

SCRANTON CITY COUNCIL

PUBLIC HEARING

IN RE: FILE OF THE COUNCIL NO. 65, 2016,  
APPROPRIATING FUNDS FOR THE EXPENSES OF THE CITY  
GOVERNMENT FOR THE PERIOD COMMENCING ON THE FIRST DAY  
OF JANUARY, 2017, TO AND INCLUDING DECEMBER 31, 2017,  
BY THE ADOPTION OF THE GENERAL CITY OPERATING BUDGET  
FOR THE YEAR 2017.

HELD:

Thursday, December 1, 2016

LOCATION:

Council Chambers  
Scranton City Hall  
340 North Washington Avenue  
Scranton, Pennsylvania

CATHENE S. NARDOZZI, RPR - OFFICIAL COURT REPORTER

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CITY OF SCRANTON COUNCIL:

JOSEPH WECHSLER, PRESIDENT

PATRICK ROGAN, VICE-PRESIDENT

WAYNE EVANS

WILLIAM GAUGHAN

TIM PERRY

LORI REED, CITY CLERK

KATHY CARRERA, ASSISTANT CITY CLERK

AMIL MINORA, SOLICITOR

1 MR. WECHSLER: I'd like to call this  
2 public hearing to order. Roll call, please.

3 MR. WECHSLER: Roll call, please.

4 MS. REED: Mr. Perry.

5 MR. PERRY: Here.

6 MS. REED: Mr. Rogan.

7 MR. ROGAN: Here.

8 MS. REED: Mr. Evans.

9 MR. EVANS: Here.

10 MS. REED: Mr. Gaughan.

11 MR. GAUGHAN: Here.

12 MS. REED: Mr. Wechsler.

13 MR. WECHSLER: Here.

14 MS. REED: The purpose of said  
15 public hearing is to hear testimony and  
16 discuss the following: FILE OF THE COUNCIL  
17 NO. 65, 2016, APPROPRIATING FUNDS FOR THE  
18 EXPENSES OF THE CITY GOVERNMENT FOR THE  
19 PERIOD COMMENCING ON THE FIRST DAY OF  
20 JANUARY, 2017, TO AND INCLUDING DECEMBER 31,  
21 2017, BY THE ADOPTION OF THE GENERAL CITY  
22 OPERATING BUDGET FOR THE YEAR 2017.

23 MR. WECHSLER: Joining us this  
24 evening is city business administrator  
25 Mr. Dave Bulzoni. We invited Mr. Bulzoni to

1 speak on the 2017 general city operating  
2 budget and I'd like to thank Mr. Bulzoni for  
3 coming this evening. Thank you.

4 MR. BULZONI: Good evening. Thank  
5 you for inviting me.

6 MR. WECHSLER: I guess if you could  
7 just give us an overview, what you see as  
8 the pluses and the minuses of this year's  
9 operating budget. We were all happy to see  
10 that there was no take increase and I'm  
11 happy with that, and I guess kind of just  
12 discuss the ways that we arrived at that no  
13 tax increase and just basically to highlight  
14 some of the budget.

15 MR. BULZONI: Well, and we'll get  
16 into narratives and highlights of the  
17 budget, what I can say in as much candor as  
18 possible, it was probably as complicated a  
19 budget as anyone that I have viewed before.  
20 There were a lot of changes in it, and I  
21 think mainly the changes occurred because if  
22 we viewed 2016 as a watershed year, 2017 is  
23 unquestionably what I'll call a transitory  
24 year. The execution of a lot of initiatives  
25 this year that are going to have a pretty

1 significant impact on the 2017 budget and  
2 possibly even into 2018, and they're noted.  
3 My narrative in the budget is very detailed  
4 and some of those initiatives, not all of  
5 them, were certainly discussed in the  
6 narrative. As you had indicated, Council  
7 President Wechsler, the budget does not  
8 include a net real estate tax millage  
9 increase. The city will continue to retain  
10 the split millage concept for operations and  
11 debt service that's been reasonably  
12 well-received. I think that has been a  
13 component in what's given us some traction  
14 with improvements with the relationship we  
15 have with all the financial markets. The  
16 budget does incorporate some salary  
17 increases.

18 The expiration of the Act 44  
19 smoothing provision increases the minimum  
20 municipal obligation in excess of 4.4  
21 million to a total MMO of excluding the  
22 state aid of 18.8 million which is, of  
23 course, a fairly significant increase.

24 Of notice as well, the City's  
25 responsibility for the Parking Authority

1 debt service was eliminated via the  
2 guarantee. Now, of course, the city is  
3 component of that overall debt through the  
4 Scranton debt that was issued in 2016.

5 Relative to revenues, the City's  
6 total millage would remain 283.085 and the  
7 city's land rate in 2016 of 232.521 and  
8 improvement rate of 50.564. Millage  
9 dedicated to debt service actually decreases  
10 and this is where the complexity of the  
11 budget comes in, the millage dedicated debt  
12 service decreases from 128.369 mills to  
13 85.191 mill, and the millage assigned to  
14 operations actually increases from 154.716  
15 to 197.894.

16 Now, and I'll get into this in a  
17 little while, decrease in debt service  
18 millage primarily through the defeasement of  
19 the '12 and '13 debt, and through an  
20 anticipated refunding of some of the 2003  
21 debt. That's still in motion. As you are  
22 aware, we are going through a modeling  
23 process with the use of sewer proceeds, but  
24 that has been discussed almost from the  
25 inception of that transaction and it still

1 is being suggested as a viable option so  
2 that's with the reduction in the debt  
3 service requirement through the defeasement  
4 of that debt allows the city to be able to  
5 reduce the dedicated millage associated with  
6 supporting that debt.

7 Also, the 2004 lease revenue debt  
8 through the Sewer Authority matured this  
9 year as well, so the debt service  
10 requirement on that was over \$600,000 so  
11 that goes out next year as well.

12 And you are welcome to interject at  
13 any time, I have got a couple of pages here,  
14 but I'll --

15 MR. GAUGHAN: Yes, just based on  
16 what you just said I just have a question  
17 about the debt service. So we are assuming  
18 a reduction of 16.8 percent, so do you know  
19 how much of that reduction is based on the  
20 sale proceeds?

21 MR. BULZONI: From the sewer  
22 proceeds themselves?

23 MR. GAUGHAN: Yes.

24 MR. BULZONI: Just if you want to  
25 look at the balances on the 2012 and '13

1 debt you are at about 18 million, so if you  
2 are going defease that debt entirely you  
3 would be eliminating the principal value  
4 entirely of the 2012 and '13 debt and the  
5 debt service that's associated with that.

6 Now, again, we have discussed the  
7 possibility of doing a refunding on some of  
8 the free debt and I think I noted in the  
9 narrative that we have had some direct  
10 discussions with the insurer that has an  
11 interest in pursuing a refunding to be able  
12 to eliminate their insured liability on that  
13 debt, so we are looking at it, but with  
14 recent moves in the financial markets, we  
15 are kind of unsure whether the refunding is  
16 going to make sense. So I actually wound up  
17 hedging that refunding where I included the  
18 principal value, but I did not include the  
19 interest.

20 Now, if we wound up not going  
21 through that refunding, there is still a  
22 sufficient balance in the debt service  
23 account to cover the interest. I think we  
24 are reasonably optimistic that can be  
25 accomplished at this point, but not entirely



1           sure because, of course, refunding is based  
2           almost exclusively on market related  
3           conditions.

4                   MR. GAUGHAN: And if, and I don't  
5           know if this is legitimate, but if the funds  
6           come in from the sale and they are lower  
7           than what we expect how does that change  
8           everything?

9                   MR. BULZONI: Well, and that's what  
10          part of the modeling process is for and I  
11          think that would impact the options that  
12          were are looking at in terms of the funding  
13          and I think we are still looking generally  
14          at the three primary options, so pension  
15          relief to some extent, we are not quite sure  
16          exactly what form that's going to be in yet,  
17          debt defeasement and capital allocation.  
18          The mix is going depend to a great extent on  
19          when that final number is.

20                   MR. EVANS: I would think that it's  
21          almost universal, the agreement, as far as  
22          the 2012 and 2013 notes are concerned. I  
23          mean, I think everybody agrees that those  
24          should be paid off and taken off the books  
25          because they are the highest interest notes

1 we have, I think; right? They're at 7  
2 percent, 8 percent; is that right?

3 MR. BULZONI: Yeah, that 7 1/2 and 8  
4 1/2 percent and they have an usual call  
5 provision as well, so technically it's not  
6 all in debt but there's what's called an  
7 extraordinary managery redemption provision  
8 where if you have a fund balance and, you  
9 know, not getting into the intricacies of  
10 what percentage is, you have the ability to  
11 call that debt earlier, call what generally  
12 would be non-callable debt.

13 MR. EVANS: Right.

14 MR. BULZONI: We likely will only  
15 have that opportunity at the time we receive  
16 the sewer proceeds. Otherwise, depending  
17 upon how those funds are allocated, we may  
18 not have that opportunity and because it's  
19 technically non-callable debt it would wind  
20 up staying out there, so if the opportunity  
21 to do it occurs, it certainly would occur  
22 with the receipts of sewer dollars, so  
23 that's where it becomes priority and use of  
24 those funds to be able to eliminate that  
25 debt which is most certainly punitive.

1 MR. ROGAN: Mr. Bulzoni, can you  
2 explain the non-callable debt?

3 MR. BULZONI: Well, non-callable  
4 would generally, and kind of simply mean,  
5 that you don't have the ability to pay it  
6 off early.

7 MR. ROGAN: Thank you.

8 MR. BULZONI: The tax claim sale  
9 note would be repaid in 2017 so, hence, when  
10 you look at the dollar value that was put in  
11 for delinquent real estate tax collections  
12 it was elevated based on the fact this we  
13 would be receiving those funds now as  
14 opposed to having some of those dedicated  
15 for the repayment of that note.

16 The refuse fee remains at \$300 per  
17 unit, and as you are well aware through a  
18 number of the discussions we had we are  
19 looking at a change in the billing and  
20 collection process. We are moving to  
21 eliminate the lockbox, which had been in  
22 place since I think 2002 which, while  
23 effective, is certainly a relatively  
24 antiquated and very costly system. Getting  
25 into one that allows for some optionality in

1            repayment, so looking at more electronic  
2            mediums for repayment, which in addition to  
3            being able to pay online, also looking at  
4            credit card acceptance. Try to bring the  
5            collection process and payment process more  
6            into tune with what the technology would  
7            allow right now.

8            We are also -- we also are looking  
9            forward to an analysis of that program next  
10           year and we continue to communicate with the  
11           state through a technical assistance grant  
12           application that was applied for in 2016, so  
13           certainly more to come on that.

14           Business privilege and mercantile  
15           taxes underperformed this year mainly  
16           because we expected the audit discovery  
17           process to have been initiated much earlier  
18           in the year. It really did not, but  
19           actually the initial audit letters are  
20           supposed to go out pretty soon. The  
21           database has been created and there  
22           certainly were a number of perspective  
23           payments that were identified from that  
24           database, so I'm expecting those line items  
25           to perform more consistently with what our

1 expectations are in 2017.

2 MR. EVANS: I think the same could  
3 be said for the fact we have finally have  
4 the rental registration done that we can  
5 expect an uptick in the trash fees as well  
6 by aggressively going out and registering  
7 rental properties. It was mentioned in  
8 there that on the zoning this map we are  
9 expecting recommending a third party to be  
10 involved in that process. Would that be an  
11 RFP that we would expect to see the end of  
12 first quarter or --

13 MR. BULZONI: I think so, and I  
14 think the identification process would be  
15 very helpful because certainly not only  
16 impasse the revenue items associated with  
17 rental registrations, but as you pointed  
18 out, Councilman Evans, it also certainly  
19 would impact the refuse collections as well,  
20 and that was anticipated the 2016 budget,  
21 also, and it didn't occur because of the  
22 issues relative to rental registration, but  
23 now that that matter has been resolved to a  
24 great extent that would be the next step to  
25 really look at the identification process

1 to try and make the entire mechanism work in  
2 the budget.

3 MR. EVANS: Yeah, and we are not  
4 recommending that city workers aren't doing  
5 their job, they are obviously still people  
6 in place doing the job in city hall, this is  
7 actually going out to help identify and get  
8 that database built up so we can finally get  
9 a real sense of how many there are out  
10 there.

11 MR. BULZONI: Agreed. And normally  
12 with third party retention, it's to try and  
13 improve the process within city government.  
14 It's not necessarily because people aren't  
15 doing the jobs. For the most part, given  
16 the size of the city we run relatively short  
17 staffed so, you know, rather than add to the  
18 departments in order to accomplish some of  
19 these tasks, generally you are able to get  
20 more mileage out of getting some assistance  
21 with some of these projects.

22 Of note as well, interfund transfers  
23 include the full anticipated liquid fuels  
24 allocation of 2.19 million. That allocation  
25 and that transfer is really subject to three

1 different components, repayment of the  
2 streetlight lease and the PIB loan total  
3 approximately \$640,000. Those payments  
4 would be coming out of the liquid fuels  
5 allocation. \$850,000 would be assigned to  
6 eligible expenditures that are identified by  
7 the Controller's Office, and \$700,000 is  
8 going to be assigned to a new line item  
9 budget which is dedicated to roadway  
10 resurfacing, and I'd strongly recommend that  
11 the city try year over year basis going  
12 forward to make sure that there is a  
13 reasonable amount that is dedicated to  
14 roadway resurfacing, and I think that is  
15 achievable because of the increase in the  
16 state allocation that they provided through  
17 the liquid fuels tax.

18 Transfers in from other funds, total  
19 dollar value is \$3.5 million. 1.5 million  
20 of those funds we actually did receive  
21 through the issuance of the debt and those  
22 dollars are dedicated to firehouse  
23 improvements, so we have discussed this  
24 before, we know generally what dollar value  
25 we have, right now we are in the process of

1 working towards bid specifications for the  
2 project, we kind of expect that the project  
3 would certainly fall within the dollar value  
4 that we assigned. That would be part of  
5 that interfund, that transfer that's noted  
6 in the budget. The other 2 million, some  
7 complexity associated with it, but \$4  
8 million that was associated with the parking  
9 transaction was actually escrowed for garage  
10 improvements. The funds were escrowed in  
11 anticipation of the approval of the  
12 metromodal grant that the city had applied  
13 for in a like amount for garage  
14 improvements, so as those grant funds would  
15 have been received, any funds that were  
16 expended for destruction would have been  
17 released back to the city. The metromodal  
18 grant was oversubscribed and the city was  
19 redirected to apply for a transit grant,  
20 which it had done and which can accomplish  
21 the same task. We have received some  
22 favorable feedback on it, we have had  
23 communication both directly with PennDOT and  
24 with the Governor's Office. The application  
25 has been submitted, we are just waiting for



1 the approval at this point. The only catch  
2 with this is that the funds are released as  
3 construction continues, so we would have to  
4 see \$2 million in actual construction costs  
5 and payment in order to see the release of  
6 those funds, so that's the reason why I  
7 didn't apply or I didn't include the full 4  
8 million because I don't think we are going  
9 to get \$4 million worth of garage  
10 improvements completed within one year. Two  
11 I think is very achievable and probably 90  
12 percent of the budget amount is going to  
13 come from improvements to the Linden Street  
14 garage, so very achievable, but a little  
15 complexity to it, just wanted to point out  
16 what's that all about.

17 MR. WECHSLER: Mr. Bulzoni, how long  
18 will those funds be available, the \$4  
19 million to be draw down from?

20 MR. BULZONI: Well, again, they are  
21 in escrow right now, so what would happen is  
22 if the grant is not received those funds  
23 would be dedicated exclusively to  
24 improvements to the garages and, again, it's  
25 primarily to the Linden Street garage, but

1 with the approval of the grant and the  
2 initiation of that construction phase, as  
3 those components of the improvements are  
4 completed those funds would then be released  
5 to the city.

6 MR. WECHSLER: They wouldn't have to  
7 have it done -- to get the total \$4 million  
8 would it have to be done in one year, two  
9 years?

10 MR. BULZONI: No. No. There isn't  
11 a timeline on it at this point, and the  
12 expectation is that that project probably  
13 would be completed within two year's times,  
14 maybe three at the most, but I think within  
15 two years. So, hence, that was the reason  
16 for using a 50 percent allocation on the  
17 total dollar amount.

18 MR. ROGAN: Sticking with that same  
19 theme, I guess this it more of a comment, if  
20 you care to elaborate, the one thing I was  
21 happy to hear and read in the budget is the  
22 investment in infrastructure within the  
23 city. For I'd say at least 15 years, it's  
24 kind of been put on the back burner.  
25 Obviously, we have financial struggles in

1 the city, but these are the type of items  
2 that if we had corrected it early they  
3 wouldn't have deteriorated to the point  
4 where they are so I'm encouraged about the  
5 investments in roads, obviously the  
6 firehouses, which was just reported. You  
7 know, that's not -- it's not news to anyone  
8 here that they are in horrible condition and  
9 need to be repaired as well as the garages  
10 and the city hall. You want to talk a  
11 little bit more about the infrastructure  
12 investment and why those items were finally  
13 included?

14 MR. BULZONI: Well, and I think we  
15 all view this the same way, it becomes more  
16 of a value proposition, so we all know we  
17 are going to be paying tax dollars. The  
18 question then becomes what are you going to  
19 receive for the dollars that you are  
20 actually paying and try to improve whatever  
21 the delivery of service is that the city is  
22 responsible for as much as possible, and it  
23 comes down to really the delivery of some  
24 fundamental services. So, you know, public  
25 safety and how do we improve the delivery of

1 police and fire services. We want to make  
2 sure that we are providing as safe a city to  
3 the residents as possible. Try and create  
4 as effective of delivery of those services  
5 as we can, so in the police department part  
6 of that is really technologically based, so  
7 the improvement in the records management  
8 system, which is critical. The prior system  
9 dates back to 2004, I think, and certainly  
10 technologies become antiquated along those  
11 line.

12 Some of the other technological  
13 improvements that you see built into the  
14 budget in terms of public safety,  
15 improvements to the firehouses. Trying to  
16 replace equipment. Certainly road paving,  
17 that's one of the most fundamental services  
18 that any municipality can offer. Trying to  
19 build that in on a recurring basis and do as  
20 much as we realistically can given the  
21 number of miles of roads that the city  
22 maintains.

23 This building certainly at some  
24 point has to be addressed. You know,  
25 structurally it's poor much, it's probably

1 as deficient structurally as it could be and  
2 requires as much improvement as possible.  
3 Another discussion for another day, but  
4 these are all things that I think we have to  
5 consider going forward.

6 MR. ROGAN: That's good to hear  
7 because what's that the residents, I know we  
8 hear that from the residents all of the time  
9 they don't mind paying if they are seeing  
10 some results --

11 MR. BULZONI: Right.

12 MR. ROGAN: -- as well as paying for,  
13 you know, all of these types of  
14 infrastructure projects we are talking about  
15 so that's very encouraging.

16 MR. PERRY: Mr. Bulzoni, something  
17 that has come up recently, and since we are  
18 on the topic of public safety, can you speak  
19 to a little bit of how the new collectively  
20 bargaining with public safety, the police  
21 and fire have affected this budget this year  
22 as far as overtime or sick days, the change  
23 of the salaries, and how that reduced  
24 expenses because I know that question has  
25 come up a couple of the times?

1 MR. BULZONI: Well, I think that you  
2 have probably seen the release of  
3 information that was provided by the chief.  
4 He quantified some of the savings and  
5 revenue generation related with the  
6 renegotiation and extension of that  
7 contract. I think some of those are very  
8 quantifiable and I think, you know, in terms  
9 of overtime savings, obviously, you are able  
10 to track that pretty realistically just  
11 through the financial accounting system.  
12 You are seeing a reduction year over year in  
13 overtime costs, so I think some of those --  
14 some of those provisions certainly have  
15 provided some relatively immediate relief to  
16 the budget.

17 I think there is probably some  
18 additional work that we need to do in terms  
19 of balancing the costs with the savings, and  
20 we know there is revenue generation with the  
21 creation of civilian parking enforcement and  
22 those numbers are certainly quantifiable,  
23 probably a little more work to be done in  
24 terms of addressing some of the costs.

25 MR. PERRY: How about the third

1 party administrator, I know that was a big,  
2 big sticking point, something that I was  
3 very encouraged to hear when it came to the  
4 police and fire, is that something that you  
5 expect to play a big role this year as far  
6 as keeping our costs down?

7 MR. BULZONI: In terms of the  
8 function of the pension?

9 MR. PERRY: Yes.

10 MR. BULZONI: Well, we think so.  
11 You know, certainly that was an agreement  
12 that we had which we think would be able to  
13 provide some better oversight particularly  
14 with regard to the entire process of the  
15 award of the disability pensions. Just a  
16 more effective process, I think, in terms of  
17 oversight of the Pension Board would be very  
18 helpful, that from all of the discussions we  
19 have had will be a 2017 initiative that  
20 certainly we would tie into the evaluation  
21 that we are going through right now on  
22 optionality to actually fund the pension, so  
23 we think that's pretty important. But, also  
24 I think I noticed in the budget, just some  
25 of the improvements that we have made

1 relative to the Workers' Comp Program and,  
2 you know, again how you kind of create value  
3 internally by additional oversight, and I  
4 just forwarded you an e-mail that was  
5 prepared for the Department of Labor and  
6 Industry, which hopefully you all have had a  
7 chance to take a look at. It's actually  
8 pretty impressive. You know, we have taken  
9 a program that was for the most part  
10 borderline, it was really looked at very  
11 negatively on the state level and, you know,  
12 we have really tried to take some corrective  
13 action, I think that some of that is finally  
14 starting to pay off. I think the same thing  
15 would occur as well with pension oversight.

16 MR. GAUGHAN: Can I ask you a  
17 question on the third party administrator?

18 MR. BULZONI: Sure.

19 MR. GAUGHAN: The one thing that I  
20 don't understand is it was announced back in  
21 March and then the mayor just brought it up  
22 in the State of Union address, which I read  
23 because I wasn't able to attend because of a  
24 work conflict, and he said game changing  
25 pension reforms as it relates to disability



1 pension is happening right now, but we  
2 haven't even received -- we don't even have  
3 a third party administrator, so my question  
4 is why has it taken this long if it was  
5 announced back in March?

6 MR. BULZONI: Well, I think some of  
7 that had to do with the fulfillment of  
8 components of the agreement, and we hadn't  
9 gotten to that point until recently. Now,  
10 the other part of it as well is what are  
11 those responsibilities going to consist of  
12 entirely? It's a somewhat unique program  
13 and we are still determining how the request  
14 for proposal is going to be constructed so  
15 that we get the most value out of what those  
16 administrator -- that administrative  
17 responsibilities would be. Remember, we  
18 have right now third party administration  
19 relative to the pension. There is a pension  
20 administrator, there is also an actuary, so  
21 the question is does the third party  
22 administrator overlay that process or does  
23 it combine all of it, and we are still  
24 trying to work through some of those  
25 details. So it is something that has been

1 moving, but maybe more slowly than some  
2 would like.

3 MR. GAUGHAN: And on the  
4 renegotiated police and fire contracts, I  
5 have been asking, as you know, the last time  
6 you were here I was asking about that, so my  
7 question is again, and I haven't seen the  
8 report that you reference, but are we going  
9 to be able to see if you take in account the  
10 raises and everything else and then some of  
11 the savings that were proposed, are we going  
12 to see a bottom line on how much we have  
13 saved from those two contracts? Because if  
14 you look back in 2015, the mayor had said  
15 over a million dollars so that's kind of  
16 what I'm looking at, have we reached that  
17 goal?

18 MR. BULZONI: Well, what my  
19 suggestion would be is to take a look at  
20 that report first --

21 MR. GAUGHAN: Well, who issued that  
22 report? Was it the city administration or  
23 was it --

24 MR. BULZONI: Well, the information  
25 was prepared by the police chief. We

1 reviewed it, and as I just commented on with  
2 Councilman Perry, it's substantial for the  
3 most part. There may be some information  
4 relative to costs that I'd like to see  
5 quantified, but I think it's a good start  
6 and my suggestion would be take a look at  
7 it. There is still more work to do on  
8 quantifying the fire side of the equation,  
9 but I think the administration has been  
10 working toward that, but there is still more  
11 work to be done.

12 MR. WECHSLER: Not to interrupt you,  
13 but Chief DeSarno provided us some  
14 information last night on the Scranton Fire  
15 Department's overtime savings.

16 MR. BULZONI: All right, and that's  
17 not to say it's complete, but I think it at  
18 least gives a good substantial response to  
19 that question.

20 MR. GAUGHAN: Okay.

21 MR. BULZONI: All right. Moving  
22 into, if you want, I'll just summarize some  
23 items in the expenditure side of the budget.  
24 The budget includes a total of \$27,000 in  
25 salary increases outside of the Department

1 of Economic and Community Development. You  
2 have been provided with information that  
3 delineates those. The only point I'd make  
4 at this point is that there was one that was  
5 omitted, and that was really my error when I  
6 was calculating out the increases, so there  
7 was a \$2,000 increase for the zoning officer  
8 that was not included in the budget. I  
9 believe it should be addressed, and I  
10 actually had provided that information  
11 subsequent to the preparation of the budget  
12 when I had viewed the salary comparison  
13 information that I provided to you, so that  
14 can be accomplished in a couple of the  
15 different ways, but it's something that I  
16 would strongly recommend, and again, that  
17 was my error in not incorporating it into  
18 the budget.

19 MR. EVANS: So that can be addressed  
20 separately or we can address it in the  
21 budget or deal with that after the budget is  
22 passed?

23 MR. BULZONI: I think it can be  
24 addressed in one of two ways. It think it  
25 can be addressed through an amendment to the

1 budget or it can be addressed through a  
2 budgetary or departmental transfer in the  
3 beginning of the next year which would have  
4 to be approved by council anyway.

5 MR. GAUGHAN: Now, did all non-union  
6 employees receive a raise in this budget?

7 MR. BULZONI: No.

8 MR. GAUGHAN: Okay, now my  
9 question--

10 MR. BULZONI: And if you look at --

11 MR. GAUGHAN: Oh, sorry. Go ahead.

12 MR. BULZONI: Well, I was going to  
13 say the information that I provided  
14 subsequent to the budget where I provided  
15 salary comparison and I think I used four  
16 different cities and provided a number of  
17 different salaries, salary levels in each of  
18 one of those cities, and also listed out the  
19 salary increases on the bottom of that page  
20 so that you can see what we were increasing  
21 the salaries to within the city, and there  
22 is listing of them, but to provide some  
23 comparison to where those salary levels are  
24 at elsewhere. So all that really had been  
25 quantified in that subsequent information

1           that I sent down to council.

2                   MR. GAUGHAN: Yes, and I did receive  
3           that. In the narrative it says that, "Key  
4           non-union employees are receiving raises,"  
5           so how did you find -- like, how do you  
6           analyze who is a key employee and who is not  
7           a key employee?

8                   MR. BULZONI: Well, ultimately  
9           that's my responsibility, so I have to look  
10          at -- devoid of having a more practical  
11          approach, which I think the city should  
12          absolutely have at some point, where there  
13          is some methodology to the increases. You  
14          have performance reviews, there is  
15          performance evaluations. We are not there  
16          yet, but again I'm looking at the  
17          responsibilities of some of these  
18          individuals. Their performance on the job,  
19          which I see because I interact with them all  
20          of the time, and where their salary levels  
21          are in compared to their peers in other  
22          cities, so it's a way to address the  
23          salaries to some extent and I think if you  
24          have gone down that list you see even with  
25          some of those increases the salaries don't

1 compare favorably to some of their peers,  
2 but it's a start and, again, there is a  
3 psychology to a lot of this as well that you  
4 are all aware of certainly for anyone that  
5 works in the private sector. There is an  
6 incentive that you create for people who  
7 show up every day, do their job, out  
8 perform. Remember, some of these people not  
9 only had their salaries cut by \$9,000 in  
10 2011, '12, they haven't got an increase  
11 since. Now, there is an issue of fairness  
12 to all of this. If the increases were  
13 beyond what their peers would be receiving I  
14 certainly would not have recommended  
15 anything like that, but the fact that they  
16 had their salaries decreased to levels that  
17 I think were certainly punitive and had not  
18 gotten increases since, given the level of  
19 what we are looking at I think the increases  
20 were certainly fair.

21 MR. EVANS: I will say, and I have  
22 gone on the record before on this matter  
23 over and over again, that I feel we are way  
24 below our peer cities with our salaries and  
25 if we want to maintain quality employees and

1           attract quality employees we need to have  
2           salaries and benefits that will do that.  
3           What I suggested, and we had a long  
4           discussion at the last PEL meeting about  
5           this, and I talked about possibly putting it  
6           in the next recovery plan, revised recovery  
7           plan, a comprehensive study the salaries,  
8           benefits, opt-out clauses, pensions, for all  
9           non-union employees, so we have a coherent  
10          plan going forward, you know, years to come,  
11          for the next three years or five years or  
12          whatever it might be. So, you know, when  
13          Bill asked that question we'll actually have  
14          the study that points to that and say, well,  
15          we need to get this job up to here, we need  
16          to get this position up to there, we could  
17          add this position or whatever the case may  
18          be, or combine the position, because I think  
19          we really need to look at that because I  
20          think it's pennywise and pound foolish what  
21          we have done in the past and we need to get  
22          quality people in the jobs and retain those  
23          quality people in the jobs. So I don't have  
24          a problem with what we did this year. I  
25          actually want it to be even more



1 comprehensive in the future.

2 MR. BULZONI: And I think it's  
3 important to note, too, that we didn't  
4 exactly cherry pick the peer cities. So,  
5 you know, I looked at comparable situations.  
6 I looked at City of Erie, City of Reading,  
7 City of Altoona. City of Reading is Act 47.  
8 City of Altoona is Act 47. City of  
9 Wilkes-Barre and City of Harrisburg act 47,  
10 and I have looked at comparable salaries in  
11 each one of those cities, so I didn't cherry  
12 pick cities that might have a wealthier base  
13 and use those salaries in comparison, and I  
14 think you noticed that in the information  
15 that I provided.

16 I think it's important to note as  
17 well health insurance expenditures are  
18 projected to increase by about 12 percent.  
19 We are expecting some of that percentage  
20 might be offset through the request for  
21 proposal process that we are going through  
22 right now for a health care administrator  
23 and also pharmacy benefits manager, but not  
24 having gone through that we are not sure how  
25 to quantify the savings yet through that

1 request for proposal process, but just  
2 generally with the information that was  
3 projected by our health care manager that's  
4 what we are looking at in terms of an  
5 increase.

6 The minimum municipal obligation, as  
7 I noted before, is increasing fairly  
8 substantially. Each of the increases for  
9 the three components of the plan are greater  
10 than 25 percent, and in some cases 30  
11 percent. The operating transfer to the  
12 Workers' Compensation Trust Fund is going to  
13 increase by 6.62 percent. That's actuarial,  
14 actuarially determined, we expect that a  
15 some point, which as I pointed out before,  
16 the improvements we have been making in this  
17 program. Eventually because there is a lag  
18 in the actuarial performance at some point  
19 you will start to see some of those benefits  
20 pay off through hopefully a decrease either  
21 in the percentage of that increase or a  
22 decrease in that funding requirement going  
23 forward.

24 Just relative to debt service, and I  
25 don't want to get into the complexities in

1 the discussion if I don't have to, but net  
2 debt service less the tax anticipation note.  
3 Normally, you are going to factor that out  
4 of your debt service requirements because  
5 basically it's a wash on an annual basis  
6 other than whatever your interest component  
7 is to it is 10 million approximately 10.2  
8 million, which includes the removal of  
9 approximately 4.8 million from the budget in  
10 2017. Now, we talked about that before,  
11 what is that, primarily the debt service  
12 that's associated with the 2012 and 2013  
13 debt service and, Councilman Gaughan, you  
14 had asked that question, that's about 3.8  
15 million on an annual basis, so it's not an  
16 insignificant number. Certainly eliminating  
17 18 million from the City's debt profile is  
18 measurable, but also having the ability to  
19 eliminate the 3.8 million on an annual basis  
20 is pretty significant as well.

21 Also, part of that 4.8 million was  
22 the interest component in the 2003 Series C  
23 and D. We kind of expect to get a reduction  
24 through that refunding. That dollar amount  
25 is just over a million dollars so that's

1           where the reduction in 4.8 million comes in.  
2           The budget for 2017, and certainly going  
3           forward, does include the principal and  
4           interest payments associated with the  
5           issuance of the award debt and also the  
6           issuance of the stranded parking debt.

7                         Excluding a refunding of the 2003  
8           Series, what we are looking at in 2018 would  
9           be a debt service increase to just over 13  
10          million. So, again, this is where some of  
11          the modeling comes in with sewer proceeds.  
12          So we know that by paying off the 2012, 2013  
13          debt we could free up 3.8 million from the  
14          budget, so in order to be able to avoid some  
15          of that increase, if not all of it, then you  
16          get into a discussion do we want to repay or  
17          defeas the 2006 debt, and the value that's  
18          associated with debt service on an ongoing  
19          basis.

20                        So, again, what I started out by  
21          saying, this is a pretty complex budget, and  
22          it is. It's very complex and very likely  
23          will be going into 2018.

24                        MR. GAUGHAN: How much debt are we  
25          responsible for overall excluding, you know,

1 if we take into account that we might get  
2 the proceeds from the sale of the Sewer  
3 Authority?

4 MR. BULZONI: Well, I'm glad you  
5 asked that question because it was the last  
6 thing I was working on today, approximately  
7 108 million, and it's interesting because  
8 when you look at the dollar value of the  
9 total amount of debt you have, by itself it  
10 doesn't have a lot of meaning. I mean, for  
11 the average person it could be a very  
12 significant dollar amount, and it is, but  
13 how does it compare to some of the  
14 benchmarks that are used to evaluate your  
15 debt levels? And one that I pulled out,  
16 which is used pretty typically by financial  
17 analysts, is your debt per capita. So debt  
18 per capita typically for most municipalities  
19 should be maximum of \$1,200 to \$1,275 per  
20 resident. We are at \$1,421, so what that  
21 tells us is our debt levels are higher than  
22 our peers, but not what I could call  
23 punitively higher, and again, that's where  
24 the value of the use of the sewer proceeds  
25 comes in because in order to get to that

1           dollar amount that we are looking at. It's  
2           going to be important for us to try and  
3           reduce the principal values of some of that  
4           debt we have outstanding, and it certainly  
5           makes sense to be able to eliminate the debt  
6           with the highest from rate or highest  
7           coupons. So you want to try and get to  
8           those standards because that's really a sign  
9           of what ultimately would be considered a  
10          fiscally viable or relative healthy  
11          community.

12                         Just in closing, what I started out  
13           by saying and what we certainly talked about  
14           throughout the presentation was trying to  
15           create value for the delivery of every  
16           dollar that we expend for those services  
17           that were providing to the constituents. We  
18           are not there yet, and I think this budget  
19           takes a pretty significant step forward.  
20           There's still an awful lot of work to do, I  
21           don't think there is any question about  
22           that, and I think the fact that that -- and  
23           this is certainly something that's been  
24           recognized, the fact that there has been lot  
25           of really good teamwork between the

1 administration and council has not been lost  
2 on those that are really looking at the  
3 city, and I hear that a lot when I'm  
4 speaking to the financial analysts. It's  
5 something that they're not quite accustom  
6 to, but to see a reasonably cooperative  
7 effort to try and get things accomplished  
8 between council and the administration is  
9 not lost on a lot of people, and what I can  
10 say on behalf of the administration, and  
11 certainly myself, is that I really greatly  
12 appreciate your efforts and I have tried to  
13 be as transparent as communicative as  
14 possible with you, as much as possible, but  
15 also I know you work very hard at trying to  
16 get the job accomplished and I think you  
17 have done so.

18 MR. WECHSLER: Do any council  
19 members have more questions?

20 MR. GAUGHAN: I have a few. Do you  
21 have any?

22 MR. EVANS: No.

23 MR. GAUGHAN: Let's see, next year  
24 are we assuming a tax increase, no tax  
25 increase for 2018 or would we know that yet?

1 MR. BULZONI: Well, as I indicated  
2 during presentation, 2017 is a transitory  
3 year, so I pointed out the perspective  
4 increase in debt service, which can be  
5 abated by the use of the sewer proceeds, so  
6 I guess the best way to answer that question  
7 is certainly when I'm sitting here in  
8 December of 2017 or my successor, whomever  
9 that might be, that's probably when it's  
10 going to be identifiable, but -- and I'm  
11 saying that somewhat jokingly, but I think  
12 what's going to be critical is the  
13 application of the sewer proceeds because,  
14 remember, as I pointed out before, if we are  
15 able to reduce debt service that has a  
16 direct impact on how millage is set for debt  
17 service because we have the split millage  
18 concept. If we are able to assign certain  
19 dollars to reduce the unfunded pension  
20 liability, and if that can be done in a  
21 timely manner, that may have a pretty  
22 measurable impact on what the MMO is, so a  
23 lot of that is really not going to be  
24 determined until we get -- probably get into  
25 the first quarter or maybe even later next



1 year.

2 MR. GAUGHAN: Thank you. And in  
3 looking at PEL's projections, they projected  
4 revenues of about \$2 million higher than the  
5 city did for this year, and you kind of  
6 touched on the business privilege mercantile  
7 tax collections that you expect those to be  
8 increased, can you just talk a little bit  
9 about the EIT and the LST and if those -- if  
10 we don't hit those budgeted revenues what  
11 happens if we fall short?

12 MR. BULZONI: Well, in terms of the  
13 earned income tax collections, as of  
14 November 30 we hit our budget. We are just  
15 over 100 percent of what we anticipated.  
16 The local service tax collections are pretty  
17 close to budget, I think we are at 91  
18 percent of what we had budgeted, so those  
19 two items have performed pretty well. I'm  
20 not quite as concerned about those. I  
21 didn't include any real significant  
22 increases in those line items. I think  
23 those two components of the revenue side of  
24 the budget are very achievable.

25 MR. GAUGHAN: Thank you. With the

1 real estate taxes for this year, through  
2 September and according to the budget we  
3 have collected about \$29 million so there is  
4 still, if we want to hit our budget, roughly  
5 \$4 1/2 million outstanding so have we  
6 historically collected that amount of money  
7 in the fourth quarter? I think it's like  
8 about 13 percent? It might be a little less  
9 based on what we collected between September  
10 and now.

11 MR. BULZONI: Well, I think the  
12 first thing to consider is that throughout  
13 Northeastern Pennsylvania, current real  
14 estate tax collection percentages are  
15 relative weak, and that's weak compared to  
16 other parts of the state, so typically we  
17 see current collection rates anywhere  
18 between 86, 88, close to 90 percent,  
19 normally they are not greater than that. In  
20 many cases you are picking up some of what's  
21 not collected on the back end in terms of  
22 delinquent collections, so generally what  
23 you like to see is if you have a weaker  
24 current collection rate you would like to  
25 see some of those dollars picked up in terms

1 of the collection of delinquent real estate  
2 taxes. I'm kind of expecting that the  
3 current collection rate is going to come in  
4 somewhere between 86 and 88 percent so we'll  
5 make up some of that difference. It appears  
6 as though that line item might under perform  
7 to some extent, but I think that the total  
8 dollar value might come in fairly close to  
9 what we budgeted.

10 I moved up the collection percentage  
11 a notch in 2016 to 89 percent, I was a  
12 little optimistic. I moved it back to 88  
13 percent in 2017 budget. I think that's  
14 reasonably realistic. If we start to see a  
15 trend, then I think it's something we have  
16 to talk about if those percentages come in  
17 less than budget -- what's budgeted on an  
18 ongoing basis.

19 MR. GAUGHAN: Thank you. Can you  
20 give us an update on the contract  
21 negotiations between the city and the  
22 clerical union and are those -- you know, if  
23 there is raises or anything to do with  
24 health care, are those projected in this  
25 budget?

1 MR. BULZONI: I can't, because they  
2 are ongoing --

3 MR. GAUGHAN: Right.

4 MR. BULZONI: But I did not include  
5 an increase, salary increase in the budget.

6 MR. GAUGHAN: Okay, and do you know  
7 if we started negotiating with the DPW  
8 because I know that contract is up, it  
9 should be up soon?

10 MR. BULZONI: Those negotiations  
11 have not begun yet.

12 MR. GAUGHAN: Okay, thank you. The  
13 MMO payment, will we be on track to make  
14 that for the end of the year and what monies  
15 will we have to transfer, how is does that  
16 work out?

17 MR. BULZONI: Well, I'm here to  
18 address the 2017 budget, I'll remark by  
19 saying that I am cautiously optimistic that  
20 we'll have that paid by year end, and I  
21 think I have discussed the prospect of  
22 transfers and any transfer that requires  
23 council approval would certainly be  
24 requested.

25 MR. GAUGHAN: Thank you. Can you

1 just give us an update on a possible exit  
2 from Act 47? I know, and you talked about  
3 2017 being kind of a watershed year and I  
4 know there are several steps that still have  
5 to be taken in regards to what PEL has to do  
6 with creating kind of that exit plan, so can  
7 you just give us an update on that and where  
8 we are in that process, and the other part  
9 of the question is do we lose -- if we do  
10 exit Act 47 do we lose any taxing or revenue  
11 generating ability and how do we makeup for  
12 that?

13 MR. BULZONI: In terms of the  
14 perspective exit from Act 47, I'm sure that  
15 is something that would be welcome by  
16 everyone in this room, especially given the  
17 history of the city and Act 47. The process  
18 is really going to be driven, as you had  
19 noted, by the recovery coordinator by the  
20 Pennsylvania Economy League. Very likely  
21 they are going to need to revise the  
22 recovery plan or at least amend it based on  
23 the receipt of the sewer proceeds.  
24 Certainly that has a significant impact on  
25 any of their prior projections so they are

1 going to have to go through an amending  
2 process. What winds of happening with that  
3 amending process, and what I would suggest  
4 is asking them that question, but my  
5 understanding of it is that would begin to  
6 lay the groundwork for a revision in the  
7 recovery plan or a formal revision that  
8 would include the request to exit Act 47,  
9 but I would certainly suggest that you're  
10 welcome to communicate that request to them  
11 directly and the timetable that's associated  
12 with it. What was the other part of your  
13 question?

14 MR. GAUGHAN: Do we lose any, and  
15 again, I mean, you know, I'm just asking out  
16 of curiosity, do we lose any taxing or  
17 revenue generating ability if we do exit  
18 from Act 47? And then if we do, how would  
19 we make up for that, because I wasn't  
20 exactly sure if we still lose the LST or are  
21 we able to keep that?

22 MR. BULZONI: Well, not based on the  
23 most recent legislation impacting the local  
24 services tax. Remember, that even in the  
25 most optimistic case, the improvement in the

1 funding level of the pension plan would take  
2 it from severely distressed to moderately  
3 distressed. It still falls within that  
4 distressed classification for continuity in  
5 the local services tax.

6 MR. GAUGHAN: Okay, thank you. And  
7 just one additional question as it relates,  
8 and I should have asked this earlier but I  
9 forgot about the fire and police,  
10 specifically, the fire department. We  
11 received the SAFER grant and we hired 14 new  
12 firemen, are we aware if we lose the -- or  
13 we don't get the SAFER grant again did we  
14 project how we are going to absorb that or  
15 are we going to absorb it or are we going to  
16 lay people off and has those discussions  
17 taken place?

18 MR. BULZONI: No, they have not  
19 taken place.

20 MR. GAUGHAN: Okay, thank you. The  
21 one additional position that I'm -- I need a  
22 little bit more discussion about is the  
23 part-time tax office solicitor or the  
24 part-time city solicitor that's going to be  
25 working in the tax office, can you just

1 explain that a little bit more?

2 MR. BULZONI: Well, I can only give  
3 you -- I'll give you a general overview --

4 MR. GAUGHAN: That's fine.

5 MR. BULZONI -- if you would like, I  
6 would certainly suggest maybe a inquiry  
7 directly with the city solicitor. As you  
8 are aware, the city solicitor also would  
9 serve as the solicitor for the tax office.  
10 In some cases you have got some conflicts  
11 relative to city activities and activities  
12 of the tax office that have created problems  
13 for the solicitor's office. I think the  
14 solicitor found it would be more cost  
15 effective just to have a solicitor assigned  
16 to the tax office and had engaged in some  
17 discussions and negotiates with the school  
18 district, and I think as was pointed out in  
19 my narrative the school district is willing  
20 to share the cost because I think they  
21 recognize it was a value in having a  
22 solicitor assigned to the tax office as  
23 well, but certainly more detailed  
24 information you are welcome to contact the  
25 solicitor about.



1 MR. GAUGHAN: Okay, thank you. Onto  
2 the Licensing and Inspections Department, in  
3 looking at the revenue that we are  
4 projecting for this year, we are projecting  
5 \$2,356,000. Now, we it looks like we are  
6 going to end up short this year based on the  
7 numbers that I was looking at, so were these  
8 projections based on an analysis and how --  
9 I mean, how are we projecting such high  
10 numbers when we are not even -- when we're  
11 not -- it doesn't look like we are going to  
12 hit it this year?

13 MR. BULZONI: Those numbers were  
14 created primarily through historical values,  
15 and you are correct the line items have  
16 generally underperformed. It's difficult to  
17 look at that department as a revenue center  
18 or profit center to some extent if you want  
19 to use more of an industry term, because  
20 there is a lot of variables that are  
21 associated with the revenue, so it's pretty  
22 challenging in trying to create those  
23 budgeted numbers from the department. I  
24 think we have -- what we have tried to do  
25 over the last few years is look at creating

1           some efficiencies in that department. We  
2           are certainly not there yet. I think there  
3           is the ability to create some improvements  
4           in the department -- in the department's  
5           operation and its execution. Some of that  
6           may have an impact on those numbers, but I  
7           think that was part of the reason why I  
8           adjusted downward in the 2017 budget some of  
9           those numbers as well.

10           MR. GAUGHAN: Okay, thank you. And  
11           you talked a little bit about some of the  
12           third party contracts, are you considering  
13           any other ones as an alternative to staff  
14           additions and have you -- is that budgeted  
15           this year?

16           MR. BULZONI: Well, I think the most  
17           significant was the one this we had pointed  
18           out earlier relative to the oversight of the  
19           pension plan. I think we are always looking  
20           at where we can derive value from getting  
21           some assistance, and that's really why  
22           you're funding professional services budgets  
23           because generally that's where those costs  
24           are going to be funded from, so we continue  
25           to evaluation where we are able to get some

1 value by the use of third party assistance  
2 and generally you are able to see that in a  
3 lot of detail because when we do, for the  
4 most part, we are using the request for  
5 proposal process or even request for  
6 qualification process, and generally the  
7 approval has to come down to council anyway,  
8 so as we continue to identify those  
9 opportunities normally you are going to be  
10 involved pretty directly in the process.

11 MR. GAUGHAN: Thank you, and just a  
12 few more questions. In the Licensing and  
13 Inspections budget we are bringing in  
14 building demolition, and there was an  
15 explanation in the narrative, but could you  
16 just expand upon on that a little bit, on  
17 why we are doing that?

18 MR. BULZONI: Well, we've had some  
19 situations where the demolition, there were  
20 perspective demolition projects that could  
21 not be funded through the Office of Economic  
22 and Community Development, and what we  
23 wanted to do is just try and create a line  
24 item that had a reasonably -- a reasonable  
25 level of funding. I mean, it's not a real

1 significant level of funding, just to see  
2 how we might be able to deploy those funds.  
3 We had situations that were pointed out  
4 where you have demolitions that, as I  
5 pointed out, couldn't be accommodated  
6 through OECD where the city may not have had  
7 a specific source in order to be able to  
8 accomplish that task. This actually sets  
9 aside some dollars and being able to do so.

10 So we had a situation that was  
11 brought to our attention earlier this year  
12 and last year, you know, a facility in South  
13 Scranton that was really problematic, had a  
14 lot of complaints from the neighbors.  
15 Looking at trying to get that building  
16 demolished in a relatively short period of  
17 time, being able to do things like that  
18 ourself without some of the federal  
19 constraints that are associated with OECD  
20 dollars might have some value to us, but  
21 again, it's a -- at this point we are  
22 starting off with a very conservative  
23 amount. If we see that it works and there  
24 is some value maybe we increase it. If  
25 going forward it doesn't seem to provide any

1 value, then maybe we eliminate it.

2 MR. GAUGHAN: Okay, thank you. When  
3 we are talking about the proceeds from the  
4 sale of the Sewer Authority one of the  
5 things that has been discussed here over the  
6 past few months is storm water management so  
7 can you give us an update on where we are at  
8 with the storm water analysis, how long  
9 that's going to take and when the whole  
10 thing is going to be wrapped up so we know a  
11 final cost on how much this is going to cost  
12 us?

13 MR. BULZONI: Well, again, another  
14 very timely question and I just concluded my  
15 write up for the recommendation based on the  
16 proposals that we received. You are  
17 probably going to see that most likely  
18 within the first couple of weeks of 2017.  
19 Based on the proposal that we received, the  
20 process in going through the evaluation  
21 could be anywhere from 10 to 12 months,  
22 which I think is pretty aggressive, and we  
23 are looking to fund it through the receipt  
24 of some of those dollars and, of course,  
25 through the Act 47 grant and then additional

1 compliment that we'll discuss when you  
2 actually get to the point where you see that  
3 legislation, but you are going to see that  
4 within the first two weeks of the January.

5 MR. GAUGHAN: Okay, now that's the  
6 first study though, correct, and then there  
7 has to be another comprehensive study?

8 MR. BULZONI: The one that I viewed  
9 is pretty comprehensive. The proposal that  
10 we received delivered an awful lot of value  
11 for what we were actually expecting, so,  
12 you know, I'll leave the definition of  
13 what's comprehensive to those that review.  
14 I looked at the proposal, they were really,  
15 within this proposal, going to accomplish an  
16 awful lot of what we wanted to try and get  
17 out of the way relative to the analysis.

18 MR. GAUGHAN: Okay. Given the  
19 renewal of the NPDS permit to the Sewer  
20 Authority, has any funds, and I didn't see  
21 any but I just wanted to make sure, have any  
22 funds been earmarked for storm water  
23 management in this budget?

24 MR. BULZONI: Within the budget  
25 itself?

1 MR. GAUGHAN: Yes.

2 MR. BULZONI: Not specifically for  
3 that process, although, we are looking at  
4 various capital components of sewer funding  
5 and that has been discussed on a number of  
6 occasions because we recognize that there  
7 very likely would be some start up money  
8 needed if, in fact, the city was going to  
9 look at developing a storm water utility, so  
10 we've had a lot of discussions relative to  
11 that process. There is certainly a lot more  
12 to come, but I think we have some  
13 sensitivity as to the costs and how that  
14 process is going to have to be funded going  
15 forward.

16 MR. GAUGHAN: And do we know, like,  
17 the storm water responsibilities, how will  
18 they be managed once the sale is complete,  
19 like, do we have a plan on day one to take  
20 that over?

21 MR. BULZONI: Well, again, what I  
22 would suggest is you are going to see the  
23 legislation in January. We can discuss that  
24 at a lot of length. That would not  
25 necessarily being an immediate 2017 budget

1 question. I recognize the impact of it --

2 MR. GAUGHAN: Yeah, and that's what  
3 I asked.

4 MR. BULZONI: But what I'm  
5 indicating, also, you are going to have the  
6 legislation for the approval of the  
7 proposal, I think we can get into a very  
8 lengthy discussion at that point. You are  
9 asking questions that are going to be  
10 answered when you look at the recommendation  
11 and the write up and the proposal that's  
12 attached.

13 MR. GAUGHAN: Okay, thank you. And  
14 in the budget narrative it says that you  
15 going to seek alternative funding methods to  
16 support the PILOT program. What are these?  
17 Can you just explain a little bit about what  
18 kind of funding methods?

19 MR. BULZONI: Well, we are looking  
20 at something relatively creative, and this  
21 is something you will probably see within  
22 the next few weeks as well, we want to try  
23 and look at securing funding to support an  
24 equipment lease, and I'm not going to get  
25 into detail at this point, because the



1 letter that I drafted associated with this  
2 initiative is not complete, but it is part  
3 of the providing something for those dollars  
4 that are contributed, and when the letter is  
5 complete it's going to be forwarded to  
6 council, we can have a discussion at that  
7 point, but I think that's something that we  
8 want to try and look at evaluating as  
9 opposed to just seeking contributions on an  
10 annual basis, look at how we can provide  
11 some value for those contributions, and  
12 again, it's going to take some creativity,  
13 hopefully this is a first step, but you will  
14 see the letter probably within the next  
15 couple of the weeks.

16 MR. EVANS: Can I follow-up with  
17 that before your next question?

18 MR. GAUGHAN: Sure. I think I'm  
19 done.

20 MR. EVANS: As you know, in the  
21 recovery plan we have that suggestion in  
22 there to actually audit or request from  
23 nonprofits justification for each parcel  
24 that they own and that they meet the truly  
25 Charitable Act definition, has there ever

1           been any movement on that at all or to  
2           actually do that, create a program and put  
3           it in place.

4                   MR. BULZONI: Discussions on it?

5                   MR. EVANS: Yeah.

6                   MR. BULZONI: Haven't gotten to the  
7           point where we have actually looked at  
8           identifying that further. I think there is  
9           some value to that process.

10                   MR. EVANS: Because I think very  
11           simply put, for example, Lackawanna is  
12           buying some property on Wyoming Avenue, if  
13           it's a service lot I don't see how that  
14           defines what it should be as far as their  
15           nonprofit status, so things like that should  
16           be almost immediately put back on the tax  
17           rolls because I think what happens is the  
18           Assessment Office when they see the name  
19           Lackawanna College they make it tax exempt,  
20           and that is how it stays until somebody  
21           challenges it, so we'll have some more  
22           discussion, I just wanted to know where we  
23           were at this point.

24                   MR. BULZONI: Agreed, and there have  
25           been some discussions along those lines and

1 I think there is some value to that process.  
2 I don't think we've really formalized it.

3 MR. EVANS: Okay.

4 MR. GAUGHAN: When we're talking  
5 about converting from the business privilege  
6 and mercantile tax and the payroll  
7 preparation tax, can you just give us a  
8 brief update on where we are in that process  
9 or if we are undertaking any study?

10 MR. BULZONI: Well, there has been  
11 and I think, you know, for those that have  
12 attended the weekly Pennsylvania Economy  
13 League meetings those updates have been  
14 provided. They have really been undertaking  
15 that process. There has been a lot  
16 accomplished along those lines. Again, part  
17 of the reason for going through the audit  
18 discovery process with the business  
19 privilege and mercantile is to elevate that  
20 level of collection so that you can convert  
21 from one or in that case both to the payroll  
22 tax where it's revenue neutral within year  
23 one, so there is a process to this. We are  
24 still expecting that there is the prospect  
25 of the some more lengthy and detailed

1 discussion as we get into 2017 for an  
2 anticipated transition possibly in 2018.

3 MR. GAUGHAN: Okay, and my final  
4 question, and I'm going to ask this because  
5 it does have an impact on the budget, next  
6 year's budget, but are there discussions  
7 being held, and I did ask this to the mayor  
8 and he at that time he said that they were  
9 not looking at it at that time, but a shared  
10 services committee so that we can work  
11 together with other municipalities in  
12 regards to storm water management? So is a  
13 committee going to be formed or are there  
14 conversations to that effect being that this  
15 is kind of the impending topic of the day  
16 here?

17 MR. BULZONI: Well, and again, I'll  
18 go back to what I indicated before, you are  
19 going to see in my written recommendation  
20 for the firm that I thought submitted the  
21 best proposal that issue is addressed and,  
22 again, that's one of the alternatives, and  
23 if you have looked at the request for  
24 proposal the process would identify the  
25 creation of the utility in a number of

1 different manners, and one of them is on an  
2 intergovernmental basis so I think that  
3 subject will certainly be addressed as we  
4 move forward with the analysis.

5 MR. GAUGHAN: So the analysis  
6 definitely will not be complete before the  
7 sale of the authority; correct? I mean, if  
8 we are talking about, like you just said,  
9 ten to 12 months, so --

10 MR. BULZONI: Right, and I don't  
11 think it would be even realistic to think  
12 that it could be. I mean, this is a very  
13 involved process and I think it's incumbent  
14 upon the city to be as pragmatic with that  
15 process as possible because it is a very  
16 vast undertaking. You want to make sure you  
17 get a right so that was part of the reason  
18 for having the request for proposal for the  
19 storm water analysis was to bring someone in  
20 who has undertaken this process before, and  
21 who can really determine the method for the  
22 city to execute this, and I think we found a  
23 firm that can really provide a lot of value  
24 in the process, but it is a process and it  
25 will take some time to complete.

1 MR. GAUGHAN: That's all I have.  
2 Thank you very much.

3 MR. WECHSLER: Anyone else?

4 MR. ROGAN: I guess one comment. I  
5 would just like to thank you for coming in  
6 and for all your hard work on this budget.  
7 I know the residents of Scranton are  
8 thrilled to finally have a budget with no  
9 tax increase and I think the attendance here  
10 tonight, only have three people in  
11 attendance certainly shows that. This is  
12 probably the least attended budget hearing  
13 in my years on council, so I just wanted to  
14 thank for all your hard work on this and  
15 coming to answer our questions tonight.

16 MR. BULZONI: You are welcome, and  
17 again, as I pointed out before, I'd like to  
18 try and, if I can, be as transparent in the  
19 process as possible. You know, I have also  
20 welcomed your questions. Any time you have  
21 asked them, I've tried to answer them to the  
22 best of my ability.

23 MR. WECHSLER: Thank you,  
24 Mr. Bulzoni. We do have a public comment  
25 portion now. We have one sign in. Joan

1 Hodowanitz.

2 MS. HODOWANITZ: Joan Hodowanitz.  
3 City resident and taxpayer. Because I only  
4 have five minutes I'll limit my comments to  
5 salary issues. As you recall in 2016 there  
6 were 27 pay periods rather than 26, so as  
7 you go through the salary figures you must  
8 recalculate all of the 2016 numbers for 26  
9 pay periods. If you don't do that, you  
10 would conclude that total payroll decreased  
11 by \$92,102 when, in fact, it increased  
12 \$910,767.

13 Now, these 11 key employees that are  
14 getting a pay raise based on the July 2016  
15 grant, let me give Mr. Bulzoni a hand by  
16 increasing his transparency in giving you  
17 the actual pay increase figures. Keep in  
18 mind, that some, if not all, of these  
19 personnel have had pay cuts in the past. I  
20 know in the Controller's Office these raises  
21 bring them back up to their prior level. I  
22 don't know of the other personnel.

23 City Clerk \$5,000. In the  
24 Controller's Office, confidential secretary,  
25 \$2,000. Deputy Controller, \$5,000. Program

1 monitor, \$4,000. Performance auditor,  
2 \$5,000. In the IT Department, IT Manger No.  
3 1, \$5,000. Number 2, \$6,611, and a network  
4 system analyst, \$3,000. Treasury  
5 Department, LIPS and DPW, their directors  
6 are all getting a \$5,000 raise. Now, that  
7 is under the July 2016 grant which is only  
8 good for three years then it comes our of  
9 the taxpayer pocket.

10 The following personnel are getting  
11 raises, but I saw no offsetting grant. The  
12 mayor, \$5,000. In the BA's Office, the  
13 finances manager, \$1,000. The Director of  
14 Human Resources, \$7,000. Workers'  
15 Compensation Program Manager, \$2,575.  
16 Deputy Director of LIPS, \$4,000. Mechanical  
17 Inspector in LIPS, \$1,532. City solicitor,  
18 \$7,000. The Law Department, one  
19 confidential secretary \$1,115. Another  
20 confidential secretary, \$1,351. In DPW,  
21 recycling coordinator, \$1,246, and the  
22 refuse foreman, \$4,058.79.

23 Of the 14 Fire Department privates  
24 hired under the SAFER grant, when you  
25 recalculate for the 26 pay periods, their



1 average pay increase per firefighter, per  
2 firefighter, is \$9,325.75.

3 Now, police officers and  
4 firefighters their union increase is a 1.75  
5 percent pay raise, while the preponderance  
6 of DPW workers get \$956.80. Seven repairmen  
7 in the Bureau of Highways, however, will get  
8 a raise of \$1,094.65. It seems the only  
9 department head not getting a pay increase  
10 is the Controller, Roseanne Novembrino,  
11 whose salary has not gone up since at least  
12 2002.

13 There is paragraph in the narrative  
14 of the budget which reads as follows: "The  
15 budget also contemplates a measure of  
16 sensibility to non-union salaries which has  
17 been devoid of any methodology in prior  
18 budgets. The plan previously presented in  
19 the 2015 budget is restated with variations  
20 to provide a framework for successive years.  
21 Once salaries have reached a level of  
22 equilibrium," whatever that is, "raises  
23 should rotate every two years for the  
24 non-union employee base. A .5 percent  
25 increase may be used initially resulting

1 from low inflation levels. This percentage  
2 may be modified if inflation and cost of  
3 living levels increase."

4 I have some questions. Does this  
5 mean that the department heads and other key  
6 employees, non-union, will continue to  
7 receive multi-thousand dollar raises in  
8 future years or will they get the same  
9 percentage raise as their subordinates?

10 Also, what is this level of  
11 equilibrium salaries? I'd like that  
12 quantified, please. And if inflation and/or  
13 cost of living goes up, what will be the  
14 percentage increase in raises? And I guess  
15 my five minutes are up and you can answer my  
16 questions during the regular council  
17 meeting. Thank you.

18 MR. GAUGHAN: Thank you.

19 MR. WECHSLER: Anyone else?

20 MS. SCHUMACHER: Marie Schumacher.  
21 The first thing that I found made my head  
22 spin is when you look at the summary of  
23 revenues it comes up to roughly \$108  
24 million, and then there is a single sheet  
25 for the summary of expenditures that comes

1 up to \$108,000 and then there is a summary  
2 several pages, I believe it's three, of  
3 summary by account and that totals \$120  
4 million, which is a \$12 million  
5 differential. How does that happen? I  
6 would really like to know that and I don't  
7 know, I just can't understand how that could  
8 happen. And then tonight sitting here I  
9 sort of have a bit of headache because on  
10 one hand I'm hearing that we are going to --  
11 that we are taking advantage of paying down  
12 the 2012 and 2013 debt, it's going to be  
13 defeased, using money from the Sewer  
14 Authority or from the Sewer authority asset  
15 sale. So some of the proceeds are in there  
16 and the utilization is, but where in the  
17 revenue, it's not in the revenue section? I  
18 mean, this is crazy. This is not a balanced  
19 budget by any stretch of the imagination.

20 The storm water, look at all of the  
21 things that aren't in the budget. That was  
22 the next thing that hit me. Do we have --  
23 the Scranton Police Department parking lot  
24 it still has only a binder coat on that,  
25 which is going to start breaking down sooner

1 or later, that has been what about 10, 11  
2 years now? Never finished because they ran  
3 out of money.

4 Storm water. What I heard is just  
5 astounding tonight, I just can't believe we  
6 can postpone this. Is Mr. Young going to  
7 have wait another couple of years? Are the  
8 people in Keyser Valley going to wait? I  
9 mean, there should be a big chunk of money  
10 in this budget at least for contracts where  
11 I believe the Sewer Authority person that  
12 was here said they don't even have the  
13 equipment or they don't -- they would  
14 contract out before the Keyser Valley  
15 reaming of the pipes and get things flowing.

16 307 and Snook Street. Another  
17 vehicle got in there again. That is really  
18 terrible. It is in deplorable condition,  
19 and again, putting up another horse or  
20 putting florescent pink paint around  
21 something doesn't really help. The one, and  
22 I don't even know why it's there, water  
23 bubbles up on Seymour Avenue and there is a  
24 horse there, that gets hit on a regular  
25 basis, too, it doesn't help solve the

1           problem, however.

2                   Street signs. I stopped to read one  
3           the other day impossible, and that was  
4           during daylight. Try it at night.  
5           Impossible. All of those street signs need  
6           to be done.

7                   City hall tower. Are we going to  
8           wait until somebody gets beamed with  
9           something falling off that? If that was a  
10          residential building or somebody else's, it  
11          wasn't a government building, LIPS would be  
12          out there putting a pink there or whatever  
13          color they are using for condemnation on  
14          that building. Why isn't that in there?  
15          The storm water equipment and/or the dollars  
16          to contract it out. I don't find that, so  
17          it's not really a balanced budget.

18                   Fire Department, I'll talk more  
19          about that during the regular session. But,  
20          again, on how much we are saying we are  
21          going to get on property taxes, Wayne  
22          mentioned that we have more property  
23          obviously going over to nonexempt, tax  
24          exempt. Look at the list how busy the  
25          committee was reviewing the property for

1           this city and getting reductions. Does  
2           anybody know what at this time of the year  
3           last year what our residential assessment  
4           value was and what it is today? I'll be  
5           willing to bet it's gone down.

6           MR. EVANS: It's been flat or it's  
7           gone down, you are right.

8           MS. SCHUMACHER: I mean, and we're  
9           not collecting this years, we are not going  
10          to collect all of it, that was even admitted  
11          tonight so, you know, why not? There was an  
12          article in the paper, this one really -- a  
13          lot of stuff is mind blowing. Emergency for  
14          Firehouse 10 and another one. There is no  
15          emergency. There was a -- Peter Cameron at  
16          the Times-Tribune wrote on June 30 -- may I  
17          finish this one point?

18          MR. WECHSLER: Yes.

19          MS. SCHUMACHER: Saying essentially  
20          if the 50-year-old fire station in East  
21          Mountain doesn't get a badly needed roof  
22          replacement, Scranton Fire Chief Patrick  
23          DeSarno will shut it down before winter. I  
24          mean, we have known about it. This is not  
25          an emergency. This is something that's been

1 known for a very long time and I'm really  
2 very disappointed. Thank you.

3 MR. WECHSLER: Thank you. Anyone  
4 else on the budget? Anyone else? This  
5 hearing is adjourned.

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C E R T I F I C A T E

I hereby certify that the proceedings and evidence are contained fully and accurately in the notes of testimony taken by me at the hearing of the above-captioned matter and that the foregoing is a true and correct transcript of the same to the best of my ability.

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CATHENE S. NARDOZZI, RPR  
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