



PFM

***Town Hall Meeting:
Act 47 changes***

April 30, 2015

Limit on current phase of oversight



Section 252(b)(1) of Act 199 reads as follows:

“Municipalities operating pursuant to a recovery plan on the effective date of this section shall be subject to a termination date five years from the effective date of the most recent recovery plan or amendment enacted in accordance with this act...”

Reading’s termination date would be early December 2019. Midway through 2019, PFM has to issue a report “stating the financial condition of the municipality and include one of the following findings”:

- Conditions within the municipality warrant a termination in status (successful exit)
- A three-year exit plan is warranted
- Conditions are such that the DCED Secretary should request a determination of a fiscal emergency, which could eventually result in receivership
- Conditions are such that the municipality should be disincorporated

Disincorporation is not an option for communities with paid police and fire departments, including Reading. So we’ll focus on the first three.

Option #1: Successful exit



Coordinator writes a report in 2019 that makes one of the following recommendations

Coordinator recommends
City exit
oversight

DCED Secretary
reviews 4 factors
(see next slide)

Decision is final
unless appealed
by one of parties
listed in Section
255d.

Disincorporation
Not an option for
Reading per law

Successful exit from Act 47 oversight



The Secretary of DCED retains authority for determining if a municipality should exit Act 47 oversight. If the Coordinator recommends that course of action, the Secretary has to review the evidence regarding four factors:

- Operational deficits have been eliminated and the financial condition of the municipality, as evidenced by audited financial statements prepared in accordance with generally accepted accounting principles and projections of future revenues and expenditures, demonstrates a reasonable probability of future balanced budgets absent participation in this act
- Obligations issued to finance the municipality's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principle and interest and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in this act
- The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default
- The reasonably projected revenues of the municipality are sufficient to fund ongoing necessary expenditures, including pension and debt obligations and the continuation or negotiation of collective bargaining agreements and the provision of municipal services. Projections of revenues shall include any anticipated tax or fee increases to fund ongoing expenditures for the first five years after a termination of distressed status

PFM will be responsible for providing the projections through 2024.

Option #2: Three-year exit plan



Coordinator writes a report in 2019 that makes one of the following recommendations

Coordinator recommends
City exit
oversight

Coordinator recommends
3-year exit
plan

Disincorporation
Not an option for
Reading per law

DCED Secretary
reviews 4 factors

Exit plan shall
contain elements
to ensure City
exits Act 47 after
three years
(see next slide)

Decision is final
unless appealed
by one of parties
listed in Act 47,
Section 255d.

City approves Exit
Plan, just like first
Recovery Plan. If
not, Coordinator
can start fiscal
emergency
process

Option #3, Part 1: Fiscal emergency



Coordinator writes a report in 2019 that makes one of the following recommendations

Coordinator recommends City exit oversight

Coordinator recommends 3-year exit plan

Coordinator recommends fiscal emergency determination

Disincorporation
Not an option for Reading per law

DCED Secretary reviews 4 factors)

Exit plan shall contain elements to ensure City exits Act 47 after three years

Governor declares emergency and directs DCED Secretary to write "emergency plan" to ensure vital and necessary services are maintained (see next slide)

Decision is final unless appealed by one of parties listed in Section 255d.

City approves Exit Plan, just like first Recovery Plan. If not, Coordinator can start fiscal emergency process

DCED Secretary also calls for a public meeting for City and DCED to reach a "consent agreement" to "provide long-term financial stability." The agreement must include payment of debt & pension obligations

If City and DCED Secretary approve consent agreement and it addresses fiscal emergency, the City can exit Act 47. Violating consent agreement restarts receivership process

Elements of fiscal emergency



What is the Emergency Action Plan that the DCED Secretary develops?

It “ensures that vital and necessary services are maintained” during the emergency period. Those services are defined by law to include police, fire, ambulance, water, wastewater, refuse collection, snow removal, payroll and pension obligations and debt repayment.

What happens to the City’s elected and appointed officials during the emergency period?

“During a fiscal emergency, the authorities and appointed and elected officials of the distressed municipality shall continue to carry out the duties of their respective offices, except that no decision or action shall conflict with an emergency action plan, order or exercise of power by the Governor.”

What happens to the City’s commuter taxing powers during the emergency period?

The law explicitly prohibits a community from levying a commuter tax during fiscal emergency or receivership. The City also cannot include a commuter tax as part of the consent agreement.

What happens to collective bargaining during the emergency period?

The provisions of Act 47 still apply, including during the consent agreement.

“A collective bargaining agreement or arbitration settlement executed following the enactment of an ordinance under this section may not in any manner violate, expand or diminish the provisions of the consent agreement, provided, however, that the provisions of section 252 shall apply to any consent agreement.” Section 252 describes the current Act 47 process – Coordinator sets limits on employee compensation per bargaining unit and City and unions bargain within those limits.

When does a community move into the receivership process?

The community continues down the path to receivership if it does not follow the statutory process to approve a consent agreement, does not approve a consent agreement or violates the terms of that agreement.

Option #3, Part 2: Receivership



Coordinator writes a report in 2019 that makes one of the following recommendations

