

OCTOBER 21, 2008

On the above date at 11:30 A.M., the Luzerne County Board of Commissioners convened a special meeting with the following present: Maryanne Petrilla, Chairman; Gregory Skrepenak, Commissioner; Stephen Urban, Commissioner; Douglas Pape, Chief Clerk/County Manager; James Blaum, County Solicitor; Tom Pribula, Chief of Budget and Finance; Doug Richards, Director, Human Resources

Maryanne Petrilla called the meeting to order and asked everyone to join in saying the Pledge of Allegiance.

It is noted that all meetings are electronically recorded.

ANNOUNCEMENTS:.....**Douglas A. Pape**
County Manager/Chief Clerk

None

PUBLIC COMMENT:

Walter Griffith began by stating that he had spoke to Budget Director, Tom Pribula in regard to the DCED complaint. Mr. Griffith stated after he talked to people who worked for the county, the people in the trenches, he had second thoughts about filing the complaint. Mr. Griffith felt that it was not fair to the employees to not receive a paycheck. He stated that Management and Senior Staff should be held accountable for a budget that was not accurate. Mr. Griffith stated that the State and Federal Government needed to look into the matter. He stated that there were issues with the county code that were not being followed. Mr. Griffith applauded Judge Lokuta for only approving what the county deserved. Mr. Griffith questioned the commissioners as to what would happen on January 1st and how the employees would be brought back to work. Commissioner Petrilla responded that the county would use a tax anticipation note. She stated at that point the revenue streams for 2009 would begin to come into the county. Commissioner Petrilla stated that the revenues in the budget were not being realized and the expenditures continue. She stated in July a problem was recognized and the county took action by placing an RFP for PFM. Commissioner Petrilla stated that unfortunately the RFP process takes time. Commissioner Petrilla stated that the room was full of people who are alarmed about a layoff. She stated that it was very painful for the commissioners. Commissioner Petrilla stated that they were not ready to announce a layoff but it was eminent. She explained that it has to happen because the county has no money; she stated you can't get blood from a rock. Commissioner Petrilla went on to comment that the county had a five year plan that wasn't followed. She stated we are doing everything we can to make sure next years budget is real, we're going to move forward and we need the cooperation from every office. When we say we need to cut the budget by 20%, we have to cut the budget by 20%, it has to happen. We as commissioners have that authority because we cannot approve a budget that isn't real.

Mr. Griffith questioned why prison guards were hired at the prison board meeting. Commissioner Petrilla responded that people were taking the early retirement incentive and new employees have to be trained and ready to go when they leave.

Mr. Griffith questioned the increase in pay for the reassessment board. Commissioner Petrilla stated that the people on the boards went from working six hour days to eight hour days then to Saturdays. Commissioner Petrilla stated that she felt it was fair to compensate the boards for working six days a week. Mr. Griffith questioned if it was fair to the county employees. Commissioner Urban responded that the reassessment costs were coming from a bond, not the general fund. Mr. Griffith stated according to county code the salary increase must be approved by the Salary Board. Commissioner Petrilla stated that she would have county solicitor, Jim Blaum look into the matter.

Mr. Griffith stated that the county was not being financially responsible. He applauded Commissioner Petrilla and Commissioner Urban for voting no during the Prison Board meeting for salary increases. He stated that there is a hiring freeze in the county however people are still being hired. Commissioner Petrilla responded that there are some positions that have to be filled, however there would be a lot of scrutiny before they were filled.

Mr. Griffith questioned if the commissioners were looking at the management staff. Commissioner Petrilla responded that they have informed the various departments as to how much they need to cut from their budgets and it's up to them to manage their staff.

Mr. Griffith stated that he would be at the budget hearings to make sure the interest of the taxpayers was protected. He stated that there is only so much money you can get from a taxpayer. Mr. Griffith stated that he would not be filing a complaint with the DCED, he wouldn't do that to the county workers however he stated that he would file a complaint with every federal, local, and state agency to find out who messed up the budget and who is spending the money inappropriately.

Clerk of Courts, Bob Reilly, read a prepared statement on behalf of the Coroner, Treasurer, Controller, Recorder of Deeds, Sheriff, and Register of Wills.

Mr. Reilly stated that most, if not all, of the row offices have hit their projections on their expenditures and the money they had budgeted to be raised. He stated that they were within their budget but now had to suffer because of a shortfall of revenue. Commissioner Petrilla replied that had they known last year that the revenues in the budget were not going to be realized they would have come back to the Row Officers and request that their budget be cut. She stated that they were allowed to submit their budget because the revenues were supposedly there to support it. Bob Reilly questioned where the revenue shortfalls were. Commissioner Petrilla questioned Mr. Reilly if his office brought in enough revenue to support it. Mr. Reilly responded that they had hit everything that had been asked of them. Mr. Reilly again questioned where the shortfalls were if the row offices performed. Commissioner Skrepenak replied the shortfalls would be projected according to Tom Pribula and his testimony to the court as follows. Real estate taxes not meeting the projected revenues of 80.3, debt restructuring not being done, county land sales, and a 911 wire line surcharge. Mr. Reilly responded that those were areas they had no control over. He stated that this was the sixth year in a row that Row Officers have been asked to cut back their budget. He stated that it was getting very hard to operate their offices. Mr. Reilly commented that he read a callous comment in the paper that the people will have to wait longer to file paperwork. Commissioner Petrilla responded that she was not being callous. She stated that she could not predict how people are going to print things in the paper. She stated that it has been a painful month. Mr. Reilly replied that the Board of Commissioners didn't understand the operation of a Row Office. He stated that no one ever visited his office and discussed with him how his office runs. He stated that when there is court there are twelve judges. He stated that his office only has six clerks. Mr. Reilly stated that as an elected official they have a duty to make sure their office is staffed properly to do the job they were elected to do. Mr. Reilly ended by stating it was troublesome that every time the county runs into a problem they try to solve the problem with the men and women in this building. He stated that is always easier to lay them off. He stated that he felt it was wrong and that they needed to work together to come up with a plan.

Norm Sommers questioned if there were any legal ramifications to the county for borrowing from the pension fund in order to make up the budget deficit. Commissioner Petrilla responded that many people have offered to loan the county money to get through the end of the year. She stated that the problem was they would not have the funds next year to pay the money back. That's what the county has been doing and that's what we are trying to avoid. We need to get through the rest of this year, then next year we need to promise the taxpayers that we will have a balanced budget and next October we won't be in this situation. Commissioner Petrilla stated we can't borrow from the agencies or banks if we don't have the means to pay it back. Mr. Sommers stated that his question was whether it was legally acceptable to borrow from the pension fund. Commissioner Petrilla responded that those funds belonged to the pensioners and retirees, so we can't treat it like it is ours. While we may be able to do it, it would be a long drawn out process, and how would we pay it back.

Commissioner Skrepenak stated one of the reasons we are at this point is the ARC payment. Commissioner Skrepenak stated for years up to 2003 an ARC payment did not have to be made.

He stated as a county we need to pay the ARC to keep the pension whole. Commissioner Skrepenak commented to Mr. Griffith that because the fund did lose so much money, maybe not next year but the year after that there is going to be a big number to make the pension fund whole. So how can you budget for that? It's almost impossible. There are things that come up in the daily course of county government that throw budgets out of whack. In addition, the state right now is \$118 million dollars off of their projected revenue costs. Is anyone going to go on record today and state that Governor Rendell and his staff misappropriated revenues because this the reality we deal with. Commissioner Skrepenak stated that a lot of things have been done to save this county money.

Mr. Sommers questioned who owned the reassessment data base. Tony Alu confirmed that the county owns the data base.

Mr. Sommers questioned the total assessment value of Luzerne County. Mr. Alu responded that he could not give an amount at this point.

Ed Chesnovitch stated that there were shortfalls in the budget that should not have been there. Mr. Chesnovitch questioned why the budget was not reopened in January. He went on to question the 911 expected revenues and \$6.3 million in projected land sales. Commissioner Petrilla responded revenues come in twelve months of the year. In July the county realized the revenue was not there. Mr. Chesnovitch responded that these figures should never have been listed in the budget. Commissioner Petrilla responded when Mr. Pribula came on board he pointed these things out and we took action. Mr. Chesnovitch questioned Commissioner Skrepenak and Urban as to whether revenues were listed for 911 and debt restructuring that should not have been there. Commissioner Skrepenak responded yes, there was debt restructuring. He stated that the debt restructuring would have been realized but it was never pursued. In addition we had an appraisal done for land sales by Alan Rosen listing 7.1 acres for 95,000/acre, 69.5 acres for \$100,000/acre, and 25 acres for 200,000/acre. Commissioner Skrepenak stated that the county pursued Valley Crest however there were issues that arose and then the use for Valley Crest changed. He stated in the bond there was \$50,000 put aside to study Valley Crest to turn it over to a Human Services Office Building. Commissioner Skrepenak questioned how you can sell a building when mid stream the use of that building is being changed. So realistically according to an appraisal we were within our means to make that happen, unfortunately it did not materialize. Commissioner Skrepenak stated the economy has a lot to do with this particular issue, specifically when the real estate market is down 30%.

Commissioner Urban stated that he disagreed with the land because the land sales were put into last years budget for with 2007. He stated that he commented when it was put into the 2007 budget that he didn't believe with the market condition that it would materialize. He stated in the beginning of the year an RFP was put out and Bob Mericle was hired. He stated that this wasn't done last year; it was done early this year. Commissioner Urban stated that this was a big area of revenue stream that he believed for the last two years would not materialize and shouldn't have been in the budget.

Commissioner Skrepenak stated that Commissioner Urban could have opened up the budget in the beginning of the year. Commissioner Skrepenak asked what Commissioner Urban's excuse was. He stated in December you thought the revenues were not going to materialize, you could have easily opened the budget, but then you would have had to take ownership of that budget and then you couldn't blame anyone.

Ed Chesnovitch stated that something had to be cut and we have to live within our budget.

Commissioner Petrilla commented that she knew people were here today because they were concerned about a layoff. She stated that she would not hide behind any Row Officer, supervisor, or union steward; she would speak to any department and explain how the county got to this point. She stated that it was an unfortunate time for everyone and she hoped that everyone understood how we got here and that they were doing everything they can to help the employees that would be part of the layoff by letting them keep their medical benefits in tact so they don't have the burden of going into a COBRA plan for sixty or ninety days.

Doug Pape commented that they had met with Row Officers and Department Heads to discuss staff cuts. He stated that they were estimating that the county needed to shave about \$500,000 off

of the remaining payrolls each week. We have been going through the numbers to make the cuts proportionately as possible in regard to the departments. The earliest we can announce a layoff would be Monday at a public meeting.

Commissioner Skrepenak questioned if in the plan the county has exhausted all opportunities from other agencies. He questioned if it was specifically base on when the county runs out of cash and how much money you will need for the rest of the year. Commissioner Skrepenak asked if it also included borrowings.

Budget Director, Tom Pribula responded that borrowing was a possibility should it be needed at the end of the year, however the problem was they were asking department heads to cut their budgets in 2009. If we take loans from the agencies that have to be paid back in January they will need to cut their 2009 budgets even more and they are currently stating that it is impossible to cut them now. Mr. Pribula stated if the county patches through 2008 and does not make any reductions, 2009 will be even more painful. He stated that was a decision the commissioners can make. He stated that there was a possibility the county can get through, part of that would be the restructuring that is going to be discussed today. He stated that they didn't want to do the restructuring until next year, however because our unfunded debt was 1/3 of what we requested that will save us some money in November and December.

Commissioner Skrepenak stated that he understood however the county is offering an early buyout plan that 120 people took. He stated that would save the county a substantial amount of money next year if these positions are not filled.

Tom Pribula stated that it was a good start but it was a fraction of what needed to be done. He stated that there were additional payments that would be incurred such as buying back employees vacation/sick time and deferring the ARC payment to 2009. He stated if the county received what they needed for the unfunded debt and the restructuring was done next year that would have been the ideal situation. Unfortunately that did not happen.

Commissioner Skrepenak stated here is my major concern. Is anyone here going to hold themselves liable if something drastic like someone loosing their life if we cannot provide the service that is expected of us? If someone doesn't answer a 911 call or someone in the prison is under manned and we put either a guard or prisoner at stake. The bottom line to me is exposing this county from a liable standpoint and then having to live with the guilt of not doing everything possible to not put people in jeopardy.

Tom Pribula responded that was the reason they were working with each department. If it's the prison or 911 they need to right size their department to get the job done and not put the county at risk. He stated that we need to make sure that we fund and staff the ultra critical needs that expose the taxpayers and the county to that kind of issue and to look at reducing the areas that have minimal impact. Mr. Pribula stated that he came from a corporate background, and you need the Indians to fight the war and you don't need as many chiefs. Mr. Pribula stated that ultimately it was the commissioner's decision.

Doug Pape stated that the worse case scenario for 2008 would begin Monday and run through mid January until the county receives money from the TAN.

Commissioner Skrepenak questioned Attorney Blaum if it was legal to continue to give an employee benefits and would they be able to collect unemployment. Mr. Blaum responded that it was legal.

Doug Pape commented that talk of managers working without pay was not a possibility. He stated that managers that work will be paid and the others will be laid off.

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COMMUNICATIONS – DOUGLAS A. PAPE, COUNTY MANAGER/CHIEF CLERK

Discuss: Debt Restructuring and any other business that comes before the Board

MOTION

UNFUNDED DEBT ORDINANCE:

REQUEST A MOTION APPROVING AN ORDINANCE OF THE COUNTY OF LUZERNE, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE ONE OR MORE SERIES OF GENERAL OBLIGATION BONDS OR NOTES OF THE COUNTY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FIVE MILLION THREE HUNDRED THOUSAND DOLLARS (\$5,300,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT, TO PROVIDE FUNDS FOR A CERTAIN PROJECT OF THE COUNTY CONSISTING OF (1) FUNDING UNFUNDED DEBT OF THE COUNTY; AND (2) PAYING THE COSTS AND EXPENSES OF ISSUANCE OF THE BONDS; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE COUNTY TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE BONDS ALL AS MORE FULLY SET FORTH IN THE COMPLETE TEXT OF THE ORDINANCE

Commissioner Skrepenak questioned Mr. Pribula as to what this money would be used for? Mr. Pribula responded for salaries/benefits and to fill in the gap. Commissioner Skrepenak stated that he had some questions for Mr. Pribula on the budget according to his testimony in court. Commissioner Skrepenak questioned if the county had a financial advisor when he came on board. Mr. Pribula responded yes. Commissioner Skrepenak asked if that person was Mike Judge and did Mr. Pribula have any conversations with him. Mr. Pribula responded yes. Commissioner Skrepenak questioned if at any time did Mr. Judge recommend not paying the ARC payments at the particular time you had paid them. Mr. Pribula responded no because he said by not paying them you risk having to pay interest. Commissioner Skrepenak interrupted Mr. Pribula and stated that he was sorry he meant to say the TAN payments. Mr. Pribula stated that at one point he did recommend to defer to the last minute however he thought when you looked at it from a historic perspective and what happened last year we would have gotten through the year but where would we get the money to pay the TAN back? Mr. Pribula stated that the county saved \$360,000 in interest. Commissioner Skrepenak stated that you saved \$360,000 in interest but isn't there a line item in the budget for interest? Mr. Pribula responded that there was a TAN interest line item. Commissioner Skrepenak questioned if he remembered the amount and did we attain that goal. Mr. Pribula responded 840. Commissioner Skrepenak questioned if we offset the savings on what you paid interest compared to what we had in revenue. Mr. Pribula responded that he didn't understand what Commissioner Skrepenak was asking him. Commissioner Skrepenak replied with the savings that we had and paying the TAN off early and the revenue we had projected from interest from that TAN, didn't it offset each other in our budget. Mr. Pribula responded because the interest rates were at historic lows we were earning less on interest earned than we were paying on interest out. Commissioner Skrepenak questioned if Mr. Judge talked to him about the refinancing/restructuring. Mr. Pribula responded that the refinancing was held up because of last year's bond issue. He stated that the restructuring should have been addressed early on in the year to have the biggest impact on the budget; however to the best of his knowledge and from his conversations with Mr. Judge, restructuring saved an expense so therefore the expenditures should have been reduced by \$8.6 million, they should not have been put in revenue for \$8.6 million. Correct me if I'm wrong but I think it was misplaced as to where it was, and Mike seemed to concur with that. Commissioner Skrepenak stated if you reduced the budget by \$8.6 million in expenses, isn't that like getting \$8.6 in revenue? It's going to deduct the revenue loss. Mr. Pribula responded that he would say no, it would be a reduction in expenditures; you are not receiving that income. Commissioner Skrepenak stated the debt restructuring could have occurred in June, July, or August. Mr. Pribula responded that they looked at it when PFM was hired and it wasn't in the best interest because it did not maximize our savings. The unfunded debt seemed to be the better option. He stated they would do the restructuring next year which would save \$11 million dollars along with the 20% reduction in expenditures for 2009 would actually give the county a realistic budget and make 2010 a little challenging but it will not place us in the situation we are in this year. Commissioner Skrepenak stated that what he

was leaning at was the question to some of these revenue projections. Had it not been for circumstance, such as the bond closing late, debt restructuring could have occurred. Mr. Pribula responded in the perfect world that would be a possibility. Commissioner Skrepenak stated that in expenditures not budgeted there are several issues here he believed was suppose to be paid out of the ARC, but there is also one you have stated has not been budgeted to 2008, ARC funding which was \$2.3 million. Mr. Pribula responded correct. Commissioner Skrepenak stated in our 2008 final budget under transfers there is a total transfer listed for \$2.2 million. Commissioner Skrepenak questioned what that was for. Mr. Pribula responded that he had no clue because there were no work papers left detailing this information in his office. Commissioner Skrepenak questioned if that could have been for the ARC payment. Mr. Pribula responded that he did not know. He stated that he had it as a savings because the ARC payment for 2007 was already paid. Commissioner Skrepenak stated that the money could have existed for that purpose. He stated if you lock down a budget and you have that money in one particular area so you don't have to draw it from each department, is that correct? Mr. Pribula questioned for the ARC? Commissioner Skrepenak replied yes, if you are locking down the budget you have one account that is dedicated to this particular issue. Mr. Pribula replied that he believed it was budgeted in December \$2,296,000 and some change. He stated that it was factored into the savings and it was factored into, essentially if that is the case it would have netted out because we paid it in mid year and if it was budgeted that shifts the dollars but it still impacts the expenditures the same way. Commissioner Skrepenak questioned if Mr. Pribula was familiar with the documentation for the 2007 ARC and the 2006/2007 LCCC debt service. Mr. Pribula stated as to prior documentation the only thing he had was from Mr. Gasper at the college showing repeated requests for prior year interest payments. Commissioner Skrepenak asked Mr. Koscelansky to provide comment on the project cost comparison from where we closed our bond from 2008 to 2007. He stated things changed but it does list an ARC payment for 2007 as \$2.8 million in those particular projections. Commissioner Skrepenak questioned if that could be true? Mr. Koscelansky replied that a piece of the financing was to fund one of those payments. Commissioner Skrepenak questioned if that could have been considered part of the budget. Mr. Koscelansky replied that the numbers for the financing was part of 2007. He stated that the money was intended to be used for 2007. Commissioner Skrepenak stated that his point was just because it's not in the General Fund budget doesn't mean it wasn't budgeted.

It was moved by Commissioner Urban, seconded by Commissioner Petrilla
“AYES” PETRILLA, URBAN “NAY” SKREPENAK

MOTION

DEBT REFUNDING ORDINANCE:

REQUEST A MOTION APPROVING AN ORDINANCE OF THE COUNTY OF LUZERNE, PENNSYLVANIA, SETTING FORTH ITS INTENT TO ISSUE ONE OR MORE SERIES OF FEDERALLY TAXABLE AND/OR TAX EXEMPT GENERAL OBLIGATION BONDS OR NOTES OF THE COUNTY IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED FOUR MILLION DOLLARS (\$4,000,000) PURSUANT TO THE ACT OF THE GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA, KNOWN AS THE LOCAL GOVERNMENT UNIT DEBT ACT, TO PROVIDE FUNDS FOR A CERTAIN PROJECT OF THE COUNTY CONSISTING OF FINANCING, REFINANCING AND/OR REIMBURSING ALL OR ANY OF THE FOLLOWING: (1) CURRENTLY REFUNDING A PORTION OF THE COUNTY'S OUTSTANDING GENERAL OBLIGATION BONDS, SERIES C OF 2003; (2) CURRENTLY REFUNDING A PORTION OF THE COUNTY'S OUTSTANDING GENERAL OBLIGATION BONDS, SERIES A OF 2005; (3) CURRENTLY REFUNDING A PORTION OF THE COUNTY'S OUTSTANDING FEDERALLY TAXABLE GENERAL OBLIGATION NOTES, SERIES C OF 2006; (4) FUNDING, IF APPLICABLE, A DEBT SERVICE RESERVE FUND FOR THE BONDS; AND (5) FUNDING CONTINGENCIES AND PAYING THE COSTS AND EXPENSES OF ISSUANCE OF THE BONDS; AUTHORIZING AND DIRECTING SPECIFIED OFFICERS OF THE COUNTY TO DO, TO TAKE AND TO PERFORM CERTAIN SPECIFIED, REQUIRED, NECESSARY OR APPROPRIATE ACTS TO EFFECT THE ISSUANCE OF THE BONDS ALL AS MORE FULLY SET FORTH IN THE COMPLETE TEXT OF THE ORDINANCE

It was moved by Commissioner Urban, seconded by Commissioner Petrilla
“AYES” PETRILLA, URBAN “NAY” SKREPENAK

MOTION TO ADJOURN

It was moved by Commissioner Skrepenak, seconded by Commissioner Urban
“AYES” PETRILLA, SKREPENAK, URBAN

Respectively submitted,

A handwritten signature in black ink that reads "Jennifer Thomas". The signature is written in a cursive, flowing style.

Jennifer Thomas, Recording Secretary