



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

IN RE:	:	TERMINATION OF DISTRESSED
	:	STATUS UNDER SECTION 255.1
CITY OF HAZLETON	:	OF THE MUNICIPALITIES
LUZERNE COUNTY	:	FINANCIAL RECOVERY ACT

DEPARTMENTAL DETERMINATION AND ORDER

1. On September 12, 2017, the City of Hazleton (the “City”) was designated a financially distressed municipality pursuant to the Municipalities Financial Recovery Act (“Act 47”), codified at 53 P.S. § 11701.101 *et seq.*
2. On January 13, 2023, Pennsylvania Economy League, the Act 47 Coordinator for the City, filed a final report which recommended termination of the City's distressed status.
3. In accordance with Section 255.1(a) of Act 47, on February 8, 2023, a public hearing was held at which a designated hearing officer received evidence regarding the potential termination of the City’s distressed status.
4. In determining whether the City’s distressed status shall be terminated, Section 255.1 of Act 47 requires a consideration of whether:
 - a) Operational deficits of the municipality 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.
 - b) Obligations issued to finance the municipality’s debt have been retired, reduced, or reissued in a manner that has adequately refinanced outstanding principal and interest and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in this act.
 - c) The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of default.
 - d) 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 termination of distressed status.

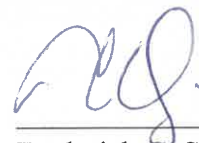
53 P.S. § 11701.255.1(c)(1)-(4).

5. With regard to the first factor, the City experienced an excess of revenues over expenditures for the years 2018-2021 of \$335,360, \$2,522,128, \$3,408,119, and \$1,266,751, respectively. Based upon the City's adopted 2022 budget and the Coordinator's end of year estimate, the City is estimated to incur a surplus of \$573,683 in 2022.
6. With regard to the second factor, the City's 2023 debt service from all sources is \$390,009. The City will have an increase in its annual debt service starting in 2024 and through 2025. In 2026, there will be a reduction to a lower level of \$440,002 and to \$337,685 in 2027. It is anticipated that the City will continue to levy a debt service millage through that time. The City's current financial condition represents a reasonable probability of continued timely debt service absent participation in the Act.
7. With regard to the third factor, the Coordinator is not aware of any significant current or pending claims or judgements against the municipality.
8. With regard to the fourth factor, projections show the City will incur operating deficits during the 2023-2027 projection period with the exception of 2023, where a balanced budget is projected. The increase of expenditures that outpaces the growth in revenues absent rate increases will cause the City to experience estimated operating budget deficits from \$0.5 million in 2024 to \$1.8 million in 2027. It is the Coordinator's opinion that the City may eliminate the projected operating budget deficits through tax or fee increases and/or expenditure reductions. It is also the opinion of the Coordinator that the exclusive use of expenditure reduction for deficit reduction over the next five years is limited. By 2027, the City may need to raise general fund millage from the current 6.380 to 8.456 mills or 32.5% to cover the projected \$1,817,262 deficit in 2027.

AND NOW, this the 4th day of May 2023, upon review of the written recommendation of the Act 47 Coordinator, the recommendations of departmental staff and the Act 47 Coordinator, and the evidence received at the public hearing, along with other considerations, the above-captioned request is granted.

IT IS ORDERED that the status of the City of Hazleton, Luzerne County, as a financially distressed municipality under the Municipalities Financial Recovery Act, Act 47 of 1987, as amended, is terminated.

By:



Frederick C. Siger
Acting DCED Secretary

**CITY OF HAZLETON
LUZERNE COUNTY**

**EVALUATION OF THE ACT 47 COORDINATOR'S RECOMMENDATION TO
TERMINATE FINANCIALLY DISTRESSED STATUS UNDER ACT 47, THE
MUNICIPALITIES FINANCIAL RECOVERY ACT**

HEARING HELD: WEDNESDAY, FEBRUARY 8, 2023

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COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT
GOVERNOR'S CENTER FOR LOCAL GOVERNMENT SERVICES

HEARING REGARDING TERMINATION OF DISTRESSED STATUS OF THE
City of Hazleton

FINDING OF FACTS

A public hearing was held in the City of Hazleton ("City"), Luzerne County, on February 8, 2023 to receive testimony regarding the *Act 47 Coordinator's Recommendation to the Secretary of the Department of Community and Economic Development* ("DCED") for the *City of Hazleton* (the "Recommendation" or "Recommendation and Report") to terminate the designation of distress made on September 12, 2017 under Act 47 of 1987, as amended, also known as the Municipalities Financial Recovery Act. Notice of the public hearing was advertised in accordance with Section 203 of Act 47 and the Sunshine Act. The purpose of the hearing was to gather information on the City's financial condition to assist the Secretary of DCED in determining whether the City's financial condition satisfied the necessary conditions to terminate its distressed status and to inform the officials, employees, and citizens of the City of Hazleton of the Act 47 termination process.

Prior to the hearing, on January 13, 2023, the Act 47 Coordinator for the City (the "Coordinator" or "Recovery Coordinator"), Pennsylvania Economy League ("PEL"), submitted a Final Report Stating the Financial Condition of the City of Hazleton and Finding Regarding Termination of Distressed Status ("Final Report") which reviews the statutory factors necessary to request a termination of the City's distressed status, and the statutory criteria regarding whether to issue a determination of fiscal emergency in the City. The Final Report, based upon a review of the totality of the factors included in Section 255.1(c) of Act 47, the Coordinator concludes that substantial evidence supports a determination to terminate the City's distressed status, specifically:

Factor (1) Operational deficits of the municipality 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.

The City provided the Coordinator with completed annual audits for the years 2017-2019. For fiscal years 2020 and 2021, the Coordinator utilized financial statements provided by the City. For 2022, the Coordinator analyzed the City's adopted 2022 operating budget and the Coordinator's database of City financials to create 2022 estimates.

The City experienced one operating budget deficit in 2017 of \$902,317 followed by surpluses since it adopted the 2018 Recovery Plan. The City experienced an excess of revenues (surplus) over expenditures for each of the years 2018-2021 of \$335,360, \$2,522,128, \$3,408,119, and \$1,266,751 respectively.

Based upon the City's adopted 2022 budget and the Coordinator's end of year estimate, the City is estimated to incur a surplus of \$573,683 in 2022.

Factor (2) Obligations issued to finance the municipality's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principle [sic] and interest and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in this act.

The City's 2023 debt service from all sources is \$390,009. Throughout the recovery period the City has made timely debt service payments. The City will have an increase in its annual debt service starting in 2024 and through 2025. In 2026 there will be a reduction to a lower level of \$440,002 and to \$337,685 in 2027. It is anticipated that the City will continue to levy a debt service millage through that time. The eventual reduction in debt service will allow the re-purposing of the special debt millage to one of general purpose. This flexibility in millage will help the City to minimize deficits. The Coordinator projects that the City's current financial condition represents a reasonable probability of continued timely debt service absent participation in the Act.

Factor (3) The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default.

The Coordinator is not aware of any significant current or pending claims or judgements against the City.

Factor (4) 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.

The Coordinator projects that the City will incur operating deficits during the 2023-2027 projection period with the exception of 2023, where a balanced budget is projected. The increase of expenditures that outpaces the growth in revenues absent rate increases will cause the City to experience estimated operating budget deficits from \$0.5 million in 2024 to \$1.8 million in 2027.

It is the Coordinator's opinion that the City may eliminate the projected operating budget deficits through tax or fee increases and/or expenditure reductions. It is also the opinion of the Coordinator that the exclusive use of expenditure reduction for deficit reduction over the next five years is limited. By 2027, the City may need to raise general fund millage from the current 6.380 to 8.456 mills or 32.5% to cover the projected \$1,817,262 deficit in 2027.

The Hearing Officer, Andrew Sheaf, Local Government Policy Manager with the Governor's Center for Local Government Services, made opening remarks welcoming everyone to the public hearing and stated that the public hearing would be held in accordance with Act 47. Mr. Sheaf stated the purpose of the proceeding was to receive testimony on whether the City of Hazleton's Act 47 distress designation should be terminated pursuant to Act 47 based upon the Coordinator's Recommendation dated January 13, 2023.

City Mayor Jeff Cusat, City Council President Jim Perry, City Manager Daniel Lynch, Senior Research Fellow with Pennsylvania Economy League Gerald Cross, and DCED Regional Local Government Policy Specialist James Rose, provided testimony in support of the termination of the distress designation.

Mayor Cusat testified that he believes that the City has financially rebounded, is moving in the right direction and is ready to have the determination of financial distress terminated.

Council President Perry testified that he believes the City is in its best financial position. He noted the many studies performed through Act 47 grants for the betterment of the City resulted in new policies that will be used. He believes the City is prepared to have its distressed determination terminated.

City Administrator, Daniel Lynch, testified that the financial condition of the City has vastly improved since its designation as a distressed municipality. He stated that progress has been steady believes it will continue. Mr. Lynch agrees with terminating the Act 47 distressed status.

Gerald Cross, Senior Analyst with Pennsylvania Economy League, Coordinator, testified in favor of termination of distressed status and referenced specific findings of the Final Report. The City experienced a mix of operating budget surpluses and deficits over the past five years, and the City has achieved many successes that will assist in sustaining the City's financial condition into the future. The Coordinator projected that the City would experience operating deficits in the future as the rate of the City's expenditure growth outpaces the rate of the City's revenue growth. It remains the Coordinator's opinion that the City can manage the projected operating budget deficits and sustain a sufficient cash flow throughout future fiscal years by incrementally increasing the general fund millage and reallocating the debt service millage to the general fund as debt service requirements are reduced.

The Coordinator further testified that the City of Hazleton could meet all of its financial obligations as they come due, and that the City was able to provide vital and necessary services to its residents. The Coordinator recommended that the Secretary of DCED issue a determination terminating the City's distressed status under Act 47 of 1987, as amended.

James Rose, Local Government Policy Specialist, commended the Mayor and City Council for working collaboratively for the betterment of the City and applauded their accomplishments. Mr. Rose strongly recommended that the determination be terminated.

Mark Rabo, City Resident, testified that he has mixed feelings about the City's exit from Act 47 and believes there is more work to be done.

Hearing Officer Andrew Sheaf thanked those in attendance and those who testified. He then stated that all findings and a recommendation will be presented to DCED Acting Secretary Rick Siger for his consideration of the City of Hazleton's status as a financially distressed municipality.

CONCLUSION

The financial condition and position of the City of Hazleton has significantly improved. The Coordinator's recommendations, reports and the testimonies provided during this Act 47 Hearing reflect the improved financial condition and outlook that should allow the City to function with more independence. In conclusion, it is recommended that the City of Hazleton's financially distressed status be terminated.

EXHIBIT A

FINAL REPORT
STATING THE FINANCIAL CONDITION
OF THE CITY OF HAZLETON AND
FINDING REGARDING TERMINATION OF DISTRESSED STATUS
LUZERNE COUNTY

Prepared By:

Pennsylvania Economy League, Central PA Division, LLC

415 Market Street, Suite 206A

Harrisburg, PA 17101

January 2023

Finding

The Coordinator has reviewed the statutory factors necessary to make a determination of whether to request a rescission of the order declaring the City of Hazleton a distressed municipality; and also the statutory criteria of whether to issue a determination of fiscal emergency in the City, recommend the disincorporation of the City or that a three-year exit plan is warranted. It is the recommendation of the Coordinator that based upon a review of the totality of the factors included in §11701.255.1(c), substantial evidence supports an affirmative determination by the Secretary to issue a determination to rescind the order declaring the City of Hazleton a distressed municipality.

Pursuant to Section 255 of Municipalities Financial Recovery Act of Jul. 10, 1987, P.L. 246, No. 47, (Act 47) following the December 19, 2022 submission of the Report Stating the Financial Condition of City of Hazleton, the necessary advertising of a public notice, and a period of written public comment ending January 3, 2023, a public meeting was held on January 4, 2023.

No written public comments were submitted to the Coordinator during the public comment period and there was no public comment received during the public meeting. The Coordinator did hear comments from City officials at the public meeting and received from the Mayor written comments on the report. A summary of the comments received at the public meeting is attached to this report. Accordingly, the Coordinator has revised the original Report Stating the Financial Condition of the City of Hazleton to reflect the suggestions and corrections received from the elected officials. The Coordinator submits this final report to the Secretary of the Department of Community and Economic Development and City officials pursuant to Section 255 (e) (4) of Act 47.

The Coordinator finds that the conditions within the municipality warrant a termination in status in accordance with section 255.1.

Recommendation

Although the City has experienced a mix of operating budget surpluses and deficits over the past five years, the City has achieved many successes that will assist in sustaining the City's financial condition into the future.

The Coordinator projects that the City will experience operating deficits in the future as the rate of the City's expenditure growth outpaces the rate of the City's revenue growth. It remains the Coordinator's opinion that the City can manage the projected operating budget deficits and sustain a sufficient cash flow throughout future fiscal years by incrementally increasing the general fund millage and reallocating the debt service millage to the general fund as debt service requirements are reduced.

Act 47 provides specific guidance for the Coordinator to evaluate when making its recommendation to the Secretary of DCED. At this time, it is the Coordinator's opinion that the City of Hazleton can meet all its financial obligations as they come due. It is also the Coordinator's opinion that the City is presently able to provide vital and necessary services to its residents. Therefore, for the reasons stated in the following report, it is the recommendation of the Coordinator that the Secretary of DCED issue a determination rescinding the order declaring the City of Hazleton a distressed municipality as defined by Act 47 of 1987, as amended.

Introduction

Pursuant to the Commonwealth of Pennsylvania's Municipalities Financial Recovery Act, Act 47 of 1987, as amended, (Act 47) the City of Hazleton (City) was declared a financially distressed municipality by order of the Secretary of the Department of Community and Economic Development (DCED) on September 12, 2017. The Pennsylvania Economy League (PEL) was subsequently appointed the Act 47 Coordinator (Coordinator) for the City. The Act 47 Coordinator (Coordinator), prepared and filed with the City on May 4, 2018, the *Act 47 Financial Recovery Plan for the City of Hazleton* (2018 Recovery Plan). The 2018 Recovery Plan was subsequently revised and filed on June 1, 2018. The City adopted by ordinance of City Council the 2018 Recovery Plan on June 13, 2018. The Mayor subsequently issued an order to implement the 2018 Recovery Plan on June 19, 2018.

Act 199 of 2014 (Act 199) amended Act 47 to among other provisions limit the amount of time a municipality may be declared a financially distressed municipality to five years from the effective date of its most recent recovery plan or recovery plan amendment. The 2018 Recovery Plan adopted by City Council and executed by the Mayor on June 19, 2018, started the five-year limitation of the City's declaration as a financially distressed municipality.

In response to the COVID-19 pandemic, on May 29, 2020, the Governor of Pennsylvania signed into law Fiscal Code-Omnibus Amendments, P.L. 158, No. 23 ("Act 23 of 2020"). Act 23 of 2020 permits a municipality operating under a duly enacted recovery plan to be eligible for an 18-month extension of their recovery plan termination deadline. The City, however, in consultation with the Coordinator and DCED, did not avail themselves of an extension and thus the five-year termination date is June 19, 2023.

As part of the Act 199 process, the Coordinator is required to complete a report stating the financial condition of the municipality no later than 180 days after the beginning of the final year of distressed status. The report is required to include one of the following findings: (1) termination of distressed status; (2) municipal disincorporation; (3) fiscal emergency; or (4) a three-year exit plan. The Coordinator has prepared this Report Stating the Financial Condition of the City of Hazleton (Report) and accordingly files this Final Report with the Department and City representatives.

Financial Condition

Background

The City of Hazleton is in Luzerne County in northeastern Pennsylvania. The City's 2020 population was 29,963¹. The 2020 census marks an 18.2% increase from the 2010 census which was 25,340.

The City of Hazleton adopted Optional Plan B under the Third Class City Code, which provides for the Mayor-Council form of government and mandates the establishment of a Department of Administration. However, unlike a true City Administrator, the Director of Administration, in Hazleton and under Optional Plan B generally, functions only as the head of its own department while the City Mayor is responsible for the supervision of all City departments. Thus, a majority of the City's managerial staff, including the Department and Division heads, report directly to the Mayor. This has been the routine and regular practice since the voters of Hazleton elected to change the City's form of government to an Optional Plan B in 1985.² There is a City council of five council persons elected at large. The current elected and appointed City officials have cooperated with the Coordinator in implementing many of the initiatives included in the City's 2018 Plan.

The City provides an extensive level of municipal services to its residents. Public safety consists of full-time fire and police protection provided on a 24/7 basis with up to 42 full-time police officers budgeted including detective and narcotics bureaus along with a fire department manned with three full time firefighters on each shift and supplemented with volunteers for additional coverage. Public works functions are performed by City employees. There are also planning and code enforcement activities with full time and part-time Zoning and Code Enforcement officers enforcing the City's building and property related codes. Refuse collection and recycling are provided under a contract with a private hauler. Water and sanitary sewer services are provided by independent authorities who charge customers for these services. Emergency medical services are provided by an independent hospital affiliation.

¹ U.S. Census Bureau. (2020).

² *City of Hazleton Recovery Plan Chapter 3.*

Operating Budget Review 2017 - 2021

The City experienced one operating budget deficit in 2017 of \$902,317 followed by surpluses since it adopted the 2018 Recovery Plan. The City reported net surpluses in years 2018-2021 of \$335,360, \$2,522,128, \$3,408,119, and \$1,266,751 respectively.

Table 1
CITY OF HAZLETON
Net General Fund Revenues, Expenditures and Surplus/(Deficit)
2017 – 2021

	2017	2018	2019	2020	2021	Change 2017 -2021	
	Reported	Reported	Reported	Reported	Reported	\$	%
Revenues	\$8,923,895	\$10,750,605	\$13,552,694	\$12,985,248	\$13,826,830	4,902,935	54.9
Expenditures	<u>9,829,549</u>	<u>10,415,245</u>	<u>11,030,566</u>	<u>9,577,130</u>	<u>12,560,079</u>	2,730,530	27.8
Surplus/(Deficit)	-905,654	335,360	2,522,128	3,408,119	1,266,751		
Proceeds from Loans	<u>3,337</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		
Net Surplus/(Deficit)	-902,317	335,360	2,522,128	3,408,119	1,266,751		

2022 Budget and Current Financial Condition

The City adopted a balanced 2022 operating budget on December 16, 2021, with General Fund revenues of \$13,745,674 and expenditures of \$13,745,674 for a balanced budget. (See Table 2.) The adopted 2022 budget maintained the same property and Act 511 tax rates as in 2021. As required by the Plan on July 1, 2022, the City reduced its Act 511 earned income tax rate to 0.5 percent for residents and 1.0 percent for non-residents. Throughout the 2022 fiscal year, the Coordinator has monitored and in 2023 will continue to monitor the City's fiscal position by way of in-person weekly meetings with the Mayor, City Administrator, Council members and Solicitor. This includes a review of monthly financial reports, and the preparation of monthly cash flow estimates for the City's use.

Budget to Actual Performance 2022

As of the date of this Report the City has a typical amount of accounts payable with the majority under thirty days due and a sufficient cash balance to meet anticipated costs and employee expenses through the end of 2022. The City ended 2021 with \$1,874,458 in cash in the General Fund checking account and an additional \$6,870,527.06 in ARP funds in a separate checking account. As of October 2022, the major tax sources were performing at or above

budget with current real estate taxes at 98.1 percent of budget, earned income tax at 117.8 percent of budget and real estate transfer at 132.7 percent of budget. As of November, the newly

Table 2
CITY OF HAZLETON
Estimated versus Adopted 2022 General Fund Budget
Revenue and Expenditures Excluding TRAN

<u>Revenues by Source</u>	FY Projected	FY Budget	Variance \$	%
Real Estate Taxes	\$6,337,786	\$6,139,385	198,401	3.2
Real Estate Transfer Tax	465,599	300,000	165,599	55.2
EIT	2,745,965	1,950,000	795,965	40.8
LST	315,417	345,000	-29,583	-8.6
Payroll Prep/BPT	414,692	460,000	-45,308	-9.8
Other Taxes	85,801	0	85,801	0.0
Licenses & Permits	897,132	1,347,245	-450,113	-33.4
Intergovernmental Revenue	92,416	296,534	-204,118	-68.8
Public Safety Revenue	244,280	454,000	-209,720	-46.2
Highways & Streets	263,994	250,000	13,994	5.6
Other NonTax Revenue	2,050,430	2,144,010	-93,580	-4.4
Transfers	<u>750</u>	<u>59,500</u>	<u>-58,750</u>	<u>-98.7</u>
Total Revenues	13,914,263	13,745,674	168,589	1.2
<u>Expenditures by Category</u>	FY Projected	FY Budget	Variance \$	%
Direct Compensation	7,483,435	7,903,486	-420,051	-5.3
Other Employee Expense	2,530,486	3,230,550	-700,064	-21.7
Workers' Comp	595,167	531,146	64,021	12.1
Services	1,035,107	831,150	203,957	24.5
Supplies	721,339	811,000	-89,661	-11.1
Insurance	265,763	273,292	-7,528	-2.8
Other	295,709	69,840	225,869	323.4
Capital	259,851	95,210	164,641	172.9
Transfers	<u>153,721</u>	<u>0</u>	<u>153,721</u>	<u>0.0</u>
Total Expenditures	13,340,579	13,745,674	-405,094	-2.9
Surplus/(Deficit)	573,683	0	573,683	

instituted payroll preparation tax has provided revenue of \$354,245 which is 76% of the budget amount of \$460,000; the Act 205 account balance was \$5,341,375 which reflects the City's payment of the 2022 MMO in October. This Act 205 balance is against a 2022 MMO of approximately \$4.5 million. The City deposited a significant portion of the balance of the funds above the 2022 MMO amount into the pension fund by year end and discussed with their pension investment advisor the best way to do invest it. The Auditor General reported the City's

aggregate pension fund ratio increased from 67% (moderately distressed) to 73% and based on the January 1, 2021 valuations is now classified as minimally distressed. The Coordinator expects that this continued annual “super-funding” of the asset base of the pension funds will continue to raise the funded ratio.

Cash Position and Available Funds

The City is projected to end 2022 with approximately \$204,947 in General Fund cash. (See Table 3.) This end of year cash does not include the City’s ARP funds of \$11,881,313 or the funds for reimbursement of prior years’ retiree healthcare of \$1,885,460 received in a lump sum in 2021 and held in a separate account. The City received a total of \$17,132,482 in American Rescue Plan (ARP) funds. Some of the ARP funds were used to purchase fire apparatus in 2021 and the City has indicated that it intends to use a portion of the remaining ARP funds up to the maximum allowed amount of \$10,000,000 as lost revenue. The City intends to use the lost revenue category funds for a combination of capital improvements and other items and not necessarily as operating supplements to the annual operating budget. The Coordinator has not included the retiree health care balance nor the ARP fund balance in the 2022 estimated surplus. The ARP funds are subject to regulation governing their use but retiree healthcare reimbursement account balances are unrestricted as to their use. At the end of 2022, total cash funds available to the City for future budgeting purposes, including the ARP funds and the reimbursement balance of retiree health care, is more than \$13,700,000. Tempering the budget value of this cash balance is the fact that most of the balance is one-time revenue from the recapture of prior years' expenses for retiree health care and from the one-time infusion of ARP monies. These funds cannot be expected to be available again once the funds are expended. The City has adopted the use of ARP funds as lost revenue and will budget appropriate expenditures with these funds, particularly for capital expenses that were not possible during the recent pandemic. The use of reimbursement for retiree health care expenses is included in the Coordinator’s financial projections at a level of \$895,000 annually.

The City’s cash position for 2022 was sufficient to meet its current and anticipated expenditures and obligations through the end of FY 2022.

In previous years the City utilized the account balance from the healthcare reimbursement account in lieu of a tax anticipation note to fund obligations prior to the receipt of real estate taxes in the first quarter, repaying the balance by September 30. Council prepared a resolution

requiring repayment of these tax anticipation funds by date certain and with interest applied through repayment date. In 2022, the City used \$1.5M in surplus funds in lieu of a tax anticipation note to fund obligations in the first quarter. These funds were repaid with interest in July 2022.

Table 3
CITY OF HAZLETON
Cash Flow Projections—Quarterly
As of October 2022

	Actual 1st Qtr	Actual 2nd Qtr	Actual 3rd Qtr	Estimated 4th Qtr
Cash Balance Beginning of Quarter	\$1,874,458	\$1,696,221	\$2,932,963	\$310,647
Surplus/(Deficit)	485,716	1,971,100	-1,561,631	-321,501
Change in Accounts Payable	-105,613	1,521	-8,751	16,098
TRAN	0	0	0	0
Other Balance Changes	-558,340	-735,878	-1,051,934	199,702
GF Checking Cash Balance End of Quarter	1,696,221	2,932,963	310,647	204,947

Status of Audits

The City is not current on its financial audits having only just received its 2019 financial audit in July 2022. The auditor is evaluating the need for a single audit for 2019 and has just initiated the 2020 audit. The City issued an RFP for a new auditor for FY 2021-23 and did not receive any responses after two requests. The City is currently in the process of negotiating with a new accounting firm to complete the audits. The Coordinator anticipates completion of all outstanding audits in 2023.

Financial management and monitoring of the City's accounts was recognized in the Recovery Plan as an important initiative for improvement. The Plan requested Commonwealth Act 47 grant funding in support of the initiative:

GRANT-1 Supplement the Wages of an Assistant to the Director of Administration. The City shall consider employment of a full-time assistant to the director of the department of administration. This employee will be responsible for the preparation of financial reporting, oversight of accounting duties and preparation of financial reports for both the Administration and City Council. Grant Amount Requested: \$40,000. ³

³ (Act 47 Financial Recovery Plan for The City of Hazleton Page 11-18)

The City received the referenced grant and was able to employ an assistant to the Director of Administration. The City has made progress on improving the financial reporting and oversight since 2018, however the Coordinator believes that there are still areas that require improvement. The City's current accounting system has not provided management with the tools or facility to produce meaningful oversight. The Recovery Plan also provided a grant to engage an Information Technology Consultant to assess the City's IT Structure and formulate a Multi-Staged Information Technology Improvement Plan. This was accomplished and the improvements have been noted.

The City will need to have accurate and timely reporting on its revenue and expenditure accounts, both on an accrual basis as well as cash reporting. The Coordinator remains concerned that in order to successfully avoid future deficits through expenditure reduction it will be necessary to have a robust accounting system as well as appropriately trained personnel. Over the next year, the Coordinator believes that the City should make improving its financial reporting a priority as great as any other. For example, there remains difficulties in reconciling accounting entries with the AccuFund accounting system. The City has engaged Moore and Associates, CPA to assist in this effort, although the time spent by Moore staff has been very limited. It is critical that the City's accounting system be able to generate timely and accurate financial information for both elected and appointed officials to monitor revenue and expenditure trends and make prudent financial decisions. This matter needs to be a top priority for the City as it moves out of Act 47 in order to provide long term sustainability.

Collective Bargaining

The City currently has 113 full-time and 4 part-time budgeted employee positions in the General Fund. In addition, there are 8 full-time and 17 part-time positions in the Recreation, Airport, Community Development and Transit budgets. The City's managerial, supervisory, and confidential employees are "at will" employees. Police, Fire, Public Works and City Hall department employees are represented by four unions and are under collective bargaining labor contracts with the City.

Power Lodge #18 of the Fraternal Order of Police (FOP) represents the City's budgeted complement of 42 uniformed police officers. The current City and FOP collective bargaining agreement term began on January 1, 2022 and is due to expire on December 31, 2025. The

Coordinator reviewed the agreement for compliance with the City's adopted 2018 Recovery Plan and in a letter dated November 18, 2021 concluded that the agreement complied with the City's adopted Recovery Plan

Local No. 507 of the International Association of Fire Fighters represents the City's 22 fire department employees. The current collective bargaining agreement began on January 1, 2021 and will expire on December 31, 2027.

Service Employees International Union Local 473, 32BJ represents the City's 20 public works employees. The City's current collective bargaining agreement began on January 1, 2022 and will expire on December 31, 2024. The Coordinator reviewed the agreement for compliance with the City's adopted 2018 Recovery Plan and in a letter dated March 3, 2022 concluded that the agreement complied with the City's adopted Recovery Plan

Twenty one (21) City Hall employees including those working in Codes, Licensing and Parking as well as City Hall are represented by Hazleton City Hall Employees Union under a contract effective from January 1, 2021 through December 31, 2024.

Long Term Debt

The City's outstanding principal long-term debt as of December 2022 is \$3,811,000. This includes the \$850,000 Act 47 loan issued in 2017 that has an outstanding balance of \$425,000 and will be retired in 2027. The other debt includes the 2018 General Obligation bonds that will be retired in 2025 and the 2021 General Obligation Note, which will be retired in 2033.

The City is currently expected to make \$390,009 in long-term debt service payments of principal and interest in 2023. The City utilizes a Debt Reduction fund and levies a millage of 0.21 mills to fund debt service at a level of \$183,296 for the DCED and GO Bond, Series of 2018. The GO Note, Series of 2021 is paid from the Liquid Fuels fund. The City may need to adjust its debt service millage in 2024 and 2025 to cover the increased payment for the 2018 Bond.

Table 4
CITY OF HAZLETON
Debt Service and Outstanding Balances
2022 - 2035

<u>Debt</u>	<u>Issued</u>	<u>Matures</u>	<u>Original Amount</u>	<u>Outstanding Amount 12/31/2022</u>	
GO BONDS, SERIES 2018	2018	2025	1,085,000	1,080,000	
DCED Act 47 Loan	2017	2027	850,000	425,000	
GO NOTE, Series of 2021*	2015	2033	2,500,000	2,306,000	
<u>Remaining Debt Service</u>	2023	2024	2025	2026	2027
GO BONDS, SERIES 2018	52,324	433,129	607,700	102,368	0
DCED Act 47 Loan	85,000	85,000	85,000	85,000	85,000
GO NOTE, Series of 2021*	<u>252,685</u>	<u>251,934</u>	<u>252,781</u>	<u>252,634</u>	<u>252,685</u>
Total Annual Debt Service	\$390,009	\$770,063	\$945,481	\$440,002	\$337,685

*Paid from Liquid Fuels.

Pension Obligations

The City provides and administers three pension funds for City employees, a police defined benefit pension fund, a fire defined benefit pension fund and a non-uniform defined contribution pension fund. The City's Aggregate Pension Fund was determined to be Minimally Distressed ⁴ at a 72.8 percent funded ratio. The Auditor General Pension Distress report of August 31, 2022 listed January 1, 2021 valuations of assets, \$64,090,453 and liabilities, \$88,064,227. (See Table 5.) This marks an improvement from the prior Pension Distress report of January 1, 2019 when the Aggregate Pension Fund, fund ratio was 67% and the City was classified as Moderately Distressed.

The City funds this obligation with its state aid for pensions as well as an Act 205 earned income tax. The Act 205 rate is currently 1.25% for residents and 1.0% for nonresidents.

The City's 2023 MMO pension amounts as received from their actuary are: Police Pension Plan - \$ 2,512,268, Firemen Pension Plan - \$1,550,592, Non-Uniformed Pension Plan - \$795,899. These represent a slight increase over the 2022 MMO.

⁴ 2021 Distress Score Report, Pennsylvania Auditor General

Table 5
CITY OF HAZLETON
Pension Obligation, Participant Count
2021 Valuation

	Police	Fire	Non-Uniform	Total
Actuarially accrued liability	49,803,864	27,239,813	11,020,547	88,064,224
Actuarially value of assets	<u>37,732,104</u>	<u>19,586,881</u>	<u>6,771,468</u>	<u>64,090,453</u>
Unfunded actuarial accrued liability	12,071,760	7,652,932	4,249,079	23,973,771
Funded Percentage	75.8%	71.9%	61.4%	72.8%
<u>Participant Count</u>				
Active	38	22	48	
Terminated Vested	0	0	0	
Retired	36	20	25	
Disability	7	6	0	
Survivor	<u>10</u>	<u>9</u>	<u>4</u>	
Total	91	57	77	

Long Term Comprehensive Planning

The City is implementing an Act 47 funding contract to develop a multi-municipal Comprehensive Plan in concert with West Hazleton Borough and Hazle Township. An RFP process was undertaken in the spring of 2022, a planning consultant was hired and a multi-municipal steering committee was formed to participate in the development of the comprehensive plan. Following the lack of performance by the initial consultant, their contract was terminated as of November 2022 and a new engagement was initiated with Hailstone Economic.

Financial Projections 2023-2027

The Coordinator's baseline operating budget projections for the next five years projects the City's baseline operating expenditures will increase annually an average of 2.7 percent or 11.2 percent for the period, while the baseline operating revenue is projected to decrease slightly by 1.6 percent in 2024 then increase slightly by .02 percent annually through 2027 for a 1.5 percent decline for the five-year projection.

Consequently, the City is projected to incur increasing baseline operating budget deficits for four of the next five years in the absence of corrective revenue increases and/or expenditure

adjustments. The City's current fund balances may be used to sustain the City for a brief time but the use of fund balance will not eliminate the need to evaluate expenditure savings and revenue sources over the next several years. The window for corrective action to reduce the projected operating deficits is a narrow one.

Table 6
CITY OF HAZLETON
Projected General Fund Revenues, Expenditures and Surplus/(Deficit)
2023 – 2027

	2023	2024	2025	2026	2027	Change	
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>2023 – 2027</u>	
						\$	%
Revenues	\$14,318,196	\$14,087,932	\$14,090,848	\$14,094,745	\$14,099,625	-218,571	-1.5
Expenditures	<u>14,318,196</u>	<u>14,664,128</u>	<u>15,107,362</u>	<u>15,510,246</u>	<u>15,916,887</u>	1,598,691	11.2
Surplus/(Deficit)	\$0	-\$576,196	-\$1,016,514	-\$1,415,500	-\$1,817,262		

Revenues

	2023	2024	2025	2026	2027	Change	
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>2023 – 2027</u>	
Type						\$	%
Real Estate Taxes	\$6,229,719	\$6,179,881	\$6,130,442	\$6,081,399	\$6,032,747	-196,972	-3.2
EIT	2,050,000	2,074,600	2,099,495	2,124,689	2,150,185	100,185	4.9
LST	300,000	300,000	300,000	300,000	300,000	0	0.0
Real Estate Transfer Tax	400,000	400,000	400,000	400,000	400,000	0	0.0
Payroll Prep Tax/BPT	460,000	465,520	471,106	476,760	482,481	22,481	4.9
Licenses & Permits	1,670,763	1,687,471	1,704,345	1,721,389	1,738,603	67,840	4.1
Fines & Forfeits	495,000	499,950	504,950	509,999	515,099	20,099	4.1
Interest	15,000	15,000	15,000	15,000	15,000	0	0.0
Rents & Royalties	29,010	29,010	29,010	29,010	29,010	0	0.0
State Shared Revenue	33,000	33,000	33,000	33,000	33,000	0	0.0
Intergovernmental Revenue	50,000	50,000	50,000	50,000	50,000	0	0.0
Public Safety Revenue	454,000	454,000	454,000	454,000	454,000	0	0.0
Highways & Streets	250,000	250,000	250,000	250,000	250,000	0	0.0
Miscellaneous Revenue	1,822,204	1,590,000	1,590,000	1,590,000	1,590,000	-232,204	-12.7
Transfers	<u>59,500</u>	<u>59,500</u>	<u>59,500</u>	<u>59,500</u>	<u>59,500</u>	0	0.0
Total Revenues	14,318,196	14,087,932	14,090,848	14,094,745	14,099,625	-218,571	-1.5

Table 6 (Cont'd)
CITY OF HAZLETON
Projected General Fund Revenues, Expenditures and Surplus/(Deficit)
2023 – 2027

<u>Department</u>	Expenditures					<u>Change</u>	
	2023	2024	2025	2026	2027	<u>2023 - 2027</u>	
	Projected	Projected	Projected	Projected	Projected	\$	%
Council	\$55,724	\$56,388	\$57,065	\$57,756	\$58,459	2,735	4.9
Executive	240,035	246,671	253,632	260,934	268,597	28,562	11.9
Financial Administration	486,294	466,331	477,138	488,271	499,745	13,451	2.8
Tax Collector/Treasurer	24,000	24,000	24,000	24,000	24,000	0	0.0
Solicitor	200,000	201,615	203,261	204,938	206,646	6,646	3.3
City Clerk	76,588	78,949	81,623	84,430	87,378	10,790	14.1
Engineering	102,100	104,000	105,936	107,909	109,919	7,819	7.7
Building & Plant	343,207	353,825	362,931	372,393	382,230	39,023	11.4
Police	5,924,278	5,990,233	6,212,068	6,385,409	6,553,950	629,672	10.6
Fire	2,861,024	3,003,704	3,085,591	3,171,037	3,260,228	399,204	14.0
Parking	191,138	194,874	199,792	204,898	210,200	19,062	10.0
Code Enforcement	484,021	495,654	507,631	520,050	532,930	48,909	10.1
Planning & Zoning	264,670	251,962	256,570	261,270	266,063	1,393	0.5
PW Street Maintenance	2,375,940	2,488,030	2,554,559	2,623,160	2,693,944	318,004	13.4
PW Municipal Garage	409,325	422,769	435,074	447,827	461,056	51,731	12.6
Miscellaneous	1,100	1,100	1,100	1,100	1,100	0	0.0
Insurance	278,752	284,022	289,393	294,865	300,442	21,690	7.8
Total Expenditures	14,318,196	14,664,128	15,107,362	15,510,246	15,916,887	1,598,691	11.2
Surplus/(Deficit)	\$0	-\$576,196	-\$1,016,514	-\$1,415,500	-\$1,817,262		

Deficit Elimination 2023-2027

As shown in Table 6, the Coordinator projects annual operating budget deficits beginning in 2024 and through the projection period. In order for the Coordinator to satisfy the requirements of Act 47, Section 255.1 (c)(4), the Coordinator must demonstrate that these deficits must be eliminated by using:

(4) 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. Act 47 Section 255.1 (c)(4)

Accordingly, Table 7 demonstrates the estimated annual real estate tax increases that may be necessary to eliminate the projected operational deficits for the five-year period. The Coordinator

has chosen to demonstrate the impact on real estate tax rates to the exclusion of other tax and fee sources because:

- The City is generally at the legal limit for its other tax rates (earned income, real estate transfer etc.) that could provide sufficient revenue. The City is not at its Third Class City Code limit of 30 mills for general purpose real estate taxes and is not projected to approach that limit within a reasonable time period.
- The City is currently engaged in a user fee study funded by an Act 47 grant. The results of this study will not be available during the statutory review period required under Act 47. Nonetheless, the Coordinator encourages the City to periodically review and adjust user fees to mitigate the reliance on real estate tax increases.
- As debt service requirements are reduced with the satisfaction of outstanding debt, a portion of the debt service millage can be reallocated to the General Fund.

As shown in Table 7, the elimination of these projected deficits may require a total increase of the General Fund real estate millage rate of 32.5 percent through 2027. With the reallocation of debt service millage due to debt retirement, the aggregate millage increase would be 29.0 percent. The Coordinator recommends that the City pursue expenditure reductions as a priority to ameliorate these increases. As an alternative to extreme expenditure reductions that may result in a deterioration of public services, the Coordinator recommends the judicious use of available fund balances to be used to level out the necessary yearly adjustments to real estate taxes. At no time should the City consider the sole use of one-time available funds as a replacement for a needed tax increase, especially to avoid the “inconvenience” of raising taxes with the eventual result of a failure to provide the City budget with funds for vital and necessary services over the long term.

Budgetary discipline is best applied consistently and equitably with the goal of maintaining vital and necessary services to the residents of Hazleton. Delaying smaller periodic tax increases only to apply large tax increases to “catch-up” revenue lost causes unneeded distress and financial uncertainty to taxpayers. The consistent and predictable application of

prudent revenue increases over time is a significant part of an honest and realistic operating budget process.

Table 7
CITY OF HAZLETON
General Fund (GF) Revenue and Expenditure
Recommended Property Tax Increases
2024 to 2027

	2023	2024	2025	2026	2027	Change 2023 - 2027	
	<u>Estimated</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>\$</u>	<u>%</u>
GF Revenues	\$14,318,196	\$14,087,932	\$14,090,848	\$14,094,745	\$14,099,625	-218,571	-1.5
GF Expenditures	<u>14,318,196</u>	<u>14,664,128</u>	<u>15,107,362</u>	<u>15,510,246</u>	<u>15,916,887</u>	1,598,691	11.2
GF Surplus/(Deficit)	\$0	-\$576,196	-\$1,016,514	-\$1,415,500	-\$1,817,262		
GF Real Estate Increase		\$576,196	\$576,196	\$576,196	\$576,196		
GF Real Estate Increase		\$0	\$440,318	\$440,318	\$440,318		
GF Real Estate Increase		\$0	\$0	\$465,409	\$465,409		
GF Real Estate Increase		\$0	\$0	\$0	\$335,339		
Net Surplus/(Deficit)	\$0	\$0	\$0	\$66,423	\$0		
Total Real Estate Tax Revenue Increase	\$0	\$576,196	\$1,016,514	\$1,481,923	\$1,817,262	\$1,817,262	32.5

	2023	2024	2025	2026	2027	Change 2023 - 2027	
<u>Estimated Total Millage</u>	<u>Mills</u>	<u>Mills</u>	<u>Mills</u>	<u>Mills</u>	<u>Mills</u>	<u>Mills</u>	<u>%</u>
General Fund	6.380	7.038	7.496	8.073	8.456	2.076	32.5
Debt Service	0.210	0.592	0.791	0.214	0.097	-0.113	-
Recreation	<u>0.190</u>	<u>0.190</u>	<u>0.190</u>	<u>0.190</u>	<u>0.190</u>	0.000	0.0
Total Millage All Uses	6.780	7.820	8.477	8.477	8.743	1.963	29.0

Finding

It is the Coordinator's finding that the City has made noteworthy progress on a number of fronts since 2018 that had initially led to the declaration of distress. The Mayor, Business Administrator, Solicitor, and City Council have actively, cooperatively, and proactively engaged the Coordinator over the past five years and have proceeded with the implementation of many of the initiatives included in the City's 2018 Recovery Plan. The City has avoided financial crises, is estimated to end fiscal year 2022 with a balanced operating budget and is anticipated to complete 2023 with a balanced operating budget.

It is the opinion of the Coordinator that present and projected conditions within the municipality warrant a termination in status in accordance with section 255.1 of the

Municipalities Financial Recovery Act of Jul. 10, 1987, P.L. 246, No. 47. The following paragraphs shall address each of the factors set forth in section 255.1(c).

Factor (1)

Operational deficits of the municipality 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.

The City provided the Coordinator with completed annual audits for the years 2017-2019. For fiscal years 2020 and 2021, the Coordinator utilized financial statements provided by the City. For 2022, the Coordinator analyzed the City's adopted 2022 operating budget and the Coordinator's database of City financials to create 2022 estimates.

The City experienced one operating budget deficit in 2017 of \$902,317 followed by surpluses since it adopted the 2018 Recovery Plan. The City experienced an excess of revenues (surplus) over expenditures for each of the years 2018-2021 of \$335,360, \$2,522,128, \$3,408,119, and \$1,266,751 respectively.

Based upon the City's adopted 2022 budget and the Coordinator's end of year estimate, the City is estimated to incur a surplus of \$573,683 in 2022.

Note that the Coordinator will analyze the probability of future City revenues and expenditures producing future balanced budgets absent participation in this act in the **Factor 4** projections of revenues and expenditures.

Factor (2)

Obligations issued to finance the municipality's debt have been retired, reduced or reissued in a manner that has adequately refinanced outstanding principle [sic] and interest and has permitted timely debt service and reasonable probability of continued timely debt service absent participation in this act.

The City's 2023 debt service from all sources is \$390,009. Throughout the recovery period the City has made timely debt service payments. The City will have an increase in its annual debt service starting in 2024 and through 2025. In 2026 there will be a reduction to a lower level of \$440,002 and to \$337,685 in 2027. It is anticipated that the City will continue to

levy a debt service millage through that time. The eventual reduction in debt service will allow the re-purposing of the special debt millage to one of general purpose. This flexibility in millage will help the City to minimize deficits. The Coordinator projects that the City's current financial condition represents a reasonable probability of continued timely debt service absent participation in the Act.

Factor (3)

The municipality has negotiated and resolved all claims or judgments that would have placed the municipality in imminent jeopardy of financial default.

The Coordinator is not aware of any significant current or pending claims or judgements against the City.

Factor (4)

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.

The Coordinator projects that the City will incur operating deficits during the 2023-2027 projection period with the exception of 2023, where a balance budget is projected. The increase of expenditures that outpaces the growth in revenues absent rate increases will cause the City to experience estimated operating budget deficits from \$0.5 million in 2024 to \$1.8 million in 2027.

Table 8
CITY OF HAZLETON
Baseline Revenue, Expenditures, Surplus/(Deficit) Projection Summary
2023 - 2027

	2023	2024	2025	2026	2027	Change 2023-2027	
	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	<u>Projected</u>	\$	%
Revenues	\$14,318,196	\$14,087,932	\$14,090,848	\$14,094,745	\$14,099,625	-218,571	-1.5
Expenditures	<u>14,318,196</u>	<u>14,664,128</u>	<u>15,107,362</u>	<u>15,510,246</u>	<u>15,916,887</u>	1,598,691	11.2
Surplus/(Deficit)	\$0	-\$576,196	-\$1,016,514	-\$1,415,500	-\$1,817,262		

It is the Coordinator's opinion that the City may eliminate the projected operating budget deficits through tax or fee increases and/or expenditure reductions. It is also the opinion of the Coordinator that the exclusive use of expenditure reduction for deficit reduction over the next

five years is limited. By 2027, the City may need to raise general fund millage from the current 6.380 to 8.456 mills or 32.5% to cover the projected \$1,817,262 deficit in 2027.

Fiscal Emergency

As previously mentioned, DCED has charged the Coordinator with examining the conditions of the City to determine whether a fiscal emergency exists. According to the relevant section of Act 47, the Governor determines whether a fiscal emergency exists:

- (a) **FISCAL EMERGENCY.** —The Governor determines a fiscal emergency exists if the distressed municipality:
 - (1)(i) is insolvent or is projected to be insolvent within 180 days or less; or
 - (ii) is unable to ensure the continued provision of vital and necessary services.
- 53 P.S. §11701.602(a)(1).*

A distressed municipality is “insolvent” if it is unable to meet all financial obligations as they become due, including payment of debt obligations. *53 P.S. §11701.601.* “Vital and necessary services” is defined as “basic and fundamental municipal services, including any of the following: (1) Police and fire services (2) Ambulance and rescue services (3) Water supply and distribution (4) Wastewater services (5) Refuse collection and disposal (6) Snow removal (7) Payroll and pension obligations (8) Fulfillment of payment of debt obligations or any other financial obligations.” *Id.*

The Coordinator’s analysis of the Factors to Consider to Rescind a Distress Determination has determined that the City has been able to meet all of its financial obligations, including debt service, since the City’s adoption of the 2018 Exit Plan. In addition, the Coordinator’s cash flow estimates project that the City will remain solvent throughout 2022, enabling the City to meet its current financial obligations as they come due, including its 2022 debt service and pension payments. (See Table 9.)

Table 9
CITY OF HAZLETON
Cash Flow Projections—Quarterly
As of October 2022

	Actual 1st Qtr	Actual 2nd Qtr	Est 3rd Qtr	Est 4th Qtr
Cash Balance Beginning of Month	\$1,874,458	\$1,696,221	\$2,932,963	\$310,647
Surplus/Deficit	485,716	1,971,100	-1,561,631	-321,501
Increase/(Decrease) in Payables	-105,613	1,521	-8,751	16,098
Other Items Affecting Cash	<u>-558,340</u>	<u>-735,878</u>	<u>-1,051,934</u>	<u>199,702</u>
GF Cash Balance End of Month	\$1,696,221	\$2,932,963	\$310,647	\$204,947

In its adopted 2023 operating budget, the City has appropriated funds to provide many of the vital and necessary services enumerated in §11701.601 such as police, fire and public works services, code enforcement and administration, payroll and pension obligations and the fulfillment of debt and other financial obligations. There is no evidence from the City or otherwise available to the Coordinator that, as of the writing of this Act 47 Coordinator's Financial Condition Report, the City is unable to ensure the continued provision of vital and necessary services. Thus, in the opinion of the Coordinator, the City does not meet the criteria for the Governor to declare a fiscal emergency.

Recommendation

The Coordinator has reviewed the statutory factors necessary to make a determination of whether to request a rescission of the order declaring the City a distressed municipality; and also, the statutory criteria of whether to issue a determination of fiscal emergency in the City. It is the recommendation of the Coordinator that based upon a review of the totality of the factors included in §11701.255.1(c), substantial evidence supports an affirmative determination by the Secretary to issue a determination to rescind the order declaring the City of Hazleton a distressed municipality.

The Coordinator projects that the City will experience operating deficits in the future as the rate of the City's expenditure growth outpaces the rate of its revenue growth. It remains the Coordinator's opinion that the City can manage the projected operating budget deficits and sustain a sufficient cash flow throughout future fiscal years by incrementally increasing the general fund millage and/or by decreasing expenditures. The Coordinator is mindful that the cumulative projected deficits shown above in Table 8 would require nearly a 30.0 percent increase of the City's real estate tax. Even with this amount of increase, the City can remain well

under the statutory Third Class City millage limit but the prospect of required increases in rates should spur the City to continuously evaluate the level of services, its relationship with component units of government, and the overall operating structure of the City.

Act 47 provides specific guidance for the Coordinator to evaluate when making its recommendation to the Secretary of DCED. At this time, it is the Coordinator's opinion that the City of Hazleton is able to meet all of its financial obligations as they come due. It is also the Coordinator's opinion that the City is presently able to provide vital and necessary services to its residents. Therefore, for the reasons stated above, it is the recommendation of the Coordinator that the Secretary of DCED issue a determination rescinding the order declaring the City of Hazleton a distressed municipality as defined by Act 47 of 1987, as amended.

City of Hazleton
Notes of Comments Received at the
Public Financial Condition meeting
City Hall 6 PM
January 4, 2023

Gerald Cross of the Pennsylvania Economy League (PEL) and Act 47 Coordinator for the City of Hazleton called the meeting to order at 6:00 p.m. He introduced Patty Moorhead and Fred Reddig who are also with the PEL Coordinator team.

Mr. Cross provided a summary of the Financial Condition report and stated that it is the finding and recommendation of PEL as Coordinator that the distress determination for Hazleton be rescinded. He stated the City has experienced a mix of budget surpluses and deficits over the last 5 years, though the City has also achieved many successes that will assist in sustaining its financial position in the future.

He then called on City officials for comments on the report.

Mayor Jeff Cusat stated he has read the report and agrees with its findings. He felt Act 47 has benefited the City greatly and he appreciates all the assistance that has been provided.

Council President Jim Perry stated he likewise agrees with the report's recommendation. He likewise appreciates the cooperation provided by PEL in working with the City. He felt all the grant funds provided have greatly benefited the City and cited various examples.

Solicitor Sean Logsdon stated City officials are very encouraged by the report's findings and agrees with the recommendation to rescind the distress determination. He stated he will provide any additional written comments to the Coordinator.

Mr. Cross stated he has received written comments from the Mayor that included several minor edits. He asked Mr. Perry that if Council has any additional comments on the report, they can submit them to the Coordinator.

Business Administrator Dan Lynch stated he agrees with the recommendations of the report and feels the projections it contains are very realistic. He felt that they were good conservative projections though he is optimistic about exceeding those projections. He cited EIT revenue for 2022 that exceeded the budget amount by a substantial amount. He is appreciative of the comments on page 15 related to the need to address deficits thru tax increases and not to rely on one-time revenues as a substitute for raising taxes. He felt Act 47 has been of great benefit to the City.

Mr. Cross and Mr. Reddig discussed next steps in the process and stated that the Coordinator will consider all written and oral comments and prepare a revised report that will be submitted to DCED within 10 days. DCED will then hold a public hearing within 30 days of the receipt of the final report. Within 90 days of the public hearing, DCED's Secretary will issue a decision on the rescission of the Act 47 designation. There will typically be an event with DCED, City officials, legislators and others to mark the event.

Meeting Adjourned at 6:15 p.m.

The Standard Speaker (Under act P.L. 877 No 160. July 9, 1976)

Commonwealth of Pennsylvania, County of Luzerne

PENNSYLVANIA ECONOMY LEAGUE
LEEANNE ROGERS, CHIEF EXECUTIV
SUITE 206A 415 MARKET STREET
HARRISBURG PA 17101

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Order # 82686270
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FINANCIAL CONDITION OF CI

John Patton

Being duly sworn according to law deposes and says that (s)he is Billing clerk for The Standard Speaker, owner and publisher of The Standard Speaker, a newspaper of general circulation, established in 1865, published in the city of Hazleton, county and state aforesaid, and that the printed notice or publication hereto attached is exactly as printed in the regular editions of the said newspaper on the following dates:

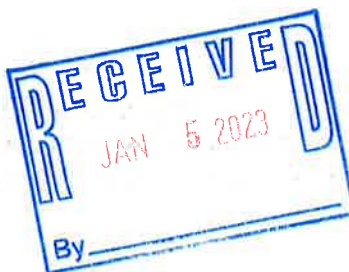
12/19/2022

Affiant further deposes and says that neither the affiant nor The Standard Speaker is interested in the subject matter of the aforesaid notice or advertisement and that all allegations in the foregoing statement as time, place and character or publication are true

Sworn and subscribed to before me
this 19th day of December A.D., 2022

(Notary Public)

Commonwealth of Pennsylvania - Notary Seal
Kathleen Weaver, Notary Public
Lackawanna County
My commission expires June 14, 2025
Commission number 1314506
Member, Pennsylvania Association of Notaries



PUBLIC NOTICE

On December 19, 2022, a Report Stating the Financial Condition of the City of Hazleton, Luzerne County (Report) was filed with the City Clerk, Mayor, Council members, City Administrator, City Solicitor and the Secretary of the Department of Community and Economic Development by the Pennsylvania Economy League, Central PA LLC (PEL), the City's appointed Act 47 Coordinator (Coordinator). The Report was prepared and filed pursuant to the Municipalities Financial Recovery Act, Act 47 of 1987, as amended, (Act 47). The Report is relevant to the City's financial distress status and includes an account of the City's financial performance from 2017 thru 2021, the City's current financial condition in 2022, financial projections for the next five years and the Coordinator's finding that based upon a review of the factors included in §11701.255.1(c), substantial evidence supports a determination to rescind the order declaring the City of Hazleton a distressed municipality. The Report is available for public inspection during normal business hours at City Hall, 40 North Church Street, Hazleton, PA 18201.

Written comments on the Report may be filed no later than January 3, 2023 with the Pennsylvania Economy League, Central PA LLC, Act 47 Coordinator, c/o LeeAnne Rogers, Chief Executive Officer, 415 Market Street, Suite 206A, Harrisburg, PA 17101.

The Coordinator will conduct a public meeting to receive comments on the Report on Wednesday January 4, 2023, at 6:00 p.m. at City Hall, City of Hazleton, 40 North Church Street, Hazleton, PA 18201. Should there be inclement weather, the public meeting will occur on Monday January 9, 2023 at 6:00 p.m. at City Hall, City of Hazleton, 40 North Church Street, Hazleton, PA 18201. If you are a person with a disability and wish to attend the hearing and require an auxiliary aid, service or other accommodation to participate in the proceedings, please contact Rick Vilello, Pennsylvania Department of Community and Economic Development (DCED), 400 North Street, 4th Floor, Harrisburg, Pennsylvania 17120-0225, 1-888-223-6837, to discuss how DCED may best accommodate your needs.

Pennsylvania Economy League,
Central PA, LLC
Act 47 Coordinator - City of Hazleton

EXHIBIT B

NOTICE

NOTICE IS HEREBY GIVEN that the Commonwealth of Pennsylvania, Department of Community and Economic Development has scheduled a public hearing to receive testimony presented on behalf of the City of Hazleton, Luzerne County, Pennsylvania with respect to the recommendation from the Act 47 Coordinator to consider a termination of the City's Act 47 determination pursuant to the Municipalities Financial Recovery Act, Act 47 of 1987 as amended.

The hearing on the request will be held on February 8, 2023, at 2:30 p.m., in Hazleton City Hall Council Chambers, 40 North Church Street, Hazleton, PA 18201 before a hearing officer duly appointed by the Department. The public is invited to attend. Those individuals requiring special accommodations to attend the hearing should contact the Department. For further information contact James Rose, Local Government Policy Specialist, at (570) 963-4166.

EXHIBIT C

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

* * * * *

IN RE: EXIT MEETING

* * * * *

BEFORE: ANDREW SHAF, Hearing Examiner

HEARING: Wednesday, February 8, 2023
2:35 p.m.

LOCATION: Hazleton City Hall Council Chambers
20 West Broad Street
Hazleton, PA 18201

WITNESSES: Jeff Cusat, Jim Perry, Daniel Lynch,
Gerald Cross, James Rose, Mark Rabo

Reporter: Kellie LoGrande

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A P P E A R A N C E S

NONE PRESENTED

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I N D E X

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3	OPENING REMARKS	
4	By Hearing Officer	5 - 6
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E X H I B I T S

Page

NumberDescriptionOffered

NONE OFFERED

P R O C E E D I N G S

HEARING OFFICER: My name is Andrew Shaf, local government policy manager for the Department of Community and Economic Development, and I will be serving as the Hearing Officer today.

For the record, this hearing was advertised in the Standard Speaker on February 2nd, 2023, and written notice was provided to the city clerk, the Mayor, the municipal solicitor and each member of the governing body of the municipality prior to the meeting --- members of the public with us today.

On January 13, 2023, the recovery coordinator from Hazleton, the Pennsylvania Economy League submitted a final report in accordance of Section 255 of that Act 47.

The coordinator's report reviewed the city's financial condition in conjunction with statutory factors in Section 255.1(c) of the Act 47 and concluded a Hazleton status as a distressed municipality should be terminated.

Section 255.1(a) of the Act 47, the Department was required to hold a public hearing within 30 days of receiving the final coordinator's

1 report. Once again, the sole purpose of this
2 hearing is to receive evidence and testimony
3 regarding the potential determination of the City of
4 Hazleton's status of a financially distressed
5 municipality.

6 Individuals representing the city, the
7 city's Act 47 recovery coordinator and the
8 Governor's Center for Local Government Services will
9 be presenting evidence and testimony tonight.

10 After the Department has received
11 comments from the previously mentioned parties, I
12 will invite any other interested party in the
13 audience to speak.

14 Please note that there is a sign-in
15 sheet that is being circulated to verify attendants
16 at here today. I will ask that all attendants
17 please sign the sheet even if you are not providing
18 public comment. If you change your mind later and
19 do decide you do want to speak, please know that all
20 witnesses will be required to be sworn in by the
21 stenographer prior to testifying.

22 At this time, I call to the witness
23 stand Mayor Cusat, City of Hazleton. And if we can
24 please have you sworn in before you begin.

25 ---

1 JEFF CUSAT,
2 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
3 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
4 FOLLOWS:

5 ---

6 MAYOR CUSAT: I just want to thank
7 everybody for the opportunity. This was a great
8 process, and the city has financially rebounded, you
9 know, and moving in the right direction. As the
10 testimony here today will show the advancements that
11 we have made and where we are headed.

12 I just want to say thank you.

13 HEARING OFFICER: Thank you, Mayor.

14 The next witness we have is Council
15 President, James Perry, the City of Hazleton, to
16 provide comment.

17 ---

18 JAMES PERRY,
19 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
20 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
21 FOLLOWS:

22 ---

23 MR. PERRY: Okay.

24 Again, I want to thank DCED for your
25 guidance. I believe we are the best financial

1 position. You know, grants --- I was looking at all
2 the grants. Infrastructure, parking study, cost of
3 meals, future study fee, conflict retention report,
4 higher systems demand, almost regulated. And again
5 with --- this is a big partnership and here we are -
6 -- tax --- tax, our income real estate tax
7 increased.

8 Everything's been good. And a policy
9 now has now been put in place so that we don't a
10 backwards situation again --- the future of the
11 city. I think we're in good shape. Thank you.

12 HEARING OFFICER: Thank you, Council
13 President.

14 I'd next ask Daniel Lynch, the city
15 manager for the City of Hazleton, to provide
16 comment.

17 ---

18 DANIEL LYNCH,
19 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
20 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
21 FOLLOWS:

22 ---

23 MR. LYNCH: Thank you very much.
24 Thank you for all those in attendance. And I would
25 say thank you for this excellent program that's been

1 very beneficial for the City of Hazleton.

2 I actually came here --- I was asked
3 to --- abeyance the Act 47 amendment C, as somebody
4 who came in from the outside, the dramatic impact it
5 had on the city. You know, before I came, two weeks
6 after the DCED was on track, or was pretty much
7 unable to meet its payroll, it was going to become
8 an installment by our --- city.

9 Since the city has entered into the
10 Act 47 and the status taken in our Act 47 by
11 coordinators of --- we see nothing but a lot of
12 dramatic improvements, especially the financial
13 condition of the city. We went back state of being
14 the first --- of 2018. We still have the right ---
15 we still have concerns about trying to make it do
16 that here, to whereas a few years later, we're
17 paying down that --- we're able to, you know, not
18 raise taxes because we are fiscally healthy.

19 So again, I've seen the program have a
20 dramatic positive effect on the City of Hazleton,
21 and it would be something that I think everyone
22 could walk away from the program and feel great
23 about it, so that's all I have to say. Thank you
24 very much.

25 HEARING OFFICER: Thank you, Mr.

1 Lynch.

2 Next, I'll ask Gerry Cross, recovery
3 coordinator, Pennsylvania, to provide us with
4 comment.

5 ---

6 GERALD CROSS,
7 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
8 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
9 FOLLOWS:

10 ---

11 MR. CROSS: Good afternoon, Mr. Shaf.

12 My name is Gerald Cross. I represent Pennsylvania
13 Economy League, the appointed Act 47 coordinator of
14 the City of Hazleton.

15 As part of the Act 47 process, the
16 coordinator is required to complete a report stating
17 the financial condition of the City of Hazleton and
18 prepare a finding regarding termination of the
19 distressed status.

20 The report is required to include on
21 of the following findings. One, the termination of
22 distressed status. Two, a municipal --- registry.
23 Three, a fiscal emergency, or four, a three-year
24 exit plan.

25 By reference, I'm asking you to

1 include a copy of that founded report in the
2 official record of this hearing.

3 Pursuant to Act Section 255 of the
4 municipality's Financial Recovery Act of July 10th,
5 1987, followed by the 246 and 947, following the
6 December 19, '22 submission of the report, the
7 necessary advertising of public notice and for a
8 period of written public comment, which ended on
9 January 3rd, 2023. A public meeting was held on
10 January 4th, 2023.

11 No written public comments were
12 submitted to the coordinator in the public comment
13 period, and there was no public comment received
14 during the public meeting. The Board did hear
15 comments from the city officials at the public
16 meeting and received from the Mayor written comments
17 on the report.

18 A final report was prepared based on
19 the comments received and provided to the secretary
20 of the Department of Community and Economic
21 Development on January 13, 2023.

22 As we stated in that report, although
23 the city has experienced a mix of operating budget
24 services and deficits over the past five years, the
25 city has achieved many successes that would assist

1 in sustaining the city's financial condition into
2 the future.

3 The coordinator projects that the city
4 will experience operating deficits in the future and
5 the city's expenditure growth outpaces the rate of
6 the city's revenue growth. What remains important
7 is that, now, the city can manage the projected
8 operating budget deficits and sustain sufficient
9 cash flow throughout future fiscal years, fighting
10 for minimal increase in the general fund millage and
11 reallocating the debt service millage to the General
12 Fund as the debt service requirements are reduced.

13 Act 47 provides specific guidance for
14 the coordinator to evaluate and make these
15 recommendations to the secretary of DCED.

16 At this time, it is the coordinator's
17 opinion that the City of Hazelton can meet all of
18 its fiscal obligations they've come to. It is also
19 the coordinator's opinion that the city is presently
20 able to provide necessary services to its residents.

21 Therefore, for these reasons, it is the
22 recommendation of the coordinator and the secretary
23 of DCED issue a determination to rescinding order
24 declaring the City of Hazelton a distressed
25 municipality, as to the final Act 47 from 1987.

1 Thank you very much.

2 HEARING OFFICER: Thank you, Mr.

3 Cross.

4 I would next ask James Rose, Senior
5 Local Government Policy Specialist, DCED, to provide
6 public comment.

7 MR. ROSE: Thank you, Mr. Shaf. It's
8 been a pleasure to work with both Al and the city
9 and other --- oh, I wasn't sworn in. Sorry.

10 ---

11 JAMES ROSE,
12 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
13 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
14 FOLLOWS:

15 ---

16 MR. ROSE: I'd just like to state, I
17 agree with Gerry Cross, being that the city has made
18 a lot of improvement. As all the other speakers
19 pointed out some of the things that the city has
20 accomplished, and the city has accomplished a great
21 feat. I'd like to say that they can do that, which
22 I think dates back a century in Hazleton, as
23 certainly shown forth here.

24 The branches of the city government,
25 the mayoral branch of administration and the

1 legislative branch of council have, in the past, had
2 a very stormy, rocky relationship. At this point
3 though, they're all working together. They're all
4 pulling in the same direction, and it seems like you
5 all have the same vision for the city.

6 In that, you want to make the city run
7 as smoothly and cleanly as possible. To that end,
8 you achieve the goal, making the city take and
9 adhere to the municipal government role with
10 Lackawanna County. We know that Scranton is in for
11 30 groups in a day.

12 Your city has been able to accomplish
13 a lot in a short period of time, and I have to agree
14 that it is time now, and I recommend that the order
15 making the city a distressed city be rescinded. And
16 congratulations. Great job.

17 HEARING OFFICER: Thank you, Mr. Rose.

18 I'd like to now invite any other
19 interested party in the audience who would like to
20 present testimony to please come up and be sworn in
21 by the stenographer. If you have not signed in,
22 please do so now.

23 And we have here Mark --- are you Mark
24 Rabo?

25 MR. RABO: Yes.

1 ---

2 MARK RABO,

3 CALLED AS A WITNESS IN THE FOLLOWING PROCEEDING, AND
4 HAVING FIRST BEEN DULY SWORN, TESTIFIED AND SAID AS
5 FOLLOWS:

6 ---

7 HEARING OFFICER: And we will be
8 filing under public comment.

9 MR. RABO: Thank you, Mr. Shaf. My
10 name is Mark Rabo. I'm a lifelong resident of the
11 City of Hazleton. I have --- I have volunteered in
12 many different positions throughout my informative
13 adult years.

14 And it saddens me, and it makes me
15 happy are my hometown is getting out of Act 47.
16 That makes me happy. But what saddens me is the ---
17 I don't share the rosy disposition that's been
18 pontificated here. And I'll tell you why.

19 For starters, the reason why Hazleton
20 was under attack recently is not because of
21 circumstances of a systemic breakdown. It is
22 basically based on nefarious meaning over the years
23 by elected officials, based on tribalistic
24 entitlement, in my humble opinion.

25 And I think what needs to be done is

1 that mentality and that ideology needs to be
2 excoriated. And unfortunately, we --- as we all do
3 when we swear pledge of allegiance to the flag, we
4 have our United States flag, Pennsylvania flag,
5 which we all take oaths to uphold. The nefarious
6 triablist carriers that remain in the city for
7 decades swear not only just to those --- in the
8 hearts and in the minds, but to the flag right next
9 to the City of --- I don't understand why. That's
10 something you're going to have to ask those
11 officials because they don't share that view.

12 For example, also with regards to
13 finances, this is where it just boggles the mind.
14 Not even two weeks ago when the public hearing was
15 advertised, the Water Authority, the Hazleton City
16 Water Authority, gave money to the city --- and you
17 know, out of the eminent domain monies that was paid
18 for land that was taken from the water authority,
19 and then in that point, I guess, it was approximated
20 for 50,000. I don't know the exact amount, but it
21 was divided in half, and half of that money was
22 given to the city.

23 Now, I'd like --- I don't know what
24 reason, justification there was for that, but it
25 wasn't for services rendered under the master

1 services, as was reported in the Hazleton Standard
2 Speaker. Because the city just is now going to
3 receive \$425,000.00 for that master services
4 agreement that was done in early 2000 by former
5 Mayor Lou Barletta.

6 So, I would like for you guys to be
7 aware to look into that money that was given to the
8 city because I don't believe it is justifiable under
9 the existing agreement or any kind of agreements
10 that was given.

11 So --- and just for further point, the
12 persons --- one of the persons on that Water
13 Authority Board happens to be a city department head
14 in the city. So, he voted to give that money to the
15 city, his employer. Tell me how that's not a
16 conflict of interest. I'm just putting that out
17 there.

18 So, I just wanted to make sure that
19 you're aware while I'm happy that the distressed
20 city status is lifted, you put a bandage on a --- a
21 Band-Aid on a hemorrhage. Band-Aid on a hemorrhage.
22 The hemorrhage is still there, but you kind of stop
23 the bleeding, but the bleeding is still limited.
24 So, just so you're aware. Thank you, Mr. Shaf. I
25 appreciate it.

1 HEARING OFFICER: Thank you for your
2 comments.

3 Seeing no other witnesses, I would
4 like to take this opportunity to thank those in
5 attendance, those who provided evidence and
6 testimony and those who provided evidence and
7 testimony at today's administrative public hearing.

8 Today's evidence and testimony will be
9 presented to the Acting Secretary Rick Siger for his
10 final determination as to whether the City of
11 Hazelton's status as a financially distressed
12 municipality should be terminated.

13 Pursuant to Section 255.1(b) of Act
14 47, the determination will be issued within 90 days
15 from today's hearing.

16 Thank you. And this hearing will now
17 be adjourned at 2:51.

18 * * * * *

19 HEARING CONCLUDED AT 2:51 P.M.

20 * * * * *

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23

24

25

1 CERTIFICATE

2 I hereby certify that the foregoing
3 proceedings, hearing held before Hearing Examiner
4 Shaf, was reported by me on February 8, 2023 and
5 that I, Kellie LoGrande, read this transcript, and
6 that I attest that this transcript is a true and
7 accurate record of the proceeding.

8 Dated the 28 day of February, 2023

9
10 

11 Kellie LoGrande,

12 Court Reporter
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EXHIBIT D

Testimony of the Act 47 Coordinator
Public Hearing on the Recommendation to Terminate Distress Status
for the City of Hazleton
February 8, 2023

Good afternoon, Mr. Sheaf

My name is Gerald Cross and I represent the Pennsylvania Economy League, the appointed Act 47 Coordinator for the City of Hazleton.

As part of the Act 47 process, the Coordinator is required to complete a Report Stating the Financial Condition of the City of Hazleton (Report) and prepare a finding regarding termination of distressed status. The Report is required to include one of the following findings: (1) termination of distressed status; (2) municipal disincorporation; (3) fiscal emergency; or (4) a three-year exit plan. By reference, I am asking that a copy of this Final Report be included in the official record of this hearing.

Pursuant to Section 255 of Municipalities Financial Recovery Act of Jul. 10, 1987, P.L. 246, No. 47, (Act 47) following the December 19, 2022 submission of the Report, the necessary advertising of a public notice, and a period of written public comment ending on January 3, 2023, a public meeting was held on January 4, 2023. No written public comments were submitted to the Coordinator during the public comment period and there was no public comment received during the public meeting. The Coordinator did hear comments from City officials at the public meeting and received from the Mayor written comments on the report. A final Report was prepared based on the comments received and provided to the Secretary of the Department of Community and Economic Development (DCED) on January 13, 2023.

As stated in the Report, although the City has experienced a mix of operating budget surpluses and deficits over the past five years, the City has achieved many successes that will assist in sustaining the City's financial condition into the future.

The Coordinator projects that the City will experience operating deficits in the future as the rate of the City's expenditure growth outpaces the rate of the City's revenue growth. It remains the Coordinator's opinion that the City can manage the projected operating budget deficits and sustain a sufficient cash flow throughout future fiscal years by incrementally increasing the general fund millage and reallocating the debt service millage to the general fund as debt service requirements are reduced.

Act 47 provides specific guidance for the Coordinator to evaluate when making its recommendation to the Secretary of DCED. At this time, it is the Coordinator's opinion that the City of Hazleton can meet all its financial obligations as they come due. It is also the Coordinator's opinion that the City is presently able to provide vital and necessary services to its residents. Therefore, for these reasons, it is the recommendation of the Coordinator that the Secretary of DCED issue a determination rescinding the order declaring the City of Hazleton a distressed municipality as defined by Act 47 of 1987, as amended.