

REVISED AND UPDATED ACT 47 RECOVERY PLAN
FOR THE
CITY OF SCRANTON
EFFECTIVE UPON ADOPTION

May 16, 2002

The Honorable Christopher A. Doherty
Mayor of the City of Scranton
340 North Washington Avenue
Scranton, PA 18503

Mr. Kevin Murphy, President
Scranton City Council
340 North Washington Avenue
Scranton, PA 18503

Dear Mayor Doherty and City Council President Murphy:

The Pennsylvania Economy League, as Recovery Plan Coordinator for the City of Scranton, believes that based on the general pattern of projected revenues and expenditures the City will face sizeable and growing deficits in the years ahead—even in the absence of future salary increases for City employees. During the period 2003-2007 these annual deficits are estimated to be in the range of \$1.27 million to \$1.63 million, and the cumulative deficit between 2003 and 2007 would total \$7.21 million. With future wage increases the annual deficits would be significantly greater as would the cumulative deficit in 2007.

These deficits can be avoided and future operations can be balanced if the City promptly adopts and implements a revised and updated Recovery Plan. To that end, attached is the City's proposed revised and updated Recovery Plan covering the remainder of 2002 and the period 2003-2005. The policies and principles reflected in the Plan were developed primarily through a series of meetings involving the City Administration, representatives of City Council, the City's Recovery Plan Coordinator, and, at times, representatives of the Pennsylvania Department of Community and Economic Development.

The Recovery Plan Coordinator's role was to determine, in concert with the City Administration and City Council, the magnitude of the future mismatch between the City's ongoing revenues and expenditures and then guide and assist the Administration and Council in determining the policies and principles to be incorporated in the new Recovery Plan. PEL then adapted the principles and policies proposed by the Administration and Council to an appropriate Recovery Plan format and estimated the fiscal impact of the proposed provisions in the context of the long-term financial projections reflecting no corrective actions.

We recommend that the proposed revised Recovery Plan be adopted as an Ordinance of the City at the earliest possible time.

Sincerely,

Charles W. Watters
Executive Director

CWW/blc Act47 2002

Enclosure

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SECTION I

Summary of Recovery Effort

CHAPTER I-A
HISTORY AND STATUS OF RECOVERY EFFORT

On January 10, 1992, the City of Scranton was declared distressed by the Pennsylvania Department of Community Affairs (now the Department of Community and Economic Development and referred to herein interchangeably as DCA, DCED, and the Department). Shortly thereafter the Pennsylvania Economy League (PEL) was designated by DCA as the City's Recovery Plan Coordinator. By the summer of 1992 PEL had drafted a detailed plan of action which was designed to move the City from financial distress to financial and operational soundness. This Plan subsequently became a City ordinance.

What PEL found in 1992 was that Scranton's fiscal dilemma was a product of its historical inability to deal effectively with economic changes by making the significant operational adjustments that should have been made. PEL's immediate goals were (1) to reestablish the credibility of the City's image and its ability to govern; (2) to deal with the City's self-defeating tax structure that stifled economic growth; and (3) to address the cash deficit.

The City's basic fiscal problem was that its expenditures were substantially greater than its revenues, and there was evidence that this deficit would grow significantly in the near future. The Plan addressed this financial problem as well as the City's antiquated and ineffective management systems.

Original Recovery Plan (1993-1995)

The original Recovery Plan which was adopted by City Council on August 28, 1992, and signed by the Mayor on December 24, 1992, presented hard but necessary choices and asked each segment of Scranton's community to accept a share of the painful solutions. It was clearly noted at the outset that the Plan did not provide all the answers, and it was not perfect. It was acknowledged that achieving fiscal stability for the City would not be easy and would not occur without compromise. But as painful as the recommended actions may have seemed, the consequences of failure would be much more painful.

There was not then (and is not today) a magic formula to resolve a financial deficit. Either costs must be reduced, revenues increased, or some combination of these two options. Such action is not accomplished without making hard and perhaps unpopular decisions requiring the sharing of financial hardship among a variety of parties—political decision makers, City

employees, citizens and taxpayers in the City of Scranton, and even nonresidents who use City services.

The City ended 1993 in a better fiscal position than in any other recent year in large part because the Recovery Plan led to securing a long-term loan of \$2.0 million from the state and obtaining \$3.8 million in additional long-term borrowing which required court approval. Also contributing heavily to the improved position were negotiated collective bargaining agreements with the City's fire fighters and police which resulted in a short-term wage freeze, caps on health care benefit costs, and other cost-control measures and, in the case of the fire fighters, a reduction in the size of the bargaining unit by about 25 percent. In addition, the City secured more than \$400,000 in state grants to improve its operations and about \$300,000 in voluntary contributions from major nonprofit institutions.

While a number of positive steps had been taken by the end of 1993, it was recognized that additional major steps had to be taken to put the City on a more solid financial and operational footing. Entering 1994, the key areas on which the Recovery Plan concentrated included controlling solid waste collection costs; improving the City's accounting and financial reporting systems; numerous issues relative to human resource management including workers' compensation costs; completing the reorganization of the police department; raising the fees charged for various services provided by the City; and numerous other opportunities for cost control and revenue enhancement.

As 1994 drew to a close, efforts lagged in most of these areas, and the fundamental mismatch between the City's revenues and expenditures continued to be in the \$4 to \$5 million range and threatened to grow. The passage of the City's 1995 budget without a substantial movement toward full recovery of solid waste collection and disposal costs further retarded the recovery process and widened the gap between ongoing revenues and expenditures.

Late in December of 1994 the Department of Community Affairs convened a hearing to determine if Scranton's designation as a distressed municipality should be rescinded. PEL testified that in its judgment Scranton continued to exhibit the characteristics it did three years prior and should remain distressed. PEL further suggested that if the distressed designation were to be removed, the City's difficulties would dramatically worsen. PEL indicated that difficult decisions needed to be made directly by the City government because under the terms of state law the Plan Coordinator cannot unilaterally implement the Recovery Plan. After two days of

testimony and subsequent deliberations, on January 11, 1995, DCA concluded that the City should remain distressed and the process should move forward.

Clearly, the recovery process had produced successes, but there had also been failures and setbacks. By early 1995 the recover effort was still considered a “work in progress” given that the positive movement had not been substantial enough to turn around the City’s fiscal problems.

Prominent among the accomplishments during the period 1993-1995:

- At the end of 1993 and 1994 the payment of City bills was for the most part current contrary to previous experience, and the City ended 1993 and 1994 in better financial condition than in many of the preceding years.
- During the early years of Plan implementation the Plan guided the negotiation of contracts with DPW, clerical, police and fire employees which, among other things, resulted in fire department personnel costs being significantly reduced.
- While health care costs had risen significantly in 1995, they were still about \$600,000 lower than they would have been in the absence of a Plan. The same, unfortunately, could not be said for the workers’ compensation program, where the costs continued to grow unabated.
- The City secured more than \$400,000 in state grants earmarked for specific projects and actions and a \$2.0 million long-term interest-free loan from the state, as well as \$3.8 million in court-approved long-term borrowing through conventional sources.
- The City received Commonwealth Court approval for a temporary nonresident earned income tax for tax years 1993 and 1994; this tax was in the process of being collected during 1995. Authorization occurred only after Lackawanna County Court rejected the City’s petitions causing significant disruption of the implementation process and the City’s overall recovery.
- The City had received better “return on investment” from City assets; such as, Park Gardens and the Golf Course.
- Voluntary contributions from nonprofit organizations/institutions had also been received.
- The City’s solid waste collection fees generated an additional \$1.0 million annually in revenues—but were still far from full cost recovery.
- Some much needed capital equipment was purchased—but nowhere near the level that was necessary or planned.
- Some improvements were made in accounting and other systems

- A foundation was provided for various other efficiencies and administrative improvements, particularly in the police department given agreement on the recommendations of the Strategic Implementation Team comprised of representatives of labor, management, and PEL.
- Several technical studies were completed: one focused on cost recovery for permits and for services supported by fees and the other provided a blue print for control of solid waste collection and disposal costs.
- A fire study had been undertaken by a committee comprised of representatives from the Administration, Council, the fire union, the neighborhood associations, business groups, and PEL. The study offered numerous recommendations for effective fire service delivery within the constraints of the Recovery Plan.
- Overall, modest inroads were made to reestablish the City's credibility—at least in some circles—and PEL estimated that the City was \$5 to \$6 million better off financially at the end of 1994 than it would have been without Act 47 intervention.

In spite of all this, the fundamental issue remained: if past methods of operations and trends were to continue without corrective action, there would be a substantial continuing mismatch between the City's basic revenues and its expenditures in future years. There were also numerous impediments to closing the gap between revenues and expenditures and areas where the need for action remained:

- Workers' compensation problems continued to grow. This proved to be a very difficult issue to deal with and one which had an enormous potential negative impact on City finances.
- The City had yet to successfully negotiate its first Recovery Plan contract with its public works employees designed to produce significant cost reductions in this department, and its second-round contracts with police and fire were about to be addressed.
- The recommendations of the Griffith Cost Recovery Study had not been fully implemented and executed, and, as a result, the cost of various fees and permits were not being fully recovered. The cost of refuse collection was not being fully recovered, either.
- Necessary improvements to the City's accounting system had not yet become operational, and this had to occur so that a wide variety of other fiscal management improvements could be implemented.
- The need for numerous capital expenditures continued to grow.
- The City's tax structure had not become any less self-defeating.

- Several additional technical and planning studies (e.g., recreation, human resources, computer needs, etc.) had yet to be advanced, and without prompt action, costly and inefficient labor intensive methods were expected to continue.
- Various Act 47 grants and/or applications needed to be reinstated and appropriate projects initiated.

Recovery Plan Update for 1996-1997

As the original three-year Recovery Plan was reaching its end, it became apparent that, if present trends continued, the City's General Fund expenditures would substantially exceed its revenues in 1996 and 1997. As PEL and the state looked to revise the Plan on a wholesale basis, it was also concluded—based on the experience of the prior three years which was often marked with disagreements, contentiousness, delays, conflicts, obstructions, vetoes, veto overrides, and so forth—that if any Recovery Plan were to be both enacted and fully operational, it had to be based on concepts and directives developed by City officials. Only with this type of ownership could there be an effective recovery process.

In view of this, a proposed Recovery Plan was developed in the spring of 1995 based primarily on the product of a series of meetings involving the City Administration, the State, and the Recovery Plan Coordinator. The process was initiated early in the year so that the adoption of a revised Plan could comply with the timelines in Act 111. It should be noted that City Council was invited to participate in this process and, in fact, was represented at one or perhaps two sessions, but ultimately chose to withdraw.

As a result of this process, a revised Plan was developed to deal with the projected deficit and to balance the City's future budgets by employing both expenditure controls and revenue increases. The expenditure controls focused on manpower reductions, freezing wages, capping the cost of some employee benefits, and related actions. The revenue enhancements involved raising the rate of the garbage collection fee, continuing the Nonresident Earned Income Tax--but at a lower rate—and more aggressive collection of taxes, fees, payments in lieu of taxes, and so forth.

Council rejected this Plan and a revised version of it, as well. In late December of 1995 a revised 1996-97 Recovery Plan was finally adopted. (It should be noted that the failure to meet the September target date caused problems in the Act 111 process and led to significant delays.)

The adopted revised Plan used the Mayor's 1996 budget as its foundation and also incorporated concepts and directives for 1997 provided by the City Administration to the Plan Coordinator in consultation with the Department and also reflected input from individual Council members. The cost controls in the Mayor's budget and the Recovery Plan involved no wage increases, elimination of longevity and clothing allowance payments for employees, and a cap on city payments to meet health insurance costs. The estimated annual reduction in personnel costs was about \$2 million. Taxes and fees were not raised.

It should be emphasized that the key provisions of the revised Recovery Plan adopted in December of 1995 were drawn directly from the 1996 budget submitted by the Mayor to City Council on November 14, 1995 (and the revisions contained in the City Business Administrator's memorandum to the City Clerk dated November 30, 1995), as well as the explicit and implicit assumptions reflected in these documents. The provisions which related to 1997 were the product of discussions and directions provided by the City Administration. Consultation also occurred with the Department of Community Affairs, and comments were received from individual members of City Council. As such, the Plan was based on concepts, and estimates which were derived from City sources.

The Recovery Plan Coordinator's role was limited to assembling these concepts into logical format capable of presentation as a Recovery Plan; adapting the Mayor's proposed 1996 budget to an appropriate Recovery Plan format; soliciting detail on the administration's 1996 budget and intentions for 1997 and describing these in the proposed Plan; and developing this information into a coherent recovery Plan draft. As with any Plan, estimates and projections were required and, to this end, in part because of time limitations and other constraints, many of the estimates and projections could not and were not independently verified by the Plan Coordinator.

The resulting Recovery Plan continued many of the provisions of the initial Recovery Plan, as amended, modified others, and provided numerous new recommendations to reach the needed goals. All recommendations made in the initial Recovery Plan dated August 14, 1992, and in revisions dated April 15, 1993, and February 8, 1994, including those modified by new recommendations in these Recovery Plan amendments, continued to apply unless they were specifically eliminated by or in conflict with this Recovery Plan.

In December of 1997 an amendment to the 1996-97 Recovery Plan was enacted which extended the labor cost containment provisions of the Plan to 1998 and beyond.

Concurrent with the adoption of the Mayor's 1996 budget and the revised 1996-97 Recovery Plan, a shift occurred in PEL's and the State's combined approach to implementing the Plan. At a January 17, 1996, meeting at the State offices in Scranton, which was attended by representatives of City Council, the Mayor and other members of his Administration, as well as staff members of PEL and DCED, it was clearly stated that DCED and the Plan Coordinator were "stepping back" from the recovery process, and that the City had to take the lead role and "drive" Plan implementation. The burden was clearly placed on City officials in keeping with

the intent of Act 47. Implicit in these discussions was the belief that the City's recovery process had to reflect a coordinated and cooperative effort on the part of the City Administration and City Council, and that the onus was on both the Mayor and City Council to work together to ensure progress.

Throughout 1996 and 1997 no significant financial improvement occurred. This was partly due to the lack of aggressiveness by the City and partly because of protracted collective bargaining negotiations and the arbitration process. By late 1997, the City's financial situation had deteriorated.

On December 1, 1997, PEL gave public testimony on the Mayor's proposed 1998 Budget identifying a number of positive aspects of the budget relative to those of prior years, but expressing deep concern about the use of "one-time" revenue items. PEL concluded its testimony by saying that "From the perspective of sound financial planning, the seven revenue items totaling \$9,000,000—even if they do materialize—provide only a one-time source of funds. They do not resolve the long-term financial difficulties of the City. A fundamental structural imbalance is still present, and the City will continue to incur costs for which it does not have ongoing revenues. Clearly, even if the 1998 Budget comes entirely to fruition, there are serious implications both for 1999 and the City's long-term recovery."

On December 15 City Council moved to amend the Mayor's proposed 1998 General Fund Operating Budget by decreasing both proposed revenues and planned expenditures by about \$3 million. The revenue reductions involved a lowering of the Earned Income and Mercantile/Business Privilege tax rates.

On December 19, 1997, PEL wrote to both the Mayor and City Council expressing its concerns. The main point was that a tax decrease would eliminate stable revenue sources when much of the budget was balanced using uncertain one-time revenue items. Also of major significance was the fact that a tax reduction was contradictory and prejudicial to the City's position in Act 111 arbitration proceeding, and it would be a major obstacle to the reduction of labor costs—which served as the cornerstone of the City's adopted Recovery Plan.

Specifically on these points PEL said: "Given the fact that the Mayor's budget was already precariously balanced using a series of one-time revenues totaling \$9,000,000, we believe that Council's actions of December 15 will increase the 1998 budgetary instability. The 1998 City Budget will have a detrimental financial impact on the City, will further compound the

City's distressed condition, and disrupt the recovery process...." Council subsequently adopted the amended Budget as it had proposed, and the Mayor signed it.

As of the end of 1997, the City had a cumulative deficit of about \$5.0 million which included nonpayment of about \$2.3 million of its 1997 pension obligation. (These 1997 payments were made early in 1998 with 1998 revenues.)

Early in June of 1998 PEL learned via the news media that a contract had been negotiated with the IAFF which seemed to negate all the cost control mechanisms which were the cornerstone of the Mayor's budget and the resulting Recovery Plan. The Memorandum of Understanding provided for wage increases, retention of longevity and clothing allowance, payment of medical insurance above the aggregate City-wide cap, and retention of the minimum manning clause, and it also failed to provide for regular part-time fire fighters and to take other cost containment actions. In short, the City's own cost containment provisions were completely ignored.

On June 17, 1998, PEL and DCED wrote to the Mayor requesting that the City determine the cost of meeting the terms and conditions delineated in the Memorandum of Understanding with the IAFF. Neither PEL nor DCED received any response to this inquiry, although PEL was provided with a preliminary cost estimate made by the City's Business Administrator which indicated that the cost increase through 2002 would total \$4.8 million above current costs, with increased pension obligations adding another \$1.9 million in costs. However, as best PEL could determine, these estimated cost increases did not take into account that it was the City's intent under its Recovery Plan to eliminate longevity payments and clothing allowances, and to cap medical insurance costs. With this factored in, the annual cost impact of the agreement with the firefighters would rise by perhaps another \$1.0 million.

On July 21, 1998 PEL wrote via fax to both the Mayor and City Council stating: "Given the City's current and projected fiscal status, given the terms of the Recovery Plan, and given that the City has not demonstrated how it will be able to meet the costs of the proposed agreement with the IAFF, PEL and DCED believe that the terms and conditions of the Memorandum of Understanding dated June 6, 1998, will increase--not decrease--the fundamental mismatch between the City's revenues and expenditures, it will not move the City closer to financial soundness, and it is contrary to the City's adopted Recovery Plan and the goal of fiscal stability. As such, PEL and DCED cannot endorse ratification of a collective bargaining agreement based on the Memorandum of Understanding."

In similar correspondence via fax (also on July 21, 1998), Deputy Secretary Black of DCED wrote to the Mayor and City Council stating that he fully supported the concerns raised in the July 21, 1998, letter from the Pennsylvania Economy League and that “the Memorandum of Understanding with the IAFF is not consistent with the overall recovery strategy for the City and, as such, the Department does not endorse its ratification.”

Subsequently, on July 22, 1998, the City ratified and implemented the contract with the IAFF. In short, the terms of the ratified agreement with the IAFF were in direct contravention of the City’s Recovery Plan and contrary to the specific advice of the Recovery Plan Coordinator and the Department of Community and Economic Development, and the situation was compounded by the fact that no financial plan was put forth by the City to meet the increased short- and long-term costs of the contract. Further, the agreement with the IAFF undermined the City’s ability to negotiate contracts with police and DPW employees which would be consistent with the terms of the City’s own Recovery Plan.

On numerous occasions during 1998—both via letters and in person—the Recovery Plan Coordinator communicated independently and in concert with DCED its concerns about the City’s continuing unwillingness to follow the provision of its own Recovery Plan and the City’s deteriorating fiscal condition. These views were communicated to the Mayor and City Council.

On June 29, 1998, a meeting was held to address the financial outlook for the remainder of the year. At this session, which was attended by the Mayor, two Council members, other City officials, PEL, DCED Deputy Secretary Black, and Fred Reddig of DCED, a list of critical items on which action was to be taken during the remainder of the fiscal year was developed. In a letter from the Department dated July 8, 1998, this list was transmitted to the Mayor and City Council, and the Department requested that both the Mayor and Council acknowledge the listing of critical action items. The letter also expressed the Department’s concerns over the City’s ability to meet creditor obligations through the end of the year and suggested that both the Mayor and Council immediately begin a process to develop a fiscal strategy for 1998, 1999, and beyond to address the structural imbalance between revenues and expenditures. No response was ever communicated to the state.

A subsequent meeting on the City’s financial status was convened by the Department on September 15, 1998. It involved representatives of the City Administration and Council, and led to a collective understanding that the Mayor and representatives of Council would meet and develop a realistic strategy to deal with the City’s immediate fiscal problems and that the

strategy would be communicated to the Department by September 29. Although it is known that at least one meeting involving the Mayor and representatives of City Council took place during this period and these issues were discussed, no specific strategy to address the City's fiscal difficulties was apparently agreed to nor submitted to the Department by September 29.

Given the absence of a response, Deputy Secretary Black wrote to the Mayor and the President of Council on October 2, 1998, requesting an immediate communication of the City's plan to address the 1998 deficit and evidence that collaborative work had begun on the development of a responsible fiscal strategy to address the continuing imbalance between revenue and expenditures for 1999 and beyond.

At both the September 15 meeting and in the Deputy Secretary's October 2 letter, it was made clear that failure of the City to comply with the Department's requests would likely result in the Department taking appropriate action to fulfill its responsibilities under Act 47.

More important than the City's failure to produce a course of action at the request of the state were the implications of the failure of City to address its growing financial problems. This had serious potential consequences for the City government, its employees, its vendors, its taxpayers, and the state—and every effort needed to be made to avoid these serious negative consequences.

State Sanctions

On October 13, 1998—almost two full weeks after Secretary Black's letter and almost a month after the September 15 meeting—PEL wrote to the Honorable Samuel A. McCullough, Secretary of the Department of Community and Economic Development of the Commonwealth of Pennsylvania, to notify him that, in PEL's view, the City was in violation of both the letter and spirit of its adopted Recovery Plan and, in fact, had taken actions which were in direct conflict with the specific requests and advice of the Recovery Plan Coordinator and the Department. These actions—in PEL's view—were not only contrary to the Recovery Plan but—more important—they were counter-productive to the City's long-term financial well being, jeopardized the City's ability to achieve fiscal stability, and, if not addressed, would ultimately pose a threat to the health, safety, and welfare of City residents.

At the time of the letter PEL recognized that a proposal was under consideration to privatize the management and operation of the Scranton Sewer Authority and, in so doing, generate a substantial and immediate cash infusion for the City. However, it was also recognized

that not all parties were in total agreement on the mechanics and/or the substance of such an arrangement and, as such, an agreement was not imminent. Further, a one-time cash infusion would not solve the City's systemic problem.

In view of the City's failure to respond to the Department's repeated requests to develop a solid strategy to meet the City's growing financial instability, and given the City's violations of its own Recovery Plan, PEL believed that it was its obligation under Act 47 to recommend that the Department take appropriate action consistent with the Act.

In its letter to Secretary McCullough PEL enumerated some of the City's principal actions/inactions relating to the City-developed Recovery Plan and overall recovery process. These, along with the City's failure to respond to the Department's specific requests, justified—in PEL's view—the recommendation of sanctions. These actions and inactions involved current and ongoing issues, and included:

The negotiation, ratification, and execution of a multi-year contract with Local Union No. 669, International Association of Fire Fighters which violated the Plan and had other detrimental consequences.

- The cornerstone of the amended Recovery Plan which was adopted in December of 1995 (based on the Mayor's 1996 Budget), was the Planned reduction of over \$2 million annually in personnel costs through the use of special cost containment provisions. Specifically, these cost controls with respect to the fire fighters included:
 - No wage increase;
 - Elimination of longevity payments;
 - Elimination of clothing allowance;
 - Capping of medical insurance premium costs for the City as a whole;
 - Use of regular part-time personnel in order to significantly reduce the cost of new employees and to cut overtime costs; and
 - Elimination of the minimum manning clause.
- Throughout 1996, 1997, and 1998 these cost-containment measures, as had been anticipated, became the focus of a prolonged and contentious Act 111 Arbitration process. In fact, by the spring of 1998 legal action had been taken by the City to move key issues to the Lackawanna County Court with a view to invoking the State Supreme Court's precedent upholding the provisions of Act 47 as they relate to the collective bargaining/arbitration process.
- Early in June of 1998 PEL learned via the news media that a contract had been negotiated with the IAFF which seemed to negate all the cost control mechanisms which were the cornerstone of the Mayor's budget and the resulting Recovery Plan.

- The Memorandum of Understanding provided for wage increases, retention of longevity and clothing allowance, payment of medical insurance above the aggregate City-wide cap, and retention of the minimum manning clause, and it failed to provide for regular part-time fire fighters and take other cost containment actions. In short, the City's own cost containment provisions were completely ignored.
- On June 17, 1998, PEL and DCED wrote to the Mayor requesting that the City determine the cost of meeting the terms and conditions delineated in the Memorandum of Understanding with the IAFF.
- Neither PEL nor DCED received any response to this inquiry, although PEL was provided with a preliminary cost estimate made by the City's Business Administrator. This analysis indicated that the cost increase through 2002 would total \$4.8 million above current costs, with increased pension obligations adding another \$1.9 million in costs. However, as best PEL could determine, these estimated cost increases did not take into account that it was the City's intent under its Recovery Plan to eliminate longevity payments and clothing allowances, and to cap medical insurance costs. With this factored in, the annual cost impact of the agreement with the firefighters would rise by perhaps another \$1.0 million.
- On July 21, 1998 PEL wrote via fax to both the Mayor and City Council stating: "Given the City's current and projected fiscal status, given the terms of the Recovery Plan, and given that the City has not demonstrated how it will be able to meet the costs of the proposed agreement with the IAFF, PEL and DCED believe that the terms and conditions of the Memorandum of Understanding dated June 6, 1998, will increase—not decrease—the fundamental mismatch between the City's revenues and expenditures, it will not move the City closer to financial soundness, and it is contrary to the City's adopted Recovery Plan and the goal of fiscal stability. As such, PEL and DCED cannot endorse ratification of a collective bargaining agreement based on the Memorandum of Understanding."
- In similar correspondence via fax (also on July 21, 1998), Deputy Secretary Black of DCED wrote to the Mayor and City Council stating that he fully supported the concerns raised in the July 21, 1998, letter from the Pennsylvania Economy League and that "the Memorandum of Understanding with the IAFF is not consistent with the overall recovery strategy for the City and, as such, the Department does not endorse its ratification."
- Subsequently, on July 22, 1998, the City ratified and implemented the contract with the IAFF.
- In short, the terms of the ratified agreement with the IAFF were in direct contravention of the City's Recovery Plan and contrary to the specific advice of the Recovery Plan Coordinator and the Department of Community and Economic Development, and the situation was compounded by the fact that no financial plan was put forth by the City to meet the increased short- and long-term costs of the contract.

The potential for an unfavorable labor contract involving the FOP.

- Traditionally, Scranton's police and fire fighter contracts have had wages and benefits which were similar, if not identical. Subsequent to the agreement with the IAFF the City began negotiations with the Fraternal Order of Police. Although neither the Coordinator nor the Coordinator's Labor Attorney who was retained to work with the City's attorney on the Police Act 111 Arbitration were involved in the discussions, the Coordinator learned that the wage and benefit being negotiated with the FOP mirrored those in the agreement with the firefighters.
- An agreement with the FOP which paralleled that of the IAFF would not only add costs similar to those of the fire contract (which were estimated by the City's business administrator to be in excess of \$6 million), but they would also be in contravention of the City's cost containment provisions which were the cornerstone of the Recovery Plan as developed by the City. Specifically, there would be no elimination of longevity or clothing allowance, no effective caps on medical insurance, and no elimination of the minimum manning clause.
- In addition, by negating these cost controls for police, potential cost controls for Public Works employees would also be eliminated. The Agreement negotiated with the Public Works employees provided that cost controls involving the elimination of longevity and clothing allowance, and the caps on medical insurance will not be effectuated unless they were also applicable to police officers. In short, if there were no cost control measures for police, there would be none for Public Works employees.
- In correspondence dated August 26, 1997, relative to the Public Works employees contract, PEL emphasized that the continued pursuit of these cost-control items was fundamental to support of the Public Works employees' contract.
- In summary, the IAFF contract initiated a chain reaction whereby the City completely ignored and negated the essential features of its own Recovery Plan and effectively emasculated the City's position in police negotiations and knowingly "forfeited" its position in the police arbitration process. As a result, a contract with the police union containing a benefit structure similar to that of the fire contract was ultimately negotiated, adopted, and executed.

The failure of the City to develop a realistic and workable budget for 1998, and the 1998 tax reduction.

The failure of the City to adhere to its Agreement with the Pennsylvania Department of Labor and Industry.

- On December 2, 1993, the Deputy Secretary for Collections and Compensations of the Department of Labor and Industry (L&I), wrote to the Deputy Secretary for Programs, Department of Community Affairs, outlining a requirement that L&I planned to place on the City of Scranton as a condition for it to continue to self-insure under the Workers' Compensation Act.

- As a result of this memorandum, a series of negotiating sessions were held involving the Bureau of Workers' Compensation, the City, the City's Workers' Compensation Advisor, DCA, and the Plan Coordinator. These meetings led to a revised Self-insurance Trust agreement which, among other items, required the City to have timely actuarial estimates performed and for the City to annually appropriate in its General Fund Operating budget the actuarially estimated yearly Workers' Compensation obligations.
- On August 27, 1998, the Chief of the Bureau of Workers' Compensation, wrote to the City stating that the City had not complied with the Trust Agreement and L&I had denied the City's renewal application for self-insurance.
- Specifically, the letter stated: "Despite substantial efforts by this Bureau to assist the City in this matter, the City has not complied with the trust agreement. The City has also violated the regulations numerous times in its delays in the filing of its renewal applications and its consistent refusal or inability to provide data and information deemed pertinent by this Bureau to our review of its self-insurance program." "...as a result...we have denied the pending renewal application."
- In response to a meeting with the City's Business Administrator, the Department of Labor & Industry subsequently wrote to the City on October 19, 1998, stating that it would terminate the self-issuance status on January 1, 1999, unless the City took several specific actions. City agreed to comply. Had the City not agreed to comply, it would have needed to secure insurance coverage at costs which would be well in excess of what it was presently incurring.

The City's failure to control overtime costs.

- In 1996 the Mayor's budget, and the Recovery Plan which incorporated it, allocated \$300,000 for overtime. The City's actual overtime expenditures for 1996 were \$1,092,796. The Mayor's 1997 Budget allocated about \$800,000 for over-time, and the actual overtime expenditure was \$1,086,796. For 1998 the Mayor's budget set overtime at \$765,543; the projected actual figure for that year was \$1,335,054. While in 1996, overtime costs were influenced by adverse weather conditions; in 1997 and 1998 there were no special emergencies requiring extensive overtime. No significant action had been implemented to mitigate these growing costs.

Capital Budget Deficiencies.

- The 1996-97 capital budget and its related capital borrowing allocated no funds for fire station construction or for the rehabilitation/construction of a override public works facility as delineated in the revised Recovery Plan. More critically, if the planned sale of the DPW facility, as evidenced by revenue items in the budgets for 1997 and 1998, had materialized (or were to materialize), the City would apparently have had no location from which to run its public works operation nor the funds with which to secure another viable site.

- An alternative approach was being considered involving the sharing of the land with the school district and the construction of a DPW building for the City. While this would have addressed the potential problem involving a location for the DPW operations, it would also have eliminated the cash payment to the City for the land.

The failure of the City to honor its Strategic Implementation Team Agreement with the FOP.

- The City held joint City-Police union talks which resulted in an agreement to restructure the police department. A critical component of this restructuring involved adding clerical staff in order to free police officers to concentrate on law enforcement duties. This more efficient use of police resources was intended to enable the police department to perform adequately within the existing sworn officer strength while accomplishing clerical duties in a more cost-effective manner.
- The City failed to hire new clerical personnel, resulting in an arbitration award to the members of the FOP in excess of \$500,000. The City, in essence, paid the costs of the clerical personnel to the police officers in addition to their regular compensation and gained none of the advantages of the agreement.

At a hearing convened by DCED November 5, 1998, to consider whether sanctions against the City should be put in place, PEL testify that it was clear that the City had ignored, negated, and emasculated its adopted Recovery Plan and had failed to execute any rational financial plan as an alternative, and that perhaps the most visible example of this was the ratification of the IAFF agreement in violation of the terms of the City's cost containment strategy and contrary to the specific advice of the Plan Coordinator and the Department. PEL also noted that the City was facing severe and growing financial difficulties and, at that point, there appeared to be little that could be done by PEL or the Department to undo the actions which were viewed as detrimental to the long-term financial well-being of the City.

PEL emphasized that Act 47 leaves the "principal responsibility for conducting the governmental affairs of a municipality...to the charge of its elected officials..." and that the law does not authorize the Recovery Plan Coordinator or DCED to dictate policy or usurp the authority of elected officials. The Coordinator noted that it can offer recommendations and advice (as it had) and provide technical assistance (as it had), but it cannot make decisions for the City or implement its Plan because the Pennsylvania Constitution prohibits the General Assembly from delegating the decision-making authority and responsibility of elected officials.

PEL suggested that all parties must address the City's immediate financial problems in a rational and reasonable fashion and develop a sound approach to its 1999 finances and

operations. The importance of a sound financial plan became particularly critical with respect to budget year 2000 given that the deferred cost associated with the IAFF contract would need to be met.

PEL concluded its testimony by stating that the elected officials of the City of Scranton clearly have the responsibility to advance the recovery process, to produce and execute the solutions to 1998's fiscal difficulties, and to develop a realistic budget for 1999 and beyond.

Based on this and other testimony and a variety of documentation, late in November of 1998 the Secretary issued a formal Certification that the City was, in fact, in violation of Act 47, and in keeping with Section 251 of Act 47, DCED notified the City that effective January 1, 1999, the state would, in conformance with applicable law, withhold and escrow grants, loans, entitlements, and other payments to the City from the Commonwealth and any of its agencies.

In issuing its Certification, the Department called on the City to develop a sound and balanced 1999 Budget; identify and adopt a course of action to correct its structural financial imbalance; adopt and employ sound accounting practices; and establish acceptable milestones for 1999 on the course to correcting the structural imbalance.

On January 27, 1999, a hearing convened by DCED to review the nature and effectiveness of corrective actions taken by the City to address the issues identified in the original Certification, and to determine if the Certification should be amended. At that time PEL testified that the Mayor's proposed 1999 Operating Budget reflected some difficult positive decisions to move the City closer to resolving the continued mismatch between its expenditures and revenues. PEL further stated that the 1999 budget represented a strong and reasonably coordinated effort by the Administration and Council to address the City's difficulties, and that it was clearly more realistic than any other budget in recent years. However, PEL added that additional difficult decisions would need to be made if the City was to remain solvent.

PEL also noted that a balanced 1999 Budget was contingent on the successful refunding of the City's pension obligations and the privatization of the management and operations of the Scranton Sewer Authority during the last several weeks of 1998. With these two actions and the resulting substantial infusion of funds, the City's projected cumulative deficit would have been eliminated by year-end 1998. Neither the pension refunding nor the sewer privatization materialized by December 31. However, early in 1999 the sewer privatization essentially occurred, but the pension refunding still had not taken place.

PEL made clear in its January 27, 1999, testimony that the 1999 Budget, as adopted, would require additional planning and aggressive execution, and indicated that there seemed to be a commitment to this end by the Administration and Council. But, again, some difficult decisions would still need to be made to make the budget work.

The January 27 hearing resulted in a “loosening” of state sanctions. In so doing, the Department recognized that the City had made some progress and cited the efforts of Council in the budget process and the cooperation demonstrated since the Budget’s adoption. Still, it cautioned that much work remained before the fiscal condition of the City could be described in positive terms.

In its findings of the January 27 hearing and its modified position on sanctions, the Department stated that it would look to the City for specific, documented evidence that the 1999 Budget was being implemented; that progress had been made in adoption of sound accounting practices; and that courses of action had been identified to correct the City’s structural imbalance and milestones which had been set.

At the Department’s March 16, 1999, hearing in Harrisburg, PEL acknowledged varying degrees of progress with respect to the 1999 Budget execution. Several ordinances had been advanced to increase revenues from licenses, permits, and traffic fines, and to bill for use of Rescue 1 and for false alarms, and it was also expected that increased revenues would be generated by the municipal golf course. But, some revenue had already been lost because the necessary ordinances had not been enacted in a timely fashion, and much of the revenue expected to be generated from licenses and permits was dependent on the Hotel Casey Project and the construction of the new high school—both of which were facing uncertain futures.

At the time of the March hearing it appeared that revenues from delinquent Act 511 and real estate taxes would probably fail to materialize in 1999, just as in 1998. In addition, generating “revenues” from a street lighting arrangement was proving to be more difficult than originally expected, and, although the City had retained an engineering firm to assist them in this matter, a definitive timeline for receipt of the revenues had not yet been established. It was also noted that budgeted payments from the Scranton Housing Authority would not be received in 1999 because they had been advanced late in 1998.

On the expenditure side, several layoffs had occurred and several others were scheduled for mid-June. Fire overtime appeared to be under control during the first quarter, although a grievance had been filed against the City on this matter. Of greater concern was the fact that

police and public works overtime continued at the prior year's pace and threatened to exceed the budget. The same was true with respect to health care costs. PEL recognized that these were complex matters, but suggested that the effort to control these costs could have been stronger.

PEL also acknowledged that discussions to restructure police scheduling with the goal of reducing overtime costs were underway as part of the collective bargaining process, and that less formal meetings were taking place with representatives of the public works union.

The City's accounting system continued to be antiquated and vulnerable to Y2K problems. Here again, efforts to address these matters had just recently begun. In both cases, however, the issues and problems were far from being resolved. Furthermore, interest penalties associated with the unpaid 1998 pension obligation continued to grow.

Given these factors, PEL's views were mixed at the time of the March hearing. At the January hearing, with the fairly realistic budget, PEL had given the City the "benefit of the doubt," even though almost a month into the budget year there had been little tangible progress. By March, about 75 days into the year, PEL had grown increasingly concerned about the City's ability to successfully meet several of the budgetary commitments.

Generally, it appeared that the easier issues were being addressed, while action on the more difficult issues was either being deferred or the goals and strategies were proving to be unattainable. In the face of this, PEL looked to the City to develop replacement revenues or alternate cost controls for those which were not likely to occur. However, PEL recognized that there were two unbudgeted revenue sources (a possible towing contract and the pension refunding) which had the potential to offset some of the revenue items and expenditure controls which would fail to materialize.

PEL stated that the availability of these two revenue sources should not relieve the City of its obligation to fully meet its 1999 budgetary goals. PEL also acknowledged that the delinquent real estate and 511 taxes would still be of value if they could be collected in the future, but the long-term impact would likely be greater if revenues could be generated in 1999. Overtime and health insurance cost controls, on the other hand, must be effected annually or these savings are permanently lost.

The Department responded to the March hearing by issuing a Second Amendatory Order dated April 20, 1999, which maintained the sanctions but freed-up funding for certain flood control projects. The State also established requirements that the City provide monthly cashflow statements; submit periodic comprehensive status reports on the major budgetary and operational

issues; demonstrate substantial progress toward eliminating the revenue and expenditure mismatch; show substantial progress on budgetary implementation and in dealing with the issues identified as needing corrective action; and, perhaps most important, engage in a process designed to produce the substance of a revised Recovery Plan for the year 2000 and beyond and to develop a draft year 2000 budget.

In a subsequent hearing convened by DCED on September 14, 1999, PEL testified that its concerns about the City's ability to successfully meet its future budgetary commitments had become extremely serious, and cautioned that if certain revenues did not materialize by year end, the deficit could easily grow to \$10.0 million. PEL noted that under the most favorable circumstances the 2000 deficit would be between \$5.5 million and \$6.5 million, and few courses of action are capable of dealing with a deficit of this magnitude.

Further complicating matters, the critical position of Business Administrator remained vacant since March of 1999, and in the absence of a suitable Business Administrator, the ability of the City to meet its growing challenges was greatly diminished.

Based on testimony by City officials, PEL, and the public, the State, again, refused to rescind the sanctions and in so doing required that the City continue to submit detailed cash flow projections on a monthly basis; submit a more detailed status report on the City's financial stability by October 8, 1999; develop a contingency plan; and accelerate the year 2000 budget process.

With respect to the process involving the Mayor and City Council designed to develop a revised Recovery Plan for the year 2000 and beyond which PEL had been instructed to facilitate under the terms of the Second Amendatory Order, PEL convened seven meetings. The sessions began in May and were of value in getting the Mayor and members of his Administration together with individual members of Council and Council's staff for constructive discussions. However, there was little tangible progress toward a solid long-term strategy for dealing with the City's structural imbalance.

Various suggestions were offered in the course of these meetings, but no consensus resulted, and the overall goals of the process have not been achieved. In fairness, the lack of consensus was perhaps due, in part, to the sheer size of the year 2000 "mismatch" that the City was facing, which was estimated to be in the neighborhood of \$5.5 million to \$6.5 million. Clearly, there was not a long list of simple and painless options for addressing a problem of this magnitude.

As the City approached the fourth quarter of 1999 PEL's concerns about the City's ability to successfully meet its future budgetary commitments had become much more serious. Assuming that the City would receive the American Anglian payments of \$6.7 million which would allow it to meet both the 1998 and 1999 pension obligation, that sanctions would be rescinded (thereby allowing the City to receive its 1999 liquid fuels allocation and its recycling grants, and that the pension refinancing would occur producing about \$1.4 million in cashflow benefits), the deficit would be perhaps \$650,000. However, should the latter two revenues not materialize by year-end, the modest estimated deficit for 1999 could easily become a \$3.0 million deficit. And, should the sewer privatization not come to fruition by year-end, the deficit could be in the neighborhood of \$10 million.

In addition to this grim possibility for 1999, PEL expressed grave concerns for year 2000 and beyond. Given that few courses of action were capable of dealing with the estimated year 2000 deficit which, under the most favorable circumstances, was estimated to be between \$5.5 million and \$6.5 million.

The effort to deal with the year 2000 Budget was made even more difficult by the contractual arrangements that the City executed with employee unions which significantly limited the opportunity to make major inroads in the control of spending through the reduction of manpower or benefit costs. In addition, the City had exhausted most of the significant "one-time" revenues at its disposal—the key exceptions being the possible sale of the golf course and the execution of a towing contract. Further, the City continued to operate without a full-time Business Administrator.

Clearly, the major issues and obligations which the City would face in budget year 2000 threatened to widen its financial imbalance. PEL believed that these challenges were insurmountable without major increases in real estate taxes, earned income taxes, and/or refuse fees, even though raising taxes was something the original Recovery Plan was designed to avoid, given the already high tax rates and burdens in the City and the potentially counter-productive nature of such an increase. But major tax increases were being faced, in part, because the City had failed to address the problem for too long and missed too many opportunities to deal with its mismatch in ways that would have allowed it to avoid tax increases of this magnitude.

Legitimate opportunities remained available to reduce a portion of the City's fiscal mismatch by controlling costs and by enhancing its non-tax revenue sources. However, given the City's recent experience and overall track record with respect to the recovery process, PEL

did not believe that these types of cost controls and additional revenues could be realistically relied on to balance the year 2000 budget. Nonetheless, PEL stated that they should clearly remain as goals and expectations for 2000 and subsequent years.

The State held a hearing on January 27, 2000, to provide the City with its fourth opportunity to demonstrate that sanctions should be rescinded, but the State again concluded that there was insufficient progress and sanctions remained in place. The City ended 1999 with approximately \$6.2 million in unpaid bills because key City initiatives in 1999 did not materialize. However, the adopted year 2000 budget made significant inroads toward addressing the City's structural imbalance by providing bona fide additional continuing revenues in the form of higher real estate and wage taxes and garbage fees. Further, the expenditure side of the budget was more comprehensive and realistic than any other recent budget because it provided for prior-year pension and interest obligations, and it reflected sound estimates of overtime and medical costs.

Nonetheless, there were still areas that were of serious concern, primarily on the revenue side, involving execution of budgetary initiatives and related follow-through, which could prove to be problematic. PEL noted that if the year 2000 budget were fully executed, it would resolve the 1999 deficit and put the City in a better position to deal with the issues of 2001 and beyond. But, for this to occur, the City would have to successfully carry out all budgetary and related initiatives, and this would prove to be a major challenge.

The Department of Community and Economic Development's Fourth Amendatory Order, dated March 31, 2000, directed the Mayor and City Council to work together to achieve consensus on the principles of a revised Recovery Plan for 2001 and beyond that addresses the City's structural imbalance, the 2001 budget, and the principles necessary to maintain long-term solvency. The Order stated that the revised Recovery Plan was to be completed no later than September 30 and submitted to the Department at that time, and that the Recovery Plan was to be adopted by the City in ordinance form no later than October 31. The revised Recovery Plan would serve as the basis of the 2001 City budget.

The Order also required that the City submit detailed cash flow projections by the 20th of each month, and by April 30, July 31, and October 31, file reports with the Department on the status of critical elements to the City's financial stability (e.g., the year-end 1999 fiscal position; the status of the Workers' Compensation self-insurance issue; the sale of the golf course and

DPW facility; parking revenues; health care cost containment efforts; the borrowing for the buyout of Workers' Compensation claims; the refinancing of the debt; etc.).

The Order further directed PEL to serve as a resource during the Plan revision process, and PEL indicated that it would support this effort in any way it could. DCED believed (and PEL concurred), however, that the City must drive the process to develop a revised Recovery Plan because only the Mayor and Council have the legal authority to adopt and execute a revised plan. PEL believed that all parties recognized the importance of meeting the terms of the Amendatory Order given the fact that failure to do so virtually ensures that the State would not rescind sanctions and would continue to hold about \$3.8 million in grants it had placed in escrow.

On May 1, 2000, regular meetings were initiated involving representatives of the Administration, City Council, DCED, and PEL in order to help the City meet the requirements set forth by the Department. But, after more than three months, although general concepts had been discussed, no consensus on a framework for a Plan update had been developed.

In the course of these meetings PEL was asked by the President of City Council for an assessment of the City's outlook for 2001. PEL indicated that if the 2000 budget materialized in full, the year 2001 would be manageable; the mismatch would probably be between \$750,000 to \$1.0 million—exclusive of any carryover problems from the year 2000. By September that figure appeared to be about \$2.3 million, primarily because the benefits of refinancing much of the City's bonded debt and the buy-out of workers' compensation claims had not materialized.

Further, other year 2000 budget initiatives have not come to fruition (e.g., parking meter revenues), some revenues were not coming in as expected (real estate and earned income taxes), and some expenses were exceeding budget (e.g., overtime costs); conversely, some favorable surprises appeared to be occurring (possible "savings" on medical insurance, use of a bond reserve to meet part of current debt service obligations, unused federal "Cops Ahead" grant moneys from prior years, higher than budgeted permit revenues, and receipt of unbudgeted delinquent taxes).

PEL's best estimate as of mid-September (in the absence of current and detailed financial data) was that the year 2000 deficit would probably be between \$3.5 and \$4.0 million, assuming the sale of the golf course was completed at the budgeted figure, the DPW facility was sold for about \$525,000, and that the purchase of Workers' Compensation insurance could be put off until 2001. PEL indicated that the \$3.5 to \$4.0 million figure could rise (or fall) when more

precise estimates were made of various revenues and expenditures, and would definitely grow if the City was forced to purchase workers' compensation insurance from the private sector or from SWIF in calendar year 2000. It must also be noted that the \$3.5 to \$4.0 million figure excluded the impact of the state continuing to withhold the \$3.8 million held in escrow due to sanctions.

As the City moved into the fourth quarter of 2000, it was clear that not all aspects of the year 2000 budget would be fully achieved, and instead of addressing the deficit and putting the City in a better position to deal with the issues of 2001 and beyond, the outlook for the remainder of 2000 and for 2001 became very problematic. However, early in November the State announced that the funds that it had been holding in escrow in keeping with the sanctions (which had been imposed on the City for failure to comply with its Recovery Plan), would be released. Further, late in December, the City awarded a contract for the management of its pension assets which resulted in a \$7.5 million "advance" to the City's pension fund. In addition, an administrative law judge "stayed" the State Department of Labor and Industry's directive that the City immediately obtain private sector workers' compensation insurance coverage.

Largely because of the infusion of \$7.5 million into its pension fund the City was able to satisfy its unpaid 1998 pension obligation which it had been ordered to pay by the Commonwealth Court. This, in turn, freed-up \$2.45 million in State pension contributions that the Auditor General had been holding because of the City's failure to make its prior pension payments.

Therefore, despite failing to fully achieve all aspects of its year 2000 budget, at year-end the City's finances were near the break-even point, and the City had met all its pension obligations, avoided additional penalties, and ended the year in a more favorable position than in prior years. However, the relatively favorable year-end 2000 position and the "one-time" infusion of revenue did not necessarily change the fundamental long-term mismatch between the City's ongoing revenues and expenditures.

The 2001 City financial experience was generally more positive than that of prior years. Throughout the year the City was able to draw down about \$2.3 million in one-time state funds which had been held under sanctions. In addition, the City's annual pension cost decreased from about \$6 million (\$4 million in net costs to the City) to about \$3.2 million (or about \$1.2 million in net costs to the City). The reasons for this extremely large reduction was that for the first time since the 1980s, under state law, the City was able to take advantage the actuarial gains of prior years.

On the expenditure side, the City was found to be in violation of the manning clause of its police labor agreement, and an arbitrator ordered the City to pay \$1 million to the bargaining unit members. However, the City was able to avoid an additional insurance premium of perhaps \$2 or \$3 million (for which it did not have the resources) because the Pennsylvania Department of Labor and Industry, following intervention by DCED, allowed the City to remain self-insured for purposes of Workers' Compensation. As a condition of the continuation of its self-insurance status the Department of Labor and Industry demanded that the City reduce its self-insurance unfunded liability by making additional contributions to the Workers' Compensation Trust Fund in future years.

As of April 30, 2002, the City's 2001 financial statements indicated that its revenues on a "budget" basis were \$59.3 million including the one-time state-sanctioned funds. It should be noted that the 2001 financial statements were still not closed as of this date. Expenditures totaled \$57.2 million on a "budget basis" including the one-time payment for the police arbitration award. The excess of revenues over expenditures was \$2.1 million.

Much of PEL's attention during 2001 focused on determining whether there would be a change in the fundamental relationship between the City's ongoing revenues and expenditures. PEL concluded that the specific outlook for the next several years would be strongly influenced by future pension obligations and the terms and conditions of collective bargaining agreements, as well as by the cost of ongoing operations.

The proposed 2002 City Operating Budget was submitted by the outgoing Mayor in November 2001, and it was recognized that with a new Administration various operational changes may occur and this would alter certain sections of the budget. Nevertheless, PEL pointed out that revenue estimates in the proposed budget seemed to be in line with prior experience and appeared to be realistic, but recommended a review of several items. Specifically, PEL believed that budgeted revenues from current real estate taxes, penalties and interest, and miscellaneous interest may be overestimated. Also, no golf course revenue was made available to the City in 2001, but \$200,000 was budgeted for 2002; there were some questions about the cable franchise revenue; and it was noted that the Workers Compensation TAN may need to be increased based on cash flow requirements related to the new Workers Compensation Trust Agreement mandated by the Commonwealth's Department of Labor and Industry.

With respect to budgeted 2002 expenditures PEL noted that overtime costs for 2001 were projected by PEL to be between \$1.4 and \$1.6 million, yet only \$890,000 has been budgeted for 2002. Further, PEL noted that the 2002 Contingency line was budgeted at \$625,000 and earmarked to meet the new Workers Compensation Trust Fund obligations. It was believed that this estimate may need to be increased and, as such, would leave the City with no uncommitted contingency amount. Based on recent experience it has proved to be important that money be available to meet unforeseen obligations.

In addition, PEL noted that the unencumbered obligations line may be under budgeted and added that there were no funds budgeted for the “Pension Administration Fee.” PEL added that there were differing views on the City’s precise obligation with respect to this fee, but given the magnitude of this item, it should be acknowledged.

The City began 2002 in a relatively favorable position largely as a result of a dramatic reduction in annual pension payments—at least for the short term—and the receipt of state funds which had been withheld due to sanctions against the City for failure to implement its Recovery Plan. It was recognized, however, that the City’s specific outlook for the next several years would be strongly influenced not only by the impact of ongoing operations but also by future pension obligations and by the terms and conditions of collective bargaining agreements.

In view of this, PEL devoted considerable effort to developing updated long-term projections reflecting the possible impact of these and related factors in order to determine whether there would be a change in the fundamental relationship between the City’s ongoing revenues and expenditures. The resulting figures, which are outlined in Chapter I-B, serve as the cornerstone for a wholesale revision of the City’s Recovery Plan covering 2002, 2003, 2004, 2005, and beyond, which charts a reasonable, realistic, and achievable course of action to address continuing long-term issues which the City faces.

CHAPTER I-B CURRENT AND PROJECTED FINANCIAL OUTLOOK

As indicated in the previous section, the City of Scranton has made limited progress toward fully resolving all its financial and operational problems since being declared a Distressed Municipality early in 1992. As a result there has been a continuing mismatch between the City's basic ongoing revenues and expenditures. While the City appears to have ended 2001 with revenues exceeding expenditures (as indicated in the prior chapter), this was largely the result of one-time revenues and a significant drop in its pension obligations.

During the later months of 2001 and the early months of 2002 PEL worked with City officials and utilized data from outside parties (e.g., Millennium Health Care Consultants, the City's pension actuary, its Workers' Compensation actuary, etc.) to develop updated long-term financial projections through 2007 designed to reflect the impact of ongoing operations as well as future health care, Workers' Compensation, and pension obligations, and the terms and conditions of collective bargaining agreements.

The projections set the future financial parameters for the City. The updated Recovery Plan is built on the foundation of these projections, and the policies reflected in the Plan will have to ensure that budgets going forward are in balance. In that way the City can strengthen its financial position and move closer to elimination of its distress status.

For the purpose of this analysis, PEL assumed that the mix of revenue sources and various rates of taxation and fees would remain as in 2001. However, tax bases and the amount of revenues produced by each source would change over time as would some of the expenditures—even independent of salary adjustments. From an operational standpoint PEL assumed that personnel patterns would be the same as reflected in the City's February 2002 amended budget except that (1) the police force would be reduced to bring it to 140 officers as soon possible under the terms of the non-Community Development police grant programs, and (2) there would be a \$900 wage increase for DPW employees in 2002. [Note: the potential wage adjustment for DPW in 2002 is an arbitrary estimate. The City and the DPW bargaining unit are in negotiations and to the extent that an agreement is reached which results in a wage increase other than \$900, the expenditures for DPW in 2002 would need to be restated.]

Revenues

- PEL estimates that real estate assessment levels will decrease, and, as a result, real estate tax revenues will drop by about \$34,000 per year from a PEL-estimated 2002 collection of \$10,536,161.
- Additions to the tax rolls as a result of properties “coming off” LERTA are included in the LERTA line. The largest increase is for the Steamtown Mall, and this will occur in 2004.
- The EIT is estimated to increase by 2.5 percent a year starting at a base of \$18,200,000 in 2001.
- Most other revenues are estimated to remain constant for the period 2002 and 2007. PEL used statistical software for some estimates, and in other cases PEL’s judgment overrode the software estimates.
- The State’s Pension contribution is projected at \$2,200,000 each year. The actual amount may vary slightly from year-to-year.
- For 2002 and forward Business License permits and fee revenues will be held at \$1,250,000.
- Golf course revenues have been eliminated.
- The penalties and interest category is based on a projection by the City.
- Other Non-classified (NC) revenue would be about \$60,000, dropping from the actual 2000 level of \$7,559,030. The 2000 amount was an anomaly because of the receipt of the \$7.5 million Pension Fund “advance” from Provident/ASCO.
- Revenues from “COPS Ahead” and other police manpower grants would decrease over time to \$0 in 2005. The model assumes no grant funds beyond 2005, and that all positions which were filled under the grant programs will be eliminated as soon as possible under the grant contract.
- The transfers of UDAG funds would not occur in the future.
- The funds received from the Sewer Authority to meet bond costs and the offsetting debt payment will net to zero, and these items are no longer carried in the budget.
- TAN “A” (for general operations) would continue at \$4,500,000.
- TAN “B” (for workers’ compensation) would remain at about \$3,200,000 to meet early year transfers to the Workers’ Compensation Fund. Similarly, a \$400,000 transfer from the special insurance account to the General Fund is anticipated each year.

- The \$500,000 yearly payment from American Anglian has been held constant over the period even though the contract will require re-negotiation. There has been no inclusion of any new one-time payment.
- The other interest earnings have been included at \$140,000, which excludes interest for the Workers' Compensation Trust Fund.
- The Cable TV franchise fees have been held constant at \$640,000 based on historical patterns.

Expenditures

- Wages are increased per the existing collective bargaining agreements through 2002 for the police, fire, and clerical bargaining units; for DPW PEL used an increase of \$900 for 2002 although no agreement has yet been reached. The Single Tax Office collective bargaining agreement runs through 2003. For 2003 through 2006 wage increase scenarios for all employees (except Single Tax Office for 2003) were calculated ranging from 0 to 4 percent. The level of employees in 2002 was carried forward except that grant-paid police officers were eliminated when permitted under the grant contract.
- PEL has made no projection for a "27th payroll" in any future year. In reality, the method of dealing with this is an accounting issue. Nonetheless, this matter should be reviewed with the City's auditor.
- For various benefits and related costs of employment (such as longevity, social security, court pay, etc.), a general percentage approach was used and, therefore, costs would generally increase in proportion to wages.
- Overtime hours are assumed to equal the year 2001 actual level for 2002 through 2007. This amount is increased by the wage percentage factor for future years. It should be noted that during the first three months of 2002 there has been some reduction in overtime costs from the actual 2001 amount. The second and third quarter 2002 financial statements should provide additional guidance on the magnitude possible for each reductions within contractual limitations.
- Health Insurance calculations are problematic because of the relatively short time that the new system has been in place. PEL used an estimated cost for 2001 of \$7,153,127 and assumed this would increase at the rate of 5.0 percent per year (a lower estimated annual rise than suggested by the figures provided to the City by Millennium Healthcare Group). No additional contingent amount has been set aside.
- City pension costs would trend up over the period, but would remain well below the 2000 actual expenditure. Pension projections were provided by the City's actuary and vary with the estimated increase in wages. The projections also assume that the actuarial gain in subsequent years will be at 8 percent. Further, the pension "administrative cost" is based on the historical pattern trended upward in keeping with the wage increase. The calculations do not assume any direct payments for increased management fees relative to the year 2000

pension funding advance. [Note: For year 2007 PEL extrapolated the actuarial estimates which the City's actuary provided only through 2006.]

- City Pension Management fee is an estimated \$800,000 expenditure to meet the cost of the 2000 advance.
- Workers' Compensation costs are assumed to be equal to claim costs of \$2,500,000; a Workers' Compensation administration/excess insurance cost is estimated at \$400,000. In addition, based on the terms of the new agreement with the Pennsylvania Department of Labor and Industry, the fund's unfunded liability must be eliminated over the next ten years. PEL's estimate of the yearly funding necessary to amortize this unfunded liability from 2003 forward is \$611,373. [Note: for the year 2002 \$750,000 was transferred from the General Fund cash account to the Workers' Compensation Fund account. However, no expenditure has been shown for 2002; rather, there is a reduction in usable excess of revenues over expenditures from 2001 of \$750,000. Therefore, the funds available carried over from the 2001 fiscal year for use in 2002 (the excess of revenues over expenditures of about \$2.1 million) will be decreased by the \$750,000 to about \$1.35 million.]
- Court awards are included at \$200,000. Historically, there have been wide variations in the amount expended for this purpose.
- Costs which have not been historically tracked by PEL, the minor line item non-personnel costs have been estimated by PEL at \$1,200,000. It is estimated these costs will increase by 2 percent per year. This 2 percent inflation factor is included at the bottom of the expenditure worksheet.
- Unencumbered obligations have historically been used to meet prior year costs. For years after 2002, PEL estimated \$200,000.
- For debt service PEL used the amortization schedules provided by the Business Administrator's office. The City has determined that the debt service is a constant expenditure and is not dependent on current market interest rates. A depressed market interest rate could, however, affect the net proceeds available for project completion. PEL's analysis does not reflect any possible resulting adjustment.
- For the 2002 budget (as amended in February) the City allocated \$685,846 for contingency. PEL estimated a 2002 contingent line of \$500,000 after adjusting for other expenditure changes. For years after 2002 PEL arbitrarily used \$500,000 for contingency which is less than 1 percent of total expenditures.
- PEL created a line for capital items (either direct expenditures or transfers), but included no dollar estimates. This should be more deeply explored.
- The Nay Aug Park expenditure is assumed to be a one-time cost which is not carried forward from 2003 through 2007.
- For most other expenditures PEL used software projections of averages tempered by PEL's judgments.

Based on the assumptions outlined above, current information, and the continuation of past methods of operations and trends—that is, without substantial corrective action—PEL’s fiscal projections suggest that—in the absence of salary increases—the City’s annual operating deficits for the period 2003 through 2007 would range from a low of \$1.27 million in 2006 to a high of \$1.63 million in 2005. The City would have a cumulative deficit in 2007 totaling \$7.21 million (exclusive of any carryover deficit/surplus from 2001 to 2002 and from 2002 to 2003).

If spending in future years (2003 and beyond) were to reflect city-wide wage adjustments (unlike the figures outlined above), expenditures would rise and both the annual and cumulative deficits would grow. For example, wage increases of 1.0 percent for all City employees would result in annual operating deficits for the City ranging from a low of \$1.76 million in 2004 to a high of \$2.47 million in 2007. As a result of this scenario, by 2007, the City would have a cumulative deficit totaling \$10.40 million (exclusive of any carryover deficit/surplus from 2001 to 2002 and from 2002 to 2003). If larger wage increases were to occur the annual and cumulative deficits would rise accordingly. (See Table I-B-1, Figure I-B-1, and Appendix IB.)

PEL believes that these projections are sound and reflect a realistic picture of the City’s future financial outlook given the assumptions and conditions outlined above. The projections may need to be amended from time to time based on updated information and other developments, but the general pattern of revenues and expenditures is not expected to deviate substantially from these figures in the absence of significant corrective action.

In view of these figures—and in spite of relatively favorable financial experiences in 2000 and 2001—it would appear that in 2002 the City’s current expenses will exceed its current revenues, and in future years the mismatch will continue—even without salary adjustments for City employees. As such, the City still exhibits some of the same characteristics as when it was declared distressed in 1992 and which were present during the remaining years of the 1990s. Clearly, not all the City’s problems have been solved, and without the development and timely implementation of a comprehensive approach to addressing the structural imbalance as provided for in the revised and updated Recovery Plan the City’s ability to achieve further financial and operational improvements would be hampered, and in fact, its financial condition would worsen and could reach the point where it could adversely affect the health, safety, and welfare of City residents.

CITY OF SCRANTON

Summary of Fiscal Projections Based on Current/Expected Levels of Operations and Various Scenarios
2003-2007

No Salary Adjustments	Budget/ Estimate	PROJECTED					Projected ^{1/} Cumulative
	2002	2003	2004	2005	2006	2007	2003-2007
Total Revenues	\$56,353,139	\$56,389,007	\$56,463,208	\$56,550,860	\$56,982,806	\$57,347,540	\$283,733,422
Total Expenditures	<u>\$57,851,995</u>	<u>\$57,953,050</u>	<u>\$57,792,532</u>	<u>\$58,182,548</u>	<u>\$58,255,325</u>	<u>\$58,759,109</u>	<u>\$290,942,565</u>
Revenue Over/(Under) Expenditures	\$(1,498,856)	\$(1,564,043)	\$(1,329,324)	\$(1,631,688)	\$(1,272,519)	\$(1,411,569)	\$(7,209,143)

1.0 Percent Salary Adjustments	Budget/ Estimate	PROJECTED					Projected ^{1/} Cumulative
	2002	2003	2004	2005	2006	2007	2003-2007
Total Revenues	\$56,353,139	\$56,389,007	\$56,463,208	\$56,550,860	\$56,982,806	\$57,347,540	\$283,733,422
Total Expenditures	<u>\$57,851,995</u>	<u>\$58,167,349</u>	<u>\$58,222,339</u>	<u>\$58,824,987</u>	<u>\$59,099,828</u>	<u>\$59,818,755</u>	<u>\$294,133,258</u>
Revenue Over/(Under) Expenditures	\$(1,498,856)	\$(1,778,342)	\$(1,759,131)	\$(2,274,127)	\$(2,117,022)	\$(2,471,215)	\$(10,399,836)

2.0 Percent No Salary Adjustments	Budget/ Estimate	PROJECTED					Projected ^{1/} Cumulative
	2002	2003	2004	2005	2006	2007	2003-2007
Total Revenues	\$56,353,139	\$56,389,007	\$56,463,208	\$56,550,860	\$56,982,806	\$57,347,540	\$283,733,422
Total Expenditures	<u>\$57,851,995</u>	<u>\$58,381,647</u>	<u>\$58,656,382</u>	<u>\$59,480,184</u>	<u>\$59,969,655</u>	<u>\$60,921,016</u>	<u>\$297,408,884</u>
Revenue Over/(Under) Expenditures	\$(1,498,856)	\$(1,992,640)	\$(2,193,174)	\$(2,929,323)	\$(2,986,848)	\$(3,573,476)	\$(13,675,462)

CITY OF SCRANTON

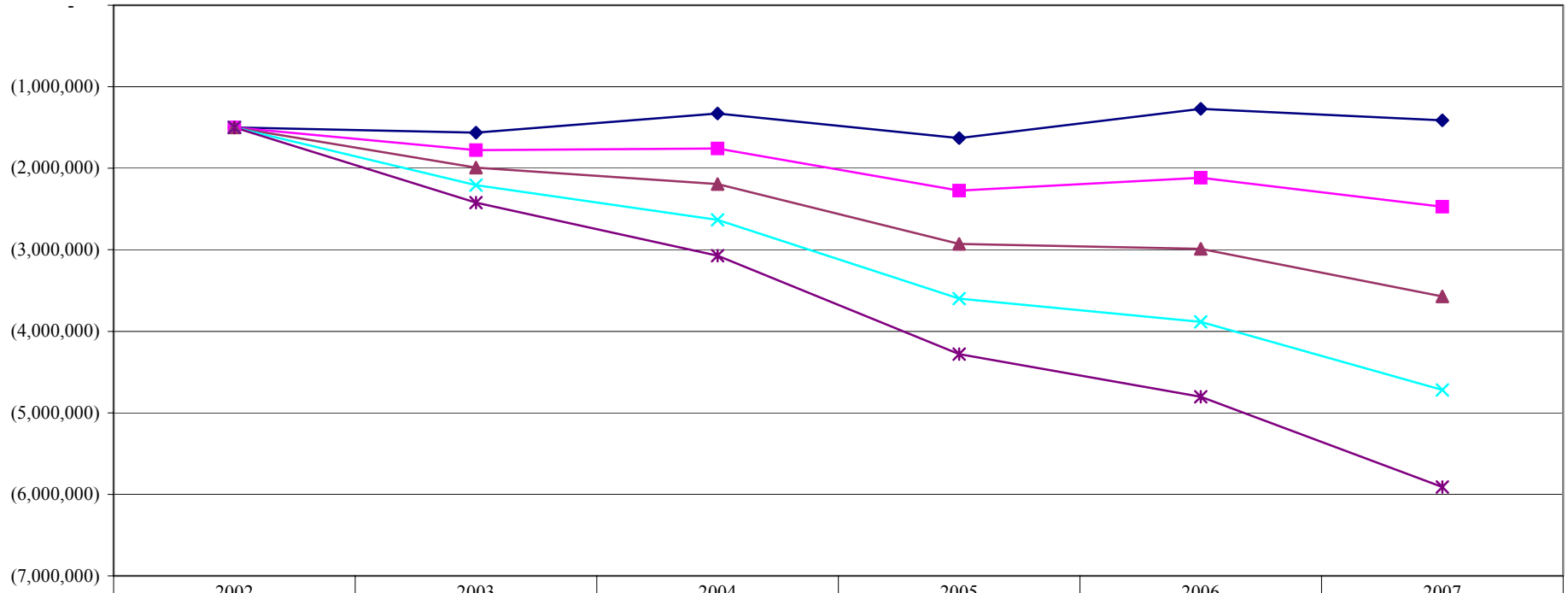
Summary of Fiscal Projections Based on Current/Expected Levels of Operations and Various Scenarios
2003-2007

	Budget/ Estimate	PROJECTED					Projected ^{1/} Cumulative
	2002	2003	2004	2005	2006	2007	2003-2007
3.0 Percent No Salary Adjustments							
Total Revenues	\$56,353,139	\$56,389,007	\$56,463,208	\$56,550,860	\$56,982,806	\$57,347,540	\$283,733,422
Total Expenditures	<u>\$57,851,995</u>	<u>\$58,595,945</u>	<u>\$59,094,661</u>	<u>\$60,148,265</u>	<u>\$60,865,306</u>	<u>\$62,067,167</u>	<u>\$300,771,345</u>
Revenue Over/(Under) Expenditures	\$(1,498,856)	\$(2,206,939)	\$(2,631,453)	\$(3,597,404)	\$(3,882,500)	\$(4,719,627)	\$(17,037,922)
4.0 Percent No Salary Adjustments							
Total Revenues	\$56,353,139	\$56,389,007	\$56,463,208	\$56,550,860	\$56,982,806	\$57,347,540	\$283,733,422
Total Expenditures	<u>\$57,851,995</u>	<u>\$58,810,244</u>	<u>\$59,537,175</u>	<u>\$60,829,356</u>	<u>\$61,787,290</u>	<u>\$63,258,505</u>	<u>\$304,222,569</u>
Revenue Over/(Under) Expenditures	\$(1,498,856)	\$(2,421,237)	\$(3,073,967)	\$(4,278,495)	\$(4,804,484)	\$(5,910,965)	\$(20,489,147)

NOTE: Not all figures add due to rounding.

^{1/} Excludes any carryover deficit/surplus from 2001 to 2002 and from 2002 to 2003.

**Base Line Projection
Revenues over (under) Expenditures**



	2002	2003	2004	2005	2006	2007
◆ Wage Increase 0%	(1,498,856)	(1,564,043)	(1,329,324)	(1,631,688)	(1,272,519)	(1,411,569)
■ Wage increase 1 %	(1,498,856)	(1,778,342)	(1,759,131)	(2,274,126)	(2,117,021)	(2,471,215)
▲ Wage increase 2 %	(1,498,856)	(1,992,640)	(2,193,174)	(2,929,323)	(2,986,848)	(3,573,476)
✕ Wage increase 3 %	(1,498,856)	(2,206,939)	(2,631,453)	(3,597,404)	(3,882,500)	(4,719,627)
✱ Wage increase 4 %	(1,498,856)	(2,421,237)	(3,073,967)	(4,278,495)	(4,804,484)	(5,910,965)

APPENDIX I-B

Fiscal Projections in Absence of Revised Plan

Fiscal Projections with No Salary Increases

Revenues

Expenditures

Fiscal Projections with 1.0 Percent Salary Increases

Revenues

Expenditures

Fiscal Projections with 2.0 Percent Salary Increases

Revenues

Expenditures

Fiscal Projections with 3.0 Percent Salary Increases

Revenues

Expenditures

Fiscal Projections with 4.0 Percent Salary Increases

Revenues

Expenditures

SECTION II

Proposed Revised and Updated Recovery Plan

CHAPTER II-A
OVERVIEW OF REVISED AND UPDATED RECOVERY PLAN
FOR 2002, 2003, 2004, 2005, AND BEYOND

In view of the general pattern of projected revenues and expenditures outlined in Chapter I-B, and in the absence of corrective action, the City faces sizable and growing deficits in the years ahead. These deficits can be avoided and future operations can be balanced if the City promptly adopts and implements a revised and updated Recovery Plan. To that end, the City is proposing a revised and updated Recovery Plan for the period 2002, 2003, 2004, 2005, and beyond.

The policies and principles reflected in the revised and updated Recovery Plan were developed primarily through a series of meetings involving the City Administration, representatives of City Council, the City's Recovery Plan Coordinator, and, at times, representatives of the Pennsylvania Department of Community and Economic Development.

The Recovery Plan Coordinator's role was to determine, in concert with the City Administration and City Council, the magnitude of the future mismatch between the City's ongoing revenues and expenditures and then guide and assist the Administration and Council in determining the policies and principles to be incorporated in the new Recovery Plan. PEL then adapted the principles and policies proposed by the Administration and Council to an appropriate Recovery Plan format, and estimated the fiscal impact of the proposed provisions in the context of the long-term financial projections reflecting no corrective action.

The resulting Recovery Plan provides numerous new provisions designed to help the City reach the needed goals, and also modifies and/or continues some of the provisions of the initial Recovery Plan, as amended, and the Plan adopted in December of 1995.

The labor relations, cost containment, and related provisions of the proposed updated revised Recovery Plan for 2002, 2003, 2004, and 2005 are presented in Chapter II-B; general plan provisions are outlined in Chapter II-C.

As a result of the successful implementation of the revised plan the fiscal operations for 2003, 2004, and 2005 will be balanced as demonstrated in Table II-A-1. (See Table II-A-1 and Appendix IIA.)

Table II-A-1

CITY OF SCRANTON

Summary of Fiscal Projections Based on Adjusted Levels of Operation as Reflected in Revised Recovery Plan
2002-2005

	Budget/ Estimate	PROJECTED			Projected ^{1/} Cumulative
	2002	2003	2004	2005	2003-2005
Total Revenues	\$56,353,139	\$56,389,007	\$56,463,208	\$56,550,860	\$169,403,076
Total Expenditures	<u>\$57,851,995</u>	<u>\$56,389,007</u>	<u>\$56,463,208</u>	<u>\$56,550,860</u>	<u>\$169,403,076</u>
Revenue Over/(Under) Expenditures	\$(1,498,856)	\$ 0	\$ 0	\$ 0	\$ 0

^{1/} Excludes any carry over deficits/surplus from 2001 to 2002 and from 2002 to 2003.

APPENDIX II-A

Fiscal Projections Based on Revised Plan

Revenues

Expenditures

CHAPTER II-B
REVISED AND UPDATED RECOVERY PLAN
LABOR RELATIONS, COST CONTAINMENT, AND RELATED PROVISIONS

The following are the labor relations, cost containment, and related provisions of the revised and updated City of Scranton Recovery Plan. They become effective as of the date of the plan's adoption. They cover the remainder of 2002 as well as the period 2003-2005 and beyond; provided that the terms and provisions of any existing collective bargaining agreement shall be followed for the remainder of its current term.

These cost containment provisions are both reasonable and necessary to the recovery of the City. It is the intention of the City to negotiate these cost containment provisions with the bargaining unit representatives of its employees, in good faith.

However, to the extent that the City is unable to reach agreement with any of its Unions, resulting in interest arbitration or other legal proceedings, it is the express intention of the City that the implementation of these cost containment provisions is mandatory. All costs containment provisions must be addressed. The only exception to the mandatory intent and nature of these provisions will be by amendment to said provisions, based upon approval from the Coordinator, in conjunction with the Pennsylvania Department of Community and Economic Development. Any such change must be in conformance with the financial parameters of the Recovery Plan.

Provisions Applicable to all Employees and Department/Bureaus/Offices

1. Management Rights. The City shall have the right to determine the organizational structure and operation of each Department including, but not limited to, the right to determine and change job duties for each position, the right to determine and change schedules for each employee, and the right to assign work to any employee. Any provision in any collective bargaining agreement which is inconsistent with, or which interferes with, the rights of the City as set forth above, shall be eliminated to the extent of such inconsistency or interference, and the City's management rights, as set forth above, shall not be the subject of any grievance procedure or arbitration clause in any collective bargaining agreement between the City and any of its unions.

2. Wages. For 2003, 2004, and 2005, the base hourly wages and salaries of all City employees shall not exceed existing (2002) rates, except to the extent that future collective bargaining agreements, arbitration awards, or other means result in using the moneys made available in Item 3 below for wage increases. (As of the adoption of this plan, the City's DPW employees are negotiating with the City for the year 2002. Should the bargaining unit and the City come to an agreement on wages for 2002, such rates shall be considered the 2002 rate for these employees.)

3. Personnel Costs. For 2003 a total of \$225,000 will be available to meet any adjustments in personnel-related costs for all City employees, including those costs resulting from collective bargaining, arbitration, and/or other means; for 2004 a total of \$400,000 will be available to meet the cost of any such adjustments; and for 2005 a total of \$605,435 will be available. Distribution of these moneys among the various departments/bargaining units shall be fair and equitable and shall generally be in proportion to the actual 2001 costs incurred for each department/bargaining unit. Uses of these moneys could include one-time bonuses, wage adjustments, offsets against medical co-pays, etc. as determined by collective bargaining, arbitration, or other means. Whatever the terms of future collective bargaining agreements, arbitration awards, etc., no back wages or other retroactive adjustments shall be paid.

4. Paid Leave. There shall be no increase or improvement in any form of paid leave. The scheduling of vacation, holidays, and personal days shall be balanced and evenly distributed throughout the year in such a manner as to preclude the need for overtime. The City shall adopt and strictly enforce an aggressive management/supervisory oversight policy covering all types of leave (sick, family, bereavement, etc.).

Annual vacation shall be scheduled and used during the year for which it is earned. If, due to operational reasons, emergencies, and/or scheduling difficulties, leave cannot be used within this time period, said leave may be carried forward into the next calendar year for a period of three (3) months. Carryover leave not used within the first three (3) months of the subsequent year shall be lost. In order for an employee to carry over leave, the written approval of the respective department head and the Director of Human Resources shall be required. The Director of Human Resources in consultation with the department heads shall establish standards and guidelines for granting such approval.

Unless specifically provided for to the contrary in other sections of this Recovery Plan, compensatory time off in-lieu-of overtime pay shall not exceed 8 hours of straight time (12 hours of compensatory time for non-exempt employees) in any pay period. Any time worked beyond this level will result in overtime pay. Employees must have advance written approval (24 hours) from the immediate supervisor in order to use compensatory time. Compensatory time may not be carried over into the following year.

Full-time employees hired on or after January 1, 2003, shall earn one sick day per month beginning the first day of the month following the date of hire. An employee will be entitled to accumulate up to 120 days. Employees may earn sick days only while on active pay status (i.e., when an employee is actually working and not on any form of leave—paid or unpaid).

Employees will not be entitled to payment for any holidays/personal days which occurs after their retirement, discharge, or layoff date. Further, at the time of discharge, retirement, or layoff an employee shall be entitled to vacation pay only if the employee is currently on active pay status. No vacation time shall 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. There shall be no duplication of any form of paid leave or accrual of paid leave for the same period of time.

5. Health Insurance Benefits. Beginning January 1, 2003, the maximum annual dollar amount which the City will pay to meet all health care costs of any nature shall be \$7,191,812 (equal to the City's actual 2001 cost). This amount shall meet all costs relating, but not limited to, medical and major medical, dental, vision, and prescription coverages; administrative costs; and cash payments to individuals that opt not to receive City health benefits and apply to all eligible current employees and their eligible dependents and eligible former employees and their eligible dependents. The allocation of this amount to cover eligible recipients shall be fair and equitable and shall generally be in proportion to the actual 2001 costs incurred for each department/bargaining unit.

The specific health benefits and coverage for eligible employees, retirees, and dependents shall be determined by the Healthcare Committee.

Effective January 1, 2003, the City will cease to extend health care benefits to employees who retire on or after that date.

6. Regular Part-time Employees. The City shall have the right to hire regular part-time employees. Regular part-time employees shall be used or scheduled in such a fashion so as to virtually eliminate the need for nonemergency overtime within the City. Regular part-time employees shall be part of the applicable bargaining unit, and regular part-time police and firefighters will be hired through Civil Service procedures. Regular part-time employees may be scheduled at any time but shall not be scheduled to work more than 35 hours per week (42 hours per week for firefighters), except for court time, training, and in cases of emergency. Regular part-time employees may be used to replace a full-time employee who is absent from work for any reason. In this regard, the City shall have the right to change the schedules of regular part-time employees, for any reason, or to use regular part-time employees as “on call” replacements for full-time employees.

The City shall have the right, in its sole discretion, to determine the starting wages and job duties of regular part-time employees. Thereafter, regular part-time employees shall receive the same percentage increase to their hourly wage, if any, as full-time employees within the same bargaining unit. The City shall not hire regular part-time employees which would displace any existing full-time employees. Qualified part-time employees shall be considered for full-time positions which the City decides to fill through the job posting procedure. In cases of layoffs, all regular part-time employees within a job classification shall be laid off first, according to their reverse seniority, before full-time employees are laid off within the same job classification.

Regular part-time employees shall not be eligible for any form of employee benefits or paid leave.

7. Elimination of Minimum Manning. Any provision of any collective bargaining agreement between the City and any of its Unions concerning minimum manning requirements for any particular bargaining unit, shift, platoon, job classification, specialization, or position shall be eliminated. The City shall have the sole right to determine the number of personnel employed and utilized by the City. Further, the City shall have the right to layoff any employees for economic or any other reasons, without limitation.

8. Clothing Allowance. Effective January 1, 2003, the clothing allowances paid to any City employee shall be limited to employees on active pay status and shall not exceed \$750 per eligible employee. The City shall have the right to determine how best to make the clothing

allowance available. This may include the use of an exclusive supplier, a quartermaster system, or some other arrangement which could differ from bargaining unit to bargaining unit.

9. Longevity. Longevity shall not be paid to any employee hired on or after January 1, 2003. All other aspects of the present longevity plan offered to members of the collective bargaining units under current contracts shall remain unchanged.

10. Elimination of Subcontracting Clauses. There shall be no provision in any collective bargaining agreement which prohibits or limits the right of the City to subcontract any service, function, or activity.

11. Duplication of Benefits. Except as otherwise specifically required by law, any duplication of payment for sick leave, disability leave, workers compensation, Heart and Lung benefits, paid leave, pension benefits, or regular pay shall be eliminated. All pension plans shall be amended to include a provision to offset pension benefits by the amount of social security disability benefits. Employees will be required to make an election concerning available benefits in order to avoid any duplication of benefits. There shall be no duplication of pension benefits and workers' compensation 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 shall be offset by the amount of pension benefits payable to the same employee.

12. Sick Leave/Doctors Evaluation. 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 shall be 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.

13. Family Medical Leave Act. The City shall comply with The Family Medical Leave Act (FMLA) of 1993, which provides up to 12 weeks of leave in a 12-month period and which guarantees the same or an equivalent job upon return to work. If an employee does not meet the eligibility requirements for a family or medical leave, but needs time off because of a medical condition, the City may grant up to four weeks of unpaid leave, but job reinstatement is

not guaranteed. Appropriate doctor certification must be provided along with a completed Family Medical Leave form in order to take a leave under FMLA. If the leave is taken to care for the birth or placement of a child, or is to care for a seriously ill family member, any accrued vacation time must first be used followed by accrued sick time. Thereafter leave would be without pay. All sick leaves without pay will be designated as leave under the provisions of the FMLA.

14. Short-term Disability Insurance. The City shall have the right to adjust the terms and conditions of its Short-term Disability program in order to provide that compensation under the program not begin until after the employee is unable to work for ten consecutive work days. The City's insurance policy for its Short-term Disability Program shall be changed accordingly.

15. Workers' Compensation. An employee who suffers a work related accident, injury, or illness shall follow the procedures developed by the Department of Human Resources unless governed by the State Workers' Compensation Act. Such procedures shall be developed for the City by the Director of Human Resources, in consultation with the City's Risk Manager and other advisor including legal counsel not later than July 1, 2002, and include, but not be limited to, a mandatory drug and alcohol test upon having a work-related accident or incurring a work-related injury. The City shall use its risk manager to administer and coordinate Workers' Compensation program. The City shall retain qualified doctors and specialists for the purpose of conducting independent examinations. The City shall make the initial determination concerning whether the injury or condition in question is work-related before paying any benefits. Should any claim be determined to be compensable then the City in conjunction with its risk manager shall review each claim at least every 90 days.

16. Elimination of Past Practices. Any provision or clause in any collective bargaining agreement which protects past practices, or any rights which are not specifically set forth in the collective bargaining agreements, shall be eliminated. The Unions shall be given the opportunity to identify and negotiate any specific practices or rights which they would like to preserve and have included in future collective bargaining agreements.

17. Grievance Procedures. All grievance procedures in any collective bargaining agreement shall be amended to include a provision that requires the following as part of the initial filing of any grievance:

- a. Specific identification of nature and all details concerning the grievance in question.
- b. Specific identification of the section of the collective bargaining agreement which has been violated.
- c. Specific remedy requested including the section of the collective bargaining agreement which authorizes the remedy requested.
- d. The grievance must be filed within a 7-day period following the first occurrence giving rise to the grievance.

The City will have no duty to process or arbitrate any grievance which does not comply with these requirements.

18. Drug and Alcohol Testing. The City shall 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.

19. Modified Duty. Employees who are partially disabled because of a work- or nonwork-related injury or illness and unable to perform their assigned duties or are unable to work due to non-work related illness shall be required to report for “modified duty” based on medical documentation provided by a physician designated by the City. Modified duty hours shall be consistent with the regular City Hall hours—8:30 a.m. to 4:00 p.m. Monday through Friday. Modified duty shall be limited to a maximum of twelve months from the date the injury occurred or illness began.

20. Absence Report. Employees must record any vacation, sick, personal, jury, or bereavement leaves on an Absence Report form and submit a copy to the Department Director.

21. Job Descriptions. The City shall have the right to re-evaluate and modify job descriptions for all employees. Job descriptions shall include an enumeration of appropriate knowledge, experience, and qualifications in order for an employee to be eligible for hire or promotion. The City shall have the ability to conduct desk audits to establish the duties being performed by various positions and how such duties may be more efficiently distributed.

Job descriptions shall be developed as part of the Human Resources Plan outlined in Chapter II-C.

Provisions Specifically for the Fire Department

1. Organization and Scheduling. The City shall reorganize its Fire Department in order to more efficiently deploy fire personnel.

The provisions of the current collective bargaining agreement between the City and the International Association of Firefighters relating to the fire study task force and the study of the location of fire stations (Article VII, Paragraph 2), the reduction of force pending receipt of the study (Article VII, Paragraph 3) and the payment of damages for arbitration awards resulting from the Union's claim for overtime (Article VIII, Paragraph 5) shall be deleted from the collective bargaining agreement. All of these issues and matters are reserved to the City's management right to decide the organization, structure and operations of the Fire Department including, but not limited to, the number and location of fire stations, the temporary and permanent closing of fire stations and companies, and the authorization and scheduling of overtime.

Under the Fair Labor Standards Act, overtime for firefighters is legally distinct from overtime requirements for other non-exempt employees. Under the Fair Labor Standards Act, the City is not required to pay overtime to firefighters unless they work more than 212 hours within a 28 day period or cycle (53 hours average per week). Presently, firefighters work an average of 42 hours per week.

Effective January 1, 2003, the present four-shift schedule shall be changed to a three-shift schedule, thus allowing for a greater pool of firefighters per shift. The workweek shall consist of not more than 49 hours of work, paid at straight time in accordance with the Fair Labor Standards Act, and at the existing annual firefighter salary. The schedule shall provide for three shifts with each shift working 2 days (10 hours per day) and then 2 nights (14 hours per night)

followed by 2 days off. Kelly Days (additional days off) will be utilized so that the average workweek for each firefighter will not exceed 49 hours. This schedule is modeled after the schedule previously used in the City of Scranton.

Except for the Assistant Chief and his driver, the City shall provide for a minimum of three firefighters on each piece of responding fire apparatus.

It shall be the sole discretion of the City to determine the number of and type of apparatus to be employed by the City as well as the number of fire companies and fire stations. The Fire Chief in conjunction with appropriate staff and the Director of Public Works (City Engineer) shall evaluate all fire vehicles and related equipment. Recommendations on a long-term capital plan for vehicle maintenance and or replacement shall be made to the Mayor no later than August 1, 2002, for inclusion in the City's 2003 Capital Plan/Budget.

The Fire Chief in conjunction with appropriate staff, the Director of Inspection and Licenses, and the Director of Public Works shall review each fire station in order to determine what repairs and/or improvements are needed. Recommendations for immediate repairs shall be made no later than August 1, 2002, for inclusion in the City's 2003 Capital Plan/Budget. Long-term recommendations dealing with overall structural improvements for each station shall be made to the Mayor no later than August 1, 2003 for inclusion in the 2004 Capital Plan/Budget.

2. Management Positions. The City shall create new job descriptions for the following existing management positions within the Fire Department: the Chief, Deputy Chief, Administrative Captain, and Assistant Chiefs. Said management positions shall be given supervisory and decision-making authority including, but not limited to, involvement in collective bargaining proposals and labor relations matters on behalf of the City. Said management positions shall be excluded from the applicable bargaining unit. The City shall file a unit clarification petition with the Pennsylvania Labor Relations Board in order to exclude said management positions from the bargaining unit, if necessary. These positions shall no longer be eligible for overtime compensation, compensatory time, or longevity pay.

3. Fire Hydrant/Vehicle Maintenance Services. The positions of master mechanic and hydrant inspector shall be eliminated. The individuals now filling these positions shall be retained as fire suppression personnel.

4. Paid Leave Policy. The present “ policy/rule” which allows a maximum of nine (9) firefighters per shift to be on holiday and vacation leave shall be changed to allow for a maximum of eight (8) firefighters per shift to be on leave for these purposes.

5. Heart & Lung – Firefighters. Firefighters injured in the line of duty shall report the injury or illness to their supervisor immediately on the appropriate reporting form. At the time of an injury requiring immediate medical attention the employee shall be subjected to a drug and alcohol test. The Supervisor shall conduct an investigation into the circumstances surrounding the injury on report form provided by the City. The City reserves the right to obtain an initial evaluation of any uniformed employee so injured within one month after the injury, and reserves the right to obtain periodic evaluations by a physician designated by the City at 30-day intervals thereafter provided sufficient notice is given to the employee. This evaluation will be at the expense of the City. An employee shall be required to provide medical documentation in support of their temporary disability every 30 days during the duration the employees current Heart & Lung leave.

The City shall use its risk manager to administer and coordinate Heart and Lung claims. The City shall retain qualified doctors and specialists for the purpose of conducting independent medical examinations dealing with Heart and Lung claims. The City shall make the initial determination concerning all workers’ compensation and Heart and Lung claims as to whether the injury or condition in question is work-related, before paying any benefits. Firefighters who are permanently unable to perform their regular duties, as a result of a work-related injury or condition, shall be honorably discharged and given a disability pension. A disability pension shall be paid within a three-month time period following the determination that the individual is permanently disabled. A determination by the City of permanent disability shall be sufficient for the determination of disability pension unless otherwise required by law.

Provisions Specifically for the Police Department

1. Organizational Structure and Scheduling. Scranton Police Department shall be modified organizationally, structurally, and functionally to ensure necessary cost containment, while ensuring the best possible service to the citizens of Scranton. The police department’s existing shifts/platoons and the current organizational plan developed by the SIT Committee

shall be modified to better reflect the temporal, demographic, and geographical conditions of the City.

Although the present collective bargaining agreement states that the Scranton Police Department shall consist of three “Divisions,” the department is in fact comprised of four Divisions: Patrol, Detective, Administrative Support, and Training and Special Services.

Detective Division. The current distribution of manpower and supervisory oversight in the Detective Division shall be evaluated to minimize overtime and unnecessary call time. The City shall have the right to determine schedules based on such evaluation. The Director of Public Safety and the Chief of Police shall provide a new detective schedule no later than July 1, 2002 to be effective January 1, 2003. The resulting schedule may be altered at any time with 14 days notice or in case of emergency. A rotational “on call” plan shall be implemented to minimize the current use of overtime time/compensatory time off. No compensatory time off shall be paid to detectives for carrying a pager outside of duty hours.

Administrative Division. The Administrative Division consists of one sworn officer (a lieutenant) and a number of clerical positions located throughout the various organizational segments of the police department. These clerical positions shall be placed under the direct control of the organizational division where assigned. The Department’s Grant Writer shall fall under the immediate direction, control, and supervision of the Chief of Police. The functional component of the Administrative Division shall be reevaluated to determine if additional administrative/staff related duties should be included.

Training and Special Services Division. The Training and Special Services Division presently consists of two sworn officers—a Captain and a Sergeant. The Training and Special Services Division shall be eliminated and incorporated as a “Section” under the direct supervision of the Administrative Division Lieutenant. This Section shall consist of a Training Unit and a Special Services Unit. This change will result in the elimination of the position of “Training Captain” and ensure a more appropriately structured department. Each unit shall consist of one police officer with a rank of not to exceed sergeant. Such action will occur upon the retirement of present Administrative Captain.

Patrol Division. The present structure of the Patrol Division consists of three equally manned patrol shifts or platoons. This current method does not achieve a proper balance of manpower according to “shift activity”. The current structure shall be changed to reflect the volume of police activity. An assignment schedule shall be designed to place officers on duty

according to the amount of police activity and to reflect the functional, spatial, and temporal workload demands.

The present “Highway Unit” located within the Patrol Division shall be eliminated. Accident investigation and related duties shall be incorporated into the regular patrol function of the Division.

According to the International Association of Chiefs of Police, police activity in the average community generally occurs as follows:

22% night shift	(12:00 a.m. – 8:00 a.m.)
33% day shift	(8:00 a.m. – 4:00 p.m.)
45% evening shift	(4:00 p.m. – 12:00 a.m.)

Currently, manpower distribution in the Scranton Police Department does not reflect the workload. Therefore, the three basic shifts shall be reorganized to better reflect police activity, as well as to improve response time and officer safety. In order to achieve a better balance, a fourth shift or “D” shift may be implemented. In addition, a limited “back drop” method may be employed to ensure adequate coverage at shift change. (The “back drop” method means that one or two patrol officers begin their respective shifts one hour before or after the remainder of their assigned platoon in order to ensure coverage at shift change.) This will also improve response time and result in minimal “shift change” overtime. Accordingly, the City shall have the sole right to determine both shift schedules and manpower per shift. No later than July 1, 2002, the Chief of Police and the Director of Public Safety shall determine the schedules and manpower requirements to be effective January 1, 2003. Such schedules may be altered at any time with 14 days notice or in case of emergency.

2. Supervisory Assignments. Supervisory personnel assigned to patrol duties shall not be exempted from the handling of routine police calls when other units are busy or unavailable.

3. Court Time. The City shall have the right to adjust or change the scheduled work hours of an officer to ensure attendance at any required judicial or administrative proceedings relating to, or arising from, the performance of his/her duties. Such action will minimize the use

of required court appearance overtime, which takes place outside the officer's regularly scheduled work shift.

In no case shall officers be permitted to pyramid court-related appearances in order to receive addition pay or compensation. Officers no longer shall be permitted to unilaterally schedule their own court appearances. Supervisory oversight and control shall be implemented to minimize court-related overtime.

4. Compensatory Time. Compensatory time off for police officers shall not exceed 16 hours in any pay period (24 hours of compensatory time). Any time worked beyond this level will result in overtime pay. Compensatory time off shall be taken within 60 days following the date the time is earned. Employees must have advanced written approval (24 hours) from the immediate supervisor in order to use compensatory time. Any requests for use of Compensatory time not made more than 24 hours in advance shall be given consideration only if granting the request does not result in the payment of Compensatory time or overtime to replace the officer taking time off. Compensatory time may not be carried over into the following year.

5. Management Positions. The City shall create new job descriptions for existing management positions within the Police Department including the Chief, Deputy Chief, and all captains. Said management positions shall be given supervisory and decision-making authority including, but not limited to, involvement in collective bargaining proposals and labor relations matters on behalf of the City. Said management positions shall be excluded from the applicable bargaining unit. The City shall file a unit clarification petition with the Pennsylvania Labor Relations Board in order to exclude said management positions from the bargaining unit, if necessary. These personnel shall no longer be eligible for overtime compensation, compensatory time, or longevity pay.

6. Traffic Maintenance Bureau and Public Safety Mechanics. The City shall have the sole right to determine the location of personnel within its overall organizational structure. The City has determined that the Traffic Maintenance Bureau and Public Safety Mechanics as well as any personnel directly supporting these positions who currently fall under the jurisdiction of the Department of Public Safety (Police) shall as of January 1, 2003, fall under the jurisdiction of the Department of Public Works. Traffic maintenance employees and public safety mechanics

and related clerical employees shall work a 35-hour workweek, consistent with the clerical union contract, and the specific hours of work for these individuals shall be the same as at present. However, the City shall have the sole right to change these hours.

7. Leave Policy. An appropriate policy relative to the maximum number of personnel per shift who can be on leave simultaneously shall be developed by the Director of Public Safety and the Chief of Police in keeping with the newly determined shift schedule to be effective January 1, 2003.

8. Grant officers. All police positions which were filled through non-OECD Federal Grant Programs will be eliminated as soon as the City's obligation under the existing federal guidelines is met.

9. Heart & Lung – Police Officers. Police officers injured in the line of duty shall report the injury or illness to their supervisor immediately on the appropriate reporting form. At the time of an injury requiring immediate medical attention the employee shall be subjected to a drug and alcohol test. The Supervisor shall conduct an investigation into the circumstances surrounding the injury on report form provided by the City. The City reserves the right to obtain an initial evaluation of any uniformed employee so injured within one month after the injury, and reserves the right to obtain periodic evaluations by a physician designated by the City at 30-day intervals thereafter provided sufficient notice is given to the employee. This evaluation will be at the expense of the City. An employee shall be required to provide medical documentation in support of their temporary disability every 30 days during the duration the employees current Heart & Lung leave.

The City shall use its risk manager to administer and coordinate Heart and Lung claims. The City shall retain qualified doctors and specialists for the purpose of conducting independent medical examinations dealing with Heart and Lung claims. The City shall make the initial determination concerning all workers' compensation and Heart and Lung claims as to whether the injury or condition in question is work-related, before paying any benefits. Police officers who are permanently unable to perform their regular duties, as a result of a work-related injury or condition, shall be honorably discharged and given a disability pension. A disability pension shall be paid within a three-month time period following the determination that the individual is

permanently disabled. A determination by the City of permanent disability shall be sufficient for the determination of disability pension unless otherwise required by law.

Positions Specifically for the Public Works Department

1. Ongoing Negotiations. The City shall continue to negotiate with the public works union to reach a collective bargaining agreement in keeping with the terms and spirit of the recovery effort. Any collective bargaining agreement with the public works union must comply with the overall fiscal projections and cost containment provisions of this revised and updated Recovery Plan.

2. Organizational Structure. The Department of Public Works shall be modified organizationally, structurally, and functionally in order to ensure necessary cost containment, while ensuring the best possible service to the citizens of Scranton. The City reserves the sole right to determine its organizational structure for this and all departments. It is the intent of the City to include the following Bureaus within the Department of Public Works effective January 1, 2003: Public Works Administration; Engineering; Refuse and Recycling; Roads and Bridges; Garages; and Traffic Maintenance

3. Bureau of Refuse and Recycling. The current distribution of manpower and supervisory oversight in the Bureau of Refuse is being evaluated to minimize overtime and unnecessary call time. Drivers and collectors duties and skills are the same for both refuse and recycling collections. In fact employees are interchanged daily. This change precludes the need for different job titles for personnel in refuse and recycling collection. Therefore, job titles shall be standardized, and there shall be no distinction between refuse and recycling.

Collection routes shall be reassessed in order to reduce the hours of unproductive time for collectors while refuse trucks are enroute to and from the landfill, and routes shall be redesigned in order to concentrate pickups in one section of the City each day and to collect all refuse in four (4) days. The practice of Saturday refuse/recycling collections during holiday weeks may be eliminated. The City shall have the sole right to determine how and when refuse/recycling should be collected during weeks which include a holiday.

4. Bureau of Roads and Bridges. The Bureau of Roads and Bridges shall be created to replace the Bureau of Highways. At the present time the Bureau of Refuse and the Bureau

Streets operate on a day-to-day basis as a single entity, and employees are assigned daily to duties in a priority order: first, refuse collection; second, recyclable collection; and third, roadway crew duties. The City, at its discretion, may continue to interchange personnel from the Bureau of Refuse and Recycling to Roads and Bridges and conversely, and the City shall determine the priority of work. In general, the City shall attempt to maintain the Bureau of Roads and Bridges intact to keep current on road repairs.

5. Parks and Recreation. The Bureau of Parks and Recreation has become the Department of Parks and Recreation and shall be recognized as such in the new bargaining unit contract. DPW bargaining unit employees presently in Parks and Recreation shall be governed by all provisions of this plan.

6. Buildings. The functions of the Bureau of Buildings and Grounds have been transferred to other areas. The director of newly formed Department of Permits, Licensing, and Inspections shall supervise the Bureau of Buildings, while grounds maintenance and related activities shall be provided for by the Department of Parks and Recreation.

7. Elimination of Redundant Job Titles. The City shall reclassify employees in the Bureau of Refuse and Recycling and the Bureau of Roads and Bridges into five (5) titles and classifications:

Heavy Equipment Operator – Personnel who possess a Class A driver’s license in the Commonwealth of Pennsylvania and who are qualified to operate specialized construction equipment; such as, but not limited to, a backhoe, excavator, loader, paving machine, street sweeper, tree trimming lift truck, etc.

Equipment Operator 2 – Personnel who possess a Class A driver’s license in the Commonwealth of Pennsylvania and who are qualified to operate a truck and trained in the operation of a truck equipped with a plow and spreader for winter services.

Equipment Operator 1 – Personnel who possess a Class B driver’s license in the Commonwealth of Pennsylvania and who are qualified to operate an automobile and small truck, and who are also qualified to operate a light truck equipped with a plow and spreader for winter services.

Laborer – Personnel who conduct manual labor functions; such as, collecting refuse, collecting recyclables, manual labor on roadways and bridges, and other various duties as assigned. A Class C Pennsylvania driver’s license is required.

Craftsman – Personnel who perform skilled duties such as bricklayer, carpenter, mason, etc. A Class C Pennsylvania driver’s license is required.

The function of “Dispatcher” shall become a seasonal job needed only during the period from October 1 through March 31 when winter services are required.

8. Discipline Procedure. The number of steps in DPW progressive discipline system shall be reduced from five steps to three steps as follows:

First offense: a written warning to employee.

Second offense: suspension from work—3 days without pay.

Third offense: dismissal

9. **Staffing and Work Schedules.** The present shift start and end work times for the various “Bureaus” are not the same. The “Bureau of Refuse” reports to work at 6:00 a.m., and the other “Bureaus” report at 7:00 a.m. This procedure causes a delay for the start of actual collections every day that personnel report off for sick leave, since the supervisors must wait an extra hour to staff any trucks that are short of personnel. That also creates a situation at the end of the day where the persons who reported must return to the reporting site an hour early in order that the first group may leave work on time.

At the City’s discretion the base reporting time may be standardized for all persons in the Bureaus of Refuse and Recycling and the Bureau of Roads and Bridges. The City maintains the right to alter the starting time during winter months when winter maintenance services must be provided. This change will contribute to the ability to collect all refuse in four (4) days instead of five (5).

Employees in the Bureau of Garages who are members of the Public Works bargaining unit shall be divided into two shifts—7:00 a.m. to 3:00 p.m. and 3:00 p.m. to 11:00 p.m. Traffic maintenance employees, public safety mechanics, and related clerical employees shall work a 35-hour workweek, consistent with the clerical union contract, and the specific hours of work for these individuals shall be the same as at present. However, the City shall have the sole right to change these hours.

10. **Subcontracting.** The City shall study and explore any options, including, but not limited to, subcontracting any Public Works service, function, or activity in order to carry out its responsibilities to the citizens of Scranton in the most efficient and cost-effective manner possible.

Clerical and Nonunion

1. **Workweek.** Except as otherwise provided, the employee workweek and wages shall reflect of a seven hour work day, thirty-five hour per week (35), exclusive of a lunch period. Except as otherwise provided, the base workday shall be from 8:30 a.m. to 4:00 p.m. with a half an hour non-paid lunch period. Maintenance/cleaning shall work from 3:30 p.m. to 11:00 p.m. with a half hour non-paid lunch period. Employees shall be required to punch in and out with the use of a mechanical device; the choice of an appropriate device shall be at the discretion of the City.

2. Straight time/Overtime. Payments for time worked in excess of 35 hours but not more than 40 hours in a week will be paid at straight time. Overtime shall be paid only for work in excess of 40 hours in a week. No overtime shall be worked unless there is prior approval by the immediate supervisor.

3. Outsourcing. The City shall review the use of a payroll processing company as an alternative to the purchase and installation of its own payroll processing software. Nothing in any collective bargaining agreement shall preclude the use of a payroll processing company and the assignment of new tasks to employees who previously performed the payroll function.

4. Restructuring and Cross-Training. In an effort to improve the workflow within a department, the City shall have the right to restructure departments and require cross training of department employees.

5. Job Vacancies, Bumping, and Bidding. The City shall be the sole determinant of whether and when a vacant position shall be filled. The City reserves the right to hire temporary staff to fill temporary vacancies due to extended leaves of absences.

No individual shall have the right to “bump” or “bid” any position unless as of the date of the posting of the vacancy they meet the qualifications stated in the job description.

No employee may “bump” an individual in a certified position or “bid” for such a position unless as the date of the posting of the vacancy the candidate for the position is already certified. These certified positions include: Sign Inspector; Housing Inspector; Mechanical Inspector; Electrical Inspector; Plumbing Inspector; and Building Inspector.

6. Job Classification. The following clerical positions shall have their titles changed to Administrative Specialist I: Record Clerk/CRT Operator, Administrative Assistant/CRT Operator, Assistant Accounts Payable Clerk, Clerk/Crime Prevention/CRT Operator, Clerk/Stenographer, Confidential Secretary, Executive Secretary, Secretary, Secretary II, Secretary to the City Clerk, Secretary to Director, Stenographer/Secretary Zoning Board, and Stenographer. The following clerical positions shall have their titles changed to Administrative Specialist II: Assistant Chief Clerk, Stenographer Senior, Clerk, and Stenographer

Bookkeeper/CRT Operator. The following clerical positions shall have their titles changed to Administrative Specialist III: Chief Clerk/CRT Operator, and Chief Clerk. Salaries shall be adjusted accordingly so that those individuals with the same job title shall receive the same rate of pay—the highest rate now being paid to those who will have the same title.

7. S.I.T. Clerks. Notwithstanding any prior arbitration award, the City shall have the right to determine the number and type of S.I.T. clerks, and the S.I.T. clerk position which reports directly to the Deputy Chief/Patrol shall be eliminated.

CHAPTER II-C

REVISED AND UPDATED RECOVERY PLAN—GENERAL PLAN PROVISIONS

The following outlines the general provisions of the City of Scranton's revised and updated Recovery Plan for 2002, 2003, 2004, 2005, and beyond.

Finances and Financial Management Issues

Scranton Housing Authority. The amortization of the advance in-lieu-of-tax payment made to the City of Scranton by the Scranton Housing Authority will conclude in 2005. Starting in 2006, the Scranton Housing Authority shall reestablish its in-lieu-of-tax payments at an amount equal to or greater than the prior annual amount. Not later than December 1, 2002, representatives of the City shall meet with the Board of the Scranton Housing Authority to determine what other financial assistance might be provided by the Authority to the City.

Scranton Municipal Golf Course. In prior years the City budgeted for a \$200,000 contribution by the Scranton Municipal Golf Course to the City's operating budget. No amount is budgeted as a future revenue as part of the Recovery Plan because of possible bond indenture and financial constraints. At the present time the role of the Scranton Municipal Golf Course within the City's parks and recreation structure is being evaluated. Upon completion of this evaluation, the Mayor shall recommend to City Council an appropriate course of action and then execute that action in an expeditious manner.

Voluntary Contributions. The Business Administrator and City Attorney shall aggressively pursue additional voluntary contributions or "direct tax payments" from the tax-exempt community to support City services.

Cable Television. The City shall remain alert to opportunities to produce additional revenues from its cable television franchise agreement.

Scranton Parking Authority. Representatives of the City and the Authority shall develop a plan to increase revenues provided to the City. The plan shall be developed no later than December 31, 2002, and immediately thereafter be submitted for action to the Authority Board

and City Council, if so required. The plan shall include, but not be limited to: more aggressive methods of collecting delinquent citations; increased efficiency in accounting and payment procedures; the possibility of adding more metered spaces throughout the City; a more cost effective manner of replacing parts and meters; and increased enforcement mechanisms.

Tax Policy. All tax rates for the period 2003 through 2005 shall be retained at their 2002 levels.

Scranton Sewer Authority. The City's agreement with American Anglian relative to the management and operation of the City's sewer system is scheduled to terminate in 2004. In view of this, the City shall explore options with respect to the future operation of the system. The Recovery Plan's financial estimates anticipate that \$500,000 will be made available to the City's General Fund from the sewer operation for the years 2003 through 2005. Any additional ongoing revenues or any one-time resources received from this source shall be used for capital improvements.

Employee Benefits/Pensions. The City will continue to follow the requirements of Act 205 particularly as they relate to budgeting the entire cost of the Minimum Municipal Obligation. The Recovery Plan provides for \$800,000 per year to be made as a contribution to the Pension Plans to amortize the cost of the advance payment made by Provident Mutual in the year 2000 to meet the City's unfunded MMO's as of that date. The City shall review on an annual basis in conjunction with the pension actuarial reports the status of this payment and its required MMO payment. Finally, all pension plan amendments shall be made in accordance with cost containment provisions outlined in Chapter II-B.

Overall Finances/2003 through 2005 Budgets. The estimated revenues and expenditures which will result from the prompt and full implementation of the terms and conditions of the updated and revised Recovery Plan for 2003 through 2005 are outlined in Appendix II-A.

Capital Items/Budget. The City of Scranton's Capital Budget priorities for the period 2003-2005 are outlined below without ranking:

Purpose	Est. Cost
New Police Headquarters	\$ 2.0 million
New DPW Complex	1.8 million
Fire Station Renovations and Equipment	1.5 million
Bridges, Roads, Curbs, & Sidewalks	3.0 million
Storm Water Systems East & West Mountain	3.0 million
City Hall Repairs and Renovations	2.5 million
Park System Improvements	<u>8.0 million</u>
Total	\$21.8 million

With respect to the foregoing:

- In general, it is the intent of the City to 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; such as, the refunding of City debt, street lighting acquisition financing, franchise payments, sewer management fees, etc.
- In addition to the items enumerated above, 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 and funds which are made available through contributions by the three City hospitals. The City shall formalize the intended use of the payments made by the three hospitals in a written agreement of understanding by no later than August 1, 2002.
- The City has stated that one of its strategies in meeting its capital needs for vehicles and other rolling stock is to make every effort to buy used equipment which is in mechanically sound condition through dealers and auctions. This goal should be further developed by written policies.
- 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 will be included along with timelines for project initiation and completion.

Insurance Costs and Risk Management. The City shall utilize professional risk managers to ensure the sound management of the Workers’ Compensation program and other City insurance. The City primarily through the Business Administrator shall take action to comply with the new

trust agreement for Workers' Compensation self-insurance set forth by the Department of Labor and Industry. Specifically, the City shall ensure that the highest priority is given to: the funding requirements of the new agreement including the amortization of the unfunded liability, fulfilling the reporting requirements delineated in the Agreement, and securing the required annual actuarial estimates 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 prior to October 1, 2002, 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.

Billing Procedures. The consolidation of the City's refuse fee billings with either sewer billing or property tax billings shall be reviewed with a view to reducing costs.

Cost Recovery/Rescue 1. The cost recovery billing process will be reviewed by the Fire Chief, Director of Public Safety, and Business Administrator. No later than September 1, 2002 they will make recommendations to the Mayor on procedures for making the process more efficient.

Delinquent Collection-Tax and Nontax Revenues. The City shall take all aggressive action permitted by law to collect delinquent tax and nontax 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. The City shall also create a committee consisting of the City Attorney, Business Administrator, City Treasurer, and such other individuals as deemed appropriate by the Mayor to review the database of delinquent real estate and nonreal estate collectibles. The purpose of this view shall be to purge uncollectibles while aggressively pursuing the balance of collectibles. In addition, exploration shall be made into the economic and legal possibilities of "selling" the collectibles/receivables.

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 require that 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.

Financial Management and Reporting. In the year 2000, the City began to contract with a third party to provide an automated general ledger and related accounting modules. In addition, trained accounting personnel were added to the City's staff. Primarily as a result of these actions the City was able to receive a qualified audit opinion by an independent Certified Public Accountant for the year 2000—the first such opinion received by the City in many years.

As of mid-May 2002, the 2001 year-end audit was about to commence, and there is no doubt that the financial accounting for the City has improved. Still, a recent report by the firm of Murphy, Dougherty & Co., Certified Public Accountants (retained by the City early in 2002), makes clear that there are significant areas in the City's financial management and reporting system that remain in need of improvement. Therefore, the City's Business Administrator, Deputy Business Administrator, and staff, in consultation with the City Controller and the City's independent auditor, shall develop a comprehensive financial management and

reporting plan within one month after the completion of 2001 audit or by August 31, 2002, whichever come first.

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). Specific attention shall be given to meeting the recommendations enumerated in the City's 2000 and 2001 audits including the management letters which accompanied them as well as in the aforementioned Murphy, Dougherty and Co. report. The Plan shall include, but not be limited to:

- Utilization of a modified accrual accounting system.
- Full encumbrance accounting, including encumbrances for contracts.
- Streamlining the City's purchasing and invoicing system including receipts of merchandise.
- Development and use of information and data system technology.
- Elimination of the excessive number of bank accounts.
- Timely financial reporting on a monthly or demand basis.
- Development of various cost-accounting processes.
- A review of the financial management and reporting practices of the City's component units and the Single Tax Office, and requirements for audits where appropriate.
- Preparation for meeting GASB 34 reporting requirements and a time line for meeting their requirements.
- Centralization of the accounting function to the maximum extent feasible.
- Review and integration where possible of the OECD financial system with that of the base City system.
- Accounting for accrued personnel liabilities; such as, compensated absences and related items.
- Review of budgeting practices including transfer procedures.
- Determination of a "date certain" for year-end cut-off including procedures for accrual estimation.

- Recommendations on retaining additional trained accounting staff or contracted accounting professionals.
- Development of financial procedures for emergency situations.

After due consideration and review by all relevant parties, the Mayor—as soon as possible but no later than December 31, 2002—shall authorize the implementation of the comprehensive financial management and reporting plan. Should any of the proposals require action by City Council, the Mayor shall promptly propose such ordinances/resolutions to Council.

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
- Identify the type of investment instruments that are allowable
- 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
- Means to be used in evaluating the performance of the investment program
- Set forth investment diversification requirements
- Identify the City’s safekeeping and collateralization requirements
- Specify reporting requirements by the officials responsible for implementing the investment program

The City should also consider joining an intergovernmental investment pool; such as, Pennsylvania Local Government Investment Trust (PLGIT) or the investment pool operated by the State Treasurer – INVEST. These intergovernmental investment pools are professionally

operated programs, and they often provide higher returns on investments and permit greater flexibility, particularly if an investment must be retired before maturity.

After due consideration and review by all relevant parties, the Mayor—as soon as possible but no later than December 31, 2002—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.

Administrative Issues

Information/Data System Technology. The City has almost no information or data system capability. There are a number of stand-alone PC's with general word processing and spreadsheet capability, but there is no networking or sharing of data. The City makes use of a third-party contractor to provide for accounting functions; such as, general ledger and monthly financial reporting. This system utilizes dedicated lines to transmit and receive information from the third party's offsite facility. There are also some stand-alone systems which deal with specialized data; such as, building permits and certain police statistical data. The City has no real e-mail capacity, nor connections to the Internet. The situation is further complicated by the fact that City Hall (including the police department which is located in the building) is not wired to accommodate modern information technology. The City's newly appointed Director of Information Technology has secured an estimate that wiring and related technology infrastructure would cost \$315,000.

Although there have been generalized discussions, no formalized plans have been developed to determine which functions should be brought into a central information/integrated system, the nature of the platform, the types of software needed, and the role of third-party providers.

In view of this the City shall immediately develop an RFP to retain an information system consultant to assist the City in developing a comprehensive information technology strategy. Simultaneously, the City shall seek grant funding from the Pennsylvania Department of Economic and Community Development for this project. The consultant shall be retained and shall initiate its analysis no later than August 1, 2002, and the consultant's recommendations shall be completed and submitted to the City no later than February 1, 2003.

In the interim, the City shall proceed to make minimal necessary improvements to keep the existing system functioning. At a minimum, there should be some e-mail capability within the City as soon as possible. In addition, to the extent reasonable, the presently provided third party accounting service should be expanded to permit an “on-line” purchasing and encumbrance accounting system. Further, analysis of wiring and other infrastructure needs shall move forward simultaneously.

Human Resources Management Plan. Subject to the cost containment provisions found in Chapter II-B of this updated Recovery Plan and applicable contractual requirements, the City shall develop a Human Resources Management Plan. This plan shall be submitted to the Mayor for consideration and approval as soon as practical, but no later than January 31, 2003, and shall be promptly implemented. In order to facilitate the development of this plan the City shall attempt to secure state, federal, or other grants.

The City shall immediately develop an RFP to retain the services of a consultant to assist the Human Resources Office in the development of this plan. Simultaneously, the City shall seek grant funding on a matching basis from DCED to assist in the development of this plan.

The Human Resources Management Plan shall address, 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.
- Procedures for employees “reporting off” because of sickness, injury, or other reasons.
- The development of job descriptions and qualifications subject to appropriate consultation with the bargaining units.

- Staff training for employees to improve overall City efficiency; particular emphasis will be to provide 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 employee manual. The manual will be completed and provided to all employees by March 1, 2003. The manual shall be designed to aid in the understanding and adherence to City policies and to minimize misunderstandings among personnel. The personnel manual should—at a minimum—include the following:
 - Mission statement and core values
 - Organization structure
 - Business hours, work schedules, overtime policies and time keeping procedures
 - Employee classifications, salary and overtime rates, and pay dates
 - Criteria set forth by the Fair Labor Standards Act relative to exempt and non-exempt status
 - Holiday, vacation, sick leave, and other compensated absence policies
 - Attendance policies
 - Employee benefit plan descriptions and eligibility
 - Employee conduct policy
 - Employee separation and termination procedures

Traffic Maintenance. The Bureau of Traffic Maintenance performs functions that relate both to traffic control functions (police) and traffic maintenance functions DPW. The Bureau shall be located in whichever department provides for the best overall efficiency and effectiveness as determined by the Mayor. For the present time the Bureau will be placed within the Department of Public Works.

Labor Management Committees. The formation of labor management committees shall be used where possible to facilitate good labor relations. Any and all committee actions shall be in

conformance with the cost containment provisions of Chapter II-B. Guidance shall be attained from the Department of Labor and Industry and the Scranton Lackawanna Labor Management Committee.

Economic Development/Community Development

Economic Development. The Office of Economic and Community Development (OECD) is responsible for economic and housing development programs financed, developed, and coordinated by the City. OECD staff has developed a draft OECD component of the Revised and Updated Recovery Plan which can be found in Appendix II-C.

The OECD office shall refine and submit its final proposed OECD component of the Recovery Plan to the Mayor for approval no later than August 1, 2002. Subsequent to approval by the Mayor, the City shall develop a Memorandum of Understanding between itself and other economic development entities (for example, the Scranton Chamber of Commerce, Scranton Redevelopment Authority, the University of Scranton, and other appropriate organizations and entities) to develop a mechanism for future coordinated and effective economic and housing development within the City. Such Memorandum of Understanding shall be in place by March 31, 2003.

Further, OECD shall explore the use of OECD funds where permitted for: (1) capital improvements and acquisitions including fire stations and fire vehicles defined in the City's Capital Plan, and (2) payments to the General Fund for OECD overhead and related costs.

Tax Incentives/LERTA. As delineated in its draft economic development plan, in order to further economic development, the City shall explore reasonable alternatives to its LERTA Program which has been repealed. (See Appendix II-C.)

Inspections and Licenses. The City's Department of Permits, Licensing, and Inspections (formerly titled Community Development) is responsible for the issuance of all licenses and building, housing, health, and zoning inspections and enforcement. In addition, the Director of the Department is in charge of all City buildings as well as the supervision of the Bureau of Buildings.

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 as a result of the Uniform Construction Code, recently enacted by the Commonwealth.

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.

In addition, because of the important role which zoning approval plays in both economic and housing development, formal communication between OECD and the Department of Permits, Licensing, and Inspections shall be developed and reflected in the OECD plan.

Service Delivery

Parks and Recreation. The Mayor has set as one of his principal goals the restoration and improvement of the City's parks. With respect to the larger facilities (such as, Nay Aug Park, Weston Field, Weston Park, and Connell Park) alternative funding and operational mechanisms are being investigated. Similarly, the role of the Scranton Municipal Golf Course is under review.

In addition, there is presently underway a comprehensive review of all parks and pools by an outside consulting firm. This review is being funded by the Commonwealth's Department of Conservation and Natural Resources. It is anticipated that the review will be completed and a report submitted to the City by the Fall of 2002. The report generally will provide the status of each park as well as suggestions for future development.

As soon as possible after receiving the comprehensive report on all parks and the evaluation of the larger parks, the City shall establish a comprehensive plan for the City park development.

Some, but not all, of the factors to be considered shall be: the parks utilization rates and functional purposes; capital, maintenance and operational costs both for the current and future periods; stimulation for cultural and economic development; alternative funding resources. Because of the scope of such a project, the City may wish to consider a phase-in process to implement the various tasks. The City should also pursue funding from The Department of Conservation and Natural Resources to assist with implementation of the recommendations.

Emergency Management. The Mayor has designated the Director of Public Safety as the City's Emergency Management Coordinator. The Director, in cooperation with applicable staff, is in the process of developing a comprehensive emergency plan and is meeting with representatives of the County Emergency Management Coordinator and other relevant agencies to ensure an integrated approach.

The City shall give a high priority to the development of its Emergency Management Plan. To this end, the Director of Public Safety shall provide an initial draft of the plan to the Mayor no later than December 31, 2002. The plan shall include a delineation of any special equipment, operations, or programs required for emergency preparedness. The City shall pursue appropriate state or federal grants to meet part or all of these additional costs.

Intergovernmental Relations

Lackawanna County. The City and County shall make a concerted effort to more strongly communicate and coordinate their efforts in areas of common interest, and, to this end, the Mayor and City Council should initiate meetings with county officials to be held at least quarterly to discuss matters of mutual concern which will benefit both entities and their common taxpayers.

Scranton School District. The school district should join with the City in meetings of elected officials and key administrators at least quarterly to discuss areas of common interest and concern.

Pennsylvania League of Cities and Municipalities and the Government Finance Officers Association. The City's staff shall make every attempt to utilize its membership in and the resources of the Pennsylvania League of Cities and Municipalities to the greatest extent feasible. The same shall be the case with respect to the Government Finance Officers Association.

Plan Implementation: Communications/Good Government

General Communications with Plan Coordinator. It is essential that the Recovery Plan elements, particularly the key elements, be implemented by the City of Scranton as soon as possible. Many of these recommendations may take a substantial period of time in order to fully implement, and critical time deadlines may be involved in certain of these recommendations.

It is equally important that the City regularly communicate its progress toward implementing these recommendations to the Coordinator. The Coordinator, after reviewing this information, may know of resources or data that could assist the City in implementing the Recovery Plan recommendations. Through the regular communication of appropriate information, the Coordinator may also be able to identify trends that could predict upcoming difficulties for the City.

As such, the City will provide financial statements to the Coordinator on a monthly basis throughout the period of time the City is designated as distressed. The Coordinator shall serve as a resource for the development of the annual budget and capital plan. The City also should provide all regular and special meeting agendas and minutes on a monthly basis along with the budgetary reports.

In addition to regularly communicating the City's progress toward accomplishing the key elements of the Recovery Plan to the Coordinator, the Coordinator and appropriate City officials shall meet regularly to review Plan implementation progress and to amend recommendations if deemed necessary. The key management, administrative, and financial decisions of the City that may or may not be part of the Recovery Plan should also routinely be communicated to the Coordinator. This is particularly true if this action entails an abrupt change or alternation from prior positions or policies of the City. The Plan Coordinator in coordination with the City may also decide to **re-prioritize** recommendations as changing circumstances warrant.

If the City or its elected or appointed officials fail to communicate and consult with the Coordinator on a regular basis and provide the information, reports, or documentation requested by the Coordinator, the City may be found to have violated the Recovery Plan.

General Communications with State Agencies. The City shall continue to provide timely information to the Pennsylvania Department of Community and Economic Development as required under various sanction orders and shall continue to meet all the requirements set forth by the Pennsylvania Department of Labor and Industry in the Self Insurance Trust Agreement.

Good Government. It should be recognized that the alleviation of the municipality’s “distress” status far exceeds simple City operations. The success or failure of the City to recover its financial health has repercussions that reverberate throughout the community, its neighborhoods and civic organizations.

It is important that the entire community become involved in the process as fully as possible. A common goal of recovery embraced by the entire fabric of the community is important to establish City-wide. Partnerships between public and private entities should be encouraged to help the community recover. Regular communication among all community elements is very important.

Existing organizations, such as a the Chamber, Business groups, the educational community, church and neighborhood groups, should also be solicited for their commitment to help the community recover. The establishment of common goals and objectives for the community should be an important consensus building technique which warrants consideration.

Grant Moneys

Act 47 Grants. As enumerated elsewhere in this updated and revised Recovery Plan the City needs to take a variety of steps in order to advance the recovery process and the receipt of grant money will facilitate some of these steps. Therefore, the City shall apply for the Act 47 grants enumerated elsewhere in this updated and revised Recovery Plan. Specifically, the City shall apply for grants to:

- Develop a Human Relations Plan/Manual—Grant request = \$100,000.
- Develop a comprehensive approach to an integrated information data system including limited infrastructure needs—Grant request = \$50,000

In addition the City shall apply for any additional grants which will advance the recovery process, meet stated goals, and improve the City's capacity to govern effectively and efficiently meet its obligations.

APPENDIX II-C

OECD Component of the Recovery Plan

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OECD Component of the Recovery Plan

Topics to be Addressed:

OECD Mission

OECD Responsibilities

Organizational Structure

Organizational Improvements

Programs

- CDBG
- Housing
- Loan Programs
- Grants

Economic Incentives

- KOZ
- Façade Grants
- Tax Delinquent Properties

Partnerships

- Scranton Redevelopment Authority
- Scranton Chamber of Commerce
- University of Scranton
- City Council and Mayor

Business Development

- Lead Generation
- Marketing Tools
- Recognizable Logo
- Website and E-mail Capabilities

Improving the City Image

DRAFT COPY

*RECOVERY PLAN FOR THE OFFICE OF ECONOMIC
& COMMUNITY DEVELOPMENT*

OECD Mission:

*Work to retain, expand and attract economic enterprises * Generate revenue and economic growth for the City of Scranton * Improve per capita income for Scranton residents * Expand the City's tax base and fiscal strengths * Foster neighborhood development projects * Stimulate private-sector investments and infrastructure improvements*

OECD Responsibilities:

- Community research, analysis and resource development
- Prospect for community and economic opportunities
- Neighborhood & Downtown development & revitalization
- Project development and management
- Community Development Block Grant administration, compliance and monitoring
- Market funding opportunities & incentives
- Research viable grant programs
- Administer Scranton Redevelopment Authority transactions
- Marketing the City of Scranton

Organizational Structure:

The department currently has a staff of 18 full-time employees. A full-time Executive Director who reports directly to the Mayor and a full-time Deputy Director who reports to the Executive Director. The Executive Director facilitates all aspects of economic development for the city of Scranton. The Director serves as the city's chief prospector and acts as the liaison with the Scranton Redevelopment Authority as well as numerous political bodies. The Director in conjunction with the Deputy Director develop economic marketing strategies and promote development through relationships between the city and business community, as well as local, state and regional economic development agencies.

Organizational Improvements:

The OECD staff is comprised of various levels of expertise. As of January 2002, both the Executive Director as well as the Deputy Director accessed each employee one-on-one. Their job descriptions were reviewed, policy and procedures analyzed as well as workflow. In some instances, a few individuals were capable of additional workload and were given duties best suited for them. In other instances some individual's workload was excessive and was cut to appropriate levels.

Our initial review indicated various areas of improvement most importantly:

- The use of technology
- Cross training of job duties
- Management of staff
- Staff decision making process

These issues are on the forefront for staffing initiatives. OECD is working in conjunction with the Director of IT in order to meet our technology goals. We have also engaged an accounting firm in order to perform policy, process and procedural audits. This will aid in the process of fine-tuning the workflow and decision making process. Our goal with respect to workflow is to have an operation with a well-defined policy, procedure and process, one decision maker verses many and to encourage a technologically driven environment.

Addressing staffing issues is high priority in OECD. Our goal with respect to staffing is:

- To cultivate employees' strengths
- Identify and reduce weaknesses
- Provide valuable training such as computer courses, financing seminars and labor standards seminars

It was apparent from our evaluation process that structure, leadership, proper management and a motivating work environment were greatly lacking. All of these issues are currently being addressed. The new Director of OECD holds a Masters degree in Public Administration and demonstrates strong leadership. The staff now has a full understanding of expectations of performance and has been given duties that require professional conduct and creativity. An open door policy is in effect and staff is encouraged to communicate openly with management.

A reorganization of the staff is also being addressed. The position formerly known as the Director of Community Development has been changed. The code administration and enforcement arm of the city has been realigned with the duties that fall under the Director of Licensing, Inspections and Permits.

In the past there was a lack of communications between staff, management and various departments in City Hall. The new administration has greatly reduced this. Monday morning cabinet meetings with the Mayor give department heads an opportunity to brief the cabinet on the projects, progress and issues they are currently working on. OECD invites all pertinent departments to participate in our meetings with prospects. These departments include but are not limited to Licensing, Inspection and Permits, Zoning and City Engineer, Flood Control and Parks and Recreation. We are in regular contact with these individuals as we go through the various stages of project development.

The position of City Planner is a key component in keeping communication open between departments. The City Planner provides technical advice, reviews all site plans and conducts site visits to guarantee compliance with policy and procedure. The City Planner's duties are performed under the general direction of the Director of OECD. Duties performed directly correlate with the long range objectives of OECD and the Department of Licensing, Inspections and Permits.

Programs:

CDBG Funds

OECD's primary function in the past has been program oriented with federally funded Community Development Block Grant monies primarily spent on social service organizations and little leagues. Very little thought went into the economic situation. The same programs were funded year after year and service agencies that did not have enough funding in order to complete their projects were granted CDBG funds. These dollars were not moved regularly and timeliness related to the expenditure of funds has been an issue for the past few years.

In the early weeks of the new administration, we met with the representatives from HUD to discuss the previous funding agenda or lack there of, the timeliness issue and ways to improve, as well as the plan for the upcoming CDBG funding year. The goal of the new administration will be represented in the July 2002 to June 2003 CDBG funding year by the elimination of

numerous little leagues, social services and redundant projects. The bulk of the CDBG dollars are designated to economic development. We have set priority issues and will only fund projects, which meet the criteria. We have created an infrastructure category that will address paving in low to moderate-income areas, sidewalks in commercial areas, clearance and demolition of hazardous structures citywide. As of April 2002, we are in the process of reprogramming dollars from stagnant projects. The reprogrammed dollars will be transferred to economic development initiatives.

Housing

The Housing Department falls under the jurisdiction of OECD. The CDBG funding agenda has allotted \$777,000.00 to our housing department for the HOME program. This encompasses our Homebuyer assistance program, Homeowner Housing rehab program, Rental rehab program, CHDO as well as administration costs. Our housing staff facilitates the redevelopment and rehabilitation of low to moderate-income neighborhoods. They will work hand in hand with various Public Service agencies overseeing their community efforts and the Director of Licensing, Inspections and Permits to eliminate slum and blight. The Departments will coordinate a list of houses, which need to be condemned. Many of these homes are tax delinquent and/or abandoned. This issue is high on the priority list. The land needs to be redeveloped and put to good use, not to mention put back on the tax roll.

The department ran without much input from the Director. This situation is being monitored and new policies and procedures are being reviewed.

Loan Programs

In the past our loan program was poorly managed and not marketed at all. This will soon change. With the additional \$500,000.00 invested in our existing commercial/industrial loan program for the upcoming year the program will take new shape and will be marketed to prospects through brochures, mailing material and a well-trained staff. In conjunction with this program, OECD has invested an additional \$900,000.00 in a newly formed loan program called "Grow Scranton Fund". Our contribution into the program will be matched 5 to 1 by the National Development Council. The newly formed "Grow Scranton Fund" will create a loan pool of over \$4,000,000.00 dollars that will:

- Aid healthy small businesses that need expansion capital to reach full potential
- Provide lending up to \$1,000,000.00 to any single company
- Offer a fixed or floating rate
- Offer a maximum 25 year repayment period
- Provide funding for working capital, machinery and equipment, or land and building
- Require SBA approval and an in-depth review of the prospects financials, past history and degree of risk.

As our loan programs are utilized the economic situation of the city will become stronger, business and industry will be encouraged and jobs created. Also, as the loans are being repaid, program income will strengthen our ability to fund additional projects.

Grants

OECD is currently applying for various grant programs. We have met on numerous occasions with representatives from DCED, our local Congressmen, Senators as well as other local funding entities. We are in hot pursuit of building our portfolio with various funding capabilities. To date we have sent three applications for a request of \$2,000,000.00 each to Senator Santorum, Senator

Spector and Congressman Sherwood. We are currently in the infancy stages of investigating the following; Growing Greener Grants, Brownfields & Greyfields, Rails, Trails and Waterfront funding. Most recently, working in conjunction with the Scranton Chamber of Commerce, we are writing an application for a hybrid program referred to as “The New Communities” plan. This grant program is a combination of the Enterprise Zone and the Main Street program. To date, DCED has not awarded this designation to a community, allowing us the opportunity to set the standard. We are in the process of identifying the various municipalities, which the program will serve, as well as identifying the administrative duties.

Economic Incentive:

Keystone Opportunity Zone

The tax structure of the City of Scranton is a continual issue due to the extremely high business tax. Many claim it is a deterrent from opening and/or operating a local business. This may be true but Keystone Opportunity Zone buildings and vacant land can help offset the tax situation. We have assigned a KOZ sub coordinator, whose duties will entail proper marketing of the properties. An in-depth analysis of the KOZ properties disclosed that the City owned KOZ’s have not been marketed to the public aggressively and some of the privately owned KOZ’s have delinquent taxes and/or code violation issues. Files are in disarray. In order to rectify these issues, each KOZ property is being checked for liens, taxes, garbage fees, code violations and an updated file is then being prepared. If the property is not up to par the property will be denied for KOZ status. Each individual file has been reviewed and identified by name, location, whether it is a building or vacant land etc. We have designed an Excel spreadsheet with all pertinent information. This will allow us to pull up the information by query rather than manually looking through all the files. We are also working with the Luzerne/ Lackawanna KOZ Coordinator in the building of a KOZ website. This site will list all KOZ’s in the area with general information about the properties.

Façade Grants

One of our most exciting initiatives is our Façade Grant program that has been given little attention in the past. OECD will grant \$25,000.00 to building owners of historic structures. The money allows for a face-lift of their building within the guidelines set by the Department of the Interior. Bringing back the historic façade of the turn of the century buildings can be a great asset to the downtown. Most recently, we met with the Scranton Chamber who is interested in partnering with OECD on the façade program. The Chamber will match dollar for dollar the grant money from OECD in the form of a low interest – 5yr term loan to the building owner. This is an extremely marketable program and applications have already been sent to building owners.

Tax Delinquent Properties

Tax delinquent properties are a problem throughout our region. This is an issue that is being dealt with by OECD, Treasury and the city. A city sale of tax delinquent properties has not occurred in years. We have many building owners who have taken advantage of the situation. OECD is developing a list of potential delinquent properties and is coordinating it with the City Planner, the Director of Licensing, Inspections and Permits and the City Treasurer. Our goal is to make the owners pay the outstanding debt or turn the property over to the city. In order to best serve the community’s economic needs, we need to get properties demolished or rehabilitated and put on the market for development. This will be great incentive for viable developers.

Partnerships:

Scranton Redevelopment Authority

Responsibility of the Scranton Redevelopment Authority (SRA) falls under the OECD umbrella. The SRA has been somewhat stifled in recent years but this will change. Strengthening the capability of the SRA will be a huge asset to the City's economic development. \$500,000.00 of CDBG funds will be directed to SRA:

- To act as the City's arm for economic development activities
- To act on the behalf of the City in the acquisition, construction, reconstruction, rehabilitation of commercial and/ or industrial buildings, structures and real property, equipment and improvements.
- To aid in the process of achieving the City's economic goal of revitalizing the downtown, rehabilitating vacant buildings, facilitate job creation and the rebuilding of our tax base.

Scranton Chamber of Commerce

As previously mentioned, OECD is working with the Scranton Chamber of Commerce on the "New Communities" and the façade grant program. The Chamber as well as OECD, is very excited about our newly formed relationship. Apparently in the past there was not a good communication process or healthy relationship between the two. Today, our relationship is progressing with a common vision for the City. In the past few months, the Chamber has sent clients to OECD to inquire about our loan program and the various services we provide. We have done the same for the Chamber. This has proven to be successful. All parties involved are comfortable with the relationship and have great expectations of what will be accomplished in the upcoming years. Current projects we are working on in conjunction with the Chamber are the development of the new Incubator Building, the financing of Nova Cruz Products, an organization the Chamber has brought to town, and the possible sale and revitalization of the Casey Laundry Building, a Koz property. We are assured that this relationship will only grow stronger in the years to come. The Executive Director of OECD is a board member of Metro Action and the Deputy Director is a member of the Small Business Council, both which are run by the Chamber.

University of Scranton

The University of Scranton is a key player in the city of Scranton. We are working closely with the University with regard to safe housing and the Mulberry Street project as well as the acquisition and demolition of properties. Our future goal is to encourage students to reside downtown in loft housing and to walk the streets of our downtown for great shopping and dining experiences. Pulling the walking traffic downtown will increase the economic health of our downtown. Young, energetic people with expendable income give new light to a City. In order to make this vision a reality, we need to focus on bringing exciting new businesses, industry and retailers to our downtown. Another avenue we would like to pursue is the internship program. Internships often lead to full-time employment. The Office of Economic and Community Development needs to be able to provide business incentives to the community by marketing the City attributes to organizations such as high-tech, software development, consulting, healthcare and insurance. OECD is also working in conjunction with the University of Scranton's Small Business Development Center and will be actively marketing their offerings to our potential clients.

City Council & the Mayor

The relationship between OECD, City Council and the Mayor is another area that needed great improvement. To date, the Mayor, City Council and OECD are working together on various issues. The funding for CDBG as well as reprogramming of stagnant funds is being jointly addressed at this moment. The voice of OECD, our strategic plan and the long-term goals of the Mayor seem to coincide for the most part with the vision of Council. Any issue brought to our attention by Council is reviewed and responded to in a timely fashion. In the future we will continue to keep communication open and work toward a cohesive goal.

The City of Scranton is in the process of coordinating a joint effort with regard to economic development matters. Key members of some of the above-mentioned partners will most likely represent this body. We anticipate formation of such body by July 2003.

Business Development:

Lead Generation Issues and Recommendations

- The department has not prospected in the past
- There is no prospecting or lead generation material
- Need to develop an internal database to track business leads (Act or Goldmine)
- The database should include name, address, business interest, nature of inquiry, date information was sent, call back date, appointment date etc.
- The office is extremely paper intensive. Technology, database, spreadsheets and e-mail will aid in the reduction of paper consumption.

Marketing Tools

Having good tools is essential to getting your message across and achieving effective marketing results.

- Printed marketing material—brochures, newsletters, promotional material presents a community's first impression to a prospect
- Information should not only convey a community image but also must address the audience's needs and give the audience focused, up-to-date information in a well-designed format
- Print communication depends on both content and design to be effective
- Material need not be expensive in order to be effective

We have engaged a Public Relations Firm to incorporate design, appeal and focus at a cost effective price. We anticipate having this material prepared by year-end.

Recognizable Logo

The first step of City Hall's new image has taken place. A new logo has been designed and will be on all printed material.

- The logo takes the City into a new generation
- The design illuminates stability and the historic presence of our area

New business cards as well as new letterhead have been prepared. In order to conserve the letterhead, a disk with the logo has been supplied and loaded on all computers in our department. Therefore, when generating numerous letters of the same content, the logo may be printed on the paper from our PC's.

Website & E-mail Capabilities

It is imperative that OECD has an official website and e-mail capabilities.

- Today's society is a knowledge-based environment
 - Businesspeople considering making an investment in the City will be performing due diligence
 - Prospects research viable markets by means of the Internet
- Our site should be the entry to the City. A web site should:

- Be Graphic, interactive and informative
- Provide loan programs, KOZ properties, accomplishments, current projects
- Entice prospects to come to our area

If prospects are looking for secondary markets for satellite companies they will not find the Office of Economic & Community Development. Also, much of today's business is performed through e-mail. OECD should have e-mail capabilities with our own Domain Name. This exemplifies a state of the art City rather than a depressed coal town. This is a priority issue we are coordinating with the Director of IT.

Improving the City Image:

OECD is committed to taking every step possible to improve the overall image and economic structure of the City of Scranton. The challenge is to redirect the flow of investment, which leaves the city, and to draw people into the city for development efforts. We need to change the perception that people outside the community have about Scranton. Working with a very modest marketing budget, we must focus on our City's strengths and opportunities. It must be noted that Scranton offers:

- A historic presence
- Above average quality of life
- Desire and commitment to grow
- Numerous colleges and universities
- A friendly, hard working environment with a nearly perfect geographic make-up

Improving awareness of the City will help build a positive image and reputation as a serious player for the growth and prosperity of industry.

Changing the image of the City of Scranton must begin within City Hall. The Mayor and his Administration must take the initiative. Change may be difficult for some OECD staff members. But overtime it will be apparent who is willing to think out of the box and who is not. Staff will be re-evaluated and changes may have to take place. OECD must be more than project oriented it must be the imagination, marketing force and vision of the city.

As new economic development takes form, the perception of the area will change. Growth is infectious. Projects such as the Ice Box Hockey facility, which will be located near the new Scranton High School, will facilitate future growth in that section of Scranton. The project has not broken ground yet, but OECD has received numerous calls regarding future development of vacant land near the site.

Based on categories presented, the message remains the same. OECD has numerous issues to tackle with regard to staffing, programs, loans, marketing, technology and the creation of a new city image. Many of the challenges were immediately recognized. There are many issues yet to be uncovered. The goals of OECD are all encompassing and must be done in stages. OECD is committed to fortifying the economic structure of the City. We have identified immediate changes needed some with greater impact than others. OECD will have the challenge of bringing

the City to new economic status by means of prospecting and marketing efforts. We are aware of budget constraints and have created alternative paths to encounter prospects within the community. We have made numerous departmental and procedural changes and will continue to fine-tune the process through cost effective & strategic measures.