



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

From: Ed Pawlowski, Mayor

Date: November 2, 2017

Subject: **2018 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 2018.

BUDGET HIGHLIGHTS

- **No Property Tax Increase**
- **Property Tax held steady for the 13th consecutive year**
- **The Business Privilege Tax remains stable, as does the \$52 Local Services Tax. The Refuse Collection Fee remains flat.**
- **2018 General Fund baseline revenue will increase 4 percent from 2017 projections**
- **Additional building inspection fees anticipated via comprehensive compliance focus**

Accomplishments

The 2018 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). The resurgence of the City that began in earnest in 2013 continued through 2017 and will remain well into 2018.

This new development will continue to provide fiscal stability for the City of Allentown as downtown redevelopment continues briskly and the Lehigh Valley's regional logistics operations grow rapidly.

Over the past ten months the city:

- Began the process of developing a 311 resident request center
- Received a National Livability Award from the US Conference of Mayors
- Nominated and secured council approval of a new fire chief
- Secured over \$100,000 in grants to assist the city in health related issues
- Implemented a new security camera program for city retailers.
- Hired and swore in new police officers
- Nominated and secured council approval of a new police chief
- Launched a new city crime reporting app
- Implemented a body camera program for city police officers
- Oversaw the creation of a new nuisance establishment law targeting disruptive businesses establishments
- Secured \$300,000 in grants for pedestrian safety improvements
- Secured over \$550,000 for the clean up of the former Allentown Metal Works site
- Relocated the city's recycling and solid waste office to the Bridgeworks building
- Allocated more than \$2.4 million for neighborhood revitalization in coordination with the Upside Allentown program
- Unveiled a new housing de-conversion program
- Created a landlord training program
- Created a new cultural community center at Alliance Hall
- Developed a city Office of Immigration
- Secured an \$85,000 grant for the development of the city's former incinerator site into a new Central Park
- Completed the resurfacing of Tilghman Street, Union Blvd. and Hamilton Street totaling more than \$7 million in repairs
- Restructured the operations of the city's homeless warming center.
- Collaborated with the county to end veterans homelessness
- Completely refurbished and reconstructed Stevens Park
- Secured designation as a Playful City USA for the eight consecutive year.
- Negotiated fire collective bargaining contract
- Helped to develop a new affordable senior housing building next to Sacred Heart Hospital
- Three new buildings broke ground in the city's downtown totaling more than \$103 million in new development.
- 650 jobs were relocated back into the city core
- The City's Neighborhood Development Zone was recognized as one of the top 25 projects of its kind in the world

- The city made the US News and World Report list of best places to live for the third time
- Allentown for the first time earned a maximum 100 point score in the 2017 Municipality Equality Index (MEI) from the Human Rights Campaign Foundation.

Budget Overview

As we have over the past 12 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 increase sources of revenue.
- Continually come in under budgeted projections (2016 CAFR showed that our actual operating expenses continually come in under budget)

The proposed 2018 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.

Accordingly, the proposed 2018 operating budget for the City of Allentown is balanced on the basis of conservative revenue estimates and careful prioritization of necessary expenditures.

As 2017 ends, aggregate City revenues remain consistent with these future projections; in fact, revenues from existing sources in 2018 will increase 4 percent above the totals projected in the 2017 budget.

Initiatives to improve tax compliance and ensure comprehensive building inspection and permitting also will boost recurring revenue during the fiscal year.

The result is that the 2018 budget effectively holds the property tax rate steady for the 13th consecutive year.

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

The proposed budget provides for all collectively bargained pay increases and a 3.5 percent salary increase for all other personnel.

A new short-term equipment financing is included to ensure sufficient fleet replacement and a new generation of the City's first responder communication system.

Pension contributions are increased to meet the more conservative investment return projections. Funds from the 2013 water and sewer system concession lease assigned for repayment of pension obligation bonds will support the City's 2018 additional pension obligation in support of its active and retired employees.

Non-personnel expenses remain nominally flat in comparison to the 2017 budget.

The proposed budget anticipates an \$8.5 million unrestricted cash balance in the City's General Fund with which to begin 2018, and the pension reserve utilization mentioned above has no effect on this fund availability.

New Initiatives and Programs

The 2018 proposed budget includes the following new initiatives:

- Several new positions designed to assist in increasing fiscal accountability and improving tax compliance.
- Two new fire engine pumpers, a new ambulance, new MDT's and 12 new patrol cars and a prisoner transport van to enhance the city's public safety fleet.
- New security cameras for the community.
- Two new combination building inspectors, an additional pre-sales inspector and an additional zoning officer will ensure comprehensive building inspection and permitting throughout the city.

The city also needs to upgrade radio communications equipment, IT infrastructure, its rolling stock and continue much needed infrastructure improvements. The administration has developed a multi-year plan to accomplish that task.

As we have done in the past, I am proposing that the city take out a short term loan to fund those necessary items in the police department, for some of our I-T related projects and for some vehicles with an estimated 10 year life. These projects exceed the limitations of the annual operational budget, but are necessary improvements that will enhance the services we offer to our residents, better the delivery of those services and protect the investments in our infrastructure that were the wise decisions of our leaders dating back more than 50 years.

Finally, as other cities across the commonwealth and country have done, the city will implement a storm water management fee to address the effects of federal environmental mandates and ongoing erosion to public works facilities.

The new stormwater management fee of \$20 per 500 square feet of impervious surface will provide specifically dedicated revenue for stormwater infrastructure improvements for years to come and will shift more than \$3 million in recurring expenditures out of the city's General Fund.

These new initiatives will assure a solid fiscal footing for the city and improve the safety of our communities for years to come.

Conclusion

The Proposed 2018 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 2018, 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.