

**Minutes of the Council of the City of Easton, Pa.
October 1, 2013**

Easton, Pa.
Tuesday
October 1, 2013
6:00 p.m.

City Council met in special session, at the above hour in the 6th Floor Conference Room, One South Third Street, Easton, Pa. to receive the proposed 2014 City Budgets.

The invocation was offered by Mayor Panto, followed by Pledge of Allegiance.

ROLL CALL

Present: Brown, Ruggles, Vulcano, Warner, Panto (5)

Absent: Edinger, Warren (2)

Also in attendance were Thomas A. Hess, City Clerk, William Murphy, City Solicitor, Glenn Steckman, City Administrator, and Tony Bassil, City Controller, There were fourteen other persons present in the audience.

APPROVAL OF AGENDA

On motion of Dr. Warner and Mrs. Vulcano the Agenda was approved by the following vote:

Yeas: Brown, Ruggles, Vulcano, Warner, Panto (5)

Nays: None (0)

CITIZENS RIGHT TO BE HEARD (Agenda Items Only)

There were no remarks from the audience.

PRESENTATION OF THE PROPOSED 2013 BUDGET

At this time Mayor Panto read his 2014 Budget message. (See attachment).

CITIZEN'S RIGHT TO BE HEARD – On any item

There were no comments or questions from the audience.

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ADJOURNMENT

With no further business, the meeting was adjourned at 6:41 P.M., on motion of Dr. Warner and Mr. Brown by the following vote:

Yeas: Brown, Ruggles, Vulcano, Warner, Panto (5)

Nays: None (0)


Thomas A. Hess, City Clerk



**City of Easton
2014 Recommended Budget**

Presented by
Salvatore J. Panto, Jr.
Mayor

Glenn Steckman
City Administrator

Chris Heagele
Director of Finance

Dave Hopkins
Director of Public Works

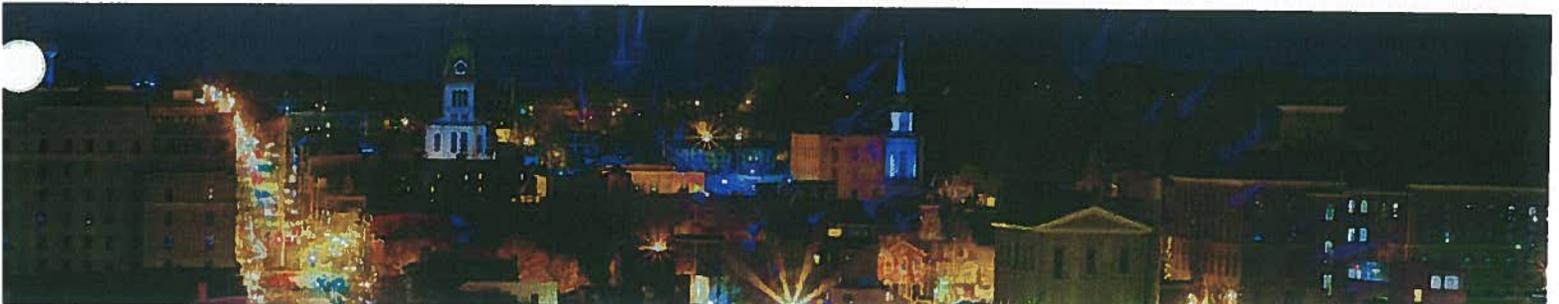
Gretchen Longenbach
Director of Comm. and Economic Dev

Carl Scalzo
Police Chief

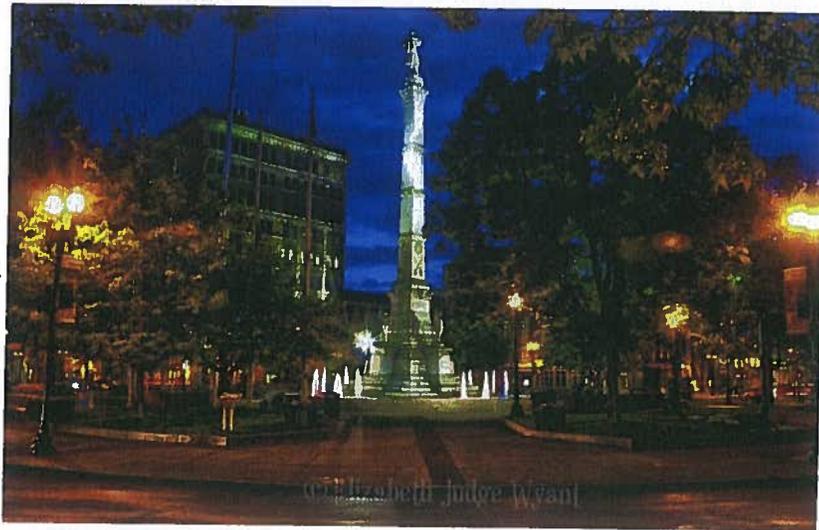
John Bast
Fire Chief

Patricia Glory
Human Resources Mgr.

Vacant
Director of Planning and Codes



Good evening members of Easton City Council and residents. Six years ago I stood before you and talked about the uncharted territory we were entering because of the global economic crisis, our growing deficits and the looming Act 47 filing. The budget we inherited appeared to be balance but in fact our cash balance fund was in the red by more than \$600,000. In the face of plummeting revenues and rising expenditures, this Administration made a pledge to our residents that we would forego the quick fixes and one-shot budget revenues in favor of tough but necessary decisions that would benefit the long-term financial health of our City. We vowed to do everything possible to preserve core services



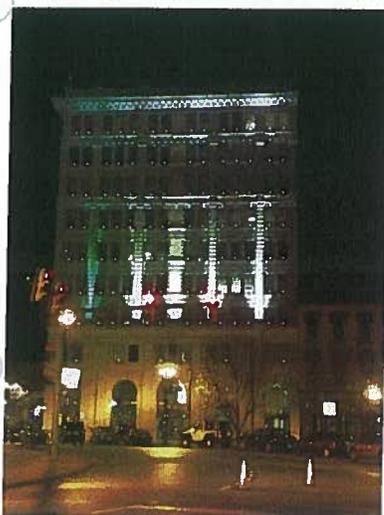
like police, fire, public works and investment in our neighborhoods. We coined the phrase “we make our decisions for the long term and not a political term” which became the foundation of our financial decisions and all decisions were made to make Easton cleaner and safer.

Members of City Council and our Administration have weathered crises, managed through hard times, and set a foundation for a stronger, more diverse and prosperous city. And every year on October 1st our Administration has presented to you our budget for the next fiscal year and many people in the know have wondered how we have managed to grow our city and our revenues without the huge tax increases our residents and businesses were subjected to in the past.

This didn't happen by accident. It is the result of years of fiscal discipline. It happened by making fundamental changes to the way we budget and do business – as a business. We put an end to the one-time fixes to long term problems. Although tempting, this budget continues our practice of placing one-shot revenues into the the capital budget and not the General Fund.

And we built a partnership with County, State and Federal government that has provided extremely competitive grants to our city for projects that couldn't happen if we depended on our General Fund budget. We have been successful in achieving more than \$62 million in grants for our parks, economic development projects, infrastructure upgrades and residential rehabilitation.

Our recent award of an Economic Development Authority grant in the amount of \$1.5 million solidifies that the all-important Silk Mill project will commence this year and our recently received \$500,000 HOME grant will provide residential upgrades and jobs in our West Ward neighborhood.



Finally we made strategic decisions about how we can provide better services at a better price to our residents and businesses. Next year's solid waste program is certainly an example of thinking outside the box to improve service at a lower price. We are recommending that our RecycleBank program offer one month free trash collection for those residents that actively participate in our recycling program.

But in spite of all of our work to cut costs, our budget picture remains such that we are going to continue to see limited revenues and increasing expenditures. This structural imbalance is going to have to be fought for several years.

It is our past financial management that has allowed us to present this budget in spite of severely unfunded pension funds and legacy costs which is hampering, no eliminating, our ability to do more for our residents, especially in the area of infrastructure and housing.

Tonight I want to talk to you about our future, not our past. Make no mistake about it our local government structure in Pennsylvania and our State Legislature's non-responsiveness to our lobbying efforts to make needed changes does not provide for sustainable communities, especially cities and larger boroughs. As a Past President of the Pennsylvania Municipal League I have pledged to make our voices heard louder and louder in Harrisburg. We need to recognize that cities like Scranton, Reading, Harrisburg and others in Act 47 didn't get there because of a political decision or excessive spending. They got there because of a local government structure that isn't sustainable.

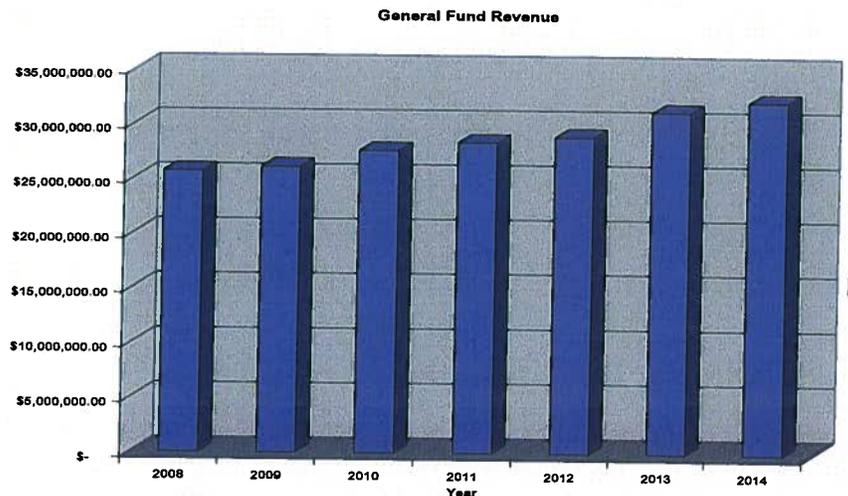
And each year I explain that our budget gets harder and harder to balance as we tackle some of the most difficult challenges this economy presents to us.

Our new City Charter requires that we present you with a two year budget and our forecast last December for the 2014 budget was actually the best its been with a budget gap of one million dollars. Unfortunately, when this budget was prepared a serious issue arose that we weren't anticipating but fortunately we were prepared for --- HEALTHCARE. HEALTHCARE, HEALTHCARE – added to our tremendously high legacy costs of pensions and post-retirement benefits. For the last five years we have successfully lowered our healthcare costs with better auditing of those eligible for the coverage and asking our employees to pay their fair share through increased co-shares and co-pays. I will address these issues under my report on expenditures.

Municipalities across this Commonwealth and nation have been faced with serious decisions and we were no different. However, due to our brisk economic development programs, increased business tax revenues, gaming revenues and effective management of our finances we have been able to stare down any tax or fee increases since 2009. Even though we still have serious challenges, our fiscal health is improving.

Allow me to highlight both sides of the budget starting with the revenues.

- Real Estate Tax Revenue continues to increase in spite of the many tax appeals being considered. This is due to the more than \$400 million in economic development taking place in our neighborhoods and downtown.
- We anticipate continued growth in our business tax revenues due to the many new businesses opening and growing throughout our city.
- Earned Income Tax continues to increase as more and more people are moving into our city neighborhoods and downtown.
- Casino revenue received from the table games formula negotiated in 2008 that includes Easton continues to increase as the Sands becomes the number one casino in Pennsylvania for table games.
- Police parking fines, parking garage and meter revenue continues to increase due to the number of people visiting our downtown and courthouse area.



- We are anticipating an increase in Building Permits next year due to a number of major projects starting at the same time, including Silk: A Creative Community Phase I and possibly Phase II; Lafayette College's North Third Street Film and Media campus and two buildings on campus; Easton City Hall and Transportation Center and the expansion of the Easton Home.

- Thanks to the reinvestment and success of the Crayola Experience we are projecting another increase in the Admissions Tax.

- We are budgeting for an increase in the Rental License Program fees due to increased enforcement as we launch a full court press on derelict landlords and tenants.

- Real Estate Transfer Tax is being budgeted with a modest increase but it is still drastically lower as the real estate market continues to slow and housing prices continue to sell at historically low prices.

- Technology upgrades will help target delinquent tax and utility fees and parking ticket scofflaws. It is simply a matter of fairness. It is not fair to taxpayers and shoppers who pay and pay while others won't or don't. We must bring our technology capabilities into the 21st century to go after tax and utility fee deadbeats,

- Unfortunately there are several line items that we expect to decrease so much of the increase will be cancelled out by the following:

- o Discontinuance of the West Easton Police Service contract - \$160,000

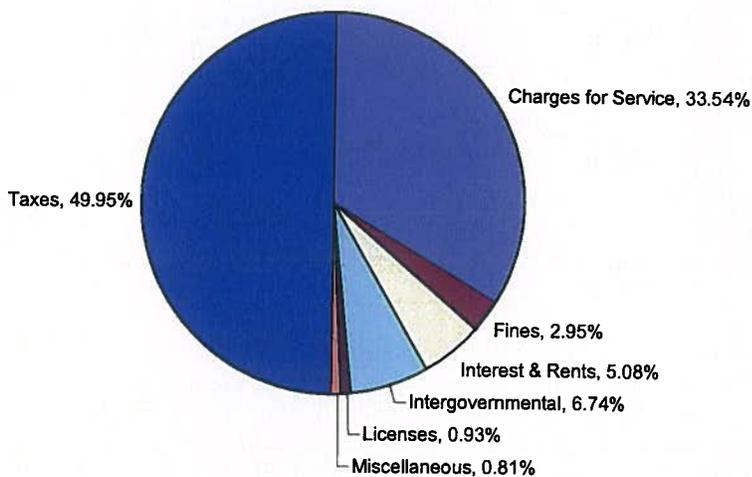
- o Elimination of the EAJSA rebate - \$170,000

- o A decrease in Cable Franchise Fees due to increase market share by "dish" companies which do not pay a franchise fee - \$45,000

- o Continued decrease in federal and state programs such as Community Development Block Grants and State Liquid Fuels - \$140,000

- o The economy has slowed development in our suburban communities which has all but eliminated the tapping fee allocation provided for in our water lease agreement as well as sewer connection fees - \$150,000

- o Swimming pools lost more than \$102,000 last year and I will address this later in this address.



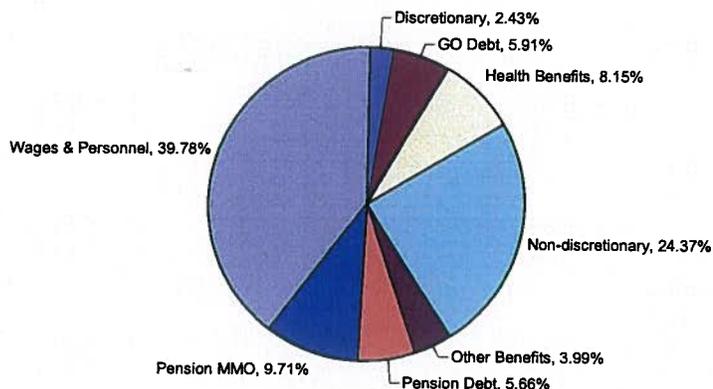
The expense side of our recommended budget includes the following:

- All wages and salaries for the next year are included in the budget and non-union personnel are being given a 2.5% increase plus several positions are being recommended for a salary adjustment to maintain competitive salaries among our staff. City Council will remember that we discussed this issue when we retained our new Information Technology Coordinator.

- The 2014 budget includes the elimination of the Alpha Building fund which will be sold between November 26th and December 31st.

- Our recommended budget continues to include funding in the amount of \$375,000 Greater Easton Development Corporation and \$45,000 for the Weed and Seed Program in the West Ward. The final payment for the

2014 Proposed Expense Uses



termination of the McDonald's lease is also included for \$100,000.

- Clean and Safe neighborhoods depends first on public safety. As in the past, the largest part of this budget, more than 50%, is devoted to the operations of the Police and Fire Departments. Overtime is still a major line item in both departments but the Administration of both departments continues to make controlling overtime a priority.

- Great neighborhoods need quality infrastructure that is free from blight. We are recommending the addition of another Rental License Inspector/Code Enforcement Officer to continue, and increase, our vacant and blighted property efforts as well as our inspections and oversight of our rental properties.

- Our growing restaurants and special events, as well as ongoing residential inspections for health-related issues so we are recommending that we increase the Health Department to one full-time position and one part time employee.

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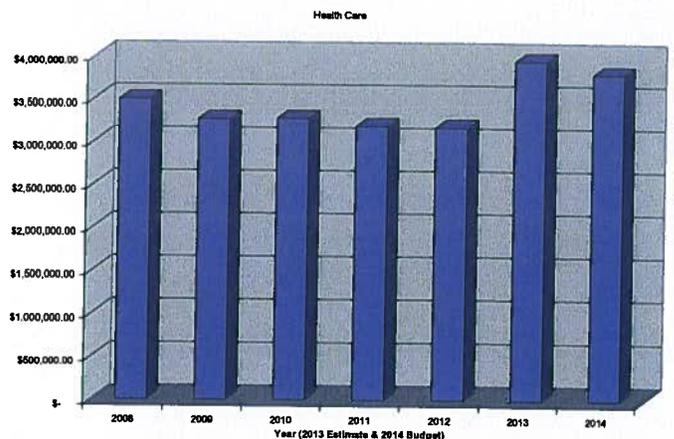
- Our commitment to the urban forest continues and next year we are recommending additional hours for the part time Forester and we have included \$40,000 for the initiation of a program to trim and maintain the trees in the public right-of-way.

- We are increasing the budget line for our street overlayment budget to \$110,000 to provide DPW with the funds needed to pave

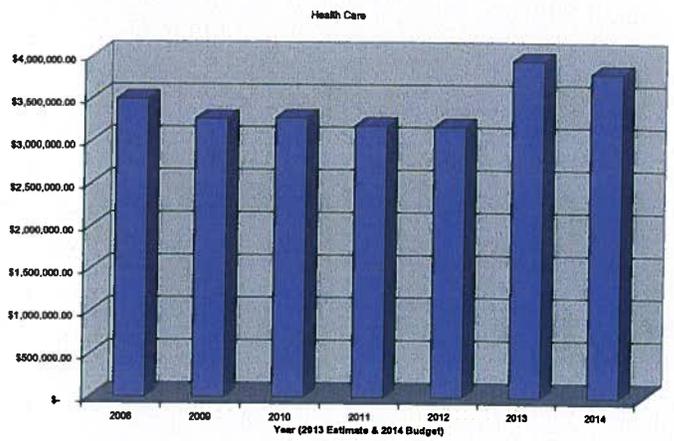
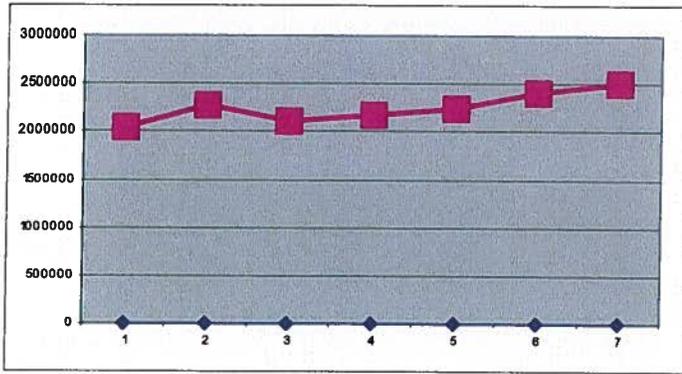
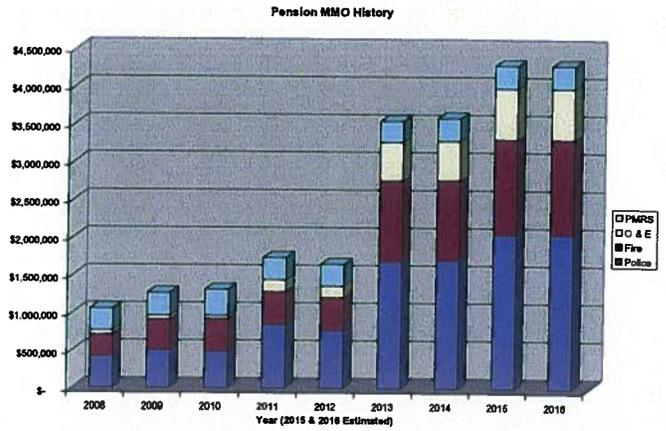
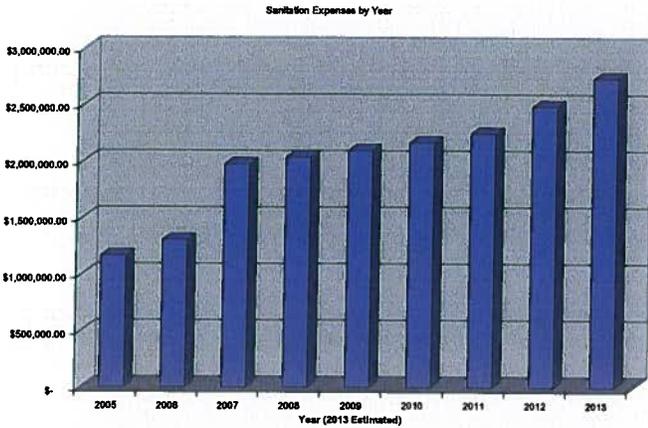
- The Easton Suburban Water Authority is not anticipating any major developments so tapping fees are expected to be very low. Therefore, at this time we are not recommending any city capital fund budget until the funding is received and our recommendation at that time may be entirely information technology hardware and software.

- The City and the Easton Area Joint Sewer Authority are preparing to settle a lawsuit for the condemnation of land taken for the building of I-78 more than 20 years ago. The city's share will be approximately \$500,000 and we are recommending that this money be used to purchase the equipment needed to reline underground sanitary sewer lines and the material needed to line pipes for two years. This cost is estimated at \$200,000 for the equipment and \$80,000 for the materials. The remaining money will be used to pay for the air-conditioning chiller in the Crayola Experience as agreed to in the upgrade of that facility.

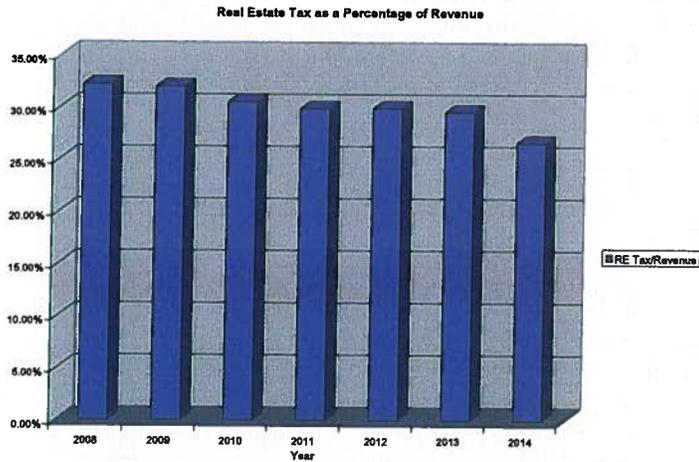
- As I indicated in the beginning of this report this budget would have been relatively easy to balance if it weren't for healthcare. The budget has been cut so far over the last five years that the only real expenditures are people, healthcare, pensions and post-retirement benefits. Members of city Council will recall that at our last meeting we approved a transfer of one million dollars from our healthcare reserve fund to the current year healthcare operating fund. Our healthcare costs, although controlled over the last five years, is experiencing tremendous increases due to some unfortunate situations. For next year our consultants have given us numbers



Our financial recovery has been nothing short of amazing especially when you consider the state of other cities and that during the past six years we have absorbed more than \$3.7 million dollars in various categories especially pensions (\$2,500,000); garbage (\$700,000 since our slight increase in 2009); sanitary sewer charge increases (\$460,000) and now healthcare (\$1 million) and at the same time increased our fund balance by more than \$3 million.



One other item to point out is the fact that although our real estate assessed value continues to go up our General Fund relies less and less on real estates taxes to fund the budget. As a matter of fact real estate tax collections doesn't even cover the cost of the police department (\$8,566,767 in taxed collected and \$9,980,581 in police expense). This point alone shows the structural problems facing local governments throughout the Commonwealth, especially cities, boroughs and urban townships; and the others aren't far behind. As communities have less and less land to develop there is no source for additional revenues without raising taxes.



But to remain a full-service city and to continue to provide the services that our residents want, and deserve, this budget, which began with a gap of more than \$2 million does require a small increase. To offset the small increase we are offering our residents the incentive to save one month of their trash bill by participating in our recycling program and helping us avoid the land filling of valuable recycled materials.

The Administration is recommending that the \$800,000 gap be filled with an increase in the Earned Income Tax of two-tenths of one percent. The total increase for a family earning \$50,000 a year would be \$100 with the opportunity to save \$33 if they participate in the recycling program for a net increase of \$67.00 for the year. This is the first increase to our residents since 2009. At that time we labeled our budget the "senior budget" because it placed the burden of providing needed services on residents that were working and not seniors on fixed income or the unemployed. With this budget retired seniors on fixed income will not pay any additional taxes or fees to the city, and actually if they participate in the recycling program they will pay less next year than they do this year.

This decision to recommend this small increase was not made lightly and certainly not without a lot of thought, but a one million dollar increase in healthcare on top of all other increases is something we cannot dismiss. If we are to be financially solvent all of our self-insurance funds must be funded with proper reserves.

As I stated, we have real challenges and difficult decisions to make this year and the years ahead. The tough decisions come when we have to make decisions like do we keep pools open if no one uses them and our non-user residents subsidize them by more than \$100,000 per year. Do we maintain three fire houses in a 4 square mile area? These questions and more will have to be asked again in the near future, maybe as early as next year.

I do want to leave you with the good news. Next year is a banner year for development in our city. In addition to Silk, the City Hall and Transportation Center and Lafayette's new downtown campus, we will be improving more houses in our neighborhoods through our city-directed rehab program and we will be building two new stick built homes in the West Ward as we improve our neighborhoods one house at a time.

Thank you for your attention and we look forward to answering any questions or supplying you with any information that assists you in passing a balanced budget.

Respectfully submitted,

Salvatore J. Panto, Jr.
Mayor





Silk: A Creative Community will commence construction this year. Phase I will be the construction and completion of the new public boulevard that will allow individuals to access the development and pass through the development and out Bushkill Drive. This West Ward project will not only create hundreds of construction jobs over the next 7 - 10 years but also hundreds of permanent jobs as this mixed use development is brought back to its original beauty and usefulness. When we took office in 2008 we announced that we would have this project started within five years. Our plan is working and we are ready to start this \$75 million development.

“We will fail if we fail to think big enough.”

Karl Stirner on the Simon Silk Mill



as high as an additional \$1.2 million. Our current budget increases this line item by more than \$800,000.

CITY COUNCIL
SPECIAL MEETING AGENDA

Special Session
Monday
October 1, 2013
6:00 P.M.

1. CALL TO ORDER
2. INVOCATION
3. PLEDGE OF ALLEGIANCE
4. ROLL CALL
5. APPROVAL OF AGENDA
6. CITIZEN'S RIGHT TO BE HEARD (Agenda Items Only).
7. PRESENTATION OF THE PROPOSED 2014 CITY BUDGET
8. CITIZEN'S RIGHT TO BE HEARD (On any matter)
9. ADJOURNMENT