

Debt Speech – Mayor Matt Shorraw, March 9, 2021

I have been hearing some rumors and incorrect or misleading information, on the street about the city's finances, and I want to clarify some things, in order to make the public aware of where things actually stand.

First, I want to say, that because of a lot of hard work by our City Administrator, City Clerk, Councilman Coles, Councilman Gregor, Controller Nicksich, Treasurer Saksun, and city staff, we are entering our second year without a Tax Anticipation Note Loan. Last year, we were not able to receive one due to numerous factors that the bank felt were major concerns. This year, we do not need one. It is tax season once again (as of March 1st), and we have made it through the entire year with out a TAN. In that time we have also paid down past debts left by Mr. Orzechowski, when he was Deputy Mayor, in 2019; and additionally, we have paid all current 2020 and 2021 invoices.

The City's short-term debt (most of which was left over from mismanagement in 2019) has been paid down from \$656,000 to \$319,000 – a decrease in debt of 51.3%.

There is remaining debt from 2019 consisting of: Police Pension, Healthcare, and Refuse Authority. The plan is to pay this debt off by year-end.

Previously, we did not have a certified Code Officer. Now, since starting in July of 2020, the new Code Enforcement Officer Todd Carter has been working hard to enforce City laws that have not been enforced in several years – this includes going after individuals, organizations, and companies who have avoided paying permit fees for various things, from street openings, to building permits, and other inspections and fees. He has also issued hundreds of citations on properties that are not up to code. In 2020, the code office has brought in over \$165,000 in revenue. So far in 2021, the office has brought in: \$27,000. Annualized, that amount could end up being \$162,000 by the end of 2021.

Also as side note, the City Administrator, City Clerk, City Consultant and City Engineer are continuously looking for grant opportunities for the city, in order to make our funds go even farther. I, myself, am currently working with Transportation Officials in Washington DC in order to get additional funding for road paving. If we manage to get \$6M, we will be able to pave 32 of the city's worst roads. There are 165 roads in the city.

Next, I'd like to move onto the City's long-term debt. In 2010 and 2012, the City took out two bonds - one for \$4.8M in 2010, and one for \$2.4M in 2012. The exact total of these bonds was \$7.2M. These bonds were used to leverage other monies acquired by the City from the state's RACP program, as well as funding from CDBG and DCNR. The funds were used to rehabilitate the 50+-year-old Monessen Public Library, build a new public safety building, and rehabilitate the 80 year old City Park

Amphitheater, as part of a City-Wide parks improvement plan. While there was and is some controversy, these projects were done for the benefit of the public and its quality of life, and to attract new residents to Monessen. Historically, it's not the first time the City took out bonds. This also was done to build the Monessen Public Library, and to build the City's parking garage in the 1960's.

In 2017, the process began to refinance the bonds taken out in 2010 and 2012. This process continued into the beginning of my tenure. Unfortunately, I didn't know much about what was going on at that time, and I relied on what other councilmembers at the time, told me. The process continued on through 2018, until it was completed.

What I know now is this: The City took the two bonds from 2010 and 2012, totaling \$7.2M and refinanced them at a 2.9% interest rate. In doing this, the following costs were incurred for undertaking the refinancing:

Farmers National Bank Commitment fee: \$5,000
Cozen O'Connor (filing fees and expenses): \$22,781.94
Dodaro, Matta, and Cambest (former Solicitor): \$22,500
Boenning & Scattergood (placement agent): \$74,000
BNY Mellon (redemption fee): \$1,000
Causey Demgen and Moore, PC: \$2,500
Dinsmore and Shohl LLP – Special Counsel \$10,000
Matthew Mangino, Bank Counsel \$5,000
These expenses totaled \$142,781.94 for refinancing the bonds.

Many may assume, as I also did that the bonds were simply refinanced; however, that doesn't appear to be the case. The municipal bonds were refinanced into loans. Loans are not as safe as bonds in terms of long-term investment and debt. Government bonds typically have a lower interest rate, and loans could take longer to pay back.

In addition to the \$147,781.94 cost in fees to refinancing the bonds to a loan, the city also put \$100,000 of collateral into a Debt Service Reserve Fund; and paid for the Note Insurer: Assured Guaranty Municipal Corp. a total of \$107,486.82. This brings the total expenses from the refinancing to \$350,268.76.

From 2010 to the time of refinancing in 2018, the City paid down the principal amounts of the 2010 and 2012 bonds by a total of approximately \$550,708.74.

If you factor in the abovementioned refinancing expenses of \$350,268.76, as well as the remaining cost of the 2010 and 2012 bonds of \$6,871,491.26, you get \$7,221,760.02. The City at the time, then added \$200,439.99 to the total cost of the refinancing, making the grand total of the newly refinanced bonds, which were turned into loans, \$7,422,200.01. The city was on the path to paying that long-term

debt prior to refinancing; but then, City officials actually put us farther into debt upon refinancing, while they claimed they were saving the City money.

Furthermore, that \$200,439.99 in additional funds that I mentioned didn't even go to the City, when it was spent. On March 1, 2018, the loan funds, from the bond refinance were deposited into the City's account. That money went to following: The demolition of 512-514, 535, and 550 Donner Avenue at a total cost of \$184,803.60. (\$160,000 to Ritenour Construction, and \$24,803.60 to WEC INC the City Engineer.) Engineering fees of \$11,752.20 were paid for the emergency demolition of 279 Schoonmaker, which as also not owned by the City. While those buildings were in need of demolition, they were not the City's property or responsibility to demolish. The properties are not owned by the City, they are owned by the Monessen Redevelopment Authority, a separate legal entity of the City, who is responsible for finding the funding and resources to redevelop or sell their properties and maintain the ones they still own. It is not the City's responsibility to pay for properties that we don't own. Of note, in order to protect the City and its investment in the demolitions of properties that are not ours, and at the recommendation of the current Solicitor, we have placed liens on 512-514 Donner, 535 Donner, and 550 Donner. The total City money used for the demolitions was: \$196,555.80 - leaving the City with \$3,884.18 left of its own money.

In summary, City Officials in 2017 and 2018 took the City's Bonds, which were being paid off slowly but surely, claimed to want to save the City money by refinancing them, refinanced on the original amount of the bonds taken in 2010 and 2012 (not factoring what was already paid off), and turned the bonds into loans, putting the City an additional \$900,977.35 in debt, with nothing to show for it, but empty lots that we don't own, and that we will never, in the near future, recoup that money from.

We will of course continue to pay off this debt. The city has a Debt Service Fund tax levy each year, where tax revenue totalling about \$500,000 goes towards the payment of the debt. So, while we have reduced the short-term debt, and are on track to pay it off, we still have this long-term debt. So, those who are saying we are \$7M in debt are partially right - that is our long term debt - but ask yourselves, who benefitted from putting farther into debt, while claiming to be saving us money.