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Recommendation: 'Fixing the basics' begins with the state says Vonderheid

By: Dave Gardner

America's cities should start at the beginning and fix the basics, according to the Brookings Institution. "This is a big issue for both existing and prospective residents as well as urban visitors," says Vey. "It involves crime and safe streets, schools that are transformed for middle class acceptance, and creation of a cost climate favorable for business. In many cities, the urban tax structure is in a quandary and must be modified. Government regulations and services should be streamlined, and cities should create marketable sites for development along with an improved infrastructure."

The Brookings report states that cities must contend with complex forces to accomplish a basic fix. In most cases, there are no simplistic answers.

One of the most oppressing problems involves conversion of urban economies from manufacturing to services. Creation of a knowledge-based workforce is one of the keys to success in this matter, and the subsequent attraction of new businesses.

A continuing shift is also occurring in regard to ethnic diversity, with immigration now an urban reality. Brookings says that the American population increased by 33 million from 1990 to 2000, with immigration responsible for almost 35 percent of this growth.

"Immigration is not going to go away," says Vey. "If managed well, it can be an asset."

A positive Brookings statistic indicates that American urban crime is down. While some crime has increased since 2000, from 1990 to 2000 urban homicide dropped 45 percent, with violent crime down 36 percent and property crime declining 31 percent.

The City of Scranton has not had a homicide since 2005. Mayor Chris Doherty credits this success to proactive law enforcement, resident cooperation and innovative programs.

The Brookings report also mentions demographic changes resulting from the ongoing flight of prosperous urban citizens to the suburbs. This migration, along with racial and ethnic segregation, has concentrated urban poverty while creating a negative impact on schools, public safety, market investments and governmental fiscal health.

Brookings says government can unintentionally be responsible for weak markets. This can include negative policies for housing, homeowners and transportation, along with outmoded zoning, poor investment and mounting municipal debt.

Leadership can also be an obstacle. Vey says organizing leadership in cities can be tough, especially in regard to business leadership.

"Back-office firms are now the norm for urban business and, because of this, many local companies have lost the power to make investments," says Vey. "Another problem is parochial interests that can bring a lack of cohesiveness, with no unification."

Luzerne County Commissioner Todd Vonderheid envisions the "fix the basics" recommendation from Brookings as a statewide issue, and not just a city-by-city proposal.

"While the report is aimed at older cities, the fact is that regions with weak cities suffer as weak regions," he explains.

According to Vonderheid, a basic problem exists concerning the collection of adequate revenues versus the delivery of basic government services. Modern tax revenues often don't match population increases, or increasing public need.

This problem is not exclusive to Northeastern Pennsylvania (NEPA). Vonderheid says some other cities

in Pennsylvania are in worse financial shape than those here.

"The answer is a more fluid form of government," says Vonderheid. "We must unchain government from the rules the state has placed on us. We must have the ability to use different taxes, and not have a reliance on the property tax."

Vonderheid says Pennsylvania needs enabling legislation to allow municipal governments and counties to deliver different and better services, along with the collection of different types of revenues. This initiative should include a broad municipal effort, versus local applications of police, fire protection and other services.

"All of us in Pennsylvania can't continue with the current governance and tax system if we are to provide basic services," says Vonderheid. "Brookings and others have proven that we can't outgrow our structural problems in Pennsylvania. I believe there's a real will in Harrisburg to reform taxation and services"

Larry Newman, vice president of executive and community development with the Greater Wilkes-Barre Chamber of Business and Industry, explains that governance reform is vital to fix the basics. This must include inter-municipal cooperation.

"People should not think that because they live in one of the affluent NEPA suburbs, they are immune to the problems in the closest city," says Newman. "We're all in this together, and weak markets are not just a problem for the cities."

Newman says that progress is being made. He states that, as a region, NEPA's mayors, commissioners, chambers of commerce and economic development organizations are communicating more than ever before.

Chris Haran executive director with the Great Valley Technology Alliance, views taxation as a relative thing.

"In NEPA, taxes are lower than in many other states," says Haran. "It's all relative. Yes taxes can be a factor in determining where a company does business, but desirable companies locate where talented employees are available. This is the No. 1 factor."

Haran believes the overall situation with NEPA's public schools could be improved, and that there are too many small school districts in the state. He says there is also a need to reduce the number of municipalities, because Pennsylvania's system now features too many "small box" governments.

"This works to the detriment of development," says Haran. "The state is also not making enough investment in NEPA's infrastructure, such as roads and highways."

When he took office, Wilkes-Barre Mayor Thomas Leighton was aware that his city's infrastructure needed a massive upgrade and repair. This included shabby streets, dim streetlights and more than 300 damaged water-catch basins.

"Yes, the first year was very difficult," says Leighton. "People expect everything to be done right away. My first day in office, the city had \$10.4 million in unpaid bills, but only \$35,000 in the checking account. It technically was a bankrupt and distressed city. We had to fix the financial condition through a variety of sources."

Leighton says some streets had not been paved in 30 years. While the publicity fell on downtown revitalization, less glamorous projects, such as the catch basins and streets, also needed attention.

"We're making progress," says Leighton. "This year we will pave nine miles of streets."

At the root of many city problems is inadequate tax revenues, according to Leighton. Cities must provide safety, fire and sanitation, and this is true both for residents and for people who work in the downtown areas but don't pay property taxes.

To help alleviate this inequity and the shortage of taxes for downtown services, Leighton lobbied in Harrisburg for an emergency services tax.

"Our downtown emergency medical teams, police and fire protection in Wilkes-Barre are excellent," says Leighton. "But, the residents are paying for this, and it's not right. We need more funding to continue the city's renaissance, and it should come from those who are receiving these services, such as the non-residents who work in the downtown."

The establishment of effective labor relations with the city's 1,300 employees was another "fix the basics" issue for Leighton. He says he met with four unions when he became mayor, and offered an independent audit of the city's books.

"None took us up on the offer, because they didn't want to see the bad news," says Leighton. "Since then we have had very good negotiations. Labor knows they have good jobs here, and have agreed to a co-payment for their health care."

In the ongoing drive to fix the basics, money is always the deep concern, according to Hazleton Mayor Louis Barletta.

"The bottom line with fixing the basics of government services, as with most things, is having the money to pay for it on a sustainable basis," he explains.

Barletta says the City of Hazleton is pursuing two strategies to accomplish this goal. Already in place is an emergency municipal services tax (EMST) of \$52 for every individual who is working within the City of Hazleton, as long as they are earning above \$12,000 per year. This replaces the \$10 per person occupational privilege tax. Proceeds from this tax are limited to basic municipal services, including police, fire and street repairs.

Since enacting the EMST last year, Hazleton has added hundreds of thousands of dollars to its budget and has chosen to spend the funds on increasing the police force.

"One time or periodic state, federal and other grants are wonderful, and we continue to pursue them, but a municipality must create a sustainable, renewable resource to pay for these types of expenses," adds Barletta.