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To: Julio Guridy, President and Members of City Council

From: Ed Pawlowski, Mayor

Date: November 3, 2014

Subject: **2015 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 2015.

Budget Overview

The 2015 Proposed Budget continues to build upon both the extraordinary success our great City is realizing as a result of the tremendous investment and job development projects coming to fruition in the Neighborhood Improvement Zone (NIZ) and, renewed financial strength resulting from our working together to resolve the City's unfunded pension liability crisis.

These phenomenal achievements have garnered Allentown international acclaim and recognition as a city that has taken full control of its destiny. Late last year these two projects - each in their own right - were recognized as the "Northeast Deal of the Year" by *The Bond Buyer*, the nation's daily newspaper of public finance. Never before in the history of this prestigious award has any governmental jurisdiction had the distinction of having two of its projects chosen for this consideration in the same year.

Downtown Allentown has become our region's vibrant center of entertainment, sports, and social activity. In the less than two months since it has opened, our arena has hosted such national headliners as "The Eagles," Tom Petty; WWE; and Professional Bull Riding. Who would have imagined that Neil Diamond would launch his world-wide tour here in Allentown - now with two "Sold Out" shows? We have truly captured "lightning in a bottle."

The financial community has recognized this rebirth as well. Both Moody's Investors Service and Standard & Poor's have improved their comments on the City's outlook going forward. We still have challenges in front of us, but in their eyes, clearly we are on the right road.

As we have over the past nine years, this administration has worked tirelessly with City Council and the City Controller to vigorously pursue initiatives to reduce spending in all areas of city government. We continued our relentless efforts to:

- Cut expenses throughout all city departments;
- Do more with less; and,
- Utilize taxpayer money wisely;
- Find new and/or increase sources of revenue.

The proposed 2015 Budget and Program of Services will see a continuation of the austere spending and employment practices that this Administration has pursued in the past. We will always maintain essential city services while striving to reduce costs wherever possible.

The 2015 budget effectively holds the composite property tax rate at 8.42 mills for a tenth consecutive year. A county wide reassessment became effective in 2013. The composite property tax rate was 17.53 mills in 2012.

The proposed 2015 budget reduces the Act 205 Earned Income Tax rate for non-residents from 0.33% to 0.28%.

It is a critically important goal of this Administration to continuously review the potential for further reductions of this tax. We are hopeful that we will be able to continue to phase out this tax as the many positive initiatives that have occurred within our great city over the past two years begin to provide alternative and additional revenue sources to fund the services our residents, taxpayers and business owners so well deserve.

The Business Privilege Tax remains stable, as does the \$52 Local Services Tax. The Refuse Collection Fee remains flat.

Conclusion

The Proposed 2015 Budget and Program of Services continues the austere and prudent management of the services we must provide to our great City. It will in fact meet the needs of the City in a cost effective manner. This is a tough challenge but one I know that working together, we can meet. I truly believe we have a far better future on our horizon by virtue of the extraordinary progress we have made over the past 24 months.

Based on this, I firmly believe that in 2015, Allentown will take huge steps forward on its journey to become an even greater city where people desire to live, work, play and invest.

I look forward to working together with you to make this happen.