

STATEMENT TO THE JOINT COMMITTEE ON ACT 47

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BY

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President

City Council

City of Scranton

1. The Pennsylvania Economy League owns a nearly twenty year demonstrated record of failed leadership in the City of Scranton. As a result of the PEL's subjective and oftentimes political oversight and decisions, the City of Scranton is significantly more distressed in 2011 than it was when it entered Act 47 in 1992 and when Mayor Christopher Doherty was elected to his first of three terms in 2002. Under the oversight and guidance of the PEL, Scranton has amassed unprecedented, historical debt while simultaneously cutting vital public services. In fact, the sizeable deficit and current debt, high tax rates, and poor services have caused a significant exodus from the City of Scranton and may result in future bankruptcy.

2. The Pennsylvania Department of Community and Economic Development in concert with the Pennsylvania Economy League selected the City of Scranton from among all distressed municipalities to act as the test case to argue the supremacy of Act 47 over Act 111 within the court system of the Commonwealth of Pennsylvania. Their active leadership and participation is documented by DCED's attorney Clifford Levine arguing the City of Scranton's case before the State Supreme Court and his ongoing involvement demonstrated by his recently filed petition to the October 2011 Supreme Court Decision in favor of Act 111.

3. At no time during the years leading up to the October 19, 2011 Supreme Court decision did the Pennsylvania Economy League and the Department of Community and Economic Development create and/or provide a financial plan to meet the multimillion dollar obligation of the City of Scranton in the event of favorable decisions for the Scranton IAFF and FOP. Further, the PEL and DCED never directed the city's governing body to develop such a plan and to set aside funds in its annual

operating budgets to meet its potential financial obligations. Rather, it directed the city administration to continue to appeal.

4. Despite their active, aggressive, and subjective participation in a nine year period of labor unrest, lack of negotiation, and court battles, both the DCED and PEL have failed to accept responsibility for their actions and for the severe financial devastation of approximately \$28 million in additional, immediate debt resulting from the recent Supreme Court Decision. Although they have instigated and propagated this unprecedented financial mess, the DCED and PEL have handed the bag of bills to Scranton taxpayers who cannot assume this financial burden. Simultaneously, Lackawanna County is experiencing significant financial problems which required court approved borrowing of \$21 million in unfunded debt and will increase county taxes by 38% in 2012. The Scranton School District is hard hit by the state government's funding cuts to education and will likely levy annual tax increases beginning with 2012 until such time as state educational funding resumes viable levels. The City of Scranton suffers from the highest unemployment rate in the commonwealth while close to 30% of city property is owned by nontaxable nonprofits, including two universities, one college, two of three hospitals, the county seat, and numerous state and federal buildings. Further, Scranton is home to an inordinately high population of senior citizens on fixed incomes, and 25% of its population lives at or below the poverty level. The taxpayers of Scranton will not survive three concurrent tax increases. What Act 47, the DCED, and PEL have done to the City of Scranton and its people is a financial, moral, and ethical disgrace!

5. The Council of the City of Scranton has respectfully requested the Honorable Thomas Corbett, Governor of Pennsylvania, to replace the Pennsylvania Economy League as the Act 47 coordinator for the City of Scranton based on all facts contained in this document. In addition, it has requested the assistance of Senator John Blake and State Representatives Kevin Murphy and Ken Smith to replace the Pennsylvania Economy League and to provide financial relief to the citizens of Scranton from the PA Department of Economic and Community Development.

6. Appointed by the PA Department of Community and Economic Development to develop and oversee multiple Recovery Plans for the City of Scranton, the Pennsylvania Economy League uses financial figures supplied by the city administration to develop its reports, suggestions, and recovery plans. At the same time, however, it has been documented that the city administration has been less than forthright in providing accurate financial facts and figures. For example, without the knowledge and consent of Scranton City Council, the city administration

used a 2011 Tax Anticipation Note to pay 2010 expenses, notably including a 2010 Tax Anticipation Note, in violation of the Unit Debt Act and the legally and lawfully adopted ordinances that authorize the issuance of TANS. Also, the city administration received millions of dollars in supplemental revenue beyond that which was included in the 2011 budget, and in violation of Scranton's Home Rule Charter and Administrative Code, the city administration refused to provide legislation and documentation for the use of these supplemental revenues in the 2011 budget. Consequently, it is imperative that the Pennsylvania Economy League cease accepting the finances supplied by the City of Scranton Administration and utilizing such as the sole basis for its recovery plans and recommendations. After nineteen unsuccessful years of oversight, the PEL and other Act 47 oversight bodies must utilize an independent CPA in order to determine accurate financial figures in the development of accurate, objective reports and recovery plans.

7. The Pennsylvania Economy League provided weekly meeting summaries to Scranton City Council from at least 1998 through 2009, the years during which Christopher Doherty served first as a Scranton City Councilman and then as Mayor of Scranton in conjunction with a mayor friendly, rubberstamp council. When the composition of Scranton City Council changed in 2010, weekly meeting summaries were no longer submitted to Scranton City Council. Further, no written agendas were provided by the PEL during its weekly meetings until several weeks ago. In addition, the demeanor of the local DCED representative to the City of Scranton, Matthew Dommines during a public caucus with Scranton City Council was abrasive and defensive. In fact, Mr. Dommines took great personal pride during this caucus when detailing Scranton's and DCED's victory in Commonwealth Court. This is not acceptable public behavior by a state employee whose salary is paid by residents' state taxes and who purports to act in the best interest of our city and all of its residents. Furthermore, Mr. Justice Saylor in his written opinion of Oct. 19, 2011 cites the statements of other judicial members that clearly determine the ineffectiveness of Act 47 and those who ineptly administer it.

8. Act 47 is a demonstrated failure in the overwhelming number of Pennsylvania municipalities it has ensnared, most particularly in the City of Scranton. The members of the Pennsylvania Economy League are also members of the local political good old boys club and have allowed the Mayor of Scranton to violate the Recovery Plan to the benefit of his own political agenda and pay-to-play politics that have cost city taxpayers dearly in the form of historical debt, a 26% tax increase, and public safety and service decreases. The PEL gave its blessing to these actions, and its silence on financial machinations employed by the Doherty Administration such

as the raiding of the Workers' Compensation Fund in 2009 and 2010 and the use of current year TANs to repay prior year TANs in 2011 is unacceptable and unproductive. Such enablers of financial devastation and apologists for city administrators must be removed before any further state tax dollars are wasted. The PEL is not in the business of municipal recovery; rather, it is in the business of keeping itself employed. Act 47 has become nothing more than a roach motel for municipalities---once you check in, you never check out.

The Council of the City of Scranton and the residents of Scranton urge you to repeal Act 47 if you are unable to amend and cure its countless inefficiencies and maladies. Scrantonians have been more than patient for over nineteen years, and we are demanding shared financial responsibility, the replacement of the Pennsylvania Economy League and the local DCED representative, and results. Scranton cannot afford to languish at the hands of Act 47, the DCED, and PEL for another year, let alone another twenty. The damage that has been inflicted is inexcusable. The winners and losers here are the people of Scranton.

Please, don't let them down.