

**CITY OF ALLENTOWN  
2008 BUDGET  
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To: President David M. Howells Sr. and Members of City Council  
From: Ed Pawlowski, Mayor  
Date: December 28, 2007  
Subject: **2008 City of Allentown Final Budget and Program of Services**

In accordance with the provisions of the Home Rule Charter, 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 2008. As required by ordinance, I verify the 2006 loan fund account is on deposit and not impacted by this budget.

### **Budget Overview**

During fiscal year 2006, thanks to the legislative support of City Council and the hard work of the City of Allentown's department directors, bureau managers, and employees, the City was able to achieve a very positive fiscal year 2006 financial result and begin fiscal year 2007 with a much more stable financial position and an accurate portrayal of its financial situation. The 2006 approval of the Emergency Services Tax, the authorization of the lease/sublease, and favorable revenue and expense variances were key contributors to the financial success in 2006.

The approved City budget for 2007 was balanced with an expected positive operating general fund variance of only \$287 thousand. The City's operating results, however, are expected to be favorable by about \$2.2 million. This will allow the City to pre-fund capital and equipment for 2008. The City is forecasted to end Fiscal Year 2007 with a general fund balance of \$10.294 million instead of the initially projected \$6.109 million. This additional fund balance principally results from the debt restructuring.



In 2007, the City did a debt restructuring to level out future debt service payments. The City faced significant increases in debt service payments in fiscal years 2009 through 2014. The restructuring levels the payments and allows the City to avoid significant cuts in services or real estate tax increases.

The proposed 2008 Budget and Program of Services calls for \$75.799 million in spending and revenues of \$76.333 million, with a projected year-end balance of \$10.828million on Dec. 31, 2008.

In short, the turnaround in the City of Allentown's fiscal status is due to the efforts of the Administration to restrict spending and diversify the city's revenue base, a new-found spirit of cooperation and information-sharing between the Administration and City Council, and the cultivation of increased public and private partnerships, most notably with the Commonwealth of Pennsylvania, the Greater Lehigh Valley Chamber of Commerce and its Downtown Business Council, surrounding municipalities (through the Lehigh County Council of Governments), the Lehigh Valley Economic Development Corporation, and the County of Lehigh.

### **Progress Reflects Hard Work, Cooperation**

The road to financial stability has begun. Major milestones include: two years of balanced budgets with actual favorable results, the restoration of appropriate balances in the general and risk funds, and a leveling of the future debt service requirement.

The proposed budget for 2008 is balanced. However, the road to financial stability will require diligence and innovative planning in managing costs in each budget. Jointly, the Administration and City Council will have to make hard decisions to sustain the recent financial progress and meet the needs of the City.

It was an encouraging sign of the progress we've made when Standard & Poor's and Moody's both published improved outlooks for the City's ratings. "The stable outlook reflects management's actions towards returning the city to structurally sound budgeting practices and positive financial operations, including, but not limited to, the elimination of the accumulated deficit general fund balance," said Standard & Poor's credit analyst Jesse Brady. "The renegotiation of a 2005 police and fire arbitration agreement and the debt restructuring provide management with significant budget relief during this budget recovery phase," he concluded. It is our goal to be diligent and disciplined, which will continue the progress we have made and hopefully result in a future debt rating upgrade.

### **Economic Development Signals Renewed Confidence**

More than \$380 million in on-going development is underway or planned across the City of Allentown. It signals a renewed confidence in the direction of the City from property and business owners and economic development experts who recognize the Administration's on-going efforts to stabilize and improve the City's fiscal base.

That \$380 million includes but is not limited to completion and occupation of the Butz Corporate Center, the completion and occupation of the Allentown Centre Square Apartments; the completion and occupation of the Farr Lofts; the \$85 million



redevelopment of the former Hanover Acres public housing site and the completion of the Coca-Cola Park minor league baseball stadium. In addition, the completion and occupation of several smaller business and residential properties throughout the downtown business district and across the City of Allentown over the past 12 months will guarantee continued distribution of the property tax burden for the foreseeable future.

Numerous smaller commercial, industrial and residential development projects are currently underway throughout the city. The City of Allentown, through the Allentown Redevelopment Authority, took control of two long-standing vacant properties. The former Colonial Theater site is now under agreement with a developer, while a second developer is preparing detailed plans and arranging financing for a \$3 million project at the former Sal's Spaghetti House.

The newly completed Arts Park on Fifth Street and the proposed expansion of the Allentown Art Museum are further indications of renewed confidence in the city's ability to rebuild its inner core, attract new investment and provide for its long term growth and prosperity.

### **Public Safety Remains Top Priority**

Substantial progress in the areas of fiscal stability and economic development allowed the Administration to move its focus to another priority identified by my administration: Improving public safety and reducing the negative perception of the City of Allentown. The City has worked hard to reduce the crime rate throughout the first nine months of 2007, and renewed emphasis on eliminating gangs and drug-related crime is expected to produce equally impressive results in the final quarter.

Seeking additional means to reduce gangs and drug-related crime, the City of Allentown entered into a cooperative program with the Office of the United States Attorney, the cities of Bethlehem, Easton, Reading and Lancaster, and the counties of Lehigh, Northampton, Berks and Lancaster, to seek and receive a federal grant to finance the Route 222 Task Force. The task force better utilizes combined law enforcement resources in the battle to end the scourge of gangs in this region of Pennsylvania. This past summer city police made more than 200 arrests of suspected drug dealers and a state Attorney General's office probe shutdown a \$5 million cocaine trafficking ring.

With the arbitration litigation resolved, the City of Allentown was able to move ahead with the recruitment of new police officers. To date 47 new officers have been hired and trained. The 2007 budget included six new police officers. The proposed 2008 budget continues the rebuilding process by adding five more. The costs for the officers will be partially funded for three years through a \$750,000 state COPS grant awarded in September 2006 by the Commonwealth of Pennsylvania.

The City recently installed the first wave of video surveillance cameras at key downtown intersections. The cameras are another piece of the city's overall crime prevention strategy. In all, more than 80 cameras are planned across the city. The capital program includes \$500,000 for camera installation. The city continues to work with other strategic business partners on camera and equipment locations.



The City has also retained the services of Hanover Justice Group, LLC of Hanover, New Hampshire to conduct a major study of the Allentown Police Department.

Hanover Justice Group will observe current patrol activities and police operations. Among other things, they will inspect current crime statistics, examine existing police allocation practices, and review police service areas and beat structures. The consultants will also collaborate with the leadership of the community and the Allentown Police Department to develop a plan for community policing throughout the city and will assist with its implementation.

### **Recovery Underway, But Far From Finished**

Despite the pronounced progress in the City's fiscal state, contracted labor costs, increasing health benefits rates and energy expenses mean that 2009 and beyond will again be demanding years for the City of Allentown. These factors will force the City to continue its austere spending and employment practices, as witnessed in the proposed 2008 Budget and Program of Services.

This proposed budget holds the composite property tax rate at a total of 17.52 mills. The Business Privilege Tax also remains stable, as does the Earned Income Tax, and the \$52 Local Services Tax.

No change is proposed for water or sewer rates. The Solid Waste/Recycling Fee will, however, increase 50 cents per collection or \$52 per household. The boost is a negative result of a significant rise in trash removal costs, particularly fuel costs, under the Solid Waste/Recycling contract with Waste Management Inc.

### **Responding to Concerns of Residents, Property and Business Owners**

The proposed expenses plan included herein reflects the need to maintain strict spending limits for the foreseeable future, and new proposals will be developed in the upcoming year to increase budget savings and cost reductions. But it likewise reflects a need to seek new solutions to continued problems with a priority on Quality of Life issues that direct resources to areas and neighborhoods that present the most challenges, and a continued focus on public safety and economic development.

Responding to inquiries and concerns from residents, property and business owners, Community and Economic Development initiatives for the 2008 fiscal year include: reorganizing inspectors to better respond to quality of life issues and the addition of a new housing inspector for a proposed pre-inspection certificate of occupancy program (buyer notification program). It is expected that the fees for this new program will cover much of the salary and benefits costs for the new employee.

The Department will continue to work with the Operation Weed & Seed program to improve conditions in the urban core, and the Recreation Bureau will be developing programs aimed particularly at Center City youth.



In the past year, Public Works implemented new programs such as year-round street sweeping in Center City neighborhoods, a more ambitious and timely snow removal process, and the restructuring and relocation of information technology services.

The department is in the midst of an on-going program to streamline its workforce and realign its management team.

The Allentown Fire Department will continue to hire new fire fighters to bring the department to a contractually mandated complement. The return to full staffing levels in the department is expected to reduce overtime costs experienced in recent years. In addition, we have provided for more needed equipment, which includes a new ladder truck and a used ladder truck underscoring the commitment to increased public safety.

Our Human Resources Department will be implementing new employee training programs to ensure the continued deliverance of top-grade services to our constituents, will continue its ongoing efforts to streamline its operations, and will offer increased training to employees. Likewise, our Information Technology Department will continue to upgrade its processes and technologies, especially in the area of standardizing and modernizing the array of city PCs by way of its new contract with the Microsoft Corporation, which will ensure that the city receives up-to-date software and security protections.

Finally, a concerted effort is also being made to improve our quality of life, with increased funding to improve our parks and to rebuild our streets and water department infrastructure.

### **Conclusion**

The attached Budget and Program of Services respectfully submitted to City Council represents a significant improvement in the fiscal state of the City of Allentown through a concentrated effort by the Administration with the cooperation of City Council and numerous public and private entities. Working with careful and deliberate focus on the future, the Administration has implemented many new organizational changes created to guarantee continued financial improvement, provide new and quality services to constituents, and restore the long-standing pride of the City of Allentown.



# City of Allentown

## 2008 Organizational Chart

