

**OFFICE OF MAYOR SAL PANTO, JR.
2010 Budget Message**



Honorable Members of Easton City Council:

As required by Article V – Financial Management Section 5.02 City of Easton Home Rule Charter, I submit the Administration’s proposed budget for Year 2010. The budget focuses on continuing our enhanced law enforcement and citizen safety activities, provides for a stable financial position, expands the public’s understanding and involvement in our city government, supports City sustainability efforts, and provides for excellent customer service to Easton citizens.

When this Administration took office last year our foundation was based on an external goal of “Clean and Safe” and an internal goal of restoring the City’s financial health.

As we took office Easton was already in the State’s Early Intervention Program and the talk was about the looming threat of an Act 47 Commonwealth takeover of the city’s finances. Twenty one months later, although other municipalities across Pennsylvania are still plagued by Act 47 intervention, I am happy to report that for Easton, Act 47 has been taken off of the table --- for now.

The economic crisis that exploded on the scene last fall and the continuing budget crisis at the state level have trickled down to our city which has created a significant challenge to the development of a balanced budget this year. As of today, we still have no clue what the state budget means to the city. We do know that they will no longer reimburse us for police training at the academy nor will they reimburse us for 60% of their salary while they are at the academy. But as to the all important DCED programs like Weed and Seed, Elm Street, and Main Street we still do not know the status.

The gap between the City’s revenues and expenditures has grown significantly based on an unworkable structure. The costs of pensions, health care, labor and general operations keep rising, and revenues from taxes and fees can’t cover even the inflationary increases.

Our goal is to create and implement a healthier more responsible city government that will turn us around by implementing efficiency in every department and in every decision that is made. We are making the tough decisions, the same types of decisions being made in the private sector. These decisions will require change in the way we do things and change in the way we look at every task and program we implement.

It is my hope that we would be able to stay out of Act 47 forever, but as the Pennsylvania Economy League report on the Financial Health of 5 PA Cities indicates, the financial structure of local government in Pennsylvania is the cause, not the elected officials.

“The problem here is not the commitment or competence of the states thousands of dedicated local officials but the antiquated, overly complex governmental structures within which they work.

...the state should ultimately consider both incremental and more ambitious rearrangement of the very nature of the systems (structural reform).”

*Back to Prosperity – A Competitive Agenda for Renewing Pennsylvania,
Brookings Institution 2003*

The study goes on to define a *Structural Deficit* as the inability of a government’s annual revenue to keep up with the normal increases in program costs caused by inflation and population growth.

And we are not alone in this structural deficit.

“All levels of local government in all areas of the state are either in fiscal decline or moving towards it...”

Pennsylvania Economy League Study: “Structuring Healthy Communities” published 2003.

When cities cannot meet expenses, they must turn to supplementary revenues such as:

- Sale of city assets
- Refinancing of debt
- Pension Bonds
- Water and Sewer rate hikes
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Refinancing and sale of assets are one time fixes. We are providing the plan, commitment and leadership to create a long-term balanced budget. This budget recommendation has completely weaned the city’s General Fund of all one-shot fixes.

Our objectives for this budget were very similar to last year’s objectives:

- ✚ To submit a structurally balanced budget
- ✚ To continue our Clean and Safe pledge by funding our Police and Fire Departments at a level which will provide prompt responses to our resident’s public safety needs
- ✚ To fund a budget without a sharp decrease in the level of services and programs provided to our residents
- ✚ To continue to address the unfunded pension liability
- ✚ To continue to use one-shot, unpredictable funding sources to fund the Capital Budget
- ✚ To begin a process of slimming-down city government to concentrate on the core services our residents expect and deserve.

While revenue sources are significantly limited, there are built-in cost increases to operating city services. Personnel costs are the single biggest expenditure and many costs related to employees are rising well beyond the rate of inflation, particularly health care, drug costs, and unfunded pension liabilities.

Notwithstanding the declining revenue environment, the 2010 budget is balanced without increasing taxes and without dipping into the General Fund Reserves, of which our city has none. No increases in building permits, parking fees, sewer, or any types of fines are incorporated in the budget. We balanced the budget by making tough decisions and by living within the revenues anticipated.

The following represents a summary and the highlights of the 2010 City budget:

- ✚ Continued commitment to “Clean and Safe”
 - Hiring of three additional police officers bringing the total to 63 which represents 11 additional police officers in the last twenty-one months – an increase of more than 20%.
 - Continued commitment to code compliance with the hiring of a Deputy Code Enforcement Officer
 - Initiation of a City-Wide street sweeping program
- ✚ Reduction in legal risk – no lawsuits within the last two years. The only money needed in legal is to defend a few of the old lawsuits and the numerous labor grievances
- ✚ Continued increases in health care and prescription drug costs requires more cooperation from the labor unions. As of this date only non-union and the Fraternal Order of Police pay toward their healthcare.
- ✚ We are maintaining staff in all areas at this time except for the closure of the city’s auto body shop. That individual will be retained in another position with all applicable union bumping rights. The two firefighter positions that were left open several years ago will remain open again this year. Our original budget had these two positions filled.
- ✚ We have been successful in reducing police overtime by \$40,000 this year but we must also bring the fire overtime in line. The fire department had two firefighters serving in Iraq this year plus two vacancies.
- ✚ Our cable franchise agreements expired several years ago and we are re-negotiating them with increased fees expected next year.
- ✚ Unfunded pension liabilities continue to plague the city and next year’s bond payments are \$200,000 higher than this year. These bonds are one of the worst financial decisions made by the city. They are at a 7% rate and worse of all they are non-callable. The downturn in the stock market had hurt us twice as much because not only did we lose money in the market (\$13 million) but we were also paying on almost \$25 million in bonds at 7%.
- ✚ The state legislature has passed a law that will give us some relief on our Minimum Municipal Obligation (MMO) for 2010 but along with the electricity cap coming off in 2011, we can expect a huge increase in our MMO for 2011.
- ✚ We are also recommending the funding of Greater Easton Development Partnership (G.E.D.P.) and Main Street Initiatives at \$140,000 with the anticipation of \$30,000 from the Commonwealth. In addition, we will be

absorbing some of the overhead costs such as rent as they prepare to move into the commercial space in the parking garage.

In addition to being a “No Increase” budget, there are many positives occurring in the city. People generally are more complimentary about the cleanliness and safety of our city. For the second year in a row our crime rate is down. We had another quiet summer and our efforts to reduce illegal drugs and gangs doesn't let up. Just this past month we conducted 10 very successful raids.

Grants Received to Offset Costs to Local Taxpayers

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| DEP Recycling Grant | \$ 20,164 |
| Heil Pool Rehabilitation | \$ 600,000 |
| Bushkill Street Bridge | \$ 800,000 |
| Milton Street Playground | \$ 60,000 |
| Heil Playground | \$ 45,000 |
| Eddyside Playground | \$ 45,000 |
| Urban Forestry | \$ 16,500 |
| LHV Greenways | \$ 12,000 |
| TreeVitalize | \$ 20,000 |
| EPA Brownfield Cleanup | \$ 200,000 |
| LVEDC/EPA Assessment | \$ 40,000 |
| EPA/County Cleanup | \$ 200,000 |
| DCED CAT grant | \$ 75,000 |
| NC LEDA | \$ 11,000 |
| DCED Planning Grant | \$ 15,000 |
| Preserve America Grant | \$ 150,000 |
| Representative Freeman | \$ 35,000 |
| Main Street | \$ 75,000 |
| Main Street Façade | \$ 60,000 |
| NC General Purpose Authority | \$ 50,000 |
| KNBT Retail Study | \$ 10,000 |
| County Retail Study | \$ 15,000 |
| DCED Retail Study | \$ 25,000 |
| Lafayette College | \$ 7,500 |
| DCED Ambassadors | \$ 49,500 |
| Private Funding Ambassadors | \$ 230,000 |
| HOME Grant | \$ 90,000 |
| Neighborhood Stabilization Grant | \$ 500,000 |
| Bi-County NSP | \$ 500,000 |
| EDI Business and Housing | \$ 475,000 |
| LHCP Lead Hazard Control | \$ 140,000 |
| CDBG Stimulus | \$ 257,000 |
| DCED Elm Street | \$ 100,000 |
| Farmer's Market EFT Grant | \$ 27,000 |
| DRJTBC CAI Grant | \$2,700,000 |
| PennDOT Smart Traffic Grant | \$3,500,000 |
| PA Council on the Arts | \$ 5,668 |
| PA Historical and Museums | \$ 13,650 |
| DEP Illegal Dumping Grant | \$ 10,000 |

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| Bulletproof Vest Partnership | \$ | 18,525 |
| PaDOT DUI Grant | \$ | 40,000 |
| Buckle Up/Smooth Operator | \$ | 16,000 |
| Weed and Seed | \$ | 32,000 |
| Edward Byrnes Memorial JAG | \$ | 22,395 |
| JAG Recovery Act | \$ | 92,400 |
| USDOJ COPS Recovery Program | \$ | 669,768 |

TOTAL \$12,136,169.00

The economic trends will continue to create significant challenges which will require creativity and flexibility. The city will continue to examine its health care and retirement related benefits but we need the cooperation of the bargaining units. The city will need to slim down and deliver services more efficiently by doing more with less. The City will need to regularly evaluate its level of services to make sure that our limited resources are being spent on the services the community desires.

Each of our city stakeholders will need to participate in a recovery process, make concessions, and implement solutions because correcting the expenses-to-revenue imbalance will be impossible using current conventional budget fixes under existing operations. We have made significant changes but many more are needed and will be implemented over the next 12 months. We must, and will continue to focus on internal core operations and external core services.