



Allentown
City without limits.

To: Ray O'Connell, President, and Members of City Council

From: Ed Pawlowski, Mayor

Date: November 2, 2015

Subject: **2016 City of Allentown Proposed Budget and Program of Services**

In accordance with the provisions of the Home Rule Charter adopted by the voters of the City of Allentown on April 23, 1996, I, Ed Pawlowski, acting in my capacity as Mayor, herewith present to City Council and the residents of the City of Allentown a proposed Budget and Program of Services for fiscal year 2016.

Highlights

- **No Property Tax Increase**
- **Property Tax held steady for the 11th consecutive year**
- **City Per Capita Tax eliminated**
- Housing Coordinator Position Created in Bureau of Planning
- Deployment of additional police surveillance cameras in city neighborhoods
- The planning of a Regional Shared Services 9-1-1 Telephone system with the City of Bethlehem, the County of Lehigh and the County of Northampton

Budget Overview

The resurgence of the City of Allentown that began in earnest in 2013 continued in 2015!

Over the past ten months the city has seen the opening of the Renaissance Allentown Hotel, Three City Center, Four City Center and The Trifecta Building. Thirteen restaurants and new retail establishments have arrived. A 900 space parking deck at Sixth & Walnut streets and the American Parkway Bridge will open soon. Ground has been broken for Butz Phase III and work has started on development along the waterfront.

In 2015 the city received several major awards for these efforts, including: the Willard G. Rouse III Award for Excellence from the Urban Land Institute, the

LVEDC Urban Project of the Year and the Lehigh Valley Planning Commission Award for Excellence in Community Planning. Additionally, Allentown EMS received the 2015 Mission Lifeline Silver Award from the American Heart Association for STEMI / cardiac care.

There are several new initiatives the city implemented in 2015.

- Full implementation of cameras in APD vehicles and grant awarded for Body Worn Cameras for APD officers
- Conversion of the Fountain Park Pool house into a warming station for the homeless administered by Lehigh County Conference of Churches
- Expansion of District 3 Street Cleaning services
- Increased city's capacity to address snow emergencies and improve winter street cleaning operations
- Completion of the Downtown Allentown Development and Urban Design Plan
- Coordinated implementation of the Upside Allentown Plan to improve the neighborhood surrounding the central business district
- Launch of a hospitality training program to prepare Allentown residents to work in the hospitality industry
- Further environmental remediation of the former Allentown Metal Works Site by securing \$400,000 of additional grant funding
- Completion of a new five-year plan for the use of U.S. Department of Housing and Urban Development funding
- Formed the My Brother's Keeper coalition which has evolved into a regional effort to target at risk-youth, focusing on youth of color

The city will continue these programs during the 2016 fiscal year while adding a housing coordinator position in the Bureau of Planning to coordinate a citywide housing strategy and oversee the blighted property process, deploying additional police surveillance cameras in city neighborhoods, upgrading Mack South Fire Station and planning a Regional Shared Services 9-1-1 Telephone system with the City of Bethlehem, the County of Lehigh and the County of Northampton.

Allentown enters 2016 with its most stable expenditure outlook in several years. In 2015 the city avoided costly and uncertain arbitration by signing a successor contract between IAFF Local 302 and the city that is beneficial to both parties

and city taxpayers. The contract will save the city an additional \$1.8 million of overtime costs because of the sunset clause in the expiring contract and will stabilize the Allentown Fire Department for the future. The support to municipal pension systems provided by the 2013 lease of the city's water and sewer systems has been accompanied by budgetary austerity with stable property tax rates. This administration has maximized efficiencies from taxpayer dollars to provide and in some cases expand effective public services at the lowest reasonable cost.

The city's financial outlook was again bolstered by the ratings agencies. Moody's gave the city's 2015 General Obligation Bonds an A3 rating and termed the city's outlook stable. Just two years ago the city's outlook was negative.

The 2016 budget holds the property tax rate steady for the 11th consecutive year.

Additionally, the city will discontinue collection of the \$5.00 city resident, or per capita tax, the administration of which is unduly burdensome for the minimal revenue that the tax generates.

The expected growth in real estate values via the rapid expansion of the Neighborhood Improvement Zone is beginning to occur, and the accompanying growth in new businesses in Allentown is keeping other tax and fee collections robust. However, the faster rate of increase in employee health insurance and other benefit costs is depleting the General Fund reserve significantly, and supplemental revenues are needed to balance the 2016 Proposed Budget.

The proposed 2016 Budget and Program of Services will see a continuation of the austere spending and employment practices that this administration has pursued in the past. The proposed budget increases the residential earned income tax collected by the city from 0.83 percent to 1.15 percent, which will provide \$5.5 million in additional revenue annually. The increase will cost a \$50,000 wage earner \$160 annually or approximately \$3 per week or 43 cents per day. To maintain fiscal stability for the upcoming year, the city will lend \$4.5 million from the Solid Waste Fund cash reserves to the General Fund, with reimbursement to the Solid Waste Fund occurring incrementally, thus balancing out its cash positions without affecting the General Fund cash reserves.

The Business Privilege Tax, the \$52 Local Services Tax, the Refuse Collection Fee and all other taxes and fees are assessed at their 2015 rate, including the Act 205 Earned Income Tax rate for non-residents at 0.28%. This administration is hopeful that we will be able to phase out this tax as the many positive initiatives that have occurred within Allentown begin to provide alternative and additional revenue sources to fund the services our residents, taxpayers and business owners so well deserve.

Conclusion

The Proposed 2016 Budget and Program of Services continues the austere and prudent management of the services we must provide to our great city. It meets the needs of the city in a cost effective manner. Our future is bright. We must continue on the path of converting challenges into opportunities.

Based on this, I firmly believe that in 2016, Allentown will continue on its journey to become an even greater city where people want to live, work, play and invest.

The members of my staff and I look forward to working together with you to make this happen.