



**2016 Budget Address
Salvatore J. Panto, Jr.
Mayor, City of Easton**

Our past eight years have been filled with challenges and opportunities and today Easton's momentum is unparalleled. It wasn't that way eight years ago. On the verge of Act 47 state take-over, together we developed a financial recovery plan that forced us to reduce costs, increase collections and make our city as efficient as possible using as much OPM (Other People's Money) as much as possible.. Like President Franklin Delano Roosevelt said "It is common sense to take a method and try it," he said. "If it fails, admit it frankly and try another. But above all, try something." We've tried a lot of new ideas and most worked. And when they didn't we recognized its flaws and made changes. Today Easton's momentum is unparalleled and we continue to be recognized regionally for all of the progress we've made in recent years, in spite of the tough budgets and economic times we've been through. That bleak chapter in our history is behind us and we have worked hard to position Easton for the future.

Let us keep in mind that we are still operating under the effects of the Great Recession, the worst economic catastrophe since the Great Depression. Economic forecasts are mixed but improving slowly. Certain indicators of an upswing in the economy are up significantly, while other areas, such as sustainable job creation, are down or stagnant. News about construction starts is encouraging. Most indicators are of a very slow economic recovery, but it should also be noted that circumstances could change because of factors such as natural disasters, terrorist attacks and war in the middle-east. The Bureau of Economic Analysis estimates the economy expanded at a rate of 2.3% in the second quarter, following a revised expansion of 0.6% in the first quarter. The second quarter saw good job growth and new and existing home sales were at their highest level since the Great Recession. Consumer confidence has also soared and both the US dollar and commodity prices stabilized. Continued concern however still exists due to the unstable market conditions in Greece, China and even Canada. A watchful eye will be kept on the economy and our budget during the year to ensure that revenues meet projections, and if not, to make sure that we make adjustments to ensure that we do not overspend the budget. Our record of a surplus every year since we've been in office is commendable but it needs to continue. It is our strong

record of financial management that has given us not only these surpluses but our dual increases in our bond rating. The improved rating has allowed us to borrow money cheaper, thereby not burdening future generations with more legacy costs. As I like to say, these higher bond ratings do not mean we are wealthy but it does mean that we know how to manage our money.

Our RatingsDirect report dated September 28, 2015 states that we have maintained our “A+ rating and stable outlook” for the Bonds to be issued yet this year. It further states that the City of Easton has “strong management, with good financial management policies and practices.” It goes on to further state that Easton has a “strong budgetary flexibility” and reports that we have strong liquidity based on our reserves. The main negative cited was the “weak economy” of our area. I have attached a copy for your review.

But a status quo approach is not sustainable. We need to continue our investment of finances and resources in economic development, community development and our infrastructure. More than anything, we must increase the earning capacity of our residents. We continue to be lowest in annual earnings per resident and have the highest unemployment rate in the valley.

Good local governance is about building public trust in our ability as corporate managers and community leaders and as such, it is incumbent upon this Council to make decisions that will enable Easton to reach its potential as the state's premier city and build upon our new tourist-based economy.

Tonight is a night about the future of our city as we continue to create a city that is diverse, thriving, safe, and a welcoming place to live, work and play. City governments across this country face a serious structural imbalance between slow-growing revenues and faster-growing expenses. We continue to meet the challenge of providing essential services and planning for the future, in spite of our challenges.

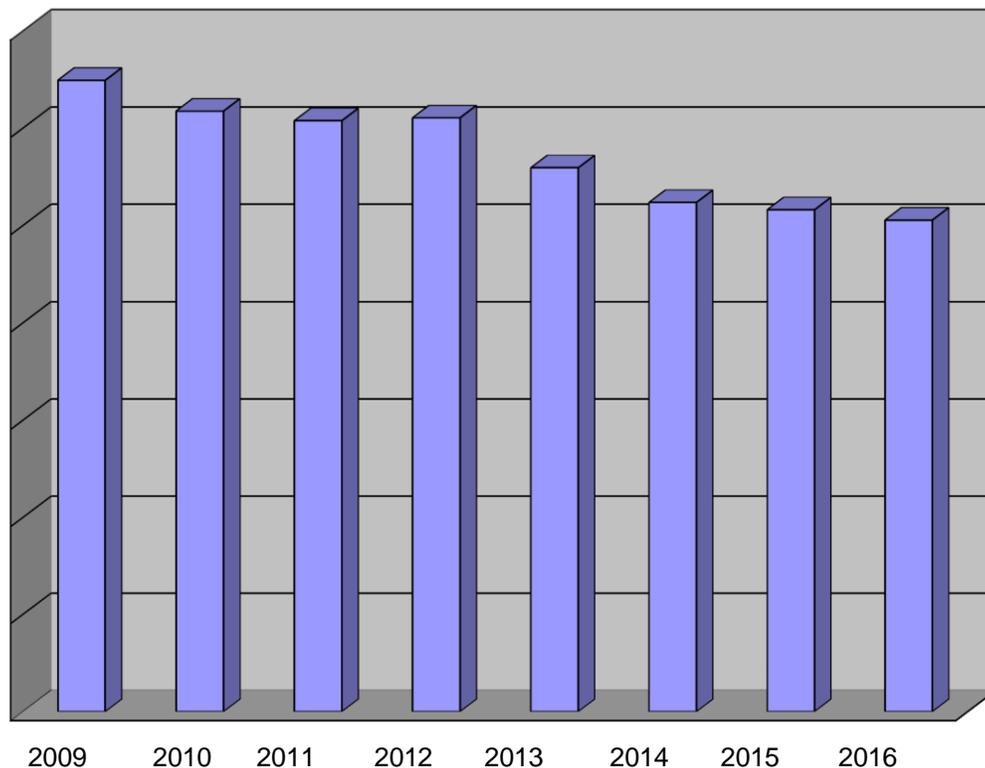
This proposed budget represents our Administration’s best efforts to meet the needs of our growing community in a timely and fiscally responsible manner. We are committed to investing in our future, maintaining core services and meeting our obligations to our employees.

This year’s budget reflects the continued effort to improve the financial accountability of city government and to meet the service demands of our citizens and the infrastructure needs of the community. It is a balanced budget utilizing all available sources of revenue. The proposed budget calls for no cuts in municipal services and no increase in real estate taxes for the eighth year in a row.

We must recognize that our City continues to grow and so do the demands to serve our citizens. Our Administration, with our continued evaluation of each department, continues to adjust staffing and positions in order to address emerging needs.

Easton is a city of neighborhoods, and they are the foundation of our future prosperity. The biggest challenge confronting our neighborhoods is the scourge of decades of disinvestment and the hundreds of vacant homes left behind. They are a detriment to our neighborhoods and our residents' housing values.

Real Estate Taxes as a Percent of Budget



Goals for 2016 Budget

- **Provide public safety and public services at the highest level.** Our residents expect, and deserve that we deliver a full-service city. This budget does not cut any municipal services and increases many.

- **Improve processes for citizens doing business with the city.** The new City Hall building that will open on the 25th of this month should help in the delivery of services when a resident or business owner visits our offices for information or services. Consolidated on two floors with just two lobbies directing people to the right department. The placement of the offices was carefully selected with the resident in mind. For example, when an individual comes in for a permit they just need to go across the lobby to pay for it and back across the lobby to pick it up rather than going between floors as they do today. Of course the best

service our residents can receive is by having a motivated cheerful employee that enjoys working for the city assisting residents and addressing their concern.

- **Continue support of community events and activities that our citizens enjoy and from which our businesses benefit.** We are extremely lucky that we have so many dedicated individuals that volunteer to plan and organize and raise the money for our highly successful events. Eventually we need to re-evaluate how these events are funded and staffed but this budget does not include any additional support but for Heritage Day and the Memorial Day parade. We will continue to support city events with police, fire and public works assistance.

- **Optimize department staffing and employee efficiency.** Governments must right-size all departments and we are no different. We are doing more with technology and utilizing employees in different ways. But we are a service delivery organization so it is only natural that our largest portion of the budget is an investment in our human capital.

- **Reward the dedication and hard work of our municipal employees.** With three bargaining units it is difficult to reward individuals who go above and beyond the median workload but the unions need to recognize that the paradigm is changing and the more an individual knows and the more they can do than the more valuable they are to the organization.

Address immediate, short-term, and long-term infrastructure needs by providing improvements to streets, drainage, bridges, sidewalks, water and sewerage, and traffic. We continue to make large investments in our infrastructure but we haven't even touched the tip of this massive iceberg. Projects next year include working with PADOT on the repaving and upgrade of Wood Avenue and improvements mainly to sidewalks, crosswalks and handicapped ramps in Centre Square all through state grants and or the turn back program. We also expect to continue our aggressive street milling and paving in the neighborhoods.

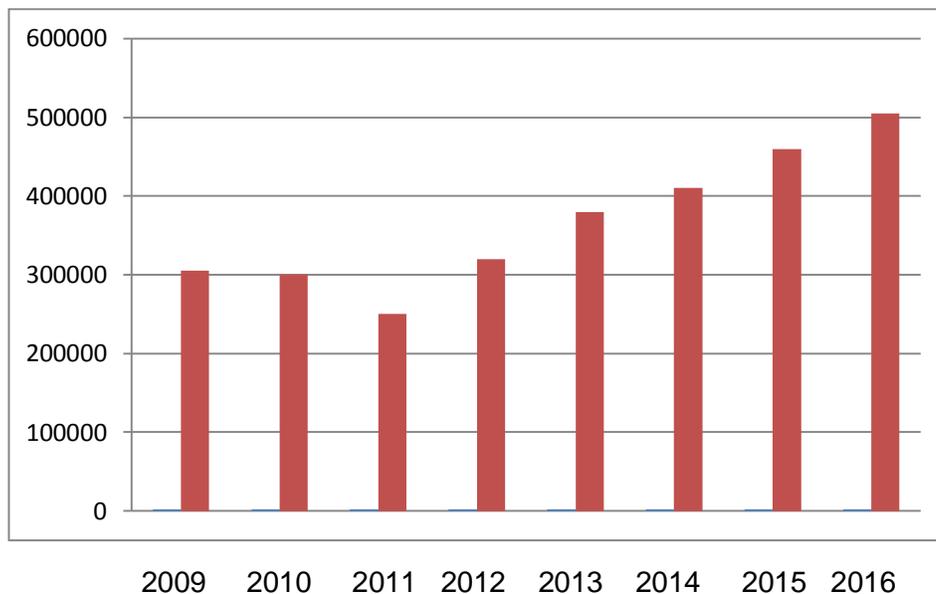
- **Leverage partnerships with the Federal Government, the Pennsylvania Department of Transportation and Development, Pennsylvania's Department of Community and Economic Development, Northampton County and other governmental entities to maximize funding and grant opportunities.** With state and federal dollars diminishing more time and effort must be made to get these scarce dollars into our city. Our biggest efforts next year will be the RCAP grants needed to help subsidize the new police station; the proposed parking garage on North Fourth Street; the upgrade and paving of

Wood Avenue; continued lobbying efforts for the thirteenth street corrido and interchange; additional police street cameras; and other grant opportunities as they arise. We are particularly proud of our success in being awarded more than \$70 million in grants during the last eight years.

REVENUE BUDGET

I will now highlight for you the key points about the revenue side of the budget for 2016.

We continue to increase our economy with more visitors coming to our city making as we brand ourselves as a destination city. With the increase in visitors, particularly to our attractions we estimate that the **admissions tax** revenue next year will increase from \$460,000 this year to \$505,000 next year.



The **Earned Income Tax** for residents and non-residents rates will stay the same but it is estimated to increase 2% due to increase in wages and an increase in sewer revenues of \$160,000 due to additional residential units coming online as well as an overall increase in population.

We are also estimating an increase in the cable television franchise revenue (\$16,000) based on this year's income and I am happy to report that the Sands Casino is growing and we estimate an increase (\$102,000) in that line item as well, especially with the addition of electronic table games.

It is interesting to note that more and more of our visitors are using the smart meters and with the increase use of the Mobile Now App we expect more revenue from parking meters (\$76,000) and less parking violation tickets and traffic tickets issued. I would like to note at this time that the community has responded well to the Mobile Now App and more than 3,000 transactions have already occurred. There is absolutely no reason for a visitor to downtown to get a parking ticket when visiting downtown.

This Administration recommended and Easton City Council agreed back in 2008 that all Easton Area Water Authority tap in fees would be appropriated to the city's capital budget. Next year we anticipate and increase in that fund of \$80,000 due to an upswing in the housing and commercial construction market.

Two other areas of increased revenue will come from the additional parking garage with a number of major buildings expected next year including the Alpha Building, the Wells Fargo Building, and the former Express Times building.

The final revenue increase will be anticipated through our recommendation to add a \$1.00 per month administration fee on the solid waste charge. However, the resident will not have to pay the \$1.00 per month if the customer signs up for electronic billing.

Lastly, this budget continues the one dollar flat fee in both parking garages during the hours of 5 p.m. and 6 a.m. to further increase the number of guests visiting our downtown in the evening.

EXPENSE BUDGET

The expense side of the budget is, and will always be, dominated by personnel costs and costs related to the economy and our pension legacy costs. We are a better community because of our dedicated municipal employees. The proposed budget calls for no cuts in municipal services and be assured that our administration continues to work hard to control expenses. Eight years ago, we adopted a strategic business model aimed at turning around the organization's fiscal position and delivering efficient and accountable governance. A priority of this model was to improve the organization's financial sustainability while delivering critical services, improving the city's infrastructure and meeting the community's expectations in managing and improving our existing assets. The Budget being delivered today is a product of that focus and marks a significant milestone in the progress of this Council and Administration.

This budget continues to make our priority a **Clean and Safe** City because first and foremost, Easton is a city of neighborhoods; they are the foundation of our future prosperity. The biggest challenge confronting our neighborhoods is the scourge of decades of disinvestment and the vacant homes left behind. They are a detriment to our community as are property owners who fail to maintain their properties and absentee

landlords who refuse to be responsible caretakers of their properties and their tenants. This budget makes a significant increase in our Police and Codes departments for a cleaner and safer city.

We are getting tougher on speculators and irresponsible, absentee owners and we have made significant investment in our Codes Department in the past. That investment increases with this budget. **Three new union positions** are being recommended in the department. An additional Rental License Officer, an additional Code Enforcement Officer and a Quality of Life Officer that will implement and oversee our new Quality of Life ticketing program which has been successful in other municipalities and is going to be implemented next year in ours. This Administration wants to eliminate blight and in our eight years we have almost doubled the size of this department. I am happy with the outcomes of Council member Warner's Rental Committee and I am looking forward to implementing their ideas.

Another addition to the Codes Department is the recommendation to eliminate the Buyer Notification Inspection (BNI) for commercial properties and introduce a Commercial Building Fire Inspection Program. The additional Code Enforcement Officer will be assigned and will be certified to be a Fire Inspector and this program will inspect every commercial property every other year. The loss of BNI income will be offset by an inspection charge every other year when the commercial building is inspected. Our inspection program has shown significant decreases in the number of fires in our city and the amount of property lost in our city.

The other challenge is crime -- the single most devastating driver of family flight out of urban areas. When we took office in 2008 we employed 52 sworn police officers. Over the eight years we have increased our force to 63 officers, although retirements and resignations meant we never really achieved that level but for a few months. This year's budget allowed for only 62 officers. I am strongly recommending to City Council an increase of one additional officer to bring us to our **full complement of 63 sworn officers**. We currently have three vacancies. In the Capital Budget we are providing for 2 new police cruisers.

I would also like to request an Executive Session with the members of City Council to discuss the new police facility. As Council knows, we advertised for proposals and received two that we have been reviewing and have had several meetings with both developers. I would like to give you a quick update. The new facility would have no impact on the 2016 budget.

As I indicated in the Revenue section we are proposing to extend the \$1.00 flat fee for the nighttime use of either garage and we will also be purchasing another 20 smart meters at a cost of \$10,000. These meters

are more user friendly and work extremely well with our new Mobile NOW app which allows for less stress when people visit our downtown.

We must give police the resources and tools they need to strengthen their efforts:

- A fully staffed police department, even when faced with tough budgets.
- State of the art technology
- Additional crime cameras in the neighborhoods through grants.
- Proper physical facilities and motor vehicles.

Crime in Easton has gone down each of the last eight years but the perception is still there and these additional officers will not only assist in fighting crime but will help provide increased visibility. We will continue to pursue grants for police cameras in the neighborhoods and we are following the growing legal debate on body cameras which will assist us in disputing any legal suits. Our Parking Enforcement Officers will be the first to introduce this technology.

A growing city must have a thriving economy. City government has an important role in promoting economic development, job creation, and job readiness. Rather than pitting neighborhoods against each other, we believe in one City, because new downtown investment and new neighborhood investment are not mutually exclusive. One area that is of particular concern to us and many of the council members is to initiate programs that increase the earning capacity of our less fortunate and unskilled residents. We will be working with the County and various job enhancement programs in the Valley to accomplish this goal.

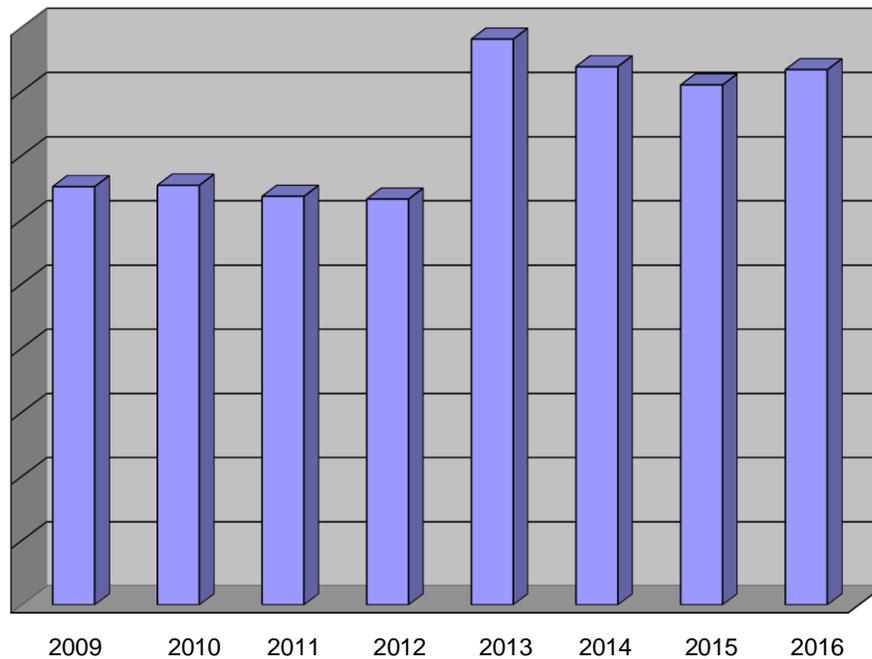
In this proposed budget we are recommending funding of a \$50,000 match with the county to provide a branding campaign that will attract investors and residents into our neighborhoods, visitors into our attractions and

- Define and communicate a clear, compelling identity in an increasingly competitive environment
- Create an effective brand that makes a positive first impression, that is easily and lastingly remembered and that builds on current positive perceptions
- Increase support from the Commonwealth of Pennsylvania, donors and foundations
- Enhance recognition and credibility with the constituencies we serve
- Create a new web presence that brings together in one site all that Easton has to offer.

As the members of City Council will recall parking meters were increased to one dollar an hour several years ago to help fund the various programs of the Greater Easton Development Partnership (GEDP). I am recommending that the amount of our contribution be increased to \$375,000 to ensure that these successful programs, namely the Main Street Initiatives, The Easton Ambassadors, The Easton Farmers Market and the soon to be open Public Market are sustainable. It is my hope that as the Public Market grows the amount of our contribution will decrease.

One area that we would like to discuss with City Council and the volunteers of the various festivals held in the city is a more efficient manner of bringing these events to a place that affords paid staff person(s) for the major events. For now we are proposing a contribution of \$6,500 toward Heritage Day and \$1,500 toward the Memorial Day Parade. Our events and festivals are literally bringing tens of thousands of visitors to our city each year and as we become more and more of a destination city we can grow these events and seek major sponsors. There is no doubt in my mind that our festivals and events have assisted our Economic Development efforts.

Healthcare continues to fluctuate each year depending on claims indicated by the chart below with a modest increase budgeted for next year.



The Public Works Department has had a few hits in the last few budgets and this year we are looking to increase the feet on the street that are desperately needed. This budget proposes the hiring of a parks diver/laborer that was not budgeted last year; an additional mechanic fully trained and certified to work on our highly complex vehicles; the elimination of the Engineering Tech position and the hiring of a certified professional engineer to serve as the Assistant Engineer; a part time employee at the Wastewater Treatment Plant; and part time positions to assist in the cleaning and operation of the new parking garage and city hall.

The Public Works department budget also provides for \$200,000 for the Pine Street Parking Garage repairs and an additional \$50,000 in vehicle parts and services.

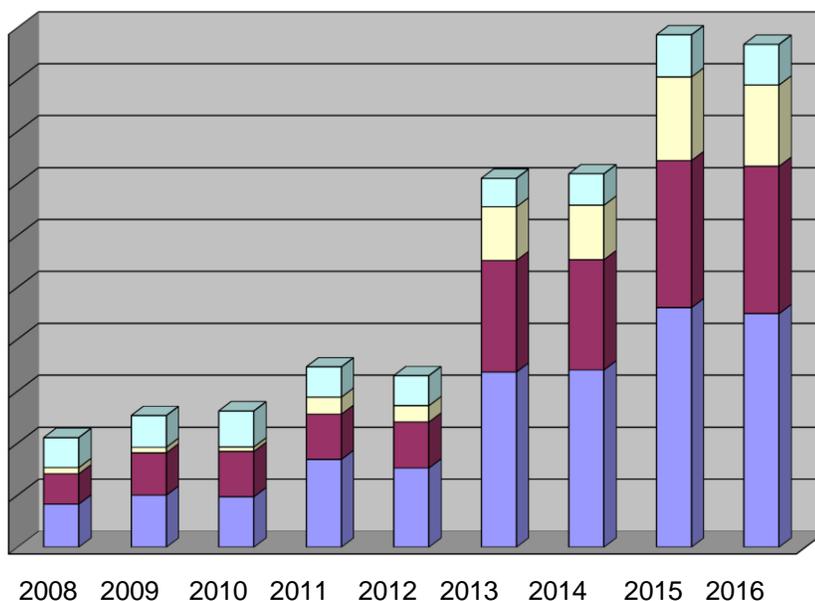
There has been much discussion in the last few months about the Second Assistant Solicitor position and this budget recommends that we retain a part-time attorney to fill that position for 20 hours per week. This individual should preferably have some experience in bankruptcy litigation.

We will not be recommending an increase in the CDBG reimbursement to the city for two reasons this year. First this one last federal grant is always under threat of elimination and secondly, we have identified the West Ward neighborhood to receive as much of these funds as we can direct to that area of the city. The Administration will be making our CDBG recommendation to City Council in the next few weeks.

Also included in the Public Works department is \$225,000 for the city's Hugh Moore Park Bridge and \$164,000 for architectural and engineering fees associated with the North Fourth Street garage. These are being funded through the reduction in the debt service payment of \$389,000.

As you go through the budget you will see other minor changes in expenses such as a \$10,000 contribution to a Trust Fund to be set up for OPEB benefits awarded in some union contracts.

One of our biggest expense line items continues to be our legacy pension costs. Our Administration has a remarkable record of not only funding the city pension plans at the recommended actuarial level but for making wise decisions about our investment strategy. I want to thank the police, firefighters and non-uniformed employees who sit on these Boards with the Administration for the prudent decisions and time they dedicate to the plans.



CONCLUSION

This local government has demonstrated the courage to make tough choices and the wisdom to make investments that reward the future. We have also made decisions to invest in the physical infrastructure and assets of our city. As we prepare to move into our new City Hall we can be proud that we have not only made an investment for the long term, but we also acted with fiscal restraint by not burdening future Eastonians with large debt. Our term for the bond is only 15 years, not 25 or 30. We will also be reducing our operating costs, we avoided capital expenses in the Alpha Building and we placed a major building on the tax roles.

It is my personal goal to continue to provide strong leadership for the residents and employees of the City of Easton by creating an environment that empowers our employees to do their best. The changes in staffing respond to continued economic challenges and service demands. I will work hard to further encourage a culture of continuing improvement that results in the best possible level of service for Easton's citizens.

Despite the city's progress in meeting its financial and budgetary objectives, major challenges lie ahead. I believe that this budget will move Easton further towards the stated goals and will do so in a fiscally responsible manner. I look forward to working with members of City Council in the coming weeks to finalize the 2016 budget, and invite citizen input at upcoming hearings on the 2016 budget.

There is much more that remains to be done. This budget gives additional attention to our neighborhoods that is necessary to eradicate the dangerous blight and reclaim them as vibrant, economically productive and socially diverse places to live and raise a family.

We continue to face the future prepared for continued success. A better quality of life for the people living within our city limits, while living within our financial limitations. With an eye towards the continued renaissance of our city and new efforts to market and encourage tourism while increasing our tax base and revitalizing our downtown, Easton will continue its journey forward.

The goals for next year will be equally as challenging as we set the bar higher and higher and not rest on our accomplishments. But they will include continued economic development efforts to expand the tax base, create new jobs and retain existing jobs. Properties to be included in re-investment will include the Black Diamond site; Heritage Lanes; the mill on the 1200 block of Spring Garden Street. Another goal will be to attract another tourist attraction to our city that will complement the State Theatre, Sigal Museum, National Canal Museum and Boat, and the Crayola Experience. There is no doubt that without

our thriving attractions, events, art galleries, and other attractions like our restaurants and Lafayette College, this budget would be significantly harder to balance.

Eight consecutive years of no property tax increase - improvements, accomplishments, and most important, a city that is proud of what it once was, what it now is, and what it can and will be.

Thank you.

Salvatore J. Panto, Jr., Mayor



EASTON CITY HALL - TRANSPORTATION CENTER
LANTA

SPILLMAN FARMER ARCHITECTS

Pennoni