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SCRANTON CITY COUNCIL MEETING
PUBLIC CAUCUS

IN RE: PUBLIC CAUCUS TO EXPLAIN A SECOND
UNFUNDED DEBT BORROWING FOR 2012, AND THE NECESSITY FOR
EMERGENCY LEGISLATION.

HELD:

Thursday, September 13, 2012

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:

JANET EVANS, PRESIDENT

PAT ROGAN, VICE-PRESIDENT

ROBERT MCGOFF

FRANK JOYCE

JOHN LOSCOMBE

(Not present)

NANCY KRAKE, CITY CLERK

CATHY CARRERA, ASSISTANT CITY CLERK

BOYD HUGHES, SOLICITOR

1 MS. EVANS: I call this public
2 caucus to order. The purpose of this
3 meeting is to explain a second unfunded debt
4 borrowing for 2012, and the necessity for an
5 emergency legislation which has been
6 included in tonight's city council agenda.
7 City council asked Business Administrator
8 Ryan McGowan and Mr. Mike Judge from Case
9 Con to present this issue to the public and
10 we thank them for their participation.

11 Following the presentation, council
12 members may comment in the established
13 order. Please begin, Mr. McGowan.

14 MR. MCGOWAN: Thank you, President.
15 I'd like to take this opportunity to thank
16 council, again, for the work we have done
17 with the recovery plan in the last few
18 months. Obviously, it hasn't been easy, but
19 we are moving forward and I think that at
20 this point it is the most important thing
21 for the City of Scranton.

22 The reasoning behind the emergency
23 manner for the second unfunded debt is
24 basically that we are at a point here
25 getting late in the year and it's the end of

1 the September, we need to get this passed.
2 We have already been approved for one
3 unfunded debt of \$9.85 million back in
4 January and we are working towards, you
5 know, this other 9.75 million that will
6 cover the expenses from the deficit within
7 the 2012 budget.

8 As you recall, the original \$9.85
9 million that was approved back in January,
10 was basically to cover the holding of the
11 accounts payable within 2011. Most of that
12 went to obviously health care and other
13 outstanding bills, the funds have been
14 borrowed from worker's comp to pay on the
15 TAN and the other additional, you know,
16 general obligation bills that we had held.

17 When we do achieve that and get that
18 borrowing, that would allow us to have the
19 funds available that are budgeted within the
20 2012 budget, but moving forward. This
21 additional 9.75 is basically because of the
22 debt refinancing that was placed in the
23 budget for \$6.4 million, that not being
24 achieved at that amount. At this point,
25 when we do end up closing on the initial

1 unfunded debt there is a possibility that
2 another debt payment would have to be paid
3 here in September, so that amount would have
4 to, you know, be less than what we were
5 particularly budgeting for. It was roughly
6 at this point of the year around \$2 million.
7 The payment of \$414,000 for the end of -- at
8 the end of September would then have to be
9 taken out of the original unfunded debt "A"
10 and put towards the unfunded debt "B" of
11 this year.

12 The additional, you know, overages
13 and certain expenditure line items such as
14 the funds sent to the Parking Authority for
15 debt service, some overages within the
16 standard salary due to some overtime costs,
17 and other revenues at this point in not
18 coming to fruition. Now, obviously, you
19 know, we are still in September and these
20 are projections. The thought process was
21 that it was originally at 8.9 within the
22 mandate sheet that was passed within the
23 recovery plan.

24 The additional thought was to put it
25 up to 9.7 to cover, obviously, the debt

1 payment we talked about and any other
2 overages or revenues not met along with, you
3 know, looking at the situation of having or
4 making sure that the city has enough funds
5 moving forward in 2012 and also taking into
6 account the cost of issuance and making sure
7 that is taken into account and as I stated
8 just before, the funds that we would receive
9 would cover us through the end of the year
10 and we would hit our projection that was on
11 the recovery plan of \$1.1 million surplus at
12 the end of the year.

13 Moving forward, obviously, everyone
14 understands that we have to get it on the
15 schedule down at the Court of Common Pleas,
16 and the emergency fashion, if passed
17 tonight, would allow us to continue that.
18 You know, we had, obviously, a lot of things
19 to be done in a short amount of time along
20 with, you know, having this unfunded debt is
21 still working to find, you know, a borrower
22 to work with and, additionally, you know, we
23 would have to work together within the
24 confines of putting the budget together and
25 work on, you know, the process of getting a

1 TAN for next year. So, obviously, there is
2 a myriad of list of things that need to be
3 done moving forward here. So, you know, to
4 get this done in an emergency fashion allows
5 to us get the ball rolling and, you know,
6 work within the recovery plan that was
7 passed a few weeks ago.

8 MS. EVANS: Once again, just so that
9 the public can understand if you can explain
10 the purpose of the 9.75 million. I know you
11 said 6.4 million for the debt refinancing
12 that did not occur and then I believe
13 possibly a \$2 million bond payment due in
14 September?

15 MR. MCGOWAN: For? Oh, that would
16 be -- I'm sorry, the \$414,000. That's
17 \$414,00 with the bond payment on our A, B, C
18 and D Series so you would have that into
19 account. We are looking at this point the
20 projection of being over on salary
21 expenditure line close to a million. I
22 guess the wild card at this point is are
23 there any other additional funds the Parking
24 Authority will need for the December
25 payment. I think that's something that we

1 will be working with, you know, the receiver
2 on and seeing where we are at. Obviously,
3 we are going to be probably over budget at
4 this point about \$330,000, \$350,000 that
5 could increase depending on what goes on in
6 the next few months with that debt payment
7 guarantee and the guarantee that the city
8 has on the debt and then there is an
9 additional revenue that, you know, as far as
10 projections we are looking at now that may
11 not come to fruition. The ability to say
12 9.75 doesn't mean that we may need 9.75, we
13 put "up to". So if it's less than,
14 obviously, we are going to borrow less at
15 this point.

16 So we have had a better idea I think
17 as we keep moving forward, you know,
18 refining that number and basically working
19 within the confines of the recovery plan,
20 you know, and projected that 1.1 million
21 surplus. I think that's what we want to
22 stick to at this point.

23 MR. JUDGE: I think, President of
24 Council, just to simply look at it, the
25 refundings that Ryan was speaking about is

1 basically the same what I call deficit
2 financings. You are running a total between
3 two years of about \$20 million of unpaid
4 bills between two years, 2011 and projected
5 2012, about 10 million bucks a year. Call
6 it refundings, call it unfunded debt, call
7 it what you will, you are going to issue
8 approximately \$20 million in two tranches to
9 pay past bills. That's really the global
10 easy way to understand it.

11 MS. EVANS: Thank you. Does the
12 unfunded debt borrowing require tax
13 increase, and if so, how has a potential tax
14 increase been covered?

15 MR. MCGOWAN: Well, I think if we
16 went back to the initial judge's order that
17 came about in January, the judge had ruled
18 that, you know, it would have to be done
19 through a tax increase. I don't know if
20 that the judge would put that order in going
21 forward, but, obviously, you know, looking
22 at our mandate sheet we have accounted for
23 that debt service of this unfunded debt
24 moving forward, so in essence we have
25 covered it on our end.

1 I don't know, you know, what the
2 judge's order would say with respect to
3 moving forward with the paying of that
4 outstanding object.

5 MS. EVANS: Thank you. Councilman
6 Joyce, do you have any questions or
7 comments?

8 MR. JOYCE: Very briefly, just to
9 repeat, the \$9.75 million total that we're
10 borrowing for as far as the unfunded
11 borrowing, 6.4 is for the cost of the
12 refinancing that we are not receiving.
13 \$414,000 is for bond payment in September.
14 A million dollars is in salary overages
15 which include police overtime and hiring
16 back additional firefighters I'm assuming,
17 too.

18 MR. MCGOWAN: Yes, you would be
19 correct on that.

20 MR. JOYCE: And \$350,000 for the SPA
21 overage in their debt payment?

22 MR. MCGOWAN: Yes. And
23 additionally, obviously, the issuance of the
24 cost we talked about with the borrowing.
25 Now, I don't have an accurate projection of

1 that at this point, our hope is that it will
2 be less than the initial "A" because of a
3 lot of the due diligence already being
4 completed by suggested parties.

5 MR. JOYCE: And just to confirm, as
6 Mrs. Evans said, the tax increase that would
7 be associated with such a borrowing is
8 already built into the recovery plan;
9 correct?

10 MR. MCGOWAN: Yes, and we have
11 obviously worked on that and accounted for
12 it, you know, through the increases and
13 other, you know, other revenue generating
14 ideas that we worked on, so moving forward
15 it's, you know, I don't know if we know
16 what-- whomever judge may have it what he
17 would decide to do as far as the repayment
18 of that obligation.

19 MR. JOYCE: That's it.

20 MS. EVANS: And, Councilman McGoff,
21 do you have questions or comments?

22 MR. MCGOFF: Thank you. First, are
23 we hopeful that there is an institution out
24 there that will participate with us in this
25 borrowing?

1 MR. MCGOWAN: I would say the
2 outlook is better now than it has been
3 earlier in the year and in the summer. I
4 think the passage of the recovery plan has
5 assisted with that. Obviously, tough
6 decisions were made by everyone and, you
7 know, I think that the local financial
8 institutions along with the capital markets
9 have understood that and realized that and
10 I'm hopeful that we will be able to, you
11 know, find someone who will be willing to
12 lend to us.

13 MR. MCGOFF: And if, in fact, we do
14 receive this unfunded debt, that would
15 balance the budget for 2012 and allow us to
16 move into 2013?

17 MR. MCGOWAN: With the surplus, yes.

18 MR. MCGOFF: Without a shortfall?

19 MR. MCGOWAN: Yes, with the surplus.
20 That was the hope within the recovery plan
21 itself we projected about a \$1.1 million
22 surplus.

23 MR. MCGOFF: And I guess the last
24 thing, I'm assuming that everything that we
25 are looking at here is in compliance with

1 the recovery plan that we did?

2 MR. MCGOWAN: Yes. Yeah,
3 absolutely. Obviously in the recovery plan
4 it's at 8.9, but that's a varying among
5 because of -- you know, all depending on
6 when and if we were to close this first
7 unfunded debt, so it's really just a timing
8 aspect. It would be less of a borrowing in
9 the unfunded "A" and that would just be kind
10 of pushed towards the unfunded "B".

11 MR. MCGOFF: Thank you for your
12 appearance here this evening.

13 MR. MCGOWAN: Thank you.

14 MR. JUDGE: Mr. McGoff, on your
15 first question, Ryan was certainly correct
16 on the Chaney situation. When we set down
17 with the bank last week we began looking at
18 alternatives in case that didn't happen or
19 didn't happen in time and I am working with
20 that bank to either structure a bridge if we
21 needed money at the end of the year for some
22 reason just in case, and we are also working
23 with them on some other ideas so hopefully
24 we will not just have all of baskets in the
25 Chaney, but that seems to be the most

1 economical way to go right now.

2 MR. MCGOFF: Thank you very much.

3 MS. EVANS: Councilman Rogan, do you
4 have any comments or motions?

5 MR. ROGAN: Yes, just a very brief
6 questions. I guess this would be for
7 Mr. McGowan, what would be the total amount
8 of unfunded borrowing between issues?

9 MR. MCGOWAN: We are looking at
10 roughly I think right over \$21 million.

11 MR. ROGAN: \$21 million. And I
12 understand that there was a \$1.1 million
13 surplus in the recovery plan, can you
14 explain the purpose of the borrowing that
15 extra money if it's a surplus?

16 MR. MCGOWAN: Well, I think it's
17 important to understand and realize that,
18 you know, within municipal government we
19 sometimes have unexpected encumbrances that
20 come up during the year. Moving forward, I
21 think it's important that we end the year
22 with a surplus as opposed to having, you
23 know, a three or four million dollar hole.
24 I think it allows to have money in the bank
25 and have our bills paid in a timely manner.

1 I think it's important moving forward not
2 only with, you know, paying our employees,
3 but also paying the vendors. You know, we
4 have had some vendors who are out 90, 120,
5 150, 180 days and I think it's important
6 that the services they provide to us that,
7 you know, we in turn pay them back in a
8 timely manner so that surplus will allow us
9 to, you know, be able to pay vendors back in
10 a timely manner and allow us to move forward
11 and have cash that, you know, we are not
12 worried within a TAN situation if we had to
13 close a TAN, you know, having to meet a
14 payroll or having an expense coming up early
15 in that year that we wouldn't, you know, we
16 wouldn't have the funds available for.

17 MR. ROGAN: And one final question,
18 are you looking to pursue traditional bank
19 lending or is this a bond issuance?

20 MR. MCGOWAN: We would like I would
21 say probably particularly the same way we
22 did the debt ordinance for the unfunded debt
23 "A". It provided for the bank, a bank
24 qualified loan or a capital market solution.
25 I think, Mr. Hughes, you would recall on

1 that it was within the ordinance. We
2 thought it was best to keep our options
3 open, so I would think we would do the same
4 thing, you know, moving forward with the
5 "B".

6 MR. ROGAN: So the interest rate and
7 all of that wouldn't find out until a lender
8 would come --

9 MR. MCGOWAN: Yeah. I mean, we
10 could speculate, but, you know, at this
11 point without -- I would say once we can
12 close the deal on the "A" we will have a
13 better idea of probably what we are looking
14 at with the "B".

15 MR. ROGAN: Thank you.

16 MR. MCGOWAN: Thank you.

17 MS. EVANS: Just two final
18 questions, because of this \$1.1 million
19 anticipated surplus, might it be possible
20 that the TAN for 2013 could be a bit less?

21 MR. MCGOWAN: Yeah. Absolutely.
22 You know, I mean, not having accounts
23 payable being as high and having, you know,
24 funds in the bank it will allow us maybe not
25 to have to borrow as much going through

1 which in the long run helps us because it's
2 a not as big of a payback. You know, we can
3 stretch that out maybe a little longer with
4 whatever institution we work with so, you
5 know, that would assist the city.

6 MS. EVANS: And I think you did
7 mention this earlier, but I just wanted to
8 be sure everyone had heard this, is it
9 possible to close the deal on this second
10 unfunded debt for less than \$9.75 million?

11 MR. MCGOWAN: Absolutely. Yeah, I
12 think going forward we are going to try to
13 stay within the confines of what we have
14 worked with on the recovery plan, but, you
15 know, a lot depends on when we get this
16 first one done and, you know, the debt
17 payments, you know, refinancing is the big
18 thing at this point and then hoping that
19 there is no, you know, unexpected expense
20 that comes through, you know, the year
21 moving forward.

22 So, you know, I think saying the
23 9.75 gives us the possibility that if we
24 don't need 9.75 we are not going to borrow
25 that. You know, if we only need 8.9 then

1 that's what we'll end up doing.

2 MS. EVANS: Okay. Very good. I
3 just wanted to say to members of the
4 audience, if any of you had any specific
5 questions for the Business Administrator or
6 Mr. Judge you could submit those in writing
7 to Ms. Marciano and we will get them to
8 either or both gentlemen, they can answer
9 them and then we will give those answers
10 back to you.

11 Again, I'd like to thank both of you
12 gentlemen for coming in tonight and
13 explaining the need for this emergency
14 legislation and the use of the unfunded debt
15 borrowing. I believe if you have nothing
16 further or no questions of us we would --

17 MR. HUGHES: Madam President, if I
18 could just ask two short questions?

19 MS. EVANS: Oh, certainly.

20 MR. HUGHES: Ryan, how much of the
21 SPA do you have in the second -- you know,
22 in legislation for tonight?

23 MR. MCGOWAN: I believe it's
24 \$325,000.

25 MR. HUGHES: Okay, I just would want

1 to be an internal optimist, but if there is
2 \$1.6 million in the budget, you took out a
3 one million in June --

4 MR. MCGOWAN: Yes.

5 MR. HUGHES: -- we are taking out --
6 that will leave \$600,000 in contingency
7 funds, we are taking out 325 tonight which
8 would leave 275 in the contingency fund, I
9 believe this bond payment coming up on
10 Saturday is like \$900,000.

11 MR. MCGOWAN: I have it at
12 959,227,50.

13 MR. HUGHES: Okay, 959,000 which
14 means that the Authority came up with over
15 \$600,000 because we are only coming up with
16 the 325.

17 MR. MCGOWAN: Yes, but we did
18 actually from the enforcement aspect forward
19 funds to them that were in the budget, so
20 when we look at that other \$300,000 they had
21 the 300 given from us, this is another 300,
22 you know, within the line item budgeted of
23 enforcement.

24 MR. HUGHES: Okay. Okay. So I was
25 looking at it, I believe the payment in

1 December is around \$500,000 that we were
2 somewhere in that area.

3 MR. MCGOWAN: I think I may have it
4 here, just let me look. You know what, I
5 just have the whole outstanding, I don't
6 have the exact number.

7 MR. HUGHES: Somewhere in that --

8 MR. MCGOWAN: Your number sounds in
9 the ballpark.

10 MR. HUGHES: I think it's around
11 \$500,000, so assuming if the Parking
12 Authority now that, you know, Mr. Washo is
13 in there and that, you know, that we have
14 Central Parking Garages in there managing
15 it, if they come up with \$300,000 on
16 \$500,000 we still have 275 in the
17 contingency fund, so it means that we might
18 not -- hopefully, and we have to see how it
19 plays out in the next three months.

20 MR. MCGOWAN: Yes, I mean, that
21 would be the hope that I guess the hope
22 would be that we have to give nothing
23 towards it, but worst case scenario, but
24 that would just be that 275.

25 MR. HUGHES: And maybe less if they

1 come up with \$300,000 and the payment, I
2 forget what the actual payment is, but I
3 know it's somewhere around a half a million
4 dollars, probably more than half a million.

5 MR. MCGOWAN: Yeah, I think that's
6 right around the ballpark because I knew the
7 heavier payment, obviously, were the first
8 two of the year and then it lessens with the
9 year going down. So, know, just going back
10 to, you know, from the enforcement line,
11 that money was for forwarded, you know,
12 \$277,000 was forwarded to them within the
13 last week. I think a portion of all of that
14 was used to pay down with the debt from the
15 authorities. Expense line, this other 325
16 which the city will wire to I believe it's
17 Wells Fargo now.

18 MR. HUGHES: Yes.

19 MR. MCGOWAN: We will wire that if
20 it is approved tonight.

21 MR. HUGHES: That would be tomorrow.

22 MR. MCGOWAN: Tomorrow, yeah, first
23 thing tomorrow. So no other at this point
24 expenses or checks will be cut to the
25 Authority now that everything is going to be

1 brought in-house you, know, and we will have
2 the enforcement taken care of that from the
3 city's perspective.

4 MR. HUGHES: So the \$10,000, it was
5 \$20,000 every two weeks, was being paid to
6 the Authority pursuant to the budget, that
7 will be stopped as of this week.

8 MR. MCGOWAN: Yes.

9 MR. HUGHES: And then we'll have
10 right now all of meter people are back
11 in-house, they will be on the city payroll
12 then.

13 MR. MCGOWAN: Yes.

14 MR. HUGHES: There is money in the
15 budget on that.

16 MR. MCGOWAN: Yes. It's a --

17 MR. HUGHES: From the line item it's
18 there, we used to transfer that directly to
19 the Authority, but now they will be city
20 employees.

21 MR. MCGOWAN: They will be city
22 employees so there is other, you know,
23 initially things we to -- you know from
24 perspective, yeah, they are city employees
25 and they will receive a check from the city.

1 MR. HUGHES: And just on that, in
2 addition to that allocation that's in the
3 budget for the Parking Authority there is
4 other monies in there, I believe there was
5 \$145,000 for administration fees for the
6 Parking Authority?

7 MR. MCGOWAN: Um-hum.

8 MR. HUGHES: That will stopped now?

9 MR. MCGOWAN: Yes. I'd have to take
10 a look at the breakdown that we have.
11 Obviously, some goes to enforcement, some
12 goes to just the every day run of the mill
13 expenses for the meter if was to break or
14 needed to be calibrated again.

15 As far as any of the other funds,
16 yeah, there will be nothing sent to them at
17 this point. So as of, you know, last week
18 or this Monday when the funds were sent to
19 them that was the last check we would send
20 to them at this point because there would be
21 nobody to send anything over to with Central
22 running just the garages and us taking care
23 of the meters now.

24 MR. HUGHES: So it's safe to say
25 that as of today the Parking Authority will

1 have no money?

2 MR. MCGOWAN: As far as my
3 understanding, yes, other than whatever
4 Central Parking is running through the
5 garages that would be their funds.

6 MR. HUGHES: No, the way that
7 happens with the receiver is all of the
8 moneys that are now produced by the Parking
9 Authority by Central Parking on managing of
10 the parking facilities goes to the receiver.

11 MR. MCGOWAN: And he disburses --

12 MR. HUGHES: It's deposited in his
13 account to go to Wells Fargo.

14 MR. MCGOWAN: Yes.

15 MR. HUGHES: The only money that the
16 Parking Authority had outside of that was
17 the cooperation agreement, which we are
18 terminating, but in anticipation of that and
19 that all the meter readers would have come
20 back into the city --

21 MR. MCGOWAN: Absolutely.

22 MR. HUGHES: -- and as of October 8
23 they are back into the city as of today?

24 MR. MCGOWAN: Yes. They will back
25 into the city --

1 MR. HUGHES: Or tomorrow.

2 MR. MCGOWAN: Yeah. You would be
3 correct to say that they will be working out
4 of city hall tomorrow.

5 MR. HUGHES: And there will be
6 monies coming from the city to the SPA?

7 MR. MCGOWAN: No, nothing.

8 MR. HUGHES: Thank you very much.

9 MS. EVANS: Thank you once again for
10 your participation and we thank the audience
11 as well for coming to listen to all of this
12 very important information that will be
13 voted on tonight. And this public hearing
14 is adjourned -- or caucus, I'm sorry, caucus
15 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.

CATHENE S. NARDOZZI, RPR
OFFICIAL COURT REPORTER

The foregoing record of the proceedings of the above cause is hereby approved and directed to be filed.

Date

HONORABLE