design of the Exit Plan is to ensure the termination of the City's distressed status after three years. This Exit Plan includes revised baseline financial projections for the City for the period 2017 – 2020, general plan provisions and initiatives, workforce and collective bargaining provisions and financial projections based upon the impact of implementing the Exit Plan's provisions.

¹ See Appendix A, *Report Stating the Financial Condition of the City of Scranton*, page 11.

CHAPTER 2

BASELINE GENERAL FUND PROJECTIONS 2017 - 2020

As part of the 2017 Exit Plan process, the Coordinator developed 2017 – 2020 baseline financial projections for future rates of increase or decrease in individual City General Fund operating revenue and expenditure line items. Baseline financial projections are meant to illustrate a status quo approach to current City financial projections and accordingly do not take into account the impact on those projections from the various initiatives recommended in this Exit Plan. In order to undertake the baseline projections, the Coordinator first conducted a review of the City's historical financial data to determine the City's revenue and expenditure baseline.¹ The historical financial review was completed using financial data independently maintained by the Coordinator, the City's annual audits through 2015, and City supplied data for 2014 – 2016 (subjected to monthly review and analysis by the Coordinator). In addition to the historical financial review, the Coordinator utilized the City's adopted 2017 Operating Budget and independent trend analysis, where appropriate. The assumptions below were used by the Coordinator to develop the City's 2017 – 2020 baseline financial projections.

Revenue Assumptions:

- All 2017 rates for taxes and fees were held constant through 2020 unless noted below.
- The following revenue items were reviewed on a line-by-line basis.
 - Real Estate tax revenues were held steady for the period due to historical trends in assessment as a result of the lack of a countywide reassessment.
 - Revenue from the Earned Income Tax (EIT) was increased by 1.25 percent per year.
 - Local Services Tax (LST) was maintained at the Court approved Act 47 rate through the period and revenues were increased annually by 0.2 percent.
 - The budget for Business Privilege and Mercantile Tax revenue was increased to reflect increased delinquent collections in 2017. Revenues for 2018 were increased over the 2016 base by 6.0 percent and a 1 percent annual growth applied to 2019 and 2020.

¹ See Appendix A, *Report Stating the Financial Condition of the City of Scranton*, pages 2-5.

- Real estate transfer tax revenue was held at the budget level for 2017 and reduced by \$375,000 in 2018 to reflect a 2017 rate reduction and historic trends; 2019-2020 revenue was held constant at the 2018 figure.
- Supplemental State Aid for pension was increased 3.0 percent annually.
- Miscellaneous Revenues include \$3.0 million in 2017 and \$2.0 million in 2018 for ongoing activities under the Parking Transaction.
- Other revenues are held constant over the period based upon the Act 47 Coordinator's historical data and trend analysis.

General Fund Revenue Projections—2017 – 2020

As shown in Table 2-1, the City's General Fund operating revenues are projected to decrease by \$3.8 million or 4.0 percent from \$94.2 million in 2017 to \$90.4 million in 2020.

Tax revenue is anticipated to increase from \$71.1 million in 2017 to \$71.4 million in 2020, an increase of \$345,541 or 0.5 percent. Projected increases are expected in EIT (\$1,008,163) and LST (\$28,831). Mercantile/business privilege decreases from the 2017 high related to increased delinquent collections by \$316,462 and Real Estate transfer decreases by \$375,000.

Table 2-1
General Fund Baseline Revenue Projections
2017 – 2020²

| Revenue | 2017 | 2018 | 2019 | 2020 | Change 2017 - 2020 | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|--------------|
| | Estimated | Projected | Projected | Projected | \$ | % |
| Real Estate Taxes | \$32,863,949 | \$32,863,949 | \$32,863,949 | \$32,863,949 | 0 | 0.0 |
| EIT | 26,580,542 | 26,912,430 | 27,248,467 | 27,588,704 | 1,008,163 | 3.8 |
| LST | 1,598,507 | 1,601,704 | 1,604,908 | 1,608,118 | 9,610 | 0.6 |
| LST Act 47 | 3,197,015 | 3,203,409 | 3,209,816 | 3,216,235 | 19,220 | 0.6 |
| Mercantile/BPT | 3,070,250 | 2,704,158 | 2,728,849 | 2,753,788 | -316,462 | -10.3 |
| RE Transfer Tax | 3,376,000 | 3,001,000 | 3,001,000 | 3,001,000 | -375,000 | -11.1 |
| Other Taxes | 400,000 | 400,000 | 400,000 | 400,000 | 0 | 0.0 |
| Total Tax Revenue | \$71,086,263 | \$70,686,650 | \$71,056,989 | \$71,431,795 | 345,531 | 0.5 |
| Refuse Revenue | 7,662,500 | 7,662,500 | 7,662,500 | 7,662,500 | 0 | 0.0 |
| Licenses & Permits | 2,135,534 | 2,135,534 | 2,135,534 | 2,135,534 | 0 | 0.0 |
| Intergovernmental | 4,389,334 | 3,692,332 | 3,574,668 | 3,681,909 | -707,425 | -16.1 |
| Transfers | 5,942,008 | 4,458,928 | 2,481,067 | 2,503,428 | -3,438,580 | -57.9 |
| Other Non tax revenue | 2,949,802 | 2,942,702 | 2,942,852 | 2,943,003 | -6,799 | -0.2 |
| Non Tax Revenue | \$23,079,178 | \$20,891,996 | \$18,796,622 | \$18,926,373 | -4,152,804 | -18.0 |
| Total Revenue | \$94,165,441 | \$91,578,646 | \$89,853,611 | \$90,358,168 | -3,807,273 | -4.0 |

² The total revenues estimated and projected in Table 2-1 differs from the Coordinator's Financial Condition Report due to changes in actual receipts and other adjustments. Changes in the 2017 millage rate distribution and revised estimates for other tax revenues largely account for the differences in revenue estimates and projections.

Table 2-1 Continued
General Fund Baseline Revenue Projections
2017 – 2020

| <u>Revenue</u> | Percent of Total Revenue | | | |
|-----------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | 2017 <u>Estimated</u> | 2018 <u>Projected</u> | 2019 <u>Projected</u> | 2020 <u>Projected</u> |
| Real Estate Taxes | 34.9 | 35.9 | 36.6 | 36.4 |
| EIT | 28.2 | 29.4 | 30.3 | 30.5 |
| LST | 1.7 | 1.7 | 1.8 | 1.8 |
| LST Act 47 | 3.4 | 3.5 | 3.6 | 3.6 |
| Mercantile/BPT | 3.3 | 3.0 | 3.0 | 3.0 |
| RE Transfer Tax | 3.6 | 3.3 | 3.3 | 3.3 |
| Other Taxes | <u>0.4</u> | <u>0.4</u> | <u>0.4</u> | <u>0.4</u> |
| Tax Revenue | 75.5 | 77.2 | 79.1 | 79.1 |
| Refuse Revenue | 8.1 | 8.4 | 8.5 | 8.5 |
| Licenses & Permits | 2.3 | 2.3 | 2.4 | 2.4 |
| Intergovernmental | 4.7 | 4.0 | 4.0 | 4.1 |
| Transfers | 6.3 | 4.9 | 2.8 | 2.8 |
| Other Non tax revenue | <u>3.1</u> | <u>3.2</u> | <u>3.3</u> | <u>3.3</u> |
| Non tax Revenue | <u>24.5</u> | <u>22.8</u> | <u>20.9</u> | <u>20.9</u> |
| Total Revenue | 100.0 | 100.0 | 100.0 | 100.0 |

Note: Totals may not add due to rounding

Nontax revenue, which accounts for about 24 percent of total revenues in 2017, declines over the projection period, dropping by \$4.2 million or 18.0 percent. The largest decrease is attributed to one time revenues anticipated in 2017 related to reimbursement of required capital improvements related to the Parking transaction.

Expenditure Assumptions:

- The number of personnel was held constant at the 2017 Operating Budget workforce level.
- Current wages have been increased as specified in collective bargaining agreements, interest arbitration awards or court orders. At the conclusion of the current collective bargaining agreements or arbitration awards, wage increases are anticipated at two percent for all bargaining units. Salaries for non-represented City employees are held constant.
- Employee/retiree medical insurance expenditures were increased annually by six percent from 2018 through 2020 in conformance with recently observed City experience and similar annual increases projected for other local government entities.
- Other major insurance costs have been projected on a line-by-line basis.
- No new or increased capital expenditures are included.

Other Departmental Expenditures are projected to increase slightly from \$7.2 million in 2017 to \$7.5 million in 2020 or 4.4 percent. Increases are projected in liability/casualty insurance (6.1 percent), gas, oil and lubricants (6.1 percent) and all other expenses (5.5 percent) Significant one-time capital expenditures included in the 2017 estimate are not expected to continue. Non-Departmental Expenditures are projected to drop from \$1.9 million in 2017 to just under \$1.2 million in 2020.

General Fund Projections—2017 – 2020

As based upon the above revenue and expenditure assumptions, Table 2-3 illustrates that without Implementation of the Recommendations of this Exit Plan, the City's projected baseline surplus is expected to grow from \$24,681 in 2017 to \$1.1 million in 2018 before changing to a \$2.0 million deficit in 2019 and further increasing to a \$3.2 million deficit in 2020.

Table 2-3
Baseline General Fund Projections
2017 – 2020
Excludes TRAN Principal (Without Implementation of 2017 Exit Plan)

| | 2017 <u>Estimated</u> | 2018 <u>Projected</u> | 2019 <u>Projected</u> | 2020 <u>Projected</u> |
|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenues | \$94,165,441 | \$91,578,646 | \$89,853,611 | \$90,358,168 |
| Expenditures | \$94,140,760 | \$90,500,207 | \$91,859,095 | \$93,594,615 |
| Surplus/(Deficit) | \$24,681 | \$1,078,440 | \$(2,005,484) | \$(3,236,447) |

Note: Totals may not add due to rounding.

Conclusion

The baseline projections for the period 2017 – 2020 project that the City will have operating budget deficits in 2019 and 2020. Although the City will experience some expenditure relief in 2018 due to the to the halting of retiree pension COLAs while the pension funds are financially unsound, the Coordinator stresses that the City's operating expenditures will continue to increase annually being driven by wage increases and increases in employee benefits, in particular employee health care, while the City's operating revenues are projected to remain relatively constant. The Coordinator has included initiatives in this Exit Plan to eliminate the projected operating deficits and provide the City with stable, predictable operating budgets going forward that will assist the City in achieving long-term financial sustainability.

- Municipal pension obligations for 2017 are at the City's budgeted level. For 2018 – 2020 the projected MMO, as provided to the Coordinator by the City's Actuary, is based on an 8.0 percent return rate and the annual retiree COLAs removed.
- Other expenditures were increased at various levels based on the Coordinator's historical data and trend analysis.
- No further increases in the costs of any other benefits were included.

General Fund Expenditure Projections—2017 - 2020

As illustrated in Table 2-2, the City's total operating expenditures are projected to decrease slightly from \$94.1 million in 2017 to \$93.6 million in 2020. Increases are noted in personnel expenditures: health insurance (\$2.9 million or 19.1 percent) and direct compensation (\$2.6 million or 8.2 percent). The decrease in the pension MMO due to the removal of COLAs is significant in reducing this MMO expense by \$6.3 million or 32.9 percent during the period.

Table 2-2
General Fund Baseline Expenditure Projections
2017 - 2020³

| | 2017 | 2018 | 2019 | 2020 | Change 2017 - 2020 | |
|---------------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|-------------|
| | <u>Projected</u> | <u>Projected</u> | <u>Projected</u> | <u>Projected</u> | <u>\$</u> | <u>%</u> |
| Direct Compensation | \$31,716,251 | \$32,503,460 | \$33,326,970 | \$34,317,132 | 2,600,881 | 8.2 |
| Benefits | 15,583,460 | 16,518,468 | 17,509,576 | 18,560,150 | 2,976,690 | 19.1 |
| Pension | 19,111,906 | 13,783,024 | 13,270,704 | 12,815,384 | -6,296,522 | -32.9 |
| Workers Comp | 3,323,826 | 3,323,826 | 3,323,826 | 3,323,826 | 0 | 0.0 |
| Other Employee Expense | 978,513 | 998,406 | 1,020,165 | 1,043,984 | 65,471 | 6.7 |
| Employee Expenditures | \$70,713,956 | \$67,127,184 | \$68,451,240 | \$70,060,476 | -\$653,480 | -0.9 |
| Capital Expenditures | 3,182,314 | 1,532,314 | 1,532,314 | 1,532,314 | -1,650,000 | -51.8 |
| Other Departmental Expenditures | 7,178,223 | 7,280,923 | 7,385,677 | 7,492,525 | 314,302 | 4.4 |
| Non Departmental Expenditures | 1,939,333 | 1,198,833 | 1,198,833 | 1,198,833 | -740,500 | -38.2 |
| Debt Service | <u>11,126,934</u> | <u>13,360,953</u> | <u>13,291,031</u> | <u>13,310,466</u> | <u>2,183,532</u> | <u>19.6</u> |
| Total Expenditures | \$94,140,760 | \$90,500,207 | \$91,859,095 | \$93,594,615 | -\$546,146 | -0.6 |

| Category | Percent of Total Expenditures | | | |
|---------------------------------|-------------------------------|--------------|--------------|--------------|
| Employee Expenditures | 75.1 | 74.2 | 74.5 | 74.9 |
| Capital Expenditures | 3.4 | 1.7 | 1.7 | 1.6 |
| Other Departmental Expenditures | 7.6 | 8.0 | 8.0 | 8.0 |
| Non departmental Expenditures | 2.1 | 1.3 | 1.3 | 1.3 |
| Debt Service | <u>11.8</u> | <u>14.8</u> | <u>14.5</u> | <u>14.2</u> |
| Total Expenditures | 100.0 | 100.0 | 100.0 | 100.0 |

Note: Totals may not add due to rounding

³ The total expenditures estimated and projected in Table 2-2 differs from the Coordinator's Financial Condition Report due to changes in actual expenditures and other adjustments. Changes to the estimated annual MMO due to revised actuarial assumptions for 2018-20 largely accounts for the difference in expenditure estimates and projections.

Other Departmental Expenditures are projected to increase slightly from \$7.2 million in 2017 to \$7.5 million in 2020 or 4.4 percent. Increases are projected in liability/casualty insurance (6.1 percent), gas, oil and lubricants (6.1 percent) and all other expenses (5.5 percent). Significant one-time capital expenditures included in the 2017 estimate are not expected to continue. Non-Departmental Expenditures are projected to drop from \$1.9 million in 2017 to just under \$1.2 million in 2020.

General Fund Projections—2017 – 2020

As based upon the above revenue and expenditure assumptions, Table 2-3 illustrates that without Implementation of the Recommendations of this Exit Plan, the City's projected baseline surplus is expected to grow from \$24,681 in 2017 to \$1.1 million in 2018 before changing to a \$2.0 million deficit in 2019 and further increasing to a \$3.2 million deficit in 2020.

Table 2-3
Baseline General Fund Projections
2017 – 2020
Excludes TRAN Principal (Without Implementation of 2017 Exit Plan)

| | 2017 <u>Estimated</u> | 2018 <u>Projected</u> | 2019 <u>Projected</u> | 2020 <u>Projected</u> |
|-------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Revenues | \$94,165,441 | \$91,578,646 | \$89,853,611 | \$90,358,168 |
| Expenditures | \$94,140,760 | \$90,500,207 | \$91,859,095 | \$93,594,615 |
| Surplus/(Deficit) | \$24,681 | \$1,078,440 | \$(2,005,484) | \$(3,236,447) |

Note: Totals may not add due to rounding.

Conclusion

The baseline projections for the period 2017 – 2020 project that the City will have operating budget deficits in 2019 and 2020. Although the City will experience some expenditure relief in 2018 due to the halting of retiree pension COLAs while the pension funds are financially unsound, the Coordinator stresses that the City's operating expenditures will continue to increase annually being driven by wage increases and increases in employee benefits, in particular employee health care, while the City's operating revenues are projected to remain relatively constant. The Coordinator has included initiatives in this Exit Plan to eliminate the projected operating deficits and provide the City with stable, predictable operating budgets going forward that will assist the City in achieving long-term financial sustainability.

CHAPTER 3

WORKFORCE

While the cash compensation and benefits provided to City employees varies greatly by individual, the Coordinator's financial review of City personnel expenditures presented within this Exit Plan exhibit a very clear conclusion – the City must control its future personnel expenditures (wages, health benefits, workers compensation and pensions) to sustain its long-term operations. Personnel expenditures, for active employees *and* retirees, represent the majority of the City's General Fund operating expenses and rise annually during the review period. In addition to direct compensation, additional opportunities for employee cash compensation and benefits are available to eligible employees through: longevity; overtime compensation; a health plan with a high level of medical coverage and a lower employee cost than found in private or other public sector employers; retiree health care coverage; a taxpayer guaranteed level of retirement benefits through a defined benefit pension plan; increased costs to the pension plan due to excessive awarding of disability pensions historically, and the inability to collect offsets on the foregoing even when the employee obtains other gainful employment. This level of cash compensation and benefits is offered within the context of the City's weak tax base and the stagnation or even reduction of major City revenue sources absent tax increases.

While the City has reduced its personnel complement over the past five years, restoration of the City's fiscal health cannot be achieved without controlling its future personnel expenses, especially direct compensation, overtime, health care expenses, workers' compensation and pension benefits.

Number of Budgeted Employees by Category and Year

| Category | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------|------|------|------|------|------|------|
| Administrative | 32 | 22 | 29 | 28 | 28 | 30 |
| Clerical | 60 | 57 | 59 | 59 | 60 | 59 |
| Firefighter | 137 | 131 | 134 | 131 | 125 | 125 |
| Legislative | 7 | 7 | 7 | 7 | 7 | 7 |
| Police | 148 | 139 | 141 | 141 | 142 | 142 |
| Public Works | 93 | 84 | 84 | 84 | 84 | 86 |
| Single Tax Office | 27 | 19 | 19 | 17 | 17 | 17 |
| Total | 504 | 459 | 473 | 467 | 463 | 466 |

Control over personnel expenses is essential to the City's fiscal survival. Without it, the City will eventually have to make dramatic workforce reductions that will limit its ability to provide the most basic municipal services to its residents. In the past, the City has resorted to layoffs or not filling vacant positions because it was unable to reduce or contain other components of compensation. However, complement reductions must also be balanced with the City's need to provide necessary and vital services to its businesses and residents. While reductions in the City's employee complement temporarily reduces City operating expenditures, the City cannot adequately address its structural operating deficits without diligently managing the entire employee compensation package it offers its employees so that the growth in employee compensation and employee benefits more closely tracks the City's revenue growth.

It is the Coordinator's intent to maintain an open and cooperative dialog between the City and its represented employees. Over 90 percent of the City's employees are represented by a collective bargaining unit.

| Employee Group | Description | Term of CBA | Current Covered Positions |
|--|---|----------------------------|---------------------------|
| International Association of Machinists and Aerospace Workers Local 2462 | All non-uniformed, non-management employees (Clerical and Single Tax Office) | Expiration Date 12/31/2020 | 77 |
| International Association of Machinists and Aerospace Workers Local 2305 | Departments of Public Works, Parks and Recreation | Expiration Date 12/31/2017 | 17 |
| Fraternal Order of Police (FOP), Lodge No. 2 | All sworn Police Officers including all ranking Police Department officers who are covered by the FOP Collective Bargaining Agreement | Expiration Date 12/31/2020 | 142 |
| International Association of Fire Fighters (IAFF), Local Union No. 669 | All Fire Fighters including Fire Department officers who are covered by the IAFF Collective Bargaining Agreement | Expiration Date 12/31/2020 | 136 |
| Management and Non-Collective Bargaining Positions | Management and Non-Collective Bargaining Positions | | 32 |

These employees provide essential services to the City's residents from police and fire protection to the collection of refuse and the maintenance of City streets and parks. The Coordinator encourages the City and its represented employees to be ever mindful of the fact that the ultimate purse from which the funds used to provide these services are the hardworking citizens of the City. A financially insolvent City benefits no one.

Exit Plan Compliance with Act 133 of 2012

As required by Act 133 of 2012 (Act 133), which amended the Act 47, the Coordinator is required to provide an aggregate limit on expenditures for each individual collective bargaining unit for the current fiscal year and the next three years. The expenditure limits were developed to offer each collective bargaining unit and the City an opportunity to actively participate in collective bargaining negotiations that produce an outcome consistent with the purpose of Act 47 and the amendments thereto. With limited exceptions for arbitration settlements rendered pursuant to Act 111 of 1968 (the Policemen and Firemen Collective Bargaining Act), any future collective bargaining agreement or memorandum of understanding or any amendment to any current collective bargaining agreement or memorandum of understanding agreed to by the City and any of its collective bargain units or any future arbitration settlement or adjustment rendered shall not exceed the expenditure limits provided in this Exit Plan. The expenditure limits contained herein shall become applicable upon the City's adoption of this Exit Plan.

The expenditure limits include the following assumptions which may be changed through collective bargaining but the total expenditures are not to exceed the total limits for each bargaining unit as provided in this Exit Plan. The individual expenditure categories are included within the "baseline" total with the following assumptions used to calculate the yearly amounts.

- The number of personnel is held constant at the 2017 Operating Budget workforce level.
- Current wages have been increased as specified in collective bargaining agreements, memorandum of understanding, interest arbitration awards or court orders. At the conclusion of the current collective bargaining agreement, memorandum of understanding or arbitration award, wages are anticipated to increase two percent annually for all bargaining units.
- Category of "Other Salary" is held constant at the 2017 budget amount.

- Longevity salary has been increased as specified in any current collective bargaining agreement, memorandum of agreement, interest arbitration award or court orders.
- Overtime salary is held constant at the 2017 budget amount.
- Uniform allowances are held at the 2017 budget amount.
- Employee medical insurance expenditures were increased annually by six percent from 2018 through 2020 in conformance with recently observed City experience and similar annual increases projected for other local government entities.
- Life and short-term disability insurance (non-pension disability benefit) is increased at 3.0 percent annually based on recent premium experience.
- Social Security costs have been increased by the rate of any increase in underlying salaries and wages.

The following maximum expenditure limits for each City collective bargaining unit and group of employees shall be effective upon adoption of this Exit Plan and shall remain in effect until this Exit Plan is amended, is replaced by an emergency action plan pursuant to Chapter 6 of Act 47 or the City's distress determination is terminated.

Act 133 Aggregate Limits by Collective Bargaining Unit

International Association of Machinists and Aerospace Workers Local 2305

| | 2017 Estimated | 2018 Projected | 2019 Projected | 2020 Projected |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Standard Salary | \$3,732,949 | \$3,813,102 | \$3,900,173 | \$3,987,258 |
| Other Salary (Misc) | 243,914 | 243,914 | 243,914 | 243,914 |
| Longevity Salary | 206,894 | 210,896 | 215,501 | 220,115 |
| Overtime Salary | 354,000 | 354,000 | 354,000 | 354,000 |
| Uniform Allowance | 39,668 | 39,668 | 39,668 | 39,668 |
| Health Insurance - DPW Union Active | 2,282,403 | 2,419,348 | 2,564,509 | 2,718,379 |
| Social Security | <u>347,138</u> | <u>353,576</u> | <u>360,589</u> | <u>367,604</u> |
| Total Public Works | \$7,206,967 | \$7,434,504 | \$7,678,354 | \$7,930,938 |

International Association of Machinists and Aerospace Workers Local 2462

| | 2017 Estimated | 2018 Projected | 2019 Projected | 2020 Projected |
|--|--------------------|--------------------|--------------------|--------------------|
| Clerical | | | | |
| Standard Salary | \$2,073,231 | \$2,073,231 | \$2,099,146 | \$2,125,385 |
| Other Salary (Misc) | 6,753 | 6,753 | 6,753 | 6,753 |
| Longevity Salary | 139,264 | 145,476 | 153,915 | 163,104 |
| Overtime Salary | 8,000 | 8,000 | 8,000 | 8,000 |
| Uniform Allowance | 13,760 | 13,760 | 13,760 | 13,760 |
| Health Insurance - Clerical Union Active | 992,797 | 1,052,365 | 1,115,507 | 1,182,437 |
| Life/Disability Insurance | 51,398 | 51,398 | 51,398 | 51,398 |
| Social Security | <u>170,384</u> | <u>170,860</u> | <u>173,488</u> | <u>176,198</u> |
| Total Clerical | \$3,455,587 | \$3,521,842 | \$3,621,966 | \$3,727,035 |

| | 2017 | 2018 | 2019 | 2020 |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| Police | Estimated | Projected | Projected | Projected |
| Standard Salary | \$9,511,115 | \$9,727,492 | \$9,985,769 | \$10,276,179 |
| Other Salary (Misc) | 267,657 | 267,657 | 267,657 | 267,657 |
| Longevity Salary | 793,625 | 817,433 | 841,956 | 867,215 |
| Overtime Salary | 400,000 | 379,431 | 389,416 | 400,643 |
| Court Appearance Salary | 130,000 | 132,324 | 135,795 | 139,674 |
| Uniform Allowance | 115,850 | 115,850 | 115,850 | 115,850 |
| Health Ins-Police Union Active | 5,731,840 | 6,075,750 | 6,440,295 | 6,826,713 |
| Life/Disability Insurance | 156,516 | 160,093 | 163,752 | 167,494 |
| Police Education Allowance | 60,000 | 60,000 | 60,000 | 60,000 |
| Social Security | <u>160,985</u> | <u>164,203</u> | <u>168,499</u> | <u>173,295</u> |
| Total Police | \$17,327,587 | \$17,900,233 | \$18,568,988 | \$19,294,720 |

| | 2017 | 2018 | 2019 | 2020 |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Fire | Estimated | Projected | Projected | Projected |
| Standard Salary | \$9,605,677 | \$10,233,763 | \$10,439,163 | \$10,754,501 |
| Other Salary (Misc) | 285,800 | 285,800 | 285,800 | 285,800 |
| Longevity Salary | 782,617 | 806,095 | 830,278 | 855,187 |
| Overtime Salary | 250,000 | 259,411 | 268,760 | 280,168 |
| Uniform Allowance | 98,550 | 98,550 | 98,550 | 98,550 |
| Health Insurance - Fire Union Active | 4,995,156 | 5,294,865 | 5,612,557 | 5,949,311 |
| Life/Disability Insurance | 149,292 | 165,608 | 183,707 | 203,785 |
| Social Security | <u>159,828</u> | <u>169,412</u> | <u>172,877</u> | <u>177,976</u> |
| Total Fire | \$16,326,920 | \$17,313,505 | \$17,891,693 | \$18,605,277 |

Workforce Cost Containment Provisions

As mentioned in the Financial Condition Report, the City's current employee expenses as well as its long-term legacy costs are a burden on the City's financial recovery.¹ The cost containment provisions provided herein seek to provide the City with both short-term and long-term assistance in controlling current expenses but also slowing the growth in future legacy costs. Therefore, the Coordinator encourages the City to use its best efforts to implement these cost containment provisions during the implementation of this Exit Plan.

The workforce cost containment provisions included in this Exit Plan are applicable to the City and **all** personnel directly employed by the City, both its represented and non-represented employees. In regard to its collective bargaining units, it is the Coordinator's intent that the City and its collective bargaining representatives make a good faith effort to include the below cost containment provisions in any future collective bargaining agreement or any amendment to a current collective bargaining agreement or to any future memorandum of understanding or amendment to a current memorandum of understanding. It is also the Coordinator's intent that any arbitrator or arbitration panel appointed to settle an interest arbitration dispute or any other labor dispute between the City and its employees use these

¹ See Appendix A, *Report Stating the Financial Condition of the City of Scranton*, pages 2-3, 11.

workforce cost containment provisions as the basis for its decision. The terms and provisions of any current collective bargaining agreement and amendments thereto, any memorandum of understanding or any arbitration settlement now in existence shall be followed for the remainder of the agreement, understanding or settlement.

WF1 Pension Cost of Living Adjustments (COLA). The Coordinator recommends that in each of its upcoming collective bargaining agreements the City negotiate that for any employee hired after January 1, 2018 (or the first day of the year of any new or renegotiated collective bargaining agreements) there shall be no regular or disability pension COLA granted to these newly hired employees. Recognizing the City is obligated to prior commitments it has made to its current and retired employees, the Coordinator also recommends that the City refrain from granting any new pension COLA to its current or retired employees. Pension COLA's cause a corresponding increased cost to the City in the form of higher annual minimum municipal obligation payments which stresses the City's annual operating budgets and also adversely affects the pension funds financial status.

WF2 Retiree Healthcare. The Coordinator recommends that the City refrain from providing retiree health care benefits to any current or future City employee, and his or her dependents, that that retires from City employment, unless the City is currently obligated to provide such benefits contractually or by arbitration settlement.

WF3 Benefits. The Coordinator recommends that the City not provide any new benefit of any kind to current employees or retirees.

WF4 Management Rights. The Coordinator recommends that the City not negotiate any diminution of the City's current management rights. Examples of provisions that may diminish the City's management rights include, but are not limited to, provisions limiting the City's ability to subcontract work; to determine employees' work hours, shifts and schedules; to utilize part-time employees; to implement employee layoffs for economic

or any other reason; or to decide which bargaining unit member performs a particular duty or function.

WF5 Duplication of Benefits. Except as otherwise specifically required by law, the Coordinator recommends that the City not provide any duplication of payment for sick leave, disability leave, workers compensation, Heart and Lung benefits, paid leave, pension benefits, or regular pay. The Coordinator also recommends that all pension plans include a provision to offset pension benefits by the amount of Social Security disability benefits received and that offsets of this nature and due to other employment be strictly enforced by the City. Employees should be required to make an election concerning available benefits in order to avoid any duplication of benefits. In accordance with Pennsylvania law, Act 57 of 1996, 77 P. S. §71, as amended, the amount of workers' compensation benefits paid to any employee should be offset by the amount of pension benefits payable to the same employee. These offsets should also be strictly enforced by the City.

WF6 Holidays, Personal Days, Vacation Days; Other Paid Leave. The Coordinator recommends that the City observe the following:

- a. Employees are not paid for any holidays or personal days which occur after their date of retirement, discharge, or layoff.
- b. At the time of discharge, retirement, or layoff an employee will only be entitled to vacation pay if the employee is currently on active pay status.
- c. Except as provided by law, no vacation time will be earned by an employee who is on extended leave because of injury, sickness, personal days, or holidays, which would result in the employee being paid for more than 52 weeks in a year.
- d. There is no duplication of any form of paid leave or accrual of paid leave for the same period of time.
- e. The scheduling of vacation, holidays, and personal days should be balanced and evenly distributed throughout the year in such a manner as to preclude the need for overtime.
- f. There will be no increase or improvement in any other form of paid leave.

- WF7 Compensatory Time. The Coordinator recommends that the City limits and where possible avoids providing any additional compensatory time off to any City employee for the period 2017 - 2020.
- WF8 Grievances. The Coordinator recommends that the City not agree to any provision which expands any bargaining unit members' rights to present grievances to the City or to appeal grievances to arbitration.
- WF9 Sick Days. The Coordinator recommends that the City not increase the amount of annual sick days or the amount of annual buyout of unused sick days beyond the amounts currently provided in any current collective bargaining agreement or amendment thereto, any memorandum of understanding or any arbitration settlement. The Coordinator recommends that the City not increase the maximum buyout of sick days upon the employee's death or retirement beyond the amounts currently provided for in any current collective bargaining agreement or amendment thereto, any memorandum of understanding or any arbitration settlement. The Coordinator also recommends that the City refrain from buying an employee's accumulated sick days upon termination of employment other than death or retirement.
- WF10 Sick Leave/Doctors Evaluation. The City should ensure that any employee who is off work as a result of any illness or injury for more than three consecutive work days or who exhibits a pattern of possible sick leave abuse is required to furnish, at the employee's expense, a doctor's certification concerning the nature of the illness or injury. In addition, the City may, at its discretion, order an evaluation of the employee's condition by medical personnel of the City's choosing at the City's expense.
- WF11 Workers' Compensation and Heart Lung Benefits. An employee who suffers a work related accident, injury, or illness will follow the procedures developed by the Department of Human Resources, unless governed by the State Workers' Compensation Act or other applicable law. The City shall use all reasonable efforts to maintain an

accident and injury prevention program that satisfies state law, and to utilize best practices to minimize the cost of workers' compensation claims, including insisting on early reporting, utilizing independent medical exams, back to work and light duty initiatives, and settlements where appropriate.

WF12 Past Practices. The Unions will be given the opportunity to identify and negotiate with the City any specific practices or rights which they would like to preserve and have included in future collective bargaining agreements.

WF13 Short-term Disability Insurance. The City will have the right to adjust the terms and conditions of its Short-term Disability program in order to provide that compensation under the program does not begin until after the employee is unable to work for fourteen calendar days.

WF14 Recommendations on Drug and Alcohol Testing. The City will have the right to establish and implement a policy requiring a drug and alcohol test prior to employment with the City and providing for random drug and alcohol testing for current employees. No provision of any collective bargaining agreement, arbitration settlement, arbitration award or any other document executed or awarded after the adoption of this Exit Plan will prohibit the City from exercising this right.

WF15 Recommendations on Modified Duty. Employees who are partially disabled because of a work or non-work related injury or illness and unable to perform their assigned duties or are unable to work due to non-work related illness may be required to report for "modified duty" based on medical documentation provided by a physician designated by the City. Modified duty hours may be consistent with regular City Hall hours, Monday through Friday. Modified duty may be limited to a maximum of twelve months from the date the injury occurred or illness began. The City may develop a modified duty program which may be implemented across bargaining unit functions.

WF16 Payments for Non-Coverage under Employee Health Insurance Benefits. The City currently allows for an “opt-out” payment equal to 40 percent of the savings attributed to the City by having an employee opt out of health insurance coverage. These amounts may be prorated to the types of coverage selected by the employee, for example, they can elect to take vision and dental but opt out of health insurance and prescription and be paid the opt out for only the types of coverage applied. Employees may only opt in or out during open enrollment or for a life changing event. As of the beginning of May, 2017, 90 employees are participating in the opt-out. The City may consider a fixed amount for payment for non-participation in the City’s health insurance. These current savings from opt-out would be a source of credits toward the Act 133 expenditure limits.

WF17 Defined Contribution Retirement Plans. It is imperative that the City seek a long-term solution to the unfunded pension liability costs that have burdened the City’s finances for many years and will continue burden the City into the foreseeable future. The Coordinator recommends that the City undertake an analysis of the effects of transitioning City employees away from defined benefit pension plans to defined contribution retirement plans. The City may focus its analysis on one or more City departments, e.g. non-represented employees.

More and more employers are replacing defined benefit plans defined contribution plans, primarily to avoid the expense and long-term financial obligations associated with administering a defined benefit pension plan. Examples of defined contribution plans include Individual Retirement Accounts and 401(k) plans. With a defined contribution retirement plan an employee, employer or both make periodic contributions to an employee’s retirement account which contributions are generally invested in bonds and securities available inside the retirement plan. The amount of contribution typically is either a percentage of an employee’s salary or a specific dollar amount. Retirement benefits are based on the actual amount in the pension account at the time of retirement. The amount a person has at retirement depends on how much was contributed to the plan, how long the funds are invested and how well the investments perform.

The purpose of the analysis would be to quantify the impact of a transition and to educate City decision makers and City employees about the benefits and tradeoffs in making such a transition. Of course, implementing a transition would require the agreement of the City's respective collective bargaining units. However, it is imperative for the City to review all available options that may potentially alleviate or eliminate this legacy cost over the City's long-term.

CHAPTER 4 DEBT REDUCTION AND DEBT MANAGEMENT

Parking Monetization. Prior to the parking monetization, the City was paying nearly \$3 million per year from its general fund to fulfill the City's guaranty of the outstanding parking bonds. With significant capital improvements needed in the near term, this amount was destined to increase. The goal of the parking monetization was to: i) eliminate this general fund expenditure to the largest extent possible and ii) insulate the City from increasing financial obligations. The proceeds of the parking monetization, along with \$31,180,000 of the City's \$32,850,000 General Obligation Notes, Series of 2016 (Stranded Parking Debt) eliminated this \$3 million per year obligation and replaced it with the debt service on the Stranded Parking Debt, as shown in Table 4-1. The Stranded Parking Debt was structured to wrap around current debt service of the City and will reduce the City's obligations relating to parking from \$3.0 million per year to a little over \$1.6 million per year for each of the next six years.

Table 4-1
Comparison of Annual City Outlay
Under the SPA Debt Guaranty, Stranded Debt, and Savings

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Current Annual Debt Service SPA Stranded Debt | \$1,564,000 | \$1,623,750 | \$1,620,500 | \$1,627,250 | \$1,618,500 |
| Prior Est. Annual City Outlay Under SPA Guaranty ¹ | <u>(\$3,000,000)</u> | <u>(\$3,000,000)</u> | <u>(\$3,000,000)</u> | <u>(\$3,000,000)</u> | <u>(\$3,000,000)</u> |
| Annual Reduction in SPA Debt Guaranty | (\$1,436,000) | (\$1,376,250) | (\$1,379,500) | (\$1,372,750) | (\$1,381,500) |

¹ Assumes additional capital expenditures of \$1,000,000 per year beginning in 2020 increases outlay to \$4.0 million.

This reduction in debt service, however, will be more than made up by the increase in debt service necessary to repay the judgment and capital improvements bond issued by the City in the aggregate principal amount of \$31,480,000, as shown in Table 4-2.

Table 4-2
Comparison of Annual City Outlay Under the
SPA Debt Guaranty, Stranded Debt, and Judgement Bonds

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------------------|--------------------|--------------------|--------------------|--------------------|
| Annual Reduction in Debt Service SPA | (1,436,000) | (1,376,250) | (1,379,500) | (1,372,750) | (1,381,500) |
| New Debt Service Judgement/Capital Bond | 2,075,550 | 3,599,300 | 3,614,000 | 3,620,500 | 3,641,250 |
| Difference in Annual Debt Service | \$639,550 | \$2,223,050 | \$1,234,500 | \$1,247,750 | \$1,259,750 |

Sale of Sewer System Assets. The sale of the Scranton Sewer Authority's (SSA) sewer system ("Sewer System") by the SSA represents the monetization of the last remaining substantial City asset. The proceeds of the sale must be used to improve the long term fiscal sustainability of the City. The proceeds from the SSA sale should be used for: (a) debt reduction; (b) pension system funding improvements; (c) funding capital improvements; (d) economic development initiatives; and, (e) stormwater permitting and planning. The proceeds from the SSA sale should be used predominantly to reduce long term liabilities of the City. Optimization of the use of the proceeds from the sale is crucial in the development of a fiscal strategy that will improve the long-term financial sustainability of the City. The City should look to the construction and implementation of this financial strategy as a pathway to improving the City's creditworthiness, its access to the financial and capital markets, and its ability to achieve sustainable expenditure reductions as the City prepares for an exit from Act 47.

In December 2016, the SSA sold the Sewer System assets to Pennsylvania American Water Company for \$195 million. After SSA sale proceeds were used to defease approximately \$70 million in Authority debt, an approximately \$12 million cash adjustment was made, and the Borough of Dunmore received its 1/5th share of the proceeds, net proceeds of the sale in the amount of \$66,505,463 were made available to the City on or about December 28, 2016. Because some of the sewer bonds refunding were refunded on a gross refunding basis and those bonds have now been retired, an additional \$2,568,758 was released to the City in January 2017. The City has thus far received \$69,074,221 from the sale of the Sewer System assets. An amount approximately equal to \$13.6. million, also constituting net proceeds of the sale of the Sewer System, is the City's pro rata share (80 percent) of monies that have been placed into escrows to secure representations and warranties and to resolve easement issues.

The extent to which the City receives its pro rata share of the escrow releases will become clearer during the next three years or so. Amounts released from these post-closing escrows will be considered available for the purposes set forth in this Exit Plan.

Eliminate High Coupon Debt. The first use of the net proceeds of the sale was to reduce debt containing high coupons. The following debt was retired in the first quarter of 2017.

| Bonds | Coupon | Redemption Cost |
|-------------|--------|---------------------|
| 2006 Bonds | 6.10% | \$8,993,362 |
| 2012A Bonds | 8.50% | \$3,913,980 |
| 2012B Bonds | 8.50% | \$6,890,000 |
| 2012C Bonds | 7.25% | \$1,051,971 |
| 2013A Bonds | 7.25% | <u>\$7,035,708</u> |
| | | \$27,885,904 |

The above debt now has been repaid in full, and the result is an approximately \$5.19 million per year reduction in debt service for the City in each subsequent year through and including 2022. (See Table 4-3.)

Table 4-3
Annual Debt Service of Debt Retired 2017

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|-----------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 2006 Bonds | \$1,380,005 | \$1,379,495 | \$1,380,630 | \$1,388,105 | \$1,371,310 |
| 2012A Bonds | 1,481,825 | 1,483,100 | 1,482,150 | 1,483,550 | 1,486,450 |
| 2012B Bonds | 219,375 | 222,050 | 223,450 | 223,575 | 222,425 |
| 2012C Bonds | 1,405,425 | 1,408,650 | 1,406,438 | 1,408,788 | 1,404,975 |
| 2013A Bonds | <u>707,513</u> | <u>708,800</u> | <u>707,550</u> | <u>703,763</u> | <u>707,438</u> |
| Total Retired Debt Service | \$5,194,143 | \$5,202,095 | \$5,200,218 | \$5,207,780 | \$5,192,598 |

Repayment of this debt is viewed favorably because the debt being repaid is fixed rate debt, and the decrease in debt service expense to the City's General Fund is a known and certain reduction in expenditures in each budget year from 2017 through 2024 inclusive. The City has through this debt retirement action reduced its overall debt burden and created a more affordable remaining level of annual debt service. (See Table 4-4.)

Table 4-4
Annual Debt Service Savings Recap
2018-2022

| | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|------------------|------------------|------------------|------------------|------------------|
| Debt Service Judgement Bonds | \$2,075,550 | \$3,599,300 | \$3,614,000 | \$3,620,500 | \$3,641,250 |
| Debt Service SPA Stranded Debt | <u>1,564,000</u> | <u>1,623,750</u> | <u>1,620,500</u> | <u>1,627,250</u> | <u>1,618,500</u> |
| New Debt Service 2016 | \$3,639,550 | \$5,223,050 | \$5,234,500 | \$5,247,750 | \$5,259,750 |
| <u>Retired Debt Service</u> | | | | | |
| Annual City Outlay Under SPA Guaranty 2016 | (\$3,000,000) | (\$3,000,000) | (\$4,000,000) | (\$4,000,000) | (\$4,000,000) |
| 2006 Bonds | (1,380,005) | (1,379,495) | (1,380,630) | (1,388,105) | (1,371,310) |
| 2012A Bonds | (1,481,825) | (1,483,100) | (1,482,150) | (1,483,550) | (1,486,450) |
| 2012B Bonds | (219,375) | (222,050) | (223,450) | (223,575) | (222,425) |
| 2012C Bonds | (1,405,425) | (1,408,650) | (1,406,438) | (1,408,788) | (1,404,975) |
| 2013A Bonds | <u>(707,513)</u> | <u>(708,800)</u> | <u>(707,550)</u> | <u>(703,763)</u> | <u>(707,438)</u> |
| Total Retired Debt Service | (\$8,194,143) | (\$8,202,095) | (\$9,200,218) | (\$9,207,780) | (\$9,192,598) |
| Net Change in Annual Debt Service | (\$4,554,593) | (\$2,979,045) | (\$3,965,718) | (\$3,960,030) | (\$3,932,848) |

Opportunities to Further Reduce Debt Service and Adopt Debt Management Policy.

The Coordinator recommends that the City consider, at the appropriate time, a partial restructuring of either the 2003B Bonds or the 2003C Bonds with a goal of reducing the remaining aggregate annual debt service in 2025, 2026 and 2027. In the alternative, a lower annual debt service may be achieved through the issuance of new money bonds in the future provided the annual debt service is set at an affordable and sustainable level for the City and is issued in accordance with an adopted debt policy. The City has expressed concern about future Administrations and Councils issuing excessive amounts of debt for non-critical purposes or one time use for budget balancing, thereby reversing the annual savings being accomplished through the cash defeasance of bonds. To address that concern, the City should develop and adopt a Debt Management Policy. The City's financial advisor and the financial advisor to the Coordinator are able to provide the City with sample debt policies that can be circulated to the City Council and key members of the Administration.

Additional Debt Service Reduction. After retirement of the above bonds, the remaining sewer proceeds on hand were \$41,188,317. The entire \$41,188,317 is on deposit with a financial institution until such time as proceeds are spent on agreed upon uses. It is anticipated that a

Trust Agreement will be entered into between the City and the financial institution under which the use of proceeds will be prescribed. This Trust Agreement will need to be approved by City Council and the Administration. Of the remaining amount, the City intends to use a portion to fund specified future needs including \$2,000,000 for capital programs, \$500,000 to support economic development initiatives, and \$500,000 for storm water management, permitting and planning. This leaves \$38,188,317 of net proceeds to be applied against additional long term liabilities including the pensions and other debt of the City. Even with the elimination of the aforementioned high coupon bonds the City will need to further reduce its long-term liabilities including debt and pension obligations, in order to create a structurally balanced and sustainable budget, without unacceptably high tax increases. The City should look to further reduce its long-term fixed rate debt, reduce its minimum municipal obligation, reduce the investment earnings assumptions on its pension investments and reduce any other long-term liabilities that can reduce general fund expenses.

Cash Defeasance of Portions of the 2003 Bonds. Regarding other long term debt obligations, the bond insurer of the 2003 Bond issues, Ambac Financial Group, Inc. (Ambac), is evaluating a refinancing of portions of the 2003 Bonds and assisting with a cash defeasance of the 2003 C and D Bonds. If Ambac's evaluation produces a financing alternative, the City should consider the potential for additional savings in debt service payments for the City's fiscal year 2017 and beyond as well as leveling off debt service in future years, depending upon the cost of the structured repayment. Of note is the fact that the Series 2003 C Bonds were taxable bonds and at that time the proceeds of this issue (approximately \$18,000,000) were deposited directly into the City's pension funds with the intention of improving the funding status of the City's pension funds. The City continues to pay approximately \$1,228,000 in annual debt service on the Series 2003C and will pay this average annual amount until the debt matures in 2033 or until the debt is retired. Since the 2003 infusion of borrowed cash, the funded status of the pension system deteriorated due to benefit increases, granting of disability pensions, investment decisions and stock market machinations. This prior and instructive experience of the City is a primary reason for the Coordinator recommending caution in using too much of the proceeds from the sale of the Sewer System for a deposit into the pension plans.

| Bond Issue | Average Annual Debt Service | Principal Outstanding 1/1/2017 | Maturity |
|-------------------|--|---|-----------------|
| Series 2003 C | \$1,228,000 | \$13,270,000 | 2033 |
| Series 2003 D | \$1,077,000 | \$6,135,000 | 2023 |

Also of note is the fact that the Series 2003D Bonds were issued to fund deficiencies in the City's workers' compensation reserves. Paying off these bonds using a variety of sources of cash would be beneficial to the City and could result in expense reductions of approximately of \$1,077,000 per year. As also stated herein, using some of this freed up capacity to improve and enhance the City's workers' compensation and disability pension efforts would be money well utilized.

Debt Management Policy

The City of Scranton has been experiencing financial distress for several decades. In 2003, the City borrowed \$18,145,000 to fund its underfunded pension plans and \$13,480,000 to fund self-insured workers' compensation reserves. As previously mentioned, the debt service on the pension bonds continues to be an expense but the pension system problems were not resolved. In 2012 and 2013, the City borrowed \$25,980,000 for working capital purposes and, because of its financial distress and a payment default on its guaranteed parking bonds, the 2012 and 2013 borrowings were undertaken at very high interest rates. The combination of the growing debt load and high debt service payments, coupled with increasing Minimum Municipal Obligations on pensions placed a great deal of stress on the City's finances.

In accordance with the Revised and Updated Act 47 Recovery Plan (February, 2015) the City monetized its parking assets and sold its Sewer System. Using proceeds of the foregoing along with a borrowing to repay the stranded debt, the City has now repaid all of the guaranteed parking obligations issued by the Scranton Parking Authority. Using proceeds of the sale of its Sewer System, the City was able to redeem and pay off all of the 2012 and 2013 high interest rate debt, along with its 2006 bonds.

City of Scranton Debt Outstanding After February 2017

| | Outstanding Principal | Rate | Maturity |
|---|----------------------------|--------------|----------|
| Total Outstanding December 31, 2016 | 146,635,000 | | |
| Guaranteed Lease Revenue Bonds, Series Of 2006 | (8,820,000) | 5.5% - 6.1% | 2023 |
| Series 2012 A | (6,755,000) | 8.5% | 2022 |
| Series 2012 B | (1,010,000) | 8.5% | 2022 |
| Series 2012 C | (6,655,000) | 7.25% | 2022 |
| Series 2013 A | (3,780,000) | 7.25% | 2023 |
| Bonds Redeemed in 2017 | <u>(27,020,000)</u> | | |
| Emmaus, Series Of 2002 | 4,485,000 | 3.5% | 2028 |
| General Obligation Bonds, Series B Of 2003 | 25,195,000 | 4.35% - 5.0% | 2031 |
| General Obligation Bonds, Series C Of 2003 | 13,270,000 | 4.9% - 5.6% | 2033 |
| Federally Taxable General Obligation Bonds, Series D Of 2003 | 6,135,000 | 5.0% - 5.5% | 2023 |
| Series 2016 A Bonds | 29,810,000 | 5.0% | 2028 |
| Series 2016 AA Bonds Federally Taxable | 7,870,000 | 5.25% | 2026 |
| Series 2016 Notes | 32,850,000 | 5.0% | 2032 |
| Total Outstanding After February 2017 Call | <u>119,615,000</u> | | |

The above listing illustrates the fact that, notwithstanding the issuance of the stranded parking debt and the City's need to borrow more than \$30,000,000 to fund the judgment against it by its uniformed employees, the City has made significant progress in reducing its debt service obligations. In addition, at the time of this Exit Plan preparation, the City is in negotiations in an effort to retire a portion of the 2003 debt using proceeds of the sale of the sewer system, reserves maintained under the workers compensation trust agreement and other amounts available therefor.

With the City's bonded indebtedness and annual debt service being reduced to a more manageable level, coupled with more sustainable minimum municipal obligation for its pensions, it will be important for the City not to back slide into incurring debt for operating costs, pensions or workers' compensation and to keep annual debt service expenditures at a level that is affordable and sustainable. In this regard, the City will need to be disciplined in prioritizing and paying for its capital needs by using some pay as you go funding along with a small amount of debt.

D1 Regain Investment Grade Credit Rating. The City should continue to take all steps necessary to restore its investment grade credit rating. This will reduce the cost of borrowing and enable the City to get more “bang for its buck” when financing necessary capital improvements. Developing, adopting and following debt, fund balance, and capital improvement program policies will have some bearing on the City’s financial policies and management and hence its credit rating.

D2 Develop and Adopt Financial Policies.

1. **Debt Management Policy.** The purpose of debt policies is to provide written guidelines to all policy-makers and elected officials to ensure the City does not issue too much debt or issue debt for the wrong reasons. A Debt Management Policy should be approved by City Council and the Mayor. It will serve multiple purposes: to provide credibility, transparency and to ensure that there is a common understanding among elected officials and staff regarding the City’s approach to debt financing. By following adopted guidelines the City should be able to improve the quality of its decisions, elected officials will be encouraged to seek justification for the need to borrow and the structure of debt issuance, identify policy goals, and demonstrate a commitment to long-term financial planning. Adherence to a debt management policy also signals to rating agencies and the capital markets that a government is well managed and can be expected to meet its obligations in a timely manner. The Debt Management Policy should be used to build public confidence in and better public understanding of the City’s debt issuance policies and practices; assure access to the capital markets; achieve the lowest cost of capital; preserve financial flexibility and maintain appropriate resources and funding capacity for present and future capital needs; and ensure that the City secures highly qualified professional service firms to assist with debt issuance in an open and competitive process.

The Government Finance Officers Association (GFOA) publishes a Debt Issuance Checklist of Considerations when issuing bonds (notes, or guaranties). **All elected officials should become familiar with the items, questions and considerations on the checklist prior to voting in favor of incurrence of debt.**

Elements of the Debt Management Policy should include limitations on contingent or guaranty exposure to debt service payments from other entities; debt limits more restrictive than the Local Government Unit Debt Act (statutory limits) including metrics for debt as a percentage of operating revenues, operating expenses, or both (e.g. 10-12 percent); term, structure, maturities level debt service, capitalized interest, bond insurance; minimum refunding savings; selection of professionals through a competitive process; periodically re-letting such arrangements; post issuance tax compliance; and continuing disclosure compliance.

2. **Develop a Capital Improvement Financing Plan (“CIFP”).** The City shall utilize an integrated approach to capital planning and financing and shall prepare a multi-year CIFP for City Council consideration and adoption. Individual bureaus and departments shall develop multi-year capital plans. Coordination and integration of these individual capital plans into the CIFP shall reside with the Business Administrator’s Office. The CIP shall be for the following three to five fiscal years and shall be updated at least annually as part of the City budget process. The CIFP shall contain a comprehensive description of the sources of funds, including current revenue requirements; identify the timing of project expenditures and their impact on future operating and capital budgets; and evaluate the impact of the projects on the amount and timing of bonds to be issued, debt service requirements, outstanding debt, and debt burden. In developing the CIFP, the Business Administrator’s Office shall determine whether the planned financings conform with policy targets related to (1) the magnitude and composition of the City's indebtedness, and (2) the fiscal resources of the City to support such indebtedness during the five-year CIFP horizon and through the final maturity of the proposed debt. Affordability impacts of the CIFP shall be evaluated in consultation with the various Bureaus.
3. **Develop a Fund Balance Policy.** Once the additional debt is defeased, COLA’s are halted, and deposits into the pension funds are made, the City should be in a position to start to generate surplus from operations that can be used to seed a fund balance.

This fund balance can be used for one-time extraordinary expenditures and can be borrowed from in lieu of a TRAN, or in order to reduce the size of the TRAN. A policy concerning the funding goals and permitted expenditures should be drafted, considered and adopted.

- D3 Additional Reduction of Debt and Long Term Obligations. Even with the elimination of the aforementioned high coupon bonds the City will need to further reduce its long-term liabilities including debt and pension obligations, in order to create a structurally balanced and sustainable budget, without unacceptably high tax increases. The City should seek to further reduce its long-term fixed rate debt, reduce its minimum municipal obligation, reduce the investment earnings assumptions on its pension investments and reduce any other long-term liabilities that can reduce general fund expenses.

CHAPTER 5 WORKERS' COMPENSATION FUNDING

The City's Human Resources Department (HR Department) is responsible for administering the City's Workers' Compensation Program (WCP). The City's WCP is self-insured. The City's annual workers' compensation expenses (indemnity, medical and administrative expenses) for 2017 were estimated to be approximately \$3.324 million. The discounted Accrued Actuarial Liability ("AAL"), calculated in the manner currently required by the Commonwealth of Pennsylvania, was estimated to be \$22,103,877. According to a loss run prepared during the latter part of 2016 by the City's third-party administrator of workers' compensation claims, PMA Management Corp. (PMA), the City had posted total reserves for the City's outstanding claims of approximately \$6.8 million. The difference between the accrued actuarial liability and the posted reserves of \$15.3 million is significant and should be periodically reviewed by the City and its professionals (including its actuarial professionals, Third Party Administrator and any outside AIPP Coordinator). On its face, the estimated discounted liability for just over 100 open claims appears to be very high.

The City has recently made progress towards reducing its workers' compensation liability. In 2016, the City hired a full-time Workers' Compensation Coordinator (WCC) who had been previously employed by Housing and Redevelopment Insurance Exchange as a claims manager for approximately 24 years. The City was not able to increase its staff compliment to also include the Department of Labor and Industry recommended certified Accident and Injury Prevention Program professional. So, having to choose between the two, and believing the claims administration side needed more attention, the City determined to address issues on the claims administration and claims management side. Accordingly, it retained a claims person who is actively involved in certain day-to-day initiatives. Additional initiatives undertaken by the WCC, HR Department, and Law Department include:

1. Increased frequency for Heart and Lung Arbitrations – now scheduled for every two months,
2. Imposition of Light Duty policy with the Police Union. Several employees have already participated in this program. The formation of a Light Duty Policy for Department of Public Works is nearing completion; the Light Duty policy for the Fire Department is currently under negotiation,

3. Claim settlements continue to be offered when appropriate.
4. Communications to Labor and Industry on December 2, 2016, and April 21, 2017, keeping the Department apprised of its progress and its goals and objectives.

As permitted by law, the City has contracted out for a certified AIPP Coordinator. The certified AIPP Coordinator entered into a new contract in March of 2017 and is currently helping the City to obtain certification of its Workplace Safety Committee so that it meets the requirements of the PA Workplace Safety Committee Certification Program. The City should obtain certification of its Safety Committee during 2017 and should have all necessary elements included in Title 34 of the Health and Safety Regulations satisfied and certified to in order to maintain and continue self-insurance status under Pennsylvania Law. The City should continue to make compliance with all applicable Health and Safety Regulations a priority that is supported by the Office of the Mayor, Human Resources and the Law Department.

While the City has improved its WCP, there remains a cultural problem at the City that will need to be overridden with significant work and consistent implementation of policies and procedures. The City must continue to focus significant attention on its WCP. Many of the efforts outlined in this Exit Plan should generate opportunities to reduce the City's annual workers' compensation expenses and thereby reduce general fund budget expenses without reducing essential government services. The City should obtain reviews, reports, recommendations, and audits from its TPA, actuary, any contracted AIPP Coordinator or consultants and provide, where appropriate, evidence of improvements or deficiencies as the case may be to the Department of Labor and Industry (Department. In addition to the aforementioned, the Coordinator recommends that the City implement the following initiatives to reduce its workers' compensation liability.

WC1 Safety and Accident and Injury Prevention. The Department, through the Bureau of Workers' Compensation (WC Bureau) believes that one of the City's most significant problems, and a leading factor in the City's high annual workers' compensation expenses as a proportion of payroll, is that for many previous years the City was not putting sufficient effort into work place safety and accident and injury prevention. The WC Bureau has recommended that the City begin to work with the WC Bureau's Health and Safety Division on processes and programs to reduce workplace injuries. The

professional staff at the WC Bureau have a great understanding of best practices and how to address and satisfy the applicable regulations. The WC Bureau has recommended that the City take advantage of the Workers Compensation Automation and Integration System's PA Training for Health and Safety (PATHS) program at no cost and the expertise of safety experts within the Department, also at no cost, to improve its safety program. PATHS can provide in person and web based training programs for the City. The City should, to the largest extent possible take advantage of relevant offerings under PATHS that can eventually improve its WCP.

In addition, the WC Bureau has suggested that the City work with the Indiana University of Pennsylvania's Consultation Program, or any similar program approved by the Bureau (collectively Consultation Program) at no cost to the City. The City should take advantage of the WC Bureau's offer to assist both with personnel from the Bureau's Health and Safety Division and from Indiana University of Pennsylvania. Due to budget constraints, the City does not have an in-house employee with sufficient experience in AIPP to evaluate its outside contractor; determine and monitor their progress, or to evaluate further options. The City should utilize information it can garner from its peers to determine whether it should retain the services of a firm that specializes in safety and accident prevention for municipal self-insureds as its AIPP Coordinator or hire a certified individual to perform such function in house. The City should monitor performance of its certified AIPP Coordinator regularly and replace them if they are not performing the requisite tasks in an acceptable manner.

WC2 Monitoring Effectiveness and Pursuit of Best Practices By PMA. The City's WCC should continue to monitor performance of claims administration by PMA and ensure that the City is receiving the best services possible. This includes ensuring that PMA is following best practices in the areas of prompt reporting, prompt medical examinations, cutting off potential for longer term Permanent Total Disability (PTD) and Permanent Partial Disability (PPD), management of medical expenses, back to work initiatives, offsets, settlements, etc. The WCC should develop metrics for measuring PMA's performance and suggest strategies for improvement. Best practices claims management

and claims administration is extremely important for the City in order to reduce workers' compensation costs.

WC3 Use of Sewer Sale Proceeds. The Coordinator recommends that the City uses proceeds from the sale of its Sanitary Sewer System, along with estimated surplus amounts under the workers' compensation Trust Agreement, to pay off the City's 2003 D Bonds (originally issued to fund workers' compensation bonds). The cash defeasance of the 2003 D Bonds will not only repay a borrowing for workers' compensation reserve funding but it will save the City over \$1 million per year for the next 5 years. The City should consider using a portion of these savings to bolster its worker's compensation infrastructure and programs.

WC4 Conduct Independent Actuarial Evaluation. The Coordinator believes that the City's annual workers compensation expenditure is significantly higher than would be expected, even for a large municipality with full time police, fire and public works departments. Many of the City's efforts to improve its safety programs and claims administration are expected to have a positive impact on the City's AAL and its annual workers' compensation expenses in the future. In the not too distant future, an actuarial report should be prepared that modifies the loss development triangle to take into account the recent improvements in the City's program, including reinsurance, settlements, etc. If the annual amount is still burdensome and the AAL remains high, the Coordinator recommends a claim by claim analysis by an outside actuary firm to discern what other issues are causing the City to experience high workers' compensation costs. The City should consider retaining a firm and an actuary who is a Fellow of the Casualty Actuarial Society for this additional work.

WC 5 Investment Strategy for the Reserves. A more accurate loss development triangle and more accurate future cash flow projections will also give the City a better idea of how to invest its reserves. A more accurate cash flow analysis should enable the City to take advantage of intermediate fixed rate returns.

WC6 Excess Coverage. The City has used many excess carriers over its history– presumably to find the lowest costs each year. In more recent years the City has placed this coverage with Safety National, the predominate excess carrier insuring municipalities at this time. Current attachment point for Safety National’s coverage is \$800,000. The City should take into account how much it is paying for this level of excess coverage, and what it might do if there is a requirement of the carrier to raise it to \$1,000,000 at the next policy renewal and the resultant additional premium increases. The City should ascertain the extent to which they are using the excess coverage at the \$800,000 attachment point, that is, how many claims have or are expected to exceed \$800,000? If the number is a low one then the City could agree to \$1,000,000 excess and save on the premium. A claim by claim analysis would be able to assist with determining whether the actual ultimate value of large claims is understated or overstated which is very important in connection with negotiation of attachment point and premium. The City is reminded that any increase in retention would need to be approved by the Self-Insurance Division and will be taken into account when loss development factors are assessed.

WC7 Job Descriptions for Light Duty and Return to Work Programs. Job descriptions shall be prepared to aid in the creation of light duty and return to work programs. These job descriptions can be made available to any panel of physicians and to the treating physician at the time of treatment or during any medical examination process.

CHAPTER 6

PENSION SYSTEM FUNDING IMPROVEMENTS AND DISABILITY PENSION REFORM

The Coordinator recommends that a portion of the proceeds of the sale of the Sewer System be directed into the City's pension plans. However, the Coordinator does not recommend a funding level into the pension funds solely for the purpose of creating "temporary" annual budgetary savings or solely to raise the funded percentage for any of the funds in the near term only. By the very nature of pension funding actuarial calculations, such budget savings or funded ratio improvements can only be relied on for a short period of time (perhaps the two to three-year period subsequent to the annual valuation report or Section 404 (h) treatment in the case of debt funded deposits). The City's pension savings goals should be based upon a long-term horizon of at least a 20-year period, with an emphasis on the stability of the funds to pay future benefits rather than immediate budgetary savings. Any initial savings analysis will invariably be based upon myriad actuarial and investment assumptions that are beyond the control of the City and those assumptions are highly likely to change (e.g. investment returns, retirement ages, mortality of plan participants and surviving spouses, disability pensions, and payroll etc.). *It bears repeating that there are myriad factors that could result in the annual budgetary benefit of a pension deposit dissipating over time and it is unlikely that the projected expense reduction will be realized for the entire amortization period.* These factors are in large part outside of the City's or Coordinator's control.

It is essential to the viability of the City's pension plans, which are amongst the lowest funded pensions in the Commonwealth of Pennsylvania, that the City continue to hold the line on increasing payments of pension benefits and that the agreed to reforms aimed at reducing the frequency of the granting of disability pensions be enforced as soon as possible and continually. In addition, the City should continually bargain for changes and make management decisions that can help ensure that the pension funds are stable and that the funding system remains viable without extraordinary infusions of money such as the sale of the Sewer System, because as stated previously, this is the last remaining significant asset of the City. Failing to do so not only endangers the City's structural budget stability but every future generation of retirees.

Toward this goal, the Coordinator recommends that the City engage in discussions with its collective bargaining units to enter into a Pension Benefit Memorandum of Understanding.

This Memorandum should control the timing and limit the amount of any pension benefit enhancements for at least ten years beginning in 2017. Moreover, any disputes between the bargaining units and the City that could have a material adverse impact on the funding of the pension plans as estimated or calculated by the actuary to the plans, should be adjudicated or resolved prior to any significant contributions are made from Sewer Sale proceeds to the pension funds.

The City has limited the granting of annual benefit increases to current retirees due to the inability to declare the funds actuarially sound. These annual increases were based on one-half of the rate of annual salary increases, if any, payable to active employees under the applicable collective bargaining agreements. The City shall continue to deny benefit increases until the funded ratios of the funds allow them to be reasonably declared actuarially sound after taking into account the impact on liabilities the COLA would yield. The status of municipal defined benefit pension plans is defined by the Pennsylvania Auditor General through the Municipal Pension Reporting Program. By way of example, the City may consider a COLA reinstatement to an amount of up to 25% of its value to pensioners; provided however that no COLA shall be granted that results in the funded ratio of any plan dropping to 50% or less. These calculations should not be done on demand, but only at the time the actuary is calculating the MMO for the following years' budget.

The City is also challenging an interpretation of adopted City ordinances that govern the required age for retirement of plan participants. There are inconsistent provisions for the age of retirement eligibility for the police and firefighter pension plans. These inconsistencies are the subject of legal action seeking to remove a stated retirement age and allow retirement solely upon years of service. The elimination of an age requirement will allow for a larger number of retirees in the near future. Such an increase is not factored into the current actuarial assumptions, valuations, and annual funding requirements and may result in a large increase in the City's annual required obligation which it can ill afford.

The Coordinator recommends that the City begin the process of lowering the pension funds assumed rate of return on fund investments. Currently the Minimum Municipal Obligation assumes an assumed 8 percent rate of return. Upon consultation with the Actuary for the plans, the City should take the action necessary to reduce the investment return assumptions by between .50% and 1.00% (from 8.00 percent to 7.50 or 7.00 percent). These reductions will

enable the Actuary to also reduce the assumed annual salary increase in the annual valuation report by a like amount. This lowering of the assumed rate of return and annual wage growth assumption should result in a modest reduction of the amount required to be deposited by the City to reduce the rate of return. On an annual basis the City should continue to lower the assumed rate of return on pension funds so that the funds are more accurately estimating current market return trends and in order to decrease volatility of the MMO due to market changes outside of the City's control. Once the escrow funds are released in amounts sufficient to reduce the investment return assumption by another .25 percent, the Coordinator recommends the transfer of such amount into the pension plans.

Governance of the pension plans has caused significant problems over the years for the City of Scranton. The Coordinator emphasizes that the City is responsible to make up funding deficiencies so it is the City that is responsible for and shall be solely empowered with the responsibility to hire and fire Investment Consultants or Investment Advisors, setting the discount rate for actuarial purposes and ensuring compliance with the disability pension reforms. The lack of a single consistent source for applicable rules and regulations has resulted in confusion and cost. An intermediate term plan of the City should be to memorialize the current rules and regulation in one place, to update their Ordinances to the extent necessary and to empower both City officials (primarily) and Aggregate Pension Board officials (secondarily) to enforce all aspects including offsets and disability pension reforms.

PSF1 Reduce the Investment Return assumption to 7.50-7.0 percent.

PSF2 No COLAs shall be granted unless, with the COLA factored into the funding ratio calculation, the Pensions Plan's funding ratio will allow them to be reasonably declared actuarially sound.

PSF3 Continue to seek increases in the employee funding percentage, and deferral of retirement age in order to keep the pensions solvent consistent with national trends.

PSF4 Adopt a Pension Fund Governance Policy that clearly sets forth City as being primarily responsible for investment earnings return assumption and for hiring and firing an investment consultant/advisor.

Disability Pension Reform

If an employee becomes injured or ill and is determined to remain so for a significant length of time she or he may become eligible for a paid disability pension. If approved, the disability pension benefits depend on whether the disability resulted from a service or non-service injury or illness. Disability pensions negatively impact pension funds which are funded based on the anticipation of employees retiring upon a certain age and years of service.

In the past, the City has had a significant number of City employees seek and obtain a paid disability pension. The Times-Tribune newspaper investigation in 2014 indicated that the City had the highest percentage of fire and police disability pensions in the Commonwealth. In a recent report to the City Administration, the actuary for the Aggregate Pension Boards indicated that during the 10 year period ending December 31, 2014, 28 percent of total retirements (disability plus regular) for fire, and 68 percent of total retirements for police, have been disability retirements. This experience makes it extremely difficult for the City as it attempts to restore its financially distressed pension funds.

The City's recent history for claims and granted claims for disability pensions is shown below.

Recent Disability Pension Activity

| Year | Claims for Disability Pension | Disability Pensions Granted |
|-------------|--|--|
| 2013 | 2 | 2 |
| 2014 | 2 | 2 |
| 2015 | 5 | 5 |
| 2016 | 2 | 2 |

The City and its uniformed employees (police and fire) entered into Memoranda of Understanding dated January 30, 2015, and supplemented these with Memoranda Agreements dated March 11, 2016 (the "Agreements"), which were negotiated as conditions for the payment of the Supreme Court award judgement. The Agreements are intended to reform the process of obtaining and continuation of disability pensions. The City and its uniformed employees agreed to the mutual selection of a panel of physicians who are board certified in an asserted illness or

injury. The select physician will make the final decision as whether a police officer and fireman is entitled to a disability pension.

Another provision of the Agreements allows the City to hire a third-party administrator to oversee management of disability pensions. Many of the City's police and fire disability pension beneficiaries stem from a work-related injury and a workers' compensation claim. In order to provide the City with effective and efficient management of disability pensions stemming from its self-insured workers' compensation program, the City of Scranton recently solicited bids through a Request for Proposals for a third-party administrator. The duties outlined in the scope of the RFP were very streamlined and the City indicated that it would take on the other responsibilities necessary to implement the MOU. The City only received one proposal as of the May 19, 2017 deadline and at this time the City is reviewing the proposal to determine if it meets the RFP's qualifications. At this time the City is reviewing the proposal to determine if it meets the RFP's qualifications. The Coordinator recommends that the City amend the RFP to encompass a broader role for the TPA and take primary responsibility for seeking offsets and ensuring that the City's disability pension incidence is reduced to more normal levels based upon other cities in the Commonwealth. This disability pension reform is very important to the City's long term financial position and the Coordinator recommends that the City shall continue to implement this disability pension reform.

CHAPTER 7 CAPITAL FUNDING AND ECONOMIC DEVELOPMENT

Funding Capital Improvements

The City has substantial capital needs across a variety of the remaining assets and will have the additional responsibility of managing the storm water function as the City is required to meet the increasing standards for storm water pollution reduction of federal and state environmental regulations. Sewer System sale proceeds can be used to establish a capital projects fund and serve as a capital reserve for the development of multi-year capital programs to respond to the capital needs of the City. During 2017 the Coordinator encourages the City to develop a multi-year capital improvement plan, and to consult with its financial advisor about the right mix of borrowing and pay-as-you go for the next several years as the City positions itself to regain an investment grade rating. The amount deposited under the Trust Agreement shall include \$2.0 million for capital improvements, and such amounts shall be transferred by the Trustee to the City solely for capital improvements pursuant to a requisition for the same, during calendar year 2018.

Economic Development Initiatives

The City of Scranton is the county seat and largest municipality in Lackawanna County, serving as the regional hub for economic activity. Scranton is home to three hospitals (Regional Hospital, Moses Taylor Hospital and Geisinger Community Medical Center), two universities (the University of Scranton and Marywood University), two colleges (Lackawanna College and Johnson College) and a medical school (Geisinger Commonwealth School of Medicine). The City is poised to take advantage of its wealth of educational and medical institutions by promoting an “Eds and Meds” economic development strategy.

In 2016, the City engaged the National Resource Network (NRN) to develop a strategy to implement downtown economic development. NRN held a series of one-on-one meetings and workshops with City officials and various community stakeholders to gather information and feedback as it developed the downtown plan. Stakeholder priorities for downtown, as outlined by NRN, included continued residential population growth, increasing amenities downtown to better attract more residents, and improving maintenance and aesthetics downtown. Stakeholders also desired additional clarity of the City’s role in economic development implementation, as well as the need for the City to endorse and champion a consistent downtown vision before anchor

institutions are willing to invest and partner with the City. In addition to the stakeholder interview and workshop process, NRN prepared case studies of successful economic development efforts in four cities: Pittsburgh; Lancaster; Syracuse, NY; and Chattanooga, TN. The case studies provide the City with best practice models and a consistent set of ingredients for success — leadership, partnerships, resources and flexibility.

Based this input, NRN developed a strategic plan that focused on revitalizing the City's downtown. The recommendations include forming a partnership with Scranton Tomorrow, a volunteer-based community support and economic development organization that was formed in 1992. Scranton Tomorrow is the Commonwealth-designated Main Street organization for the City. The NRN recommendations include the following:

- Increase the City of Scranton's capacity for economic development by designating a current or new staff member to be the City's point person for implementation of the Downtown Plan.
- Designate Scranton Tomorrow (a §501(c)(3)) as the City's lead partner organization for coordinating the implementation and evolution of the Downtown Plan.
- Organize a focused, short- term task force to further define the required changes to Scranton Tomorrow to effectively implement the Downtown Plan.
- Build support among downtown property owners for the creation of a business improvement district with a stable source of funds from a special assessment.

The City administration and City Council have been briefed on the 2017 NRN plan and are in general agreement concerning the recommendations but no formal legislative action has been taken to adopt the plan. Meanwhile, implementation of the NRN recommendations is underway. In terms of Recommendation 1, Mayor William Courtright designated Business Administrator David Bulzoni temporarily as the City's point person to be assisted by Office of Economic and Community Development Deputy Director Thomas Preambo. Mayor Courtright has indicated a willingness to designate a permanent economic development point person but currently has no one in the administration that can assume those duties full time nor does he believe that he has the funds at this time to hire someone for that role. Absent a full-time City

economic development point person, it is anticipated that the partnership with Scranton Tomorrow will bolster the City's internal economic development capacity.

In terms of the other NRN recommendations, the City has engaged NRN for a Phase II project to assist with the task force process and otherwise help Scranton Tomorrow as it ramps up to assume this new role as the City's economic development partner. Task force members, including individuals from key downtown anchor institutions, have been identified and a tentative date has been set for the first meeting. Scranton Tomorrow has placed key economic development individuals on its Board of Directors and has revamped its economic revitalization committee in order to move forward.

As the City works through the NRN recommendations, there are various other ongoing economic development efforts in the City's downtown. Like other cities, the City's downtown is attracting millennials and empty nesters. To continue to draw this population, it is important that amenities, such as convenient access to basic necessities and additional green space, be encouraged by the City. Both the increase in downtown living and in businesses that serve these residents will assist in strengthening the City's tax base.

Other notable downtown projects include the purchase of the Mall at Steamtown in 2015 by a developer who is pursuing an eclectic mix of tenants that is expected to reinvigorate the retail environment including the recent opening of the upscale Iron Horse Movie Bistro; Lackawanna County's purchase of the former Globe Store on Wyoming Avenue to serve as the hub for County offices; and efforts to revitalize the 300 block of Adams Avenue with a diverse mix of restaurants, a theater and the renovation of the current Scranton Counseling Center into another use. Other downtown projects include a planned expansion of the medical college and renovation of the Samter's Building at the corner of Penn and Lackawanna Avenues into mixed residential/commercial use.

Other economic development efforts are underway in the City's neighborhoods. The United Neighborhood Centers (UNC) of Northeastern Pennsylvania, the Commonwealth-designated Elm Street manager for South Scranton, is working with other agencies to continue development projects in that neighborhood. Pending projects include a South Scranton Women's Business Incubator that will also house UNC offices and relocation of the Scranton Counseling Center to a renovated building. In addition, the proposed Iron Furnaces Corridor

Project would link recent renovations in South Scranton with the downtown, improve pedestrian access, and further enhance that historic area.

However, challenges remain to implementing economic development initiatives, such as the continued lack of City capacity in terms of a designated economic development point person in City government other than the City business administrator and the need to obtain funding for future economic development projects. As Scranton prepares to exit Act 47, it is crucial that the City implement key economic development initiatives such as the NRN plan and develop and maintain strong relationships with economic development partners such as Scranton Tomorrow, the Greater Scranton Chamber of Commerce, Lackawanna County, the state Department of Community and Economic Development, downtown developers and key anchor institutions. The economic development goal is to strengthen the City's tax base and move it to the point of sustainability so that the City can successfully exit from Act 47.

The economic development provisions provided herein seek to provide the City with both short-term and long-term assistance in revitalizing the City's downtown and its surrounding neighborhoods. The Coordinator encourages the City to use its best efforts to implement the following economic development initiatives during the implementation of this Exit Plan.

Economic Development Initiatives

- ED1 Increase Internal City Capacity. The City should explore increasing its internal capacity in line with the NRN recommendations. This could include identifying funds to hire an economic development specialist for the City's Office of Community and Economic Development and/or hiring an executive director for the largely dormant Scranton Redevelopment Authority.
- ED2 Adopt NRN Plan. The City should consider official adoption of the NRN Downtown Scranton Revitalization Plan and work to achieve the plan's recommendations including the eventual creation of a downtown business improvement district.
- ED2 Enhance Economic Partnerships. The City should continue to strengthen its partnerships with Scranton Tomorrow, the Greater Scranton Chamber of Commerce, Lackawanna County, anchor institutions and key stakeholders to pursue economic development

opportunities in the downtown (particularly related to residential development) and the City at large including the “Eds and Meds” strategy and neighborhood revitalization projects. City officials should work with its partners to prioritize economic development projects that advance the NRN strategy and in partnership with the state Department of Community and Economic Development to identify potential funding sources for economic development projects as needed.

- ED4 Funding Economic Development. It is anticipated that the plan to allocate proceeds from the Scranton Sewer Authority sale will include \$500,000 for economic development, of which a significant portion is expected to be channeled to the NRN effort.
- ED5 Retain and Grow the Residential Population in the Downtown. The City should work with its economic development partners to provide amenities and attract businesses that will support, grow and retain the residential population in downtown as well as in City neighborhoods.

CHAPTER 8

STORMWATER PERMITTING AND PLANNING

Polluted stormwater runoff is often transported to municipal separate storm sewer systems (MS4s) and ultimately discharged into local rivers and streams without treatment. Common pollutants include oil and grease from roadways, pesticides on lawns and farms, sediment from construction sites and litter such as cigarette butts, paper wrappers and plastic bottles. The federal Clean Water Act of 1972 (CWA) was intended to regulate pollutants discharged into water and to implement pollution control programs.

In 1990, the U.S. Environmental Protection Agency (EPA) promulgated rules under the CWA establishing Phase I of the National Pollutant Discharge Elimination System (NPDES). The NPDES system addresses water pollution by regulating point sources that discharge pollutants into waters. The Phase I permit rules impacted (1) medium and large MS4s generally serving populations of 100,000 or greater, (2) construction activity disturbing 5 acres of land or greater, and (3) ten categories of industrial activity.¹ The EPA has authorized state governments to perform many permitting, administrative and enforcement aspects of the program. The Pennsylvania Department of Environmental Protection (DEP), through the Bureau of Clean Water administers the NPDES permitting and compliance monitoring programs and over sees the implementation of the Pennsylvania Stormwater Management Act of 1978 (Act 167).²

The NPDES rules were updated by the EPA in 1999. The Phase II program updated and expanded the Phase I program by requiring additional operators of MS4s in urbanized areas and operators of small construction sites, through the use of NPDES permits, to implement programs and practices to control polluted stormwater runoff.³ The Phase II updates required 953 smaller municipalities, including the City, and numerous institutions throughout Pennsylvania to obtain NPDES permits for their stormwater discharges.⁴ Each permit holder must implement and enforce a stormwater management program that reduces the discharge of pollutants to the

¹ United States Environmental Protection Agency (USEPA), Office of Water, *Stormwater Phase II Final Rule, An Overview*, January 2000 (revised December 2005), Fact Sheet Series. EPA 833-F-00-001.

² Pennsylvania Department of Environmental Protection. "Stormwater Management." <http://www.dep.pa.gov/Business/Water/CleanWater/StormwaterMgmt/Pages/default.aspx> (accessed May 24, 2017).

³ USEPA, *Stormwater Phase II Final Rule, Small MS4 Stormwater Program Overview*.

⁴ Pennsylvania Department of Environmental Protection. "Municipal Stormwater." <http://www.dep.pa.gov/Business/Water/CleanWater/StormwaterMgmt/Stormwater/Pages/default.aspx> (accessed May 24, 2017).

maximum extent practicable. For the next permit term, MS4 permit holders that discharge to surface waters impaired for certain pollutants or that discharge to waters in the Chesapeake Bay watershed need to develop a Pollutant Reduction Plan (PRP) or Total Maximum Daily Load Plan when they submit their MS4 renewal application/Notice of Intent (NOI).

For the City, it must submit its NOI for its next NPDES permit no later than May 4, 2019.⁵ A PRP is required to be completed and attached to the City's NOI.⁶ The PRP is required to include seven elements. One of these elements includes a public participation requirement. The City will have to make a complete copy of the PRP available for public review, publish a public notice of the PRP, receive written comments for at least 30 days from the publication of the public notice or accept comments at any of its regularly scheduled public meetings, consider the comments and make a record of the consideration of each received comment. As another required element of the PRP, the City must submit a map that identifies land uses and/or impervious/pervious surfaces and the City's storm sewershed boundary. Another key element is identification of funding mechanisms to achieve the Best Management Practices included in the submitted PRP.⁷

The City currently has under contract Arcadis Design and Consultancy to undertake a detailed Preliminary Stormwater Analysis. Arcadis is expected to provide the City with viable methods that address the City's stormwater management issues.

The MS4 and NOI regulations cover municipal separate storm sewer systems and are in contrast to regulations and requirements covering combined sewer systems which mix both sanitary wastewater flows and stormwater flows within the same collection system. It is worth noting that the most significant element of stormwater management is the required separation of the combined sewer systems that will be undertaken by Pennsylvania American Water, the new owner of the Sewer System, in their required implementation of the \$140 million stormwater combined sewer overflow federal Consent Decree.

⁵ Pennsylvania Department of Environmental Protection. "2018 MS4 Permit NOI/Application Due Date Report." http://files.dep.state.pa.us/Water/BNPNSM/StormwaterManagement/MunicipalStormwater/2018%20MS4%20Permit%20NOI_Application%20Due%20Date%20Report%205.16.2017.pdf (Accessed May 24, 2017).

⁶ Pennsylvania Department of Environmental Protection, Bureau of Clean Water. *National Pollutant Discharge Elimination System (NPDES) Stormwater Discharges From Small Municipal Separate Storm Sewer Systems Pollutant Reduction Plan (PRP) Instructions*, (revised 03/2017).

⁷ Ibid., at pages 4- 8.

SPP1 Segregate and Allocate \$500,000 from SSA sale for Stormwater Permitting and Planning Sewer Plans. In order for the City to be prepared to submit a timely NOI, the Coordinator is recommending that the City segregate \$500,000 of the SSA sale proceeds be used to assist the City for the expenses necessary to complete a comprehensive NOI submission to DEP in May 2019. Any remaining funds shall be used as a basis for funding the implementation of Best Management Practices identified in the PRP and approved by DEP.

CHAPTER 9

GENERAL EXIT PLAN PROVISIONS, REVENUE, FINANCIAL MANAGEMENT

Successful implementation of this Exit Plan will necessitate changes in the way the City currently provides services and how it finances those services. The ultimate goal of this Plan is to allow a rescission of the declaration of financial distress under Act 47 and to restore the community's confidence in the City of Scranton's ability to effectively maintain current operations into the future.

The following outlines the general provisions of the City of Scranton's 2017 Exit Plan for 2017 – 2020, unless modified in a subsequent revised Exit Plan.

General Governance

Cooperation Among City's Leadership. Governance and leadership of the City of Scranton under the Home Rule Charter rests with both the Executive branch (Mayor) and Legislative branch (City Council) of the municipal government. While the Executive-Legislative form of municipal government provides for a separation of powers and checks and balances between the two branches, it ultimately requires both branches to work together to provide effective governance and leadership.

In any community (regardless of size of population, area, or distressed status), it is not unusual that the Mayor and City Council will not agree on every issue. However, a fundamental cornerstone of governance is that elected leaders work together on behalf of all residents to effectively manage municipal financial operations, adopt a balanced budget and maintain municipal services. In Scranton, collaboration, cooperation and compromise have shown to be possible and have led to progress in achieving the goals of the prior adopted Recovery Plans.

Since 2014 both the City Administration and City Council have been actively and progressively working together for the betterment of the City. It is this continued cooperation and shared goals that will lead the City away from fiscal distress and the resulting oversight.

Once this Exit Plan is adopted the next step will be implementation. The Mayor (or a designee), representatives from City Council, the Business Administrator, and key management staff (as appropriate) shall participate in regular meetings, organized by the Act 47 Coordinator, to discuss and execute implementation of the mandates included in this Exit Plan. Within these meetings, the participants shall discuss key policy mandates and determine how each will be

implemented. At the implementation meetings, other management issues may be discussed, including but not limited to current finances, human resources, economic development, general City operations and intergovernmental cooperation. The Act 47 Coordinator will be responsible for preparing each meeting's agenda and will lead the meetings. These gatherings are intended for a small number of attendees to focus on priority-setting and problem-solving and may result in follow-up assignments and associated progress reports.

GOV1 Reporting. It is important that that the City continue to regularly report its progress in implementing this Exit Plan to the Act 47 Coordinator. This, in turn, allows the Act 47 Coordinator, as the agent of DCED, to ensure that the Commonwealth is up-to-date on the status of implementation efforts. Therefore, the City shall provide cash flow, revenue and expenditure status reports to the Act 47 Coordinator no less frequently than monthly during the period it remains under a determination of distress. These reports may be in spreadsheet form, written memo or other form as requested by the Act 47 Coordinator or may take the form of weekly or monthly meetings. Additional on-site meetings involving the Act 47 Coordinator and appropriate officials and employees shall also be held on an as needed basis to review implementation efforts and to aid in the overall Exit Plan implementation process.

GOV2 Submission of Data. The City shall continue to routinely provide the Act 47 Coordinator with all data pertinent to the City's financial recovery effort. For example, the annual budget shall be sent to the Act 47 Coordinator as required by Act 199 of 2014. In addition, key management, administrative, and financial decisions made by the City, which may or may not relate directly to the Exit Plan, shall also be promptly communicated to the Act 47 Coordinator. This is particularly important if these actions entail an abrupt change or alteration in the policies or practices of the City.

Among the specific items which shall be regularly transmitted or made available to the Act 47 Coordinator are:

- Council Meeting Agendas (prior to the meetings) - all regular and special meetings;
- Council Meeting Minutes - all regular and special meetings;

- Notice of any meetings involving the City and third parties on any matter relating to City finances and operations (e.g., meetings with creditors, vendors, etc.);
- Relevant communications with creditors, vendors, etc.;
- All non-privileged correspondence (in and out, internal and external) on matters relating to employee unions, collective bargaining, arbitration, grievances, etc.;
- All proposed ordinances;
- All litigation initiated/settled;
- All personnel actions (including worker's compensation claims and employee grievances);
- Monthly financial reports (as of the last day of each month) and related documents;
- Major contracts awarded and grant applications made;
- All other relevant correspondence (internal and external, in and out); and
- Anything that the Act 47 Coordinator should be made aware of in regards that materially impacts the operation of the City.

GOV3 Failure to Comply. If the City and its elected or appointed officials fail to communicate and consult with the Act 47 Coordinator on a regular basis as provided for in this Exit Plan and/or fail to provide the information, reports or documentation requested by the Act 47 Coordinator, the City may be found to have violated this Exit Plan which may result in sanctions by the state which includes the withholding of Commonwealth funding.

Revenues

REV1 Maintain existing Tax Rates and Annually Petition for the Higher LST. The City's revenue base requires recurring, stable revenue sources to provide adequate revenue for core municipal services. To that end it is vital that the current taxation structure be maintained for the duration of the Exit Plan. Aside from the increase in the Local Services Tax, other tax rates are proposed to be maintained at current levels with the proviso that for whatever reason the City is unable to implement other associated initiatives in this Plan, then the City will need to further adjust existing tax rates and/or reduce expenditures to maintain a balanced budget. **On an annual basis the City shall request under the enabling legislation authorization from the Lackawanna County**

Court of Common Pleas to levy the Local Services Tax at a rate of \$156/year on all individuals who work in the City.

REV2 Delinquent Collection—Tax and Nontax Revenues. The City shall take all aggressive action permitted by law to collect delinquent tax and non tax accounts including real estate and other taxes as well as refuse collection and other fees. To this end, the City has engaged a third-party collection firm. The City shall periodically evaluate these collection results to maximize its return.

REV3 Delinquent Real Estate Tax Collection. The City shall appeal to its legislative delegation to change Pennsylvania's Real Estate Tax Sale Law, 72 P.S. Section 5860.101 et seq., to allow Cities of Second Class A take part in the county tax claim bureau and to amend the Local Tax Collection Law, 72 P.S. Section 5511.1, et seq., so as to provide Cities of Second Class A with the opportunity to utilize all of the powers and remedies under this law including, but not limited to, initiating litigation against individuals and/or entities which are delinquent in their real estate tax obligations and obtaining judgments against the individuals and/or entities that would be personal in nature and thereby go beyond the potential of attachment to the underlying real estate. This would benefit the City of Scranton by providing an enforcement mechanism that is not presently available under existing statutes which would aid the City in receiving the tax revenue to which it is entitled in a more expeditious manner. Concurrently, the City shall explore the legality of participating in the county's tax claim bureau process.

REV 4 Consider A Transition From The Mercantile/Business Privilege Tax To The Payroll Preparation Tax. The City of Scranton levies a Business Privilege & Mercantile Tax (BPMT) on all businesses in the City except for those that are statutorily exempt, such as manufacturers. Like all political subdivisions in the Commonwealth, the City and School District are barred from raising their BPMT tax rates. The 2014 amendments to Act 47 provided another revenue alternative for Act 47 municipalities. They are now permitted with Court approval to replace the Mercantile/Business Privilege Tax with a Payroll Preparation Tax. The tax is levied on for profit employers and imposed as a flat

percentage on gross payroll. The initial implementation of this tax must be on a revenue neutral basis, though the base has the ability to grow over time as payroll grows. An important consideration is the ability for the Payroll Preparation Tax to remain in place even after the municipality exits Act 47 thus the change would be a permanent one. The City in cooperation with the Coordinator should review and analyze its existing Mercantile/Business Privilege structure and collection process and weigh the benefits of making this transition. The City should also engage the business community in this discussion prior to making any change. The City will also need to coordinate with the School District as they also impose the tax and to work with the City's legislative delegation to address changes in the Act that would also allow the School District to make a similar transition. Because of the required revenue neutral phase-in period and the estimated time for that transition, no financial impacted is expected in the timeframe of this amended recovery plan. This initiative will be considered as a strengthening of the tax base of the City that will increase annually more than the revenue source replaced.

REV5 Review Fee Structure To Ensure Full Cost Recovery. The City shall review its fee schedule for all services and permits provided to users of the service or permit. The City shall consider all costs related to the provision of service, including but not limited administrative costs, employee benefits, storage costs, inspection costs, and overhead and maintenance.

The fee schedule shall be reviewed every two years to ensure that increased costs are recovered in a timely manner.

REV6 Review and increase utilization of Payment in Lieu of Property Tax (PILOT) Agreements. Similar to many other core communities, Scranton is home to many non-profit entities. These tax-exempt properties represent a significant portion of the City's real estate value.

In 1997, the General Assembly enacted a lower standard for meeting the tax-exempt criteria by passing Act 55 of 1997. The practical effect of the Act was to allow virtually all non-profit organizations tax-exempt status that in turn, placed a greater burden on

other taxpayers. However, the Pennsylvania courts did not agree that the original “Hospital Utilization Project (HUP)” was struck down by Act 55, and as a result in 2012, the Supreme Court reestablished the need for a charity to meet the higher standard “HUP Test” before considering the Act 55 standards. Act 55 encourages non-profits to enter into PILOT agreements with municipalities. As of the writing of this Exit Plan, the Coordinator is not aware of any existing City/non-profit PILOT agreements; the City is a recipient of a year to year contribution from the University of Scranton of approximately \$175,000.

Since the passage of Act 55, it has been reportedly difficult for local governments to renew or enlist new PILOT agreements. Pittsburgh has had some success in negotiating a PILOT arrangement under its Act 47 plan. By working with the Pittsburgh Foundation, the Pittsburgh Public Services Fund was established and resulted in PILOT payments of approximately \$4 million annually or about 1 percent of its budget though the program has not been continued by the new City administration. Harrisburg should quantify and communicate the value of the services it provides to its larger (Purely Public Charity) non-profit property owners, pointing out the advantages of the City services that support the organizations’ operations.

In the pursuit of PILOT payments the City should take the following actions:

1. Determine the impact on property tax revenues as part of the due diligence of selling government owned property to for-profit organizations.
2. Solicit voluntary contributions from government sponsored organizations to reimburse the City for all or a portion of the services provided by the City. The City shall review the implementation of an Act 55 format for the formal agreement and payment of specified PILOT revenue from organizations exempt from property taxation.
3. Review the status of the qualification and PILOT agreements with the non-profit healthcare institutions and the other private organizations with large tax-exempt assessments (starting with those of at least \$1 million in assessed value).
4. Seek voluntary contributions / PILOTs with non-profit organizations, starting

with those having the highest tax-exempt values and those who utilize substantial amounts of the City services. An increase of 5 percent to 10 percent of the five year PILOT average amount will yield more than \$100,000.

REV7 County-wide Property Reassessment. The Coordinator recommends that the governing bodies of the City should continue their efforts to petition the Lackawanna County Commissioners to conduct a reassessment of real property values throughout Lackawanna County. The last county-wide property reassessment occurred in 1968. The county began a reassessment in September 2006 with new assessments scheduled to go into effect for 2009. However, the reassessment was indefinitely suspended in October 2009 by the Commissioners because of the cost of completion.

Property reassessment will result in a more equitable distribution of the property tax burden, promote commercial development and allow municipalities to lower their overall property tax mill rates while maintaining the same tax base. Presently, owners of newer buildings typically pay higher taxes because their assessments are closer to actual worth compared to older buildings, whose owners pay less because their assessments are far less than actual worth. This disincentivizes new construction not only in the City but throughout Lackawanna County.

Financial Management

FM1 Financial Management and Reporting. The City has made significant progress in developing a reliable financial and accounting system. However, many of the policies relevant to the system are not compiled and available in a comprehensive plan. A systematic review of existing financial reporting policies shall be undertaken. The plan shall delineate appropriate policies and procedures which shall be in conformance with applicable state law, the City's Home Rule Charter, and Generally Accepted Accounting Principles (GAAP).

FM2 Allocate Administrative Responsibilities. In order to achieve the commendable improvement of financial management processes as identified, the City shall continue the

dispersion of non-financial or department specific responsibilities away from the Office of Business Administrator and to the responsible City department. The fundamental objective of the operation of the Office of Business Administration should remain the administration of the yearly budget and completion of the audit on a timely basis. The Business Administrator's office presently assumes responsibility for departmental initiatives outside of its administrative code responsibilities. To achieve the identified financial management objectives, the various City departments will assume greater responsibility for direct department initiatives, such as Request for Proposal preparation and execution to the greatest extent as allowed under the Home Rule Charter and Administrative Code. The City's implementation of the Position Classification and Compensation study will provide valuable guidance in the segregation of specific duties.

FM3 Audits. It shall be the goal of the City to receive all prior year audits required under its Home Rule Charter and Administrative Code by the date specified in the Charter or Code. The City shall pursue actions for non-compliance against the auditing firm as available under the request for proposal for the particular audit. The City shall also insure that the audits performed for its component units and other relevant entities are timely completed and forward to the City as required by applicable law.

FM4 Insurance Costs and Risk Management. The City shall utilize professional risk managers to ensure the sound management of the Workmen's Compensation program and other City insurance. The City, primarily through the Business Administrator, shall take action to comply with the Irrevocable Trust Agreement, as amended, for funding the City's workers' compensation claims to ensure annual self-insurance certification from the Department of Labor and Industry (L & I). Specifically, the City shall ensure that the highest priority is given to: the funding requirements of the agreement including any unfunded liability, fulfilling the reporting requirements delineated in the agreement, and securing the required annual actuarial estimates from L & I which are to be used for budgeting the mandated funding.

In addition, the Business Administrator in conjunction with the City Attorney, Human Resources Director, and professional risk managers shall review the City's existing liability and property insurance policy. The Business Administrator shall make recommendations to the Mayor on changes that might be undertaken in terms of overall coverage, deductible limits, and excess insurance in order to provide for either enhancements in coverage or reduction in cost.

FM5 Investment Policy and Program. The City shall set forth a plan which defines investment policies, fixes investment responsibilities, and provides for a clear investment process. The City needs a formally adopted investment policy to protect officials from legal actions for questionable investment practices. A properly prepared policy will also facilitate the protection of the City's liquid assets, the maintenance of sufficient liquidity to meet operating requirements, and earning of market rates of return on investments.

An investment policy should:

- Fix investment responsibilities and identify the type of investment instruments that are allowable and set forth investment diversification requirements.
- Set forth the procedures for identifying when idle "money" will be available for investment and for how long a period of time it will be available.
- Specify means to be used in evaluating the performance of the investment program.
- Identify the City's safekeeping and collateralization requirements.
- Specify reporting requirements by the officials responsible for implementing the investment program.

After due consideration and review by all relevant parties, the Mayor shall authorize the implementation of the investment policy and program. Should any of the proposals require action by City Council, the Mayor shall promptly propose such ordinances/resolutions to Council.

FM6 Update Human Resources Management Plan. **Subject to other provisions of this 2017 Exit Plan, the City shall review and update its Human Resources Management Plan where necessary.** To the extent that any management practices are not in a unified and

comprehensive format, they shall be consolidated into the City's Human Resources Management Plan.

The Human Resources Management Plan shall contain, but not be limited to:

- The development of an integrated personnel database which will record and track for each City employee such items as date of hire, medical insurance coverage, pension eligibility, work attendance, holiday eligibility, vacation eligibility, sick time eligibility and other related items. All data collected shall be subject to applicable legal requirements and individual employee confidentiality. The database shall have the capability of providing relevant management reports.
- Policies for management (FLSA exempt) personnel relating to eligibility for benefits, work schedule, vacations, sick leave eligibility, and termination procedures unless provided for under state statute or City ordinances (including the Administrative Code). Criteria for exempt status under the Fair Labor Standards Act (FLSA) shall be explained in the Human Resources Management Plan.
- Procedures for employees "reporting off" because of sickness, injury, or other reasons.
- The development of job descriptions and qualifications subject to any contractually required consultation with the bargaining units.
- Staff training for employees to improve overall City efficiency with particular emphasis on training in information technology.
- Cross training for all employees so that the absence of any one employee will not endanger operational efficiency.
- Written guidelines for travel reimbursement while on City business.
- Policies for the use of City vehicles and/or reimbursement for use of an employee's vehicle while on City business.
- Compilation of all relevant policies and procedures in an updated Personnel Manual.

FM7 Non-Represented Employee Position, Compensation, and Classification Study. The City's adopted 2011 and 2012 operating budgets eliminated administrative personnel positions and also reduced the compensation of many remaining administrative positions. For example, the Business Administrator's Office personnel complement was reduced

from 4 to 2 in 2012 and the Solicitor's Office personnel complement was reduced from 5 to 2 in 2014. Likewise, the Business Administrator's salary was reduced from \$85,000 to \$53,000 in 2011; the Public Works Director's salary was reduced from \$65,000 to \$48,750 in 2011, and the Solicitor's salary was reduced from \$70,000 to \$52,500 in 2011. The City has utilized Act 47 grant funding to supplement these low salaries (for example, the Business Administrator salary is \$89,000 in 2017); this supplemental grant funding is non-continuing and therefore the City must examine positions, compensation, and classifications anew to determine appropriate rates and responsibilities for future budgets and staff recruitment and retention.

The work being performed by personnel whose jobs were eliminated did not go away and needed to be performed. The City concomitantly distributed these duties and responsibilities to remaining administrative staff. Unfortunately, for some of the remaining administrative staff members whose workload increased their compensation was also reduced due to the fiscal crisis. Over the past three years, the Mayor's Office and City Council has stabilized the City's fiscal position and has commenced the process to address some of the issues resulting from the City's 2012 financial crisis.

To assist the City, the Coordinator is recommending that City shall engage a qualified personnel consultant to perform an Employee Position, Compensation, and Classification Study (Study) for all employees not represented by a collective bargaining agreement, to include department directors, as of the adoption of this Exit Plan. The Study is a process by which jobs of a common nature with similar duties and responsibilities are grouped together for the purposes of assignment to an appropriate pay range. It is the Coordinator's intent that the City undertake this Study to strengthen the City's selection and compensation program for these City employment positions. For the City's situation, updated job descriptions are necessitated due to the transfer of duties and responsibilities to administrative personnel resulting from the aforementioned eliminated job positions. Accurate job descriptions are an essential ingredient of a comprehensive compensation program and provide a basis for position comparison to market data collected for that position. The appointed consultant shall classify the elements of a position that include

the nature, scope, and level of duties and responsibilities; the relationship of the position to other positions in the department; supervision given/received; and the exercise of independent judgment.

In consultation with the Coordinator, the City shall assess the Study's position description and classification conclusions and evaluate the impact of its fiscal conclusions on the City's operating budget. The City shall pursue an Act 47 grant in the approximate amount of \$65,000 to fund this Study and shall utilize the Study's results in preparing the 2018 and 2019 budgets for compensation of non-represented employees.

FM8 Inspections and Licenses. The City's Department of Permits, Licensing, and Inspections is responsible for the issuance of all licenses and building, housing, health, and zoning inspections and enforcement. The City shall ensure that all its inspectors continue to maintain required certifications. Further, the Department shall determine what new and additional requirements, if any, have been imposed on the City by applicable law. The Director, in conjunction with the City Business Administrator and Director of Information Technology shall explore data/informational systems which may be used to facilitate the various permitting and licensing functions of the department.

FM9 Capital Items/Budget. The City of Scranton shall develop a comprehensive list of capital needs and funding sources. All capital budgets must be prepared and approved under the terms of the City's Home Rule Charter and any applicable laws.

With respect to Capital Items/Budget:

- In general, it is the intent of the Act 47 Coordinator that the City shall fund these projects to the greatest extent possible using federal and/or state grants (or grants from other sources) as well as other "one-time" sources.
- In addition to the major capital projects, lesser capital purchases (especially vehicles, other rolling stock, technology infrastructure, and like items) shall generally be funded from funds budgeted for capital acquisition in the City's General Fund.
- In accordance with the terms of the City's Home Rule Charter, the Mayor shall annually submit a five-year Capital Budget for consideration and action by City

Council. To the extent possible, specific plans and dollar estimates as well as funding sources shall be included along with timelines for project initiation and completion.

CHAPTER 10

ACHIEVING BALANCED GENERAL FUND BUDGETS 2018 – 2020

It was the Coordinator's finding in the Financial Condition Report that although the City has made noteworthy progress on a number of fronts, the burden of its legacy cost obligations continues to stress the City's annual finances and hinders its ability to achieve long-term financial sustainability.¹ Therefore, the Coordinator recommended that a three-year exit plan be prepared for the City that will include the initial stages of a strategy designed to moderate the impact of the City's legacy costs on its annual operating budgets and improve the City's ability to achieve long-term financial sustainability. Chapters 3 through 9 of this Exit Plan contain many initiatives that are designed to address the impact of these legacy costs over both the short-term and long-term thereby reducing the City's annual budget obligation for these costs while maintaining sufficient revenues to provide vital and necessary services to its residents.

The Coordinator's baseline assumptions, as outlined in Chapter 2 of this Exit Plan, project that the City will have moderate operating budget surpluses in 2017 and 2018, turning to moderate deficits in 2019 – 2020. (See Chapter 2, page 2-5 of this Exit Plan). The Coordinator believes implementation of the following initiatives will eliminate the projected operating budget deficits projected in 2019 and 2020. (See Table 10-1.)

Table 10-1
Baseline General Fund Projections
2017 – 2020
Excludes TRAN Principal (With Implementation of 2017 Exit Plan)

| | 2017 Estimated | 2018 Projected | 2019 Projected | 2020 Projected |
|---|-------------------|-------------------|-------------------|-------------------|
| Revenues | \$ 94,165,441 | \$ 91,578,646 | \$ 89,853,611 | \$ 90,358,168 |
| Expenditures | \$ 94,140,760 | \$ 90,500,207 | \$ 91,859,095 | \$ 93,594,615 |
| Surplus/(Deficit) | \$ 24,681 | \$ 1,078,440 | \$ (2,005,484) | \$ (3,236,447) |
| Act 47 Plan Mandates | | | | |
| Further Debt Restructuring 2017 | \$ - | \$ (2,305,970) | \$ (2,306,240) | \$ (2,305,890) |
| Revenue Increases/Expenditure Decreases | \$ - | \$ - | \$ - | \$ 930,557 |
| Net Surplus/(Deficit) | \$ 24,681 | \$ 3,384,410 | \$ 300,756 | \$ - |
| Cumulative Surplus/(Deficit) | \$ 24,681 | \$ 3,409,091 | \$ 3,709,847 | \$ 3,709,847 |

¹ See Appendix A, *Report Stating the Financial Condition of the City of Scranton*, page 10.

Deficit Elimination

DE1 Further Debt Restructuring 2017. The Coordinator recommends that the City uses proceeds from the sale of its Sanitary Sewer System, along with estimated surplus amounts under the workers' compensation Trust Agreement, to pay off the City's 2003 C and 2003 D Bonds (the latter of which were originally issued to fund workers' compensation bonds). The cash defeasance of the 2003 C and 2003 D Bonds will not only repay a borrowing for workers' compensation reserve funding but it will save the City over \$2.3 million per year for the next 5 years. The City should consider using a portion of these savings relating to the workers' compensation bonds to bolster its worker's compensation infrastructure and programs.

APPENDIX A

**REPORT STATING THE FINANCIAL CONDITION
OF THE CITY OF SCRANTON**

Prepared For:

The City of Scranton, Lackawanna County

Date Filed:

February 17, 2017

Prepared By:

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88 North Franklin Street, Suite 200
Wilkes-Barre, PA 18701

REPORT STATING THE FINANCIAL CONDITION OF THE CITY OF SCRANTON

Introduction

Pursuant to the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act, Act 47 of 1987, as amended, (Act 47) the City of Scranton (City) was declared a financially distressed municipality by order of the Secretary of the then Department of Community Affairs (now Department of Community and Economic Development) (DCED) on January 10, 1992. The Pennsylvania Economy League (PEL) was subsequently appointed the Act 47 Coordinator (Coordinator) for the City. The City adopted its original Act 47 Recovery Plan (Recovery Plan) in 1992 and adopted subsequent Recovery Plan amendments in 1995, 2002, 2012 and 2015.

Act 199 of 2014 (Act 199) amended Act 47 to among other provisions limit the amount of time a municipality may be declared a financially distressed municipality to five years from the effective date of its most recent recovery plan or recovery plan amendment. For the City, the 2012 Recovery Plan Amendment adopted by Scranton City Council on August 23, 2012 started the five year limitation of the City's declaration as a financially distressed municipality. As part of the Act 199 process, the Coordinator is required to complete a report stating the financial condition of the municipality no later than 180 days after the beginning of the final year of distressed status. The report is required to include one of the following findings: (1) termination of distressed status; (2) municipal disincorporation; (3) fiscal emergency; or (4) a three-year exit plan. The Coordinator has prepared this Report Stating the Financial Condition of the City of Scranton (Report) and accordingly files this Report with the Department and City representatives.

Financial Condition

Background

The City of Scranton is located in Lackawanna County in northeastern Pennsylvania. The City's estimated 2015 population is 77,118¹ making it the largest municipality in northeastern Pennsylvania. The City is governed pursuant to the Home Rule Charter of the City of Scranton adopted by referendum on May 21, 1974. The Mayor and City Council, jointly, are

¹ U.S. Census Bureau. (2015, July 1). *State and County Quickfacts: Scranton City, PA*.

the governing body of the City.² The current elected officials have cooperated with the Coordinator in implementing many of the initiatives included in the City's 2012 and 2015 Recovery Plan Amendments. In an effort to strengthen the City's financial capacity, in January 2014 HJA Strategies, LLC was engaged by the Greater Scranton Chamber of Commerce to assist the City with budgetary and long-term financial solutions. HJA continues to provide guidance to the City and has worked closely with the Coordinator in that regard.

Operating Budget Review

The City has experienced operating budget surpluses and deficits since it adopted the 2012 Recovery Plan Amendment. The City's audits indicate that the City incurred operating budget surpluses in 2012 and 2015 of \$8,777,736 and \$3,569,796, respectively. However, in 2013 and 2014 the City's audits show that the City incurred operating budget deficits of \$3,288,846 and \$2,897,796, respectively. The City's 2016 unaudited financial statements indicate that the City completed 2016 with a \$2,539,316 operating budget surplus.³

Revenues, Expenditures, Surplus(Deficit) Including TRAN 2012 - 2016

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Audited | Audited | Audited | Audited | Reported |
| Revenues | 100,772,279 | 85,862,582 | 77,994,935 | 99,225,694 | 101,548,922 |
| Expenditures | <u>91,994,543</u> | <u>89,151,428</u> | <u>80,892,731</u> | <u>95,655,898</u> | <u>99,009,606</u> |
| Surplus/(Deficit) | 8,777,736 | -3,288,846 | -2,897,796 | 3,569,796 | 2,539,316 |

The City's legacy costs include retiree healthcare, pension, and debt service. These ongoing legacy costs were incurred by the City in prior years, however, the City remains legally required to satisfy these prior commitments. The City presently commits current operating budget revenue to fulfill these legacy costs and the corresponding expenditures are included in the City's operating budget expenditures. During the 2012-2016 operating budget review period the City's legacy costs have steadily increased. In 2012, the City's legacy costs were \$24,942,887 or 33.1 percent of the City's total 2012 operating expenditures excluding the

² *Home Rule Charter of the City of Scranton*. Article II, Section 201.

³ The City of Scranton received significant cash proceeds from transactions completed in 2016. The proceeds from these transactions were not included in the 2016 operating budget adopted by the City and are considered by the Coordinator as a one-time revenue sources. Therefore, to accurately reflect the City's 2016 operating budget performance the Coordinator does not include these proceeds in its analysis of the City's 2016 operating budget performance.

TRAN. In 2016, the City's legacy costs increased \$34,628,946 or 40.1 percent of the City's total 2016 operating expenditures excluding the TRAN. These legacy costs significantly impact the City's ability to provide current services to its residents from the revenue it receives from its annual operating tax revenues.

**Legacy Costs by Type and Proportion of Total Expenditures Excluding TRAN
2012 - 2016**

| | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | Audited | Audited | Audited | Audited | Reported |
| Retiree Healthcare | \$ 6,898,816 | \$ 6,651,643 | \$ 7,135,389 | \$ 6,894,804 | \$ 7,119,956 |
| Pension MMO | \$ 4,514,909 | \$ 7,579,642 | \$ 12,444,756 | \$ 12,635,490 | \$ 14,700,396 |
| Annual Debt Service | \$13,529,161 | \$ 9,056,318 | \$ 10,485,838 | \$ 12,509,397 | \$ 12,808,594 |
| Total Legacy Costs | \$ 24,942,887 | \$ 23,287,603 | \$ 30,065,984 | \$ 32,039,690 | \$ 34,628,946 |
| % of Total Expenditures | 33.6% | 30.2% | 43.8% | 38.8% | 40.1% |

The largest legacy cost increase during the review period was the City's annual pension obligation which increased from \$4,514,909 in 2012 to \$14,700,396 in 2016, an increase of 225 percent. This large pension increase is primarily due to the significant underfunded liabilities in the City's Aggregate Pension Fund and the City's participation in the Act 44 of 2009 amendments to the Municipal Pension Plan Funding Standard and Recovery Act (Act 205 of 1984) which allowed the City to reduce its required pension contribution. The City's retiree healthcare obligation increased from \$6,898,816 in 2012 to \$7,119,956 in 2016 while the City's debt service decreased slightly from \$13,529,161 in 2012 to \$12,808,594 in 2016.

2016 Financial Review

The Coordinator is projecting that the City ended the 2016 fiscal year with an operating surplus of \$2,539,316.⁴ The City increased its real property tax rates in 2016 by 5.7 percent and received approval from the Lackawanna County Court of Common Pleas to increase the Local Services Tax levy from \$52 to \$156. For the 2016 fiscal year, the City's unaudited operating revenues were \$88.8 million or within 1.7 percent of the budgeted amount, for a budget to actual difference of \$1.6 million. Unaudited operating expenditures were also lower at \$86.3 million or 3.6 percent under the approved budget by \$3.2 million. Accordingly, the City is expected to have a 2016 operating surplus of revenue over expenditures of approximately \$2.5 million.

⁴ Based on the City of Scranton's reported financial numbers that have not been independently audited as of this Report.

These figures do not include the significant financial events that occurred in 2016 and are discussed later.

2016 Budget to Actual and Variance Excluding TRAN

| | 2016 <u>Actual</u> | 2016 <u>Budget</u> | 2016 Act - Bud | |
|-------------------------------|-----------------------|-----------------------|-------------------|---------------|
| <u>Revenue</u> | | | \$ | % |
| Real Estate Taxes | \$32,834,319 | \$33,534,836 | -700,516 | -2.1% |
| EIT | 26,233,921 | 25,555,000 | 678,921 | 2.7% |
| LST | 4,911,261 | 5,020,000 | -108,739 | -2.2% |
| Mercantile/Business Privilege | 2,349,152 | 3,560,000 | -1,210,848 | -34.0% |
| Other Taxes | 4,591,708 | 3,137,500 | 1,454,208 | 46.3% |
| Refuse Revenue | 7,336,170 | 7,287,500 | 48,670 | 0.7% |
| Other Non-Tax Revenue | <u>10,542,391</u> | <u>12,266,061</u> | <u>-1,723,670</u> | <u>-14.1%</u> |
| Operating Revenue | 88,798,922 | 90,360,896 | -1,561,974 | -1.7% |

2016 Budget to Actual and Variance

| | 2016 <u>Actual</u> | 2016 <u>Budget</u> | 2016 Act - Bud | |
|-----------------------------------|-----------------------|-----------------------|----------------|--------------|
| <u>Expenditures</u> | | | \$ | % |
| Personnel Expenditures | 63,004,261 | 65,245,348 | -2,241,088 | -3.4% |
| Departmental Expenditures | 8,060,853 | 9,433,900 | -1,373,047 | -14.6% |
| Non-departmental Expenditures | 2,789,416 | 2,407,773 | 381,643 | 15.9% |
| TRAN Interest | 264,162 | 210,000 | 54,162 | 25.8% |
| Debt Service Excluding TRAN & SPA | <u>12,140,914</u> | <u>12,177,363</u> | <u>-36,449</u> | <u>-0.3%</u> |
| Operating Expenditures | 86,259,606 | 89,474,384 | -3,214,778 | -3.6% |
| Operating Surplus/(Deficit) | \$2,539,316 | \$886,512 | \$1,652,804 | 186.4% |

During fiscal year 2016 the City maintained its accounts payable on a current basis through the third quarter. The City's revenue cycle produces a cash shortfall in the fourth quarter and the City responds by holding accounts payable where possible to a 90-day payment cycle. The City uses unexpended or unencumbered funds in fund accounts such as debt service pre-funding and workers compensation reserve accounts to provide sufficient cash liquidity to meet payroll and make the City's minimum municipal obligation payment for the City's pension fund. These funds are made whole again in early January through the funding of the City's 2017 Tax and Revenue Anticipation Note. The City promptly paid its outstanding debt service obligations in 2016 and satisfied its \$13 million 2016 Tax and Revenue Anticipation Note in October 2016. The City paid its 2016 pension minimum municipal obligation of \$14.4 million in December 2016. The City is current on its financial audits having received its 2015 financial audit in November 2016. The City anticipates completion of the 2016 audit by July 1, 2017 due to improvements in the City's audit preparation process through the use of an independent accounting firm to supplement business administration staff capacity.

The City completed several significant financial events in 2016 that were included in the City's Recovery Plan Amendments. In June, the City obtained \$29,810,000 in bond financing to pay the police and fire judgment resulting from a 2011 Pennsylvania Supreme Court ruling. Also in June the City refinanced a letter of credit backing a 2008 taxable variable rate demand note with a \$7,720,000 bond issue. In August, the City successfully monetized the Scranton Parking Authority (SPA) and the City's parking assets. Under the terms of a lease concession agreement, the National Development Council (NDC) will lease the City's parking assets for forty-five years. NDC privately placed \$39,000,000 of bonds to finance the concession paid to the City. The City used the proceeds from the concession to defease outstanding SPA debt related to the parking garages. The City also issued \$32,850,000 in bonds to generate the remaining funds needed to defease the remaining outstanding debt of the SPA. Finally, in December the City successfully sold the Scranton Sewer Authority (SSA) assets to PA American Water Company for \$195 million. The City received \$69.9 million from the sale with an additional \$14 million set aside in escrow accounts that the City may receive in segments over the next three years. As this Report is being written the City is currently modelling several scenarios utilizing the \$69.9 million proceeds from the sale of the SSA assets. It is anticipated the City will eventually utilize a significant proportion of these cash assets to defease long-term high interest debt and to make a contribution to the City's distressed pension plans. The City will also be modelling the use of the remaining \$14 million of the escrowed SSA assets in anticipation of receipt of these funds in the future.

2017 Financial Condition

The City adopted a balanced 2017 operating budget on December 8, 2016, with revenues and expenditures equal to \$94,017,385. The adopted 2017 budget maintains the same property and Act 511 tax rates included in the City's 2016 budget with the exception of a decrease in the Real Estate Transfer tax rate from 2.9 percent to 2.4 percent. The City closed on a \$12,750,000 TRAN on January 3, 2017. The City will make required payments on the 2017 TRAN throughout 2017 with it being anticipated that the 2017 TRAN will be paid no later than November 2017. Throughout the 2017 fiscal year, the Coordinator will monitor the City's fiscal position by way of in-person weekly meetings with the Business Administrator and Finance

Manager, monthly financial reports, and the preparation of monthly cash flow estimates for the City's use.

**Adopted 2017 Budget
Revenue and Expenditures Excluding TRAN**

| <u>Revenue</u> | <u>2017 Budget</u> |
|-----------------------------------|---------------------|
| Real Estate Taxes | \$34,273,287 |
| EIT | 26,563,760 |
| LST | 4,595,000 |
| Mercantile/Business Privilege | 3,070,250 |
| Other Taxes | 3,819,000 |
| Non tax revenue | 21,696,088 |
| Total Revenue | \$94,017,385 |
| <u>Expenditures</u> | |
| Direct Compensation | \$31,665,083 |
| Benefits | 17,418,759 |
| Pension | 19,111,906 |
| Workers Comp | 3,323,826 |
| Subtotal Personnel | 71,519,574 |
| Departmental Expenditures | 9,658,973 |
| Non-departmental Expenditures | 2,024,333 |
| Debt Service excluding TRAN & SPA | 10,604,505 |
| TRAN Interest | 210,000 |
| SPA Guarantee | 0 |
| Total Expenditures | \$94,017,385 |
| Surplus/(Deficit) | \$0 |

As of the date of this Report the City has a typical amount of accounts payable with none known to be over thirty days due and a sufficient cash balance to meet anticipated costs and employee expenses until the receipt of 2017 real estate, earned income, and local services tax revenues. The City ended the 2016 with \$839,891 in cash and \$1.4 million in accounts payable. The City is projected to end 2017 with \$329,000 in cash and \$700,000 in payables.

Estimated 2017 Cash Flow by Quarter Including TRAN

| | 1st Qtr. | 2nd Qtr. | 3rd Qtr. | 4th Qtr. | 2017 |
|---------------------------|-------------------|-------------------|-------------------|--------------------|--------------------|
| | Estimated | Estimated | Estimated | Estimated | Total |
| Revenues | 25,262,496 | 28,913,562 | 20,059,172 | 21,243,527 | 95,478,758 |
| TRAN | 12,750,000 | 0 | 0 | 0 | 12,750,000 |
| Total Revenues | 38,012,496 | 28,913,562 | 20,059,172 | 21,243,527 | 108,228,758 |
| Expenditures | 17,804,573 | 17,859,997 | 17,263,685 | 31,528,645 | 84,456,901 |
| Debt Service | 2,649,255 | 2,649,255 | 2,649,255 | 2,649,255 | 10,597,022 |
| TRAN Repay | 4,020,812 | 4,082,401 | 4,637,207 | 219,580 | 12,960,000 |
| Total Expenditures | 24,474,641 | 24,591,653 | 24,550,148 | 34,397,481 | 108,013,923 |
| Surplus/(Deficit) | 13,537,855 | 4,321,909 | -4,490,976 | -13,153,953 | 214,835 |

Estimated 2017 Cash on Hand by Quarter Period Including TRAN

| | 1st Qtr. Estimated | 2nd Qtr. Estimated | 3rd Qtr. Estimated | 4th Qtr. Estimated |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| Cash Beginning of Period | 839,891 | 3,576,656 | 7,339,427 | 7,927,848 |
| Surplus Deficit | 13,537,855 | 4,321,909 | -4,490,976 | -13,153,953 |
| Increase/(Decrease) in Payables | -1,224,886 | 0 | 500,000 | 0 |
| Other Balance Sheet Items Affecting Cash | -9,576,204 | -559,137 | 4,579,396 | 5,555,945 |
| Cash End of Period | 3,576,656 | 7,339,427 | 7,927,848 | 329,840 |

The City currently has 477 budgeted employee positions. The City's managerial, supervisory and confidential employees are "at will" employees. Most of the City's employees are represented by one of four unions and are subject to labor contracts with the City.

Lodge No. 2 of the Fraternal Order of Police represents the City's uniformed police officers. The current City and FOP collective bargaining agreement term began on January 1, 2008 and was due to expire on December 31, 2017. Pursuant to a 2015 Memorandum of Understanding between the City and the FOP, the 2008 collective bargaining agreement term was extended to cover the period from January 1, 2018, through December 31, 2021.

The Local Union No. 60 of the International Association of Fire Fighters (IAFF) represents the City's uniformed fire fighters. The IAFF's current collective bargaining agreement with the City began on January 1, 2008, and was due to expire on December 31, 2017. Similar to the FOP, however, the IAFF executed a Memorandum of Understanding with the City in 2015 that extended the 2008 collective bargaining agreement term from January 1, 2018, through December 31, 2021. The City is not expected to negotiate new collective bargaining agreements with the FOP and IAFF representatives until 2021.

The International Association of Machinists and Aerospace Workers AFL-CIO Local 2305 (Local 2305) represents the City's public works employees. The City's current collective bargaining agreement with Local 2305 began on January 1, 2014, and expires December 31, 2017. The City will be negotiating with Local 2305 on a new contract during the latter half of 2017.

The International Association of Machinists and Aerospace Workers AFL-CIO Local 2305 (Local 2462) represents the City's clerical employees. The City's collective bargaining agreement with Local 2462 expired on December 31, 2015. Local 2462 members continue to work under the terms of the expired contract until a new agreement is reached. The City and Local 2462 have negotiated a new collective bargaining agreement that is pending ratification by

Local 2462 members and the City. The Coordinator has reviewed the proposed collective bargaining agreement and believes that the agreement substantially complies with the cost containment provisions included in the City's adopted 2015 Recovery Plan Amendment.

The City's outstanding principal long-term debt as of December 31, 2016, was \$146,635,000. The City is currently expected to make \$10,597,022 in long-term debt service payments of principal and interest in 2017.

Long-Term Debt Summary

| | Outstanding Principal | Rate | Maturity |
|---|--------------------------|--------------|----------|
| Emmaus General Authority Go Notes, Series of 2002 | 4,485,000 | 3.5% | 2028 |
| Go Bonds, Series B of 2003 | 25,195,000 | 4.35% - 5.0% | 2031 |
| Go Bonds, Series C of 2003 | 13,270,000 | 4.9% - 5.6% | 2033 |
| Federally Taxable Go Bonds, Series D of 2003 | 6,135,000 | 5.0% - 5.5% | 2023 |
| Series 2016 A Bonds | 29,810,000 | 5.0% | 2028 |
| Series 2016 AA Bonds Federally Taxable | 7,870,000 | 5.25% | 2026 |
| Series 2016 Notes | 32,850,000 | 5.0% | 2032 |
| Total Outstanding After February 2017 Call | 119,615,000 | | |
| Lease Revenue Bonds, Series of 2006 | 8,820,000 | 5.5% - 6.1% | 2023 |
| Series 2012 A | 6,755,000 | 8.5% | 2022 |
| Series 2012 B | 1,010,000 | 8.5% | 2022 |
| Series 2012 C | 6,655,000 | 7.25% | 2022 |
| Series 2013 A | 3,780,000 | 7.25% | 2023 |
| Call February 2017 | 27,020,000 | | |
| Total Outstanding December 31, 2016 | 146,635,000 | | |
| 2012 Act 47 Loan | 600,000 | 0 | 2022 |

The City of Scranton's Aggregate Pension Fund (Fund) remains in Level III—Severe Distress.⁵ As of January 1, 2015, the Fund's funding ratio was 24.3 percent.⁶ The funded status of the police, firemen's and non-uniformed pension plans are 31.1 percent, 17.4 percent and 27.3 percent funded, respectively, as of January 1, 2015.⁷ The police plan only has available assets to fund less than 6 years of benefit payments, the firemen's plan only has assets to fund less than 3 years of benefit payments and the non-uniform plan only has assets to fund less than 4 years of benefit payments.⁸ As previously mentioned, the City is currently evaluating using a portion of

⁵ Letter accompanying Pennsylvania Auditor General's *Compliance Audit—City of Scranton Aggregate Pension Fund*. (August 25, 2016).

⁶ *Id.*

⁷ Commonwealth of Pennsylvania. Department of the Auditor General, *Compliance Audit—City of Scranton Aggregate Pension Fund* (September 2016) at pages 15, 16 and 17, respectively.

⁸ Letter accompanying Pennsylvania Auditor General's *Compliance Audit—City of Scranton Aggregate Pension Fund*. (August 25, 2016).

the SSA sale proceeds as part of other systematic changes to the Fund. The City's annual minimum pension obligation in 2017 is estimated to be \$19,111,906.

The City's retiree healthcare contribution in 2017 is projected to be \$8,062,205. The City does not pre-fund this legacy cost similar to its pension liabilities and finances these costs on a pay-as-you-go basis. As of December 31, 2015, the City's unfunded actuarial liability for retiree healthcare was \$195,258,597.⁹

In 2015, the City worked with the Greater Scranton Chamber of Commerce and other public and private stakeholders to develop the Scranton Community Revitalization Plan (Downtown Plan) with the goals of rebuilding the healthy financial position of the City and enhancing the business and residential climate within the City's central business district.¹⁰ The Plan recommends increasing the number of residents living downtown, fostering an "Eds and Meds" district through existing institutional anchors, and improving the quality of life for current downtown residents. These goals for downtown revitalization and economic development are critical as the City strives to exit Act 47 and become a healthy, sustainable community. The City engaged the National Resource Network (NRN) in 2016 to develop strategies to implement the Plan, which resulted in the completion of the Downtown Scranton Revitalization Strategic Implementation Plan (NRN Plan) in December 2016.

Recommendations from the NRN Plan include: increasing the City of Scranton's capacity for economic development by designating a current or new staff person to be the City's point person for implementation of the Downtown Plan; designating Scranton Tomorrow (a 501(c)(3) nonprofit organization) as the City's lead partner organization for implementing the Downtown Plan; and building support among downtown property owners for the creation of a business improvement district in the next two to three years that would be funded by a special assessment. In order to implement these recommendations, the NRN Plan further recommends that the City invest seed money of up to \$500,000 from the City's sewer proceeds to increase Scranton Tomorrow's capacity so that the organization can expand services to the downtown and enhance programming and marketing activities. Funding would also be sought from state grants and downtown anchor institutions. In addition, the City is recommended to take the lead in

⁹ *City of Scranton, Pennsylvania—Financial Statements and Single Audit Together with Report of Independent Public Accountants For the Year Ended December 31, 2015*, at page 76.

¹⁰ Greater Scranton Chamber of Commerce and partners, *Our Transformative Period Community Revitalization Plan*. (December 2015).

organizing a focused, short-term task force to further define the required changes to Scranton Tomorrow to effectively implement the Downtown Plan.

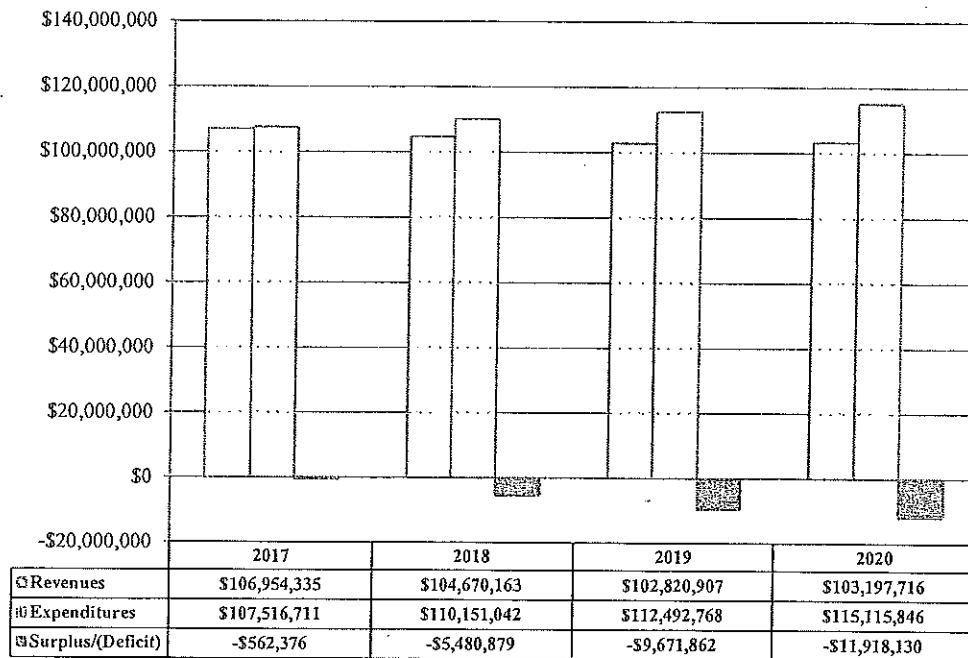
The City is currently implementing two Act 47 funding contracts. In 2016 the City executed a \$234,925 Act 47 grant contract with DCED to support administrative salaries, purchase technological improvements and to conduct a feasibility study of the management of City's storm water system. These initiatives were included in the City's 2015 Recovery Plan amendment. In 2012 the City executed a \$2.0 million interest free loan agreement and note from DCED under the Act 47 program. The City repaid \$1.0 million in 2012. The remaining \$1.0 million has been amortized through 2022 with the City repaying \$100,000 annually.

Finding

It is the Coordinator's finding that although the City has made noteworthy progress on a number of fronts, the burden of its legacy cost obligations continues to stress the City's annual finances and hinders its ability to achieve long-term financial sustainability. Therefore, the Coordinator recommends that a three-year exit plan shall be prepared for the City that will include the initial stages of a strategy designed to moderate the impact of the City's legacy costs on its annual operating budgets and improve the City's ability to achieve long-term financial sustainability.

The Coordinator's baseline operating budget projections for the next three years projects the City's baseline operating expenditures to increase annually on average of 2.3 percent while the City's baseline operating revenue over the next three years is projected to decrease slightly or remain flat annually. Consequently, the City is projected to incur baseline operating budget deficits over the next three years in the absence of a financial plan. The Coordinator will be providing recommendations to the City to eliminate these projected operating deficits in the recommended exit plan.

**Projected Baseline Revenues, Expenditures, Surplus (Deficit) Including TRAN
2017 – 2020**



Along with the projected operating budget deficits, the outstanding legacy costs noted in this Report will continue to confront the City. The City's retiree healthcare obligation is projected to increase from \$8,062,205 in 2017 to \$9,602,215 in 2020. In addition, the City's annual minimum pension obligations are also projected to increase from \$19,111,906 in 2017 to \$20,583,575 in 2020. The City's debt service is also projected to increase from \$9,356,772 in 2017 to \$11,848,791 in 2020. Thus, during the 2017-2020 operating budget projected period the City's total legacy costs will continue to increase. In 2017, the City's total legacy costs are projected to be \$36,530,883 or 38.5 percent of the City's 2017 operating expenditures with the City's total legacy costs increasing to \$42,034,581 or 41.1 percent of the City's 2020 operating expenditures. It is the intent of the Coordinator to assist the City in developing a long-term strategy in the exit plan that will address these legacy issues that will minimize the long-term cost impact of these legacy costs on the City's future operating budgets.

**Legacy Costs by Type and Proportion of Total Expenditure Excluding TRAN
2017 – 2020**

| | 2017 Projected | 2018 Projected | 2019 Projected | 2020 Projected |
|--------------------------------|----------------------|----------------------|----------------------|-----------------------|
| Retiree Healthcare | \$ 8,062,205 | \$ 8,545,938 | \$ 9,058,694 | \$ 9,602,215 |
| Pension MMO | \$ 19,111,906 | \$ 19,801,014 | \$ 20,189,258 | \$ 20,583,575 |
| Annual Debt Service | <u>\$ 9,356,772</u> | <u>\$ 11,835,699</u> | <u>\$ 11,837,647</u> | <u>\$ 11,848,791</u> |
| Legacy Costs | \$ 36,530,883 | \$ 40,182,651 | \$ 41,085,598 | \$ 42,034,581 |
| Total Expenditures | \$ 94,766,711 | \$ 97,401,042 | \$ 99,742,768 | \$ 102,365,846 |
| % of Total Expenditures | 38.5% | 41.3% | 41.2% | 41.1% |

As previously noted, the City recently closed on the sale of the SSA assets to PA American Water. The City, its financial advisors and the Coordinator are currently modelling several scenarios on how to use the \$69.9 million to alleviate short-term and long-term financial issues confronting the City. The City is also expected to receive up to \$14 million of escrowed sales proceeds over the next three years. The City's final allocation of these funds will undoubtedly have an impact on the overall financial position of the City. The Coordinator will be providing assistance to City on the planned use of these funds and will be monitoring the ongoing impact of the allocation these funds on the City's finances over the next three years.

The City is currently in the process of completing a collective bargaining agreement with Local 2462 and will be negotiating a new collective bargaining agreement with Local 2305 in the latter half of 2017. The 2015 Recovery Plan amendment includes the cost containment provisions required by Act 133 of 2012 that the City cannot exceed when negotiating with its collective bargaining units. These cost containment provisions have proven to be beneficial to the City's cost containment strategy and will assist the City as it concludes its current negotiations with Local 2462 and begins negotiations with Local 2305.

The City is still in the process of evaluating a replacement of business privilege and licensing taxes with a payroll preparation tax, an initiative in the 2015 Recovery Plan Amendment. The legal authorization for the City to implement this initiative is only provided by Act 47. The Coordinator has engaged an independent consulting firm to estimate the impact of a payroll preparation tax upon those entities subject to the tax that were not subject to the business privilege and license tax and to estimate a rate of tax based on current payrolls in the City. The City has engaged a data analysis firm to increase compliance with the current business privilege and license tax. The Scranton School District (which levies a business privilege and license tax, also) has engaged a separate firm to increase compliance with the business privilege

and license tax. Implementation of the payroll preparation tax by the City while it is in the Act 47 program would allow the City to continue implementing the tax after the City's financially distressed status is terminated.

The Coordinator will continue overseeing the implementation of the Act 47 loan and grant projects over the term of the exit plan. The funds included in the Act 47 grant for the storm water feasibility study are germane to the City's sale of the SSA assets. The sale of the SSA assets to PA American Water Company did not include the City's storm water system. Prior to the sale the SSA assisted the City with maintaining its storm water system. The City has now assumed full responsibility for the City's storm water system. The Coordinator will be assisting the City with the implementation of the feasibility study's findings as it proceeds to develop a systematic policy to maintain the City's storm water system.

Summary

The City has been in the Commonwealth's Act 47 program since 1992. The Mayor, his administrative staff and City Council have actively, cooperatively, and proactively engaged the Coordinator over the past three years and have proceeded with the implementation of many of the initiatives included in the City's 2012 and 2015 Recovery Plan Amendments. The City has avoided financial crises and has completed 2016 with a balanced operating budget. The City has resolved the long outstanding judgment from the 2011 Pennsylvania Supreme Court ruling. The City has monetized its parking assets and sewer assets. These two monetizations have provided the City with significant resources to ameliorate several outstanding financial issues confronting the City.

Notwithstanding these positive developments, the growth of the City's operating expenses is projected to outpace the growth of the City's operating revenues resulting in projected significant annual operating deficits in 2018, 2019 and 2020. The City's increasing legacy costs will continue to consume a greater portion of the City's current tax revenues. The City will also need time to complete the implementation of various initiatives contained in the City's 2012 and 2015 Recovery Plan Amendments. The exit plan will provide the City with initiatives to foster multi-year financial plans with positive annual financial results and will include the initial stages of a plan to resolve the City's increasing legacy costs to include retiree healthcare, pension and high-interest debt obligations.

Therefore, it is the Coordinator's finding that an exit plan for the City is appropriate at this time to prepare the City to seek termination of its financially distressed status within the next three years.

APPENDIX B



OFFICE OF THE MAYOR

PENNSYLVANIA

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4101 • FAX: 570-348-4251

March 3, 2017

Official Comments to the Report Stating the Financial Condition of the City of Scranton

Dear Members of the Pennsylvania Economy League,

The City of Scranton has had the opportunity to review the Report Stating the Financial Condition of the City of Scranton.

First and foremost, the City would like to recognize and extend its gratitude for the cooperation and guidance over the past three (3) years extended by your members, namely Gerald Cross, the Act 47 Coordinator for the City.

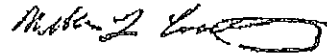
While the City has remained in Act 47 Distressed Status since 1992, some twenty-five (25) years, after three (3) years of diligent work, along with the assistance of HJA Strategies, PFM, the City Office of Business Administration, and your organization, the City has achieved significant milestones in ameliorating its financial distress in a remarkably short period of time. Since taking office, my administration, in compliance with several goals contained within the Recovery Plan, has been able to resolve the longstanding Police and Fire Judgment stemming from the 2011 Supreme Court ruling. Because of this achievement, the City halted the excessive interest that had been accruing to the detriment of the City since 2012. The City has also monetized the Scranton Parking Authority and its parking assets through a lease to a nonprofit organization. This has effectively allowed the City to defease a substantial portion of its outstanding parking-related debt and will incur no future capital expenditures with respect to parking. Similarly, the sale of the Scranton Sewer Authority has netted the City approximately \$69.9 million, with another portion in escrow anticipated to be received in installments in the future. \$27 million has been used to defease existing high-interest debt from 2006, 2012, and 2013. The remaining balance will be utilized, with the approval of City Council, to defease other debt and/or to fund the City's municipal pension funds. Additionally, over the past three (3) years, the City has gone from not being able to borrow any money, or at least to do so at reasonable rates of interest, to being sought out by investors, with competitive interest rates being offered. Through collective bargaining, the City has also obtained increased pension and healthcare contributions from active employees. Furthermore, it is important to note that this has all been achieved without reductions in staffing.

It is the City's position that through the defeasance of debt, namely \$27 million to defease bonds from 2006, 2012, and 2013, the City's annual expenditures for debt will decrease. Additionally, the City will have its MMO reduced by additional contributions to the Pension Fund, also resulting from proceeds from the Sewer Authority sale. It also continues to explore savings regarding healthcare and pharmacy costs. The City will also work with the Department of Labor and Industry in an attempt to reduce its annual contributions for its Self-Insured Worker's Compensation Fund. The City is also working with NRN to undertake a vast economic development initiative. All of these measures are anticipated to reduce annual expenditures for the present year and onward into the future. As such, the City is confident that it will be able to keep pace with future budgets.

Based upon the foregoing, while the City appreciates your recommendation to exit Act 47 Distressed Status, the City respectfully disagrees that a three (3) year exit plan is necessary and will work to achieve a full exit as expeditiously as possible.

Thank you for your ongoing assistance and cooperation.

Respectfully Submitted,

A handwritten signature in dark ink, appearing to read "William L. Courtright", with a stylized flourish at the end.

William L. Courtright, Mayor

WLC/jlb



DEPARTMENT OF LAW

PENNSYLVANIA CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

July 6, 2017

To the Honorable Council
Of the City of Scranton
Municipal Building
Scranton, PA 18503

RECEIVED

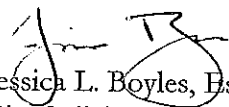
JUL - 6 2017

OFFICE OF CITY
COUNCIL/CITY CLERK

Dear Honorable Council Members:

ATTACHED IS AN ORDINANCE ADOPTING AND IMPLEMENTING THE ACT 47 EXIT PLAN FOR THE CITY OF SCRANTON PURSUANT TO THE FINANCIALLY DISTRESSED MUNICIPALITIES ACT; AND AUTHORIZING THE MAYOR OF THE CITY OF SCRANTON TO ISSUE AN ORDER DIRECTING THE IMPLEMENTATION OF THE ACT 47 EXIT PLAN WHICH WILL BECOME EFFECTIVE UPON ADOPTION ATTACHED HERETO AS EXHIBIT "A" IN ACCORDANCE WITH THE PROVISIONS OF 53 Pa. C.S.A. §11701.245, THE MUNICIPALITIES FINANCIAL RECOVERY ACT.

Respectfully,


Jessica L. Boyles, Esquire
City Solicitor

JLB/sl

FILE OF COUNCIL NO. _____

2017

AN ORDINANCE

CLOSING AND VACATING A PORTION OF WRIGHT COURT BETWEEN LINDEN STREET AND THE FORMERLY VACATED PORTION OF WRIGHT COURT.

WHEREAS, the portion of Wright Court described below and shown on Exhibit "A" no longer serves a public purpose; and

WHEREAS, the remaining portion of Wright Court was vacated from Schnell Place by File of Council #170, 2005; and

WHEREAS, a request to vacate said roadway has been received; and

WHEREAS, the City Engineer and City Planner have inspected said right-of-way and recommend its vacation; and

WHEREAS, the Council of the City of Scranton finds that there no longer exists a need for a public right of passage in this right-of-way and the public is no longer benefitted by such a use.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF SCRANTON that the portion of Wright Court described below be hereby vacated:

All that certain piece, parcel or lot of land situate, lying and being, in the City of Scranton, County of Lackawanna, Commonwealth of Pennsylvania, bounded and described as follows:

Beginning at a point, a nail set, for a corner along the Northwestern Right-of-way Line of West Linden Street, said starting point further located on a course North forty-four Degrees no Minutes no Seconds West, a distance of one hundred fifty and no hundredths feet, (150.00 ft.), from the intersection of the Northwestern Right-of-way line of West Linden Street, and the Westerly Right-of-way line of North Seventh Avenue;

Thence leaving the West Linden Street Right-of-way Line along the lands of Penn East Credit Union, South forty-six Degrees no Minutes no Seconds West, (S 46° 00' 00" W), a distance of two hundred seven and no hundredths feet, (207.00 ft.), to a point, a railroad spike corner found, at lands of, Employment Opportunity & Training Center, and a point along the Northeast end of Wright Court previously abandon;

Thence along the Northeasterly end of Wright Court Abandon, North forty-four Degrees no Minutes no Seconds West, (N 44° 00' 00" W), a distance of twenty and no hundredths feet, (20.00 ft.), to an iron pin set, along lands of Employment Opportunity & Training Center;

Thence along lands of Employment Opportunity & Training Center and along other lands of the Penn East Credit Union, North forty-six Degrees no Minutes no Seconds East (N 46° 00' 00" E), a distance of, two hundred seven and no hundredths feet, (207.00 ft.), to a point, a nail set, for a corner, along the Northwesternly Right-of-way line of West Linden Street;

Thence along the Northwesternly Right-of-way Line of West Linden Street South forty-four Degrees no Minutes no Seconds East (S 44° 00' 00" E), a distance of, twenty and no hundredths feet, (20.00 ft.), to a point the place of beginning.

Containing 4,140 Sq. Ft., (0.1 Acres), of land, more or less as shown on Exhibit "A" is hereby closed and vacated with the exception of any public or private utility easements in place.

SECTION 1. If any section, clause, provision or portion of this Ordinance shall be held invalid or unconstitutional by any Court of competent jurisdiction, such decision shall not affect any other section, clause, provision or portion of this Ordinance so long as it remains legally enforceable minus the invalid portion. The City reserves the right to amend this Ordinance or any portion thereof from time to time as it shall deem advisable in the best interests of the promotion of the purposes and intent of this Ordinance, and the effective administration thereof.

SECTION 2. This ordinance shall take effect immediately upon passage.

SECTION 3. This ordinance is enacted by the Council of the City of Scranton, under the authority of the act of the Legislature, April 13, 1972, Act No. 62, known as the "Home Rule Charter and Optional Plans Law", and any other applicable law arising under the laws of the State of Pennsylvania.



DEPARTMENT OF LAW

CITY HALL • 340 NORTH WASHINGTON AVENUE • SCRANTON, PENNSYLVANIA 18503 • PHONE: 570-348-4105 • FAX: 570-348-4263

June 29, 2017

To the Honorable Council
Of the City of Scranton
Municipal Building
Scranton, PA 18503

RECEIVED

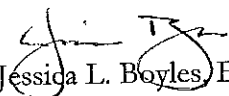
JUN 29 2017

OFFICE OF CITY
COUNCIL/CITY CLERK

Dear Honorable Council Members:

ATTACHED IS AN ORDINANCE CLOSING AND VACATING A PORTION
OF WRIGHT COURT BETWEEN LINDEN STREET AND THE FORMERLY
VACATED PORTION OF WRIGHT COURT.

Respectfully,


Jessica L. Boyles, Esquire
City Solicitor

JLB/sl