

**CITY OF ALLENTOWN
2012 BUDGET
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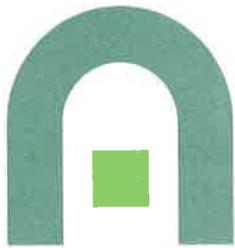
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Allentown
City without limits.

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To: Peter Schweyer, President and Members of City Council

From: Ed Pawlowski, Mayor

Date: November 2, 2011

Subject: **2012 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 the fiscal year 2012.

Budget Overview

The approved city budget for 2011 utilized a modest portion of the general fund balance. As we have over the past six years, this administration – working with City Council and the City Controller - pursued initiatives to reduce spending in all areas of city government. We continued our relentless pursuit of ways to replace lost revenue, including the sale of property on the city's rolls that no longer served its purpose. We continued our efforts to cut expenses throughout all city departments, do more with less and utilize taxpayer money wisely. As a result of this hard work on the part of city employees, the city anticipates finishing 2011 with expenditures \$1.2 million under budget and (excluding any unforeseen reductions in revenues) an ending cash balance of \$991,871.

The proposed 2012 Budget and Program of Services will see a continuation of the austere spending and employment practices we have pursued these past three years. It maintains essential city services while reducing costs where appropriate. As a result of successful labor negotiations with our Police Department and SEIU bargaining units in 2010, the city will experience minimal salary growth in 2012. The proposed budget also continues to ask city employees to share in meeting the ever-increasing costs of healthcare insurance coverage.

The budget calls for \$84,942,296 million in spending and revenues of \$85,479,964 million. This results in a positive budget variance of \$537,666 and does not require the City of Allentown to utilize the reserve fund balance.

The city's current financial status has been and will continue to be impacted by overall global economic conditions. If and when these conditions improve, our economic atmosphere should get better as well. Yet it is anticipated that 2012 will continue to be a year of great fiscal challenges for Allentown. The financial circumstances of many of our residents (24% as of the last census at or below the poverty level) make it impossible for me to propose a property tax increase this year. Hence, for the eighth straight year, the 2012 proposed budget holds the composite property tax rate at a total of 17.53 mills. The Business Privilege Tax also remains stable, as does the Earned Income Tax, and the \$52 Local Services Tax.

However, due to increased costs of materials and supplies, it is essential that the city slightly raise some of its user fees. The 2012 budget proposes a 5% increase in water and sewer service fees for our customers or \$23 annually (.06 cents per day) for the average single family home. Even with the increase, the Allentown rate will remain below many of our neighboring municipalities.

MUNICIPALITY	WATER	SEWER	TOTAL
Easton	\$318	\$770	\$1088
Coopersburg	\$328	\$614	\$942
Northampton	\$359	\$287	\$646
Salisbury	\$336	\$210	\$546
Whitehall Twp.	\$359	\$179	\$538
Coplay	\$359	\$179	\$538
South Whitehall	\$329	\$200	\$529
Upper Macungie	\$184	\$340	\$524
Bethlehem	\$318	\$206	\$524
Allentown	\$290	\$174	\$487
Whitehall Twp.	\$296	\$189	\$475
Lower Macungie	\$184	\$241	\$425
Emmaus	\$182	\$214	\$396

To help those most impacted by this difficult economy, the administration is also proposing to increase the senior citizen water/sewer rebate program income limit from \$15,000 to \$30,000. This would allow seniors with incomes between \$13,000 and \$30,000 to be eligible for a 10% rebate and assist those on fixed incomes to mitigate the increased cost of services.

We are also raising our solid waste disposal fee by \$35 per year. This rate has not been increased in four years, but due to the rise in fuel, electric and other associated costs, it is necessary to raise this rate slightly to cover these increased expenses. In doing our homework and calculating this increase, it was interesting to note the services our residents receive for their solid waste dollars compared to other municipalities with higher costs. For example, Allentown residents receive twice weekly garbage pick-up, weekly curbside recycling, animal control, graffiti abatement, street sweeping and administration and

management of the SWEEP program. The increase should stabilize the solid waste disposal fee with no increases through 2015 and continue to provide residents with quality services for a minor increase of .09 cents per day.

In 2012 the city is also continuing to invest in and improve its infrastructure and capital assets. The budget incorporates the recent approval of a \$4MM million GO bond to address critical infrastructure issues throughout the city. These projects are as follows:

Reconstruction of East Side Fire Station	\$1, 850,000
Replacement of Union Street Bridge	\$ 335,200
Replacement of South Albert Street Bridge	\$ 315,000
Misc. Bridge Repairs	\$ 150,000
Traffic Signal Upgrade and Modernization	\$ 175,000
Roof Replacement on City Buildings	\$ 75,000
Police Radio Upgrades and Encryption	\$ 450,000
Residential Street reconstruction/ Improvements	\$ 649,800
	<u>\$ 4,000,000</u>

These funds will also be matched by other state and federal dollars totaling more than \$6 million dollars bringing the city's total capital infrastructure investment to \$10 million in budget year 2012.

Finally, the 2012 budget also enhances payments into the city's risk management fund by increasing the amount of cost per employee from a contributing city department from 7% to 9% and adds an additional \$300,000 to the risk fund from the city's general fund budget.

Future Challenges

As the difficult economy continues to negatively impact cities across the commonwealth and country, there is a far more threatening financial storm, much closer to home, on the horizon for Allentown residents.

The unfunded liability of the city's Fire and Police pension plans is forcing the city's mandatory contribution to these plans to rise substantially. In 2006, this contribution was just more than \$6MM. In 2012, that figure will be doubled to

\$12MM and in 2015, it soars to \$20MM (which equates to 25% of the city's General Fund expenses) and continues to grow exponentially from there and continuing into the foreseeable future.

Throughout 2012, this administration will dedicate all the energy and effort it can muster to develop a solution to this problem. We have to!! The consequences of not doing so will be devastating – both to our residents and to the beneficiaries of these plans who are relying upon them to provide for their financial security once they leave the work force. This is an obligation of the City of Allentown and we intend to do everything we can to meet that obligation while still maintaining the financial health of the city.

This is a daunting challenge. If you will recall, I started out 2011 by saying in my state of the city speech: "It is not the ferocity of the storm, but the strength of the people that determines destinies." We will be guided by these words of wisdom as we deal with this most important of issues.

We Are Growing and Changing

Allentown recorded a 10.7% growth rate between 2000 and 2010, representing an increase of 11,400 persons and bringing the total population to 118,032. This solidified the city's position as the third largest city in Pennsylvania as reported in the 2010 Census and the fastest growing city in the state. Also of note, the Census reported the city's Hispanic community grew by 93.6 % and now makes up 42.7% of the city's population, compared to 24.4% in 2000 and 12% in 1990.

This tremendous growth is a testimony to the superior job the men and women of the city's workforce are providing to the citizens of Allentown; consistent quality services, with reduced resources to a larger resident population.

Economic Development Signals Renewed Confidence

2012 will begin the major dramatic economic rebound of Downtown Allentown promised by the passage of the Neighborhood Improvement Zone (NIZ) state legislation, uniquely targeted for Allentown. The NIZ offers a significantly beneficial special tax structure for new development within its boundaries. Spearheaded by the administration and with the cooperation and support of City Council, the Allentown Entertainment District ("the AED") was created. The AED will be anchored by a multi-purpose Arena that will include:

- 8,500 seats and home location for the American Hockey League ("AHL") Phantoms (farm team of the NHL's Philadelphia Flyers);
- 10,000 seats for concerts; and,

- A proposed flexible design which will allow for 365-day use to accommodate trade shows, concerts and other such family entertainment occasions as the circus, ice shows, and community events.

An indication of the potential success of this project is indicated by the caliber of the key participants in its development team. They include:

- Comcast/Spectacor;
- Hammes Group and,
- The Brooks Group

The city's economic development efforts will create an estimated 1,500 plus new jobs that will immediately benefit Allentown. This development will further enhance Allentown's desirability as a major regional community destination as well as to serve as a catalyst for thousands of additional jobs and economic development within the city – some of which will be brought to fruition as early as June of 2012. Lehigh Gas has announced they will be locating their corporate headquarters here in downtown Allentown bringing 70 jobs with them, with an anticipated addition of another 70 to 80 jobs. The permanent benefit of all this to Allentown will stretch well into our future.

This amazing project will join other recently established commercial investments in our downtown which include:

- Alfred Benesch Company, an engineering firm with 20 plus employees;
- Cosmopolitan Restaurant, a \$6 MM fine dining restaurant project located in the heart of Downtown Allentown, directly across from Symphony Hall;
- Sangria Restaurant, a \$1.5 MM an excellent casual dining and entertainment establishment based on the ground level of the Butz Corporate Center. Besides having a stylish dining room, Sangria also allows for very pleasant outdoor café dining and socializing; and,
- 809 Hamilton, a \$1.2 M project consisting of new market-rate residential units in a Keystone Opportunity Zone (KOZ) site.

Public Safety Remains Top Priority

The safety, security, health and wellbeing of all of our residents will continue to be a major priority of the city administration in 2012. Violent crime in the city is down close to 30% since 2006.

For the second consecutive year our Police Administration was awarded a U.S. Department of Justice grant that will allow us to hire ten additional police officers. This will increase the number of officers on our streets from the historic low of 167 in 2006 (due to early retirement) to 216 by the end of 2012.

In 2012 we continue to enhance the organizational structure of Allentown's Emergency Services (EMS) operation by fully implementing the plan started in 2011 increasing EMT's by eight and supervisors by four and adding one additional ambulance to our fleet. This change will improve services to our residents, increase revenues and reduce ambulance assist calls by the fire department by more than 70%. To better track this new approach we have broken out EMS from the general fund and into its own enterprise fund to monitor both expenses and revenue associated with this service.

Our Fire Department continues to be one of the best in the state and the region. Our brave firefighters handled the tragic gas explosion this past February with tremendous skill and expertise. Many of these valued employees will be retiring soon. As such, the leadership of the department has plans in place to ensure a smooth and effective transition.

Finally, with council's approval, the city will soon begin building a new Eastside Fire Station which will be a modern facility to provide quality fire protection services to the residents of Allentown's East Side neighborhoods.

Conclusion

The proposed 2012 Budget and Program of Services continues the austere and prudent management of the services we seek to provide our great city. It will in fact meet the needs of the city and will do so within reasonable financial parameters. This is a challenge shared by many of our municipal colleagues in the Commonwealth of Pennsylvania and the nation. However, I believe we have a far better future in front of us by virtue of our extraordinary downtown redevelopment plans combined with our firm resolve to remedy the financial difficulties created by our police and fire pension situation.

I strongly believe that in 2012 Allentown will continue its journey to become an even greater city where people desire to live, work, play and invest.

City of Allentown

2012 Organizational Chart

