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In Scranton, Pa., Fiscal Progress Comes With Political Costs.

The city is on the brink of making a speedy turnaround. Many worry that the tough financial decisions it took to get there could reverse some of its political progress.

After a quarter-century of being branded by the state as “fiscally distressed,” Scranton, Pa., is the closest it’s ever been to shedding that label. If its finances remain stable, the city is expected to exit the state’s Act 47 distressed cities program — which it entered in 1992 — in the next three years.

What makes the news remarkable is the tailspin that Scranton was in just a few short years ago. When Mayor Bill Courtright took office in 2014, he inherited a city that had balanced its budget for five straight years using onetime revenues and deficit financings. “In early 2014, everyone wrote us off,” says Courtright. “It was like we had a disease.”

But thanks to what observers are calling a new era of political cooperation between the mayor and council, Scranton has made considerable progress. City officials have approved several tax increases aimed at balancing the budget, including a hike in property taxes and garbage fees. Those, combined with a new commuter tax, have injected \$16.2 million in new annual revenue into the \$90 million general fund.

Courtright credits a team that stubbornly adhered to a financial recovery plan devised with the help of a financial consultant. The mayor, also a former councilmember, says he and the current council have communicated better and worked to move beyond the infighting that dominated public meetings in previous years. “We knew we had to change the image between past mayor and past council,” he says. “We knew we wouldn’t get the financial community to go along with us if we couldn’t cooperate amongst ourselves.”

But this kind of swift financial progress usually comes with a political cost. To understand the political implications, one must first understand how Scranton came to its current state.

Making Tough Choices

Facing a new state law in 2014 that would have placed the city in receivership if it didn’t make progress, Scranton conquered several key financial demons in recent years.

For starters, the city reached a settlement with police and fire unions over a multimillion-dollar back pay lawsuit first filed more than a decade ago. The Pennsylvania Supreme Court sided with the unions in 2011, but the city couldn’t afford to pay the initial \$24 million settlement and instead let the award collect interest.

Last year, Courtright announced the city had agreed to pay the unions most of what it owed — now \$30 million — in exchange for reforms to the city’s troubled public safety pension. The biggest concessions were that workers would increase their pension contributions over time and that the pension funds would be managed by a third-party professional administrator. The administrative transfer also included more stringent guidelines for determining whether an employee is eligible for

a disability pension.

In the name of budgetary stability, the city has unloaded a couple of albatross assets as well.

Officials negotiated a long-term lease of its parking authority, which had gone into receivership after the default in 2012 because of political infighting between the council and previous mayoral administration. Last year, the city entered into a lease concession agreement that turns over the system's day-to-day operations and long-term maintenance to the nonprofit National Development Council and ABM, a parking operator. After they pay off the parking authority's outstanding debt, ownership of the system will be returned to the city.

The final deal has perhaps been the most controversial and may even be responsible for upending the political harmony the city has achieved. Late last year, elected officials approved the sale of the city's sewer authority to the private company Pennsylvania American Water for \$195 million. The city expected to net \$95 million from the sale, but various costs, such as easement acquisition, reduced the net to \$83 million.

To Courtright, the sale is something of a crowning achievement. Selling the system gave Scranton cash to help pay off some of its pension and high-interest debt. It also unloaded an EPA-required \$140 million upgrade to the system to protect the Chesapeake Bay onto Pennsylvania American Water. The requirements would have meant a 5 percent rate hike each year for 25 years. Instead, the sale stipulated the private company could raise rates no more than 1.9 percent on average for the first 10 years.

A Political Cost?

That deal, however, has not been cheered by everyone. Councilmember Bill Gaughan says it was ill-advised and lacked transparency. He points to a closed-door meeting in February with Council President Joe Wechsler, Councilmember Wayne Evans and Jason Shrive, the new sewer authority director, that discussed the sewer's lower price tag.

Adding fuel to the fire was a report in early May by local ABC television affiliate, Newswatch 16. The station reported that the sale's fees were a whopping \$3.1 million charged by 50 different attorneys.

The controversy has taken its toll: In Scranton's Democratic primary election, Wechsler failed to win nomination while Gaughan sailed ahead easily.

Jean Wahl Harris, a professor of political science at the University of Scranton, said that while the council president voiced concerns about the sale, he wasn't as adamant as others. "I'm not sure why Wechsler was picked out," she says, "except that the other two [incumbents] spoke up a little more against the mayor and called for accountability in the sewer sale."

Many worry that the fallout could affect the political cooperation the city has achieved. Still, most agree that Scranton — politically and financially — is in a much better place than it was just a few years ago. "The times following the political meltdown [in 2012] called for someone willing to look at a different direction and someone with a different style," says Gerald Cross, executive director of the Pennsylvania Economy League, Scranton's recovery coordinator. "I think we have the right people in the right place."

"They used to be insane," Cross adds of those council meetings in which tensions between elected officials and the public got so high that metal detectors were installed at one council meeting in 2007. "But it's hard to argue now with balanced budgets and progress downtown. The budget is stable, now we have to strive for sustainability — and that's all very boring."

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