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

From: Ed Pawlowski, Mayor

Date: November 2, 2016

Subject: **2017 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 2017.

Highlights

- **No Property Tax Increase**
- **Property Tax held steady for the 12th consecutive year**
- **The Business Privilege Tax remains stable, as does the \$52 Local Services Tax. The Refuse Collection Fee remains flat.**
- **The 2017 Proposed Budget puts the city on solid fiscal footing for years to come and ensures that no tax increases will be needed for multiple years as outlined in the attached five year plan.**

Accomplishments

The 2017 Proposed Budget continues to build upon 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). The resurgence of the city that began in earnest in 2013 continued through 2016 and will remain well into 2017.

Over the past ten months the city has seen:

The release of its annual APD crime report that shows that crime has been cut in half over the last ten years. Uniform Crime Report Part I Offenses in 2015 fell 16% from

2014 and Part II Offenses were down more than 12%. Part I Offenses have declined from 7176 in 2006 to 3743 in 2015, or 48%.

The U.S. Department of Justice Office of Community Oriented Policing Services (COPS Office) awarded the city of Allentown a nearly \$35,000 grant under the 2016 Community Policing Development (CPD) program. The funds will be used to develop a national model with Bradbury-Sullivan LGBT Community Center in Allentown to train police officers on building trust with the LGBT community.

We negotiated a new three year contract with the police union. The police department is at nearly full strength for the first time in over a decade.

Thanks to the efforts of the police department, Project Lifesaver tracking technology for the search and rescue of children with autism and other cognitive disorders was made available to dozens of children.

Allentown EMS was the recipient of the American Heart Association's Mission: Lifeline® EMS Gold Award for treatment and care of patients suffering severe heart attacks.

The Allentown Health Bureau and its "Million Clicks for a Million Hearts Campaign" was one of 50 members of the HealthyCommunity50 in the Healthiest Cities & Counties Challenge to receive a \$10,000 community seed award. By participating in the Challenge, Allentown is in the running to receive a prize of as much as \$500,000 that will support the campaign!

New, state-of-the-art outdoor fitness equipment was installed at Jordan Park. Mack Pool was rehabbed and Cedar Beach Pool is being reconstructed. A retaining wall in Lehigh Parkway was rebuilt and repaired as part of a more than \$535,000 project.

The U.S. Department of Housing & Urban Development Lead Based Paint Hazard Control Grant Program awarded the city a nearly \$1.4 million grant. Headed by the city's Department of Community & Economic Development through the Bureau of Building Standards & Safety and the Bureau of Health, the program will establish a 3-year self-forgiving loan program for financially eligible affected households. At an average cost of \$15,000, including relocation, the city intends to clear 45 units of lead hazards in three years.

The city was awarded a \$300,000 Environmental Stewardship and Watershed Protection Grant from the Pennsylvania Department of Environmental Protection (DEP) to manage stormwater in the West End and improve water quality within the Jordan Creek.

The Recycling Bureau established a Yard Waste Hotline.

Allentown Fire Department K-9 Judge was named the top Arson Dog in the country by the American Humane Association.

Adventure Allentown was honored with a 2016 APEX Award for Publication Excellence in the Magazine, Journal & Tabloid Design Layout category and we have been recognized as a

Playful City USA community for the eighth consecutive year!

Autumn Express brought the first passenger train through the Lehigh Valley in several decades.

Budget Overview

As we have over the past eleven years, this administration has worked tirelessly 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 increased sources of revenue.
- Continually come in under budgeted projections (2015 CAFR showed that our actual operating expenses continually come in under budget)

The proposed 2017 Budget and Program of Services will see a continuation of the austere spending and employment practices that this administration has pursued in the past.

Department directors and bureau managers have provided effective public services well below the inflation rate for the last several years and will maintain essential city services while striving to reduce costs wherever possible.

The support to municipal pension systems provided by the 2013 lease of the city's water and sewer systems has enabled a more predictable and controllable trend in annual municipal pension obligations. The overall employee count has fallen gradually as well, to a level that is both fiscally accountable and necessary for effective service delivery.

In addition, the city's financial outlook continues to be 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 three years ago the city's outlook was negative. This has allowed us to refinance municipal debt at lower rates.

The 2017 budget effectively holds the property tax rate steady for the 12th consecutive year at 5.81 mills.

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

The 2017 budget maintains 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.

The city will also begin its repayment from the General Fund of the 2016 Solid Waste Fund loan in accordance with adopted ordinances.

The proposed budget also repeals the city's longstanding exemption for non-Medicaid residents from paying the cost of non-medically necessary ambulance trips. This repeal will both raise revenue and reduce the number of non-emergency cases to which paramedics respond.

While 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; the continued reduction of state funding, the single worst snowstorm on record and a faster rate of increase in employee health insurance and other benefit costs is depleting the city's General Fund reserves. Supplemental revenues are needed to balance the 2017 Proposed Budget and maintain proper fund balances into the future.

To address this issue, the earned income tax collected by the city will be increased from 1.15 percent to 1.50 percent, which will provide \$6.2 million in additional revenue annually. The increase will cost a \$50,000 wage earner \$175 annually or approximately \$3 per week or 47 cents per day. This will help maintain fiscal stability in the coming years, thus balancing out the city's cash positions without affecting the General Fund cash reserves.

The 2017 budget will ensure a solid fiscal footing for the city for years to come and ensure that no tax increases will be needed for multiple years as outlined in the attached five year plan.

Conclusion

The Proposed 2017 Budget and Program of Services continues the prudent management of municipal services and meets the needs of our city in a cost effective manner.

Our future is bright, but we must continue on the path of shoring-up our fiscal footing if we are going to continue converting challenges into opportunities.

I firmly believe that in 2017, with this proposed budget, 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.