

LIVESTREAM MEETING OF THE LOCAL GOVERNMENT COMMISSION

Wednesday, May 13, 2020

The livestream meeting of the Local Government Commission (Commission) was called to order by Senator Scott Hutchinson at 9:20 a.m. with the following Commission Members, staff and guests participating:

MEMBERS

**Senator Scott E. Hutchinson, Chair
Senator Scott F. Martin
Senator Judith L. Schwank
Senator Timothy P. Kearney
Representative R. Lee James
Representative Robert Freeman**

STAFF

**David A. Greene, Executive Director
Kristopher J. Gazsi, Assistant Director
Wanda S. Dehan, Legal Counsel
Danette H. Magee, Senior Research Analyst
Julia E. Frey, Research Analyst
Karen S. Bear, Executive Assistant
Sonya I. Ebersole, Fiscal Administrator**

GUESTS

**Justin Leventry, Senator Hutchinson's Office
Colin Sheffer, Intern, Senator Hutchinson's Office
Matt Maniskas, Senator Schwank's Office
Sam Arnold, Senator Kearney's Office
Rob Gaertner, House Local Government Committee (R)
Christopher Mulhall, House Local Government Committee (R)
John Fulton, House Local Government Committee (D)
Ed Troxell, Pennsylvania State Association of Boroughs
Ron Grutza, Pennsylvania State Association of Boroughs
Joseph Gerdes, Pennsylvania State Association of Township Supervisors
Ryan Buxton, Pennsylvania Department of Treasury
Hayden Rigo, Greenlee Partners
Ryan Hottenstein, Financial Solutions
LeeAnne Clayberger, Pennsylvania Economy League
Gerald Cross, Pennsylvania Economy League
Matthew Domines, Esq., Pennsylvania Economy League
Patricia Moorhead, Pennsylvania Economy League
Lynne Shedlock, Pennsylvania Economy League
Adam Szumski, Pennsylvania Economy League
Noah Logan
Patrick Sheridan**

As the first order of business, the Executive Director read a statement giving a brief summary of the remote proceeding. Mr. Greene announced that the meeting was being conducted with both Member and Commission staff participation by livestream and was being recorded. Also, on Monday, notice of the meeting was posted on the committee meeting pages of the Senate of Pennsylvania and the House of Representatives through the Legislative Data Processing Center. The meeting agenda was posted on the Commission's website, www.lgc.state.pa.us, since 2:30 p.m. on Tuesday, May 12, 2020. Any questions on agenda items for consideration by the Commission were addressed during the meeting. After adjournment, the recording of the meeting will be posted on the Commission's website at www.lgc.state.pa.us.

The Members discussed the minutes of the April 8, 2020, business meeting, which were unanimously approved on a motion by Representative Freeman and a second by Senator Kearney. The financial reports for the month of April 2020 were presented, and an explanation was given by the Executive Director. The financial reports were unanimously approved on a motion by Senator Kearney and a second by Senator Schwank.

Assistant Director Kristopher Gazsi and Research Analyst Julia Frey introduced to the Members for their review a draft of the Commission's newest report, *Identifying Success Indicators Among Pennsylvania Municipal PILOT Agreements*. Mr. Gazsi and Ms. Frey thanked Senior Research Analyst Danette Magee and 2019 summer Intern Jaren Bittinger for their major contributions to the report. In 2013, a Commission Task Force revisited the Municipalities Financial Recovery Act (Act 47). The Task Force quickly concluded that many distressed communities ranked among the communities with the highest rates of tax-exempt property in the Commonwealth. The final Act 47 Task Force report noted that tax-exempt properties in some fiscally distressed cities could exceed half of the city's assessed value on property. As a result of that study, revisions were made to Act 47 to better assist municipalities that were fiscally distressed. In 2018, several years after the revisions to Act 47 were implemented, the Commission solicited brief feedback from stakeholder organizations that represented or served distressed communities with the goal of better understanding the areas that required additional effort. One aspect of the respondents' overall feedback was that distress is affected by the need to provide service to tax-exempt entities, and existing efforts to obtain contributions from those entities were limited in success. Ms. Frey then explained that payments-in-lieu-of taxation (PILOTs) are a tool that may be utilized by local taxing entities as a way for local governments to partner with tax-exempt entities to relieve a portion of the fiscal pressure of providing local services that benefit all residents, organizations and businesses that otherwise are funded exclusively by local taxpayers. Negotiating PILOT agreements can be difficult and labor intensive, raising questions about fairness, services utilized, and ability to pay. To better understand the process, the Commission surveyed municipalities and county assessment offices throughout the Commonwealth on their experience with PILOT agreements. Ultimately, the study resulted in four conclusions:

- There is a strong relationship between PILOT success and higher participation rates and informed negotiations.
- Developing a PILOT requires resources that smaller municipalities may not have.
- There is a systemic lack of record keeping of PILOTs.
- There is not a one-size-fits-all approach to PILOTs.

These conclusions led to the following three recommendations:

- Municipalities should approach PILOT negotiations with a justifiable, specific dollar request, and a cooperative, collaborative attitude.
- Regional or cooperative efforts may provide support for negotiating and implementing PILOT agreements.
- A consistent method for documenting PILOT agreements and payments could benefit all parties involved.

After Ms. Frey’s presentation, she addressed questions posed by the Members. The Chairman and the other Members thanked the Commission staff for their hard work in completing the study. Mr. Gazsi announced that once a few minor editorial changes are completed, the report will be available on the Commission’s website, www.lgc.state.pa.us.

Mr. Gazsi shared a proposed amendment to the Local Government Unit Debt Act (LGUDA) that would authorize the use of extended tax anticipation notes for municipalities, school districts and other local government units. In light of the COVID-19 virus pandemic, the amendment would grant additional terms of emergency borrowing authorization to municipalities under Subchapter B of Chapter 81 of Title 53 of the Pennsylvania Consolidated Statutes. The proposed language reads:

Section 8121.1 Emergency Tax Anticipation Notes

(a). Finding.—The General Assembly finds and hereby declares that, Coronavirus disease 2019, as identified in the proclamation of disaster emergency issued by the Governor on March 6, 2020, published at 50 Pa.B. 1644 (March 21, 2020), and the resulting global pandemic has had an unexpected and sudden effect on the citizens, governments and businesses of the Commonwealth, including a material negative effect on the revenues of many local government units.

(b). Emergency Borrowing Authorized. – A local government unit may borrow money under section 8121 with the following additional terms:

(1) For the purposes of this subsection, the governing body’s anticipation of current taxes or current revenues may include an anticipation that the taxes levied or revenues receivable may not be received, in full or in part, until after the end of the current fiscal year due to the extension of tax filing deadlines, administrative break-down during the emergency, unexpected severe economic contraction or the inability to timely enforce collection due to the emergency.

(2) In addition to the other requirements under this subchapter, a governing body shall establish a maturity date for a tax anticipation note issued under this subsection which shall not be later than the last day of the local government unit’s next fiscal year which ends not less than 15 months or more than 26 months following the effective date of this subsection.

(c). Expiration. – No local government unit shall borrow money under the authorization of this section after December 31, 2021.

After a brief discussion, the Members unanimously agreed on a motion by Senator Kearney and a second by Representative Freeman to introduce the proposed amendment in both chambers. Mr. Greene stated that a co-sponsorship invitation would be prepared for the Members.

An additional amendment to Chapter 81 of Title 53 of the Consolidated Statutes was introduced to the Members for their consideration. This amendment would authorize municipalities to incur working capital debt in a manner not otherwise permissible under the LGUDA for short-term needs to address the effects of the COVID-19 pandemic and to repay the COVID-19 debt over a period of time up to ten years. After a brief discussion, the Members directed Commission staff to add additional language that would include a timeframe or safeguards for local government units in need of incurring working capital debt. Mr. Greene stated that the suggested language would be added and the revised proposed amendment would be presented to the Members at the June business meeting.

The Members also discussed proposed language that would amend the Municipalities Financial Recovery Act (Act 47) by extending the expiration deadline by eighteen months for municipalities currently fiscally distressed and under Act 47 plans. The extension is to aid communities to address fiscal setbacks incurred by the COVID-19 pandemic. The suggested language reads as follows:

Act 47 Plan Extension Language-

Section [____]. Emergency Plan Extension

(a) **Recovery plans extended.**—Except as provided in (b), the scheduled expiration of a plan, or deadline to terminate the distressed status of the municipality, under Chapter 2 of the Act of July 10, 1987 (P.L. 246, No. 47), known as the “Municipalities Financial Recovery Act”, shall hereby be extended by eighteen months from the effective date of this section.

(b) **Plan amendment required.**—The Department of Community and Economic Development shall require each plan to be amended within 60 days to, at a minimum, incorporate the extended expiration date and address any recovery objectives affected by the Covid-19. A plan which is not amended under this subsection shall not be extended by (a).

(c) **Application.**—This section shall not apply to any plan adopted by a municipality which was not distressed on the effective date of this section.

The Members concurred that the proposed language was very prudent, reasonable and needed for those fiscally distressed municipalities currently under Act 47. On a motion by Representative Freeman and a second by Representative James, the Members unanimously agreed to introduce the amendment into both chambers. Mr. Greene announced that a co-sponsorship memo would be circulated among the Members for their consideration.

Mr. Gazsi announced that the Commission’s new online Municipal Issue Forum has been activated. Over the last several weeks, discussions with a variety of local government related

practitioners have revealed a real need to improve communication and coordination between the people and entities that serve local government throughout the Commonwealth. After deliberation and feature testing, Commission staff decided to move forward with a closed internet forum through the mobilize.io platform. The hope for this space is that it can become an opportunity to exchange ideas, spot issues and connect members of the state and local government communities, financial and legal professionals, interest group representatives and academics in a manner that will enhance each of our practices and allow policy improvements in the future. There are essentially three components of the forum as it exists now, a forum where discussions can be opened, a sub-group devoted to posting excerpts and links to news and analysis related to local government, and a resource library where we will begin by making Covid-19 response information available by subject matter. Commission staff believes that the library will expand over time to a repository for links and pdfs of public information, reports, and other useful tools from which the forum may benefit. Mr. Gazsi is the host of the forum. Forum participants may share ideas, inspiration, tips and tap in to the shared resources. The forum will keep participants updated on upcoming community events, activities, and programs. For individuals interested in joining the forum, contact Mr. Gazsi by e-mail at kgazsi@palegislature.us.

Mr. Greene announced that the Senate and House Leadership meetings are continuing. Unfortunately, due to the current situation a few Leadership meetings have been cancelled. As a result, Mr. Greene is preparing a letter to send to all of those Senate and House Leaders whose meetings have been cancelled detailing the COVID-19 related tasks and other various projects the Commission staff has been tackling over the past fiscal year.

As the last order of business, the Members unanimously agreed on a motion by Representative Freeman and a second by Senator Kearney to have the June monthly business meeting scheduled at the discretion of the Chairman.

The meeting adjourned at 10:20 a.m.

ATTESTED: _____
May 22, 2020