

## **MEETING OF THE LOCAL GOVERNMENT COMMISSION**

**Wednesday, April 18, 2018**

The meeting of the Local Government Commission was called to order by Senator John Eichelberger, Jr., at 8:50 a.m. in Room 14 East Wing–Main Capitol Building, Harrisburg, Pennsylvania, with the following individuals present:

### **MEMBERS**

**Senator John H. Eichelberger, Jr., Chair**  
**Senator John P. Blake**  
**Representative Kate Harper**  
**Representative Warren Kampf**  
**Representative Robert Freeman**  
**Representative Mary Jo Daley**

### **STAFF**

**Philip H. Klotz, Executive Director**  
**David A. Greene, Assistant Director-Legal Counsel**  
**Kris Gazsi, Associate Legal Counsel**  
**Karen S. Bear, Secretary**

### **GUESTS**

**The Honorable Chris Ross**  
**Lee Derr, Senator Eichelberger's Office**  
**Luc Miron, Senator Blake's Office**  
**John Fulton, House Local Government Committee (D)**  
**Lisa Schaefer, County Commissioners Association of Pennsylvania**  
**Amy Sturges, Pennsylvania Municipal League**  
**Karey Molnar, Pennsylvania Municipal League**

As the first order of business, a presentation on the status of Act 47 (Municipalities Financial Recovery Act) municipalities was given by Commission Associate Legal Counsel Kris Gazsi. Mr. Gazsi began his 45-minute power point oration by highlighting several municipalities that are currently under Act 47 and discussed the common themes shared by those municipalities. Population decline, high rates of tax exempt property and municipally owned emergency services are common factors of municipal distress. It was stated in the *2017 Communities in Crisis* report compiled by the Pennsylvania Economy League that “municipalities with their own police force have twice the average tax burden of municipalities with only state police coverage.”

Since most municipalities had been under Act 47 distressed status for extended periods of time, Act 199 of 2014 was passed to impose a timetable for municipalities to remain in Act 47 status, thus encouraging completion of the recovery process. The allotted recovery time given for a municipality is 5 years with an additional 3 year exit plan option if needed. In addition to the timeline for recovery, Act 199 expanded a menu of tax options without increasing the overall tax burden and introduced a coordinator review procedure. The voluntary disincorporation of nonviable communities is also an option provided for in Act 199. Mr. Gazsi focused on two charts,

one that revealed the percentages of tax revenues, Act 205 taxes and Act 47 taxes that comprise tax revenue realized by the various distressed municipalities, and another that displayed the approximate percentages of real estate tax increases necessary for those municipalities to offset Act 47 taxes that can no longer be levied once the municipality exits Act 47 status. Changing a municipality's form of government to home rule is widely recommended by coordinators as part of fiscal recovery. A home rule form of government also may have its challenges, such as if the proposed design fails to aid in fiscal recovery, and in the case of *Musewicz v. Cordaro*, the court found that a home rule charter has no power to limit the power of its governing body to set tax rates on residents.

Mr. Gazsi stated that in his many hours of research on this issue, four possible options exist that might further be explored to assist municipalities that have recently left or soon will leave Act 47 status. Option 1 would be to formalize annual coordinator reviews in a report for public interest. There could be a benefit to the public and interested parties if an annual progress report were formulated and released. Progressing municipalities would have successes to highlight or even attract investment. Failing municipalities can be questioned as to why state invested recovery is not progressing as planned. Option 2 would explore if limited revenue sources could persist with some kind of performance metric after Act 47 recovery. This would lessen the strain on fund balances and afford more time for economic development. Option 3 could be the creation of an alternative home rule form of government proposed by a recovery coordinator, together with municipal officials, and designed to advance goals of recovery, which could be based on an underlying existing form of government. Option 4 would define and limit the financial relationship between the Department of Community and Economic Development, the recovery coordinator and the taxpayer resources of the community. After the presentation, the Members instructed the Commission staff to research the four proposals and submit the information in writing to the Members at a future business meeting. The Members also requested that the staff include conceivable options for municipalities that contend with a sizeable number of tax exempt properties. Consideration was also given by the Members to form a committee of Commission Members to systematically study the written options provided by Commission staff. Senator Eichelberger deferred possible appointment of a committee until the May business meeting.

The Members discussed the minutes of the January 24, 2018, business meeting which were unanimously approved on a motion by Representative Freeman and a second by Representative Harper. The financial reports for the months of January, February and March 2018 were presented, and a detailed explanation was given by the Executive Director. The financial reports were unanimously approved on a motion by Representative Kampf and a second by Representative Freeman.

At the January 24, 2018, business meeting, the Pennsylvania State Association of Boroughs requested legislation to amend Section 818 of the Borough Code, which would increase from 5% to 15% the threshold of registered electors required to petition the court of common pleas to reduce the size of council in boroughs with a population of 3,000 or less. After a brief discussion, the Commission Staff was instructed to draft legislation for Commission consideration that would provide a petition and referendum mechanism for reducing the size of borough council. The Director presented to the Members at today's meeting the proposed amendatory language. The language would provide a mechanism for boroughs having a population of 3,000 residents or fewer to reduce the size of its borough council from seven members to either five members or three members. Interested individuals would need to prepare a petition, totaling at least 5% of the

**MEETING OF THE LOCAL GOVERNMENT COMMISSION**

---

**Page 3 – April 18, 2018**

registered electors of the borough, which specifies the number of members of council proposed. When the petition is presented to the court of common pleas, the court must certify it to instruct the county board of elections that the question should be presented for a referendum vote in the borough at the next general election scheduled no sooner than the thirteenth Tuesday following the date of the petition. Upon receipt of the certified election results, the court is instructed to issue a final decree granting or denying the petitioner’s request. If the petition is successful, transition to the new size of council shall proceed according to current law. No petition under this mechanism may be considered by the court more often than once every five years. After a brief discussion, the Members unanimously approved on a motion by Representative Freeman and a second by Representative Kampf to introduce the legislation into both Chambers. Representative Kampf offered to prime sponsor the legislation in the House of Representatives.

The next business meeting will be on May 23, 2018, at 8:45 a.m. in Room 14 East Wing-Main Capitol Building.

The meeting adjourned at 9:50 a.m.

ATTESTED: \_\_\_\_\_  
April 25, 2018