I would like to thank the members of the City Council and our City Controller. Their dedication and commitment to our residents and the future of our city is commendable and I appreciate their involvement in the workings of our local government. As we continue to work together for the betterment of our residents I want you all to know how appreciative the Administrative staff is with our partnership.

Special thanks also to my Administrative Team led by City Administrator Glenn Steckman and Directors David Hopkins, Chris Heagele, Becky Bradley, Gretchen Lippincott, Pat Glory And Police Chief Larry Palmer and Fire Chief John Bast. Also, special thanks to my Executive Assistant Jamie Hartranft and my Executive Secretary Ronnie Kosa. As I have stated over and over again, I am fortunate to have this team in place. They are one of the best groups of Directors in the city’s history. All are professionally trained in their area of expertise and all work hard for the common good of the city.

I would be remiss if I didn’t also thank my family, especially my wife Pam for her dedication to the city as well.

To discuss the state of the city we have to discuss the economic recession that has caused most communities to bend under the weight of housing foreclosures, declining property values, high unemployment, lackluster consumer spending, tremendous dips in the market and other financial stresses. Our city too was presented with many financial challenges during 2009 in an economy that has forced governments, businesses and residents alike to make significant sacrifices.

The present recession is broader and longer lasting than what most people have experienced in their lifetimes. What began in the housing mortgage market had a domino effect in every sector. Access to most credit slowed to a trickle.

This extreme downturn has impacted the day-to-day lives of everyone in our city, our region and in our country. Our unemployment rate of 5% at the end of 2008 doubled to 10% in 2009. Major employers locally have had to reduce their workforce.

Yes these are turbulent times but today I am happy to report that after inheriting large deficits and the worst economy since the Great Depression, we are placing Easton on a sound financial foundation. A foundation that is based on sound business practice applied in a government setting. Who would have imagined two years ago that we would eliminate our deficit and pass a budget for 2010 that required no tax or fee increases?
I would like to share with you some of the City projects and initiatives that stood out in 2009 and set the pace for positive changes ahead in 2010. We can point to signs that we are making headway on the path to recovery and economic growth, while our economy is at low ebb, and we are poised for even better times when our economy returns to higher tides.

We attacked our problems head on, evaluated all options and made the changes necessary. Our positions were not always popular, especially when it involved union negotiations. But today, we are further than we planned. But we are not resting on any laurels. Make no mistake, these are tough times and there are still many challenges ahead.

Theodore Burtis said “great things do not get accomplished by setting safe goals.” To put it in today’s political terms – the safe thing to do is nothing so no one can say you made a mistake. Our agenda was, and is, anything but safe. It is aggressive in all departments and most importantly in the areas of Clean and Safe and Fiscal Responsibility. We continue to be very aggressive in securing grants to ease the burden in our local residents.

So let’s evaluate our successes in 2009 and our challenges for 2010.

Two years ago we ran on a campaign pledge of Clean and Safe and Fiscal Responsibility. So, how are we doing?

First and foremost we are a safer city today than we were two years ago. Last year our crime rate again decreased -- 24% overall and in the West Ward neighborhood where we have placed added concentration, crime was reduced by 34%. This wasn’t achieved by accident. It was achieved by a police department that re-invented themselves into one of the most professional departments in the region and a large group of people helping them do their job. It is also the support of City Council as we place higher and higher demands on the finances of the department. Increasing the number of officers from 52 in 2008 to 63 this year is a major financial commitment and we thank city council for their support.

But it is not just the number of officers that makes the difference. Our Administration has committed to making our department the best equipped with the latest and greatest technology. This investment has not only seen a return on the decrease in crime but it other areas as well. For example, our in-car camera system, purchased with a regional federal grant program. I know of at least two situations where the individual thought they were going to sue the city until they saw their video of their actions and more importantly the professionalism of the officers. To date, we have not had one lawsuit filed or citizens’ complaint for excessive force. Additional surveillance equipment that I am not at liberty to speak about has also seen a very worthwhile return.

Two major grants were received last year in the police department. The first will place between 20 and 22 surveillance cameras throughout the West Ward initially and then the program will expand to other neighborhoods. The second grant for more than $600,000 allows us to hire three additional police officers for three years.

For 2010 the police department’s goals are to increase the level of service through the initiation of the Neighborhood Policing Program, walking patrols and our continued use of the bike patrols. Another goal is to locate a site for a new police facility as well as attain re-certification of the department.

The city continues to maintain a fully-professional fire department. In addition to fires, the department responds to accidents and medical emergencies. Last year the department responded
to 1,904 calls for service. Early in the year the department placed into service our new million dollar ladder truck that we purchased in 2008. In the area of fire prevention the department provided education to 3,800 children and 1,200 adults.

This year two new firefighters will be hired and training has started at the Allentown Fire Academy. We will continue to work on securing a grant to hire two additional fire fighters to bring us to full compliment.

Also last year our fire department was recognized as a participating fire department – Silver Level Professional Certification from the Office of PA State Fire Commissioner.

The Fire Departments goals are to secure professional development by the National Certification of Fire officers and Officer candidates. In cooperation with Wilson Borough we will be replacing all current hose thread with National Standard Thread.

On the Clean side of our Clean and Safe is our increased code enforcement department. Two additional associates are being hired in the Building and Codes department.

Elimination of blight continues to be a top priority and after 18 months of court hearings our persistence paid off with the court upheld our position and the 20-year ordeal with the Hub Cap store was resolved.

Also on the Clean side is the success of the Ambassador Program. In 2010 we will be expanding the clean side of our program with our City-Wide Street Sweeping program.

Our internal goal of Fiscal Responsibility allows us to manage our resources for the entire city. Without solid a financial foundation we cannot deliver the services our residents expect, and deserve. I am proud to report that our financial position is much better than it was when we took office in 2008. As I stated, the general operating deficits have been eliminated, all one-shot revenue items have been removed from the general operating budget, and we have a budget that doesn’t include over-stated revenues and under-stated expenditures. The 2008 budget contained $1.2 million of over-stated revenues.

Our Administration continued its aggressive collection of penalty and interest charges waiving them for no one. The two year increase from 2007 to 2009 was 69%. Our cash management strategy allowed us to realize interest rate returns that were well above the average rate of return for similar investments.

We were able to further implement the new City Charter by remodeling the second floor to allow for the entire finance department to physically integrate into one floor.

Like most cities, our revenues continue to lag in areas directly tied to the economy. It was prudent oversight of the expenses that allowed me to announce today that when our audit for 2009 is completed we should have another surplus in our General Fund --marking two years in a row with a surplus.

I believe that our greatest accomplishment in 2009 was our financial management and prudent oversight that allowed us to not only end in the black but also our ability to live within our means and recommend a 2010 budget without any tax or fee increase.
Several local leaders questioned why we wouldn’t wait until next year to hold the line when it is a re-election year should I choose to run for a second term. That is simple to address. Our Administration is based on doing what is right for the long term not the political term. Furthermore, our goal for 2011 will be to hold the line again. Currently our projected deficit for 2011 is $1.2 million but we are working on alternate revenue to close the gap.

It is important to note that when I say we are living within our means let me illustrate – our 2010 budget has an increase of 9 tenths of 1% or a total of $247,000. Our projection for 2011 is the same – less than 1%.

One area that we are very proud of and also very thankful to Senators Lisa Boscola and Pat Brown for their support and assistance in having Easton added to the local gaming distribution. I would also like to thank Mayor John Callahan (ask to stand) for his regional support. Our share is expected to be as much $450,000 or the equivalent of 1 and a half tax mills.

Make no mistake about it, times are tough, but financially we are living within our means.

Our Human Resources department with busy filling vacant positions, negotiating the new three-year AFSCME contract and preparing and testifying on behalf of the administration at 5 days of binding arbitration hearings with the International Association of Fire Fighters. Their contract expired at the end of 2008 and unlike the Fraternal Order of Police or AFSCME; we were not able to reach an agreement.

The biggest stumbling block centered on healthcare benefits. When we took office in 2008, our Administration had two primary objectives in labor negotiations – the elimination of the “No Lay off” clause and employee contributions to their healthcare benefits. The first had to do with our ability to manage our workforce should economic conditions require furloughs, lay-offs or elimination of positions and creation of new positions. The second objective had to do with our ability to manage skyrocketing healthcare costs. We drew the line in the sand for the financial health of the city.

The Department of Public Works, like all of our city departments, had a very busy year. In addition to their normal workload DPW complete the design and engineering for the Bushkill Bridge, the Sullivan Park water retention facility and the Waterfront Park. Major stormwater and sanitary sewer projects were engineered and designed. The department also completed several major sewer re-lining projects. The first phase of the clean-up of the Norfolk-Southern Railroad train station was started with completion this Spring. The department also partnered with Wilson Borough and completed paving of 15th street as well as many other streets. More than 200 street trees were planted as we continue to replace the urban forest. 2009 also witnessed the city’s first road-diet project – reducing Larry Holmes Drive to two lanes to create better pedestrian crossings, additional parking and a calming of the traffic speed. We now get compliments on the road rather than the criticism some people had without understanding exactly what we were doing. And the project isn’t done yet.

Goals for 2010 include construction of the Bushkill Street Bridge; completion of the waterfront park; installation of additional ADA crosswalks, continued streetscape improvements, design and submission of the South Third Street $3.75 million PCTI improvements; various park upgrades; improvements to Heil Pool; continued street tree planting to stay on target of our goal of 1,000 new trees by 2012; energy and environmental efficiency improvements in public buildings; and many more. Like I said, every department has an aggressive schedule.
Our Planning and Codes Department has been equally as busy setting an agenda that is both extensive and necessary. The department is now up to full complement with the recent hiring of the Chief City Planner and we are currently interviewing for the Deputy Codes Administrator. Work has started on the update of the city’s Comprehensive Plan. 1,062 permit applications were received in the city and 31 Planning and Development reviews were conducted. Thirty new permits were awarded for home-based businesses, a sign of our economy. The department also played a pivotal role in the Master Plan for Lafayette College.

<table>
<thead>
<tr>
<th>Rental Housing Program</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Inspections (Cumulative for Life of Program)</td>
<td>3,740</td>
</tr>
<tr>
<td>Licenses (Cumulative for Life of Program)</td>
<td>2,100</td>
</tr>
<tr>
<td>Remaining</td>
<td>555</td>
</tr>
<tr>
<td>Registered Units</td>
<td>4,458</td>
</tr>
</tbody>
</table>

The planning Department also oversees the Health Department which conducted 817 inspections last year and is going through a transition this year.

One of the biggest projects the department is working on will be built this year -- the Bushkill Creek Trail Project -- a 2 mile trail from the Simon Silk Mill to the new waterfront park. Our plan for this trail is to be more than passive and active recreation. It is our plan to make this part of the arts and tourism economy we feel is so important to the future of Easton. We envision this to be an Arts Walk with public art and sculptures.

I see that Karl Stirner is in the audience today. Karl and I go back to his arrival days in Easton. He is someone that I not only respect but that I look to for advice when it comes to developing an arts economy. You may recall that 2 years ago at this event I asked for sponsors to help us send the works of 30 of our local artist to Genoa Italy – it was a huge success and its success can only be attributed to Karl. (Karl please stand) Today it is my honor and privilege to be able to state that it is my intention to recommend to Easton City Council that this new trail be named in honor of Karl Stirner.

Given the regressive method for local governments to grow their budget with inflation the city’s financial soundness must rely on new and additional taxable properties.

When I took office one of the first positions I created was a Director of Economic and Community Development, a position that was absent from City Hall for 16 years. 2009 marked the first full year of this new department. The Director also serves as the Director of the Redevelopment Authority and the Greater Easton Development Partnership.

This department, working with other city departments, particularly the Planning Department, the county, valley, state and federal agencies has had a remarkable year. The department directly oversees the Ambassador Program and the Main Street program.

Accomplishments include:

- Persistent efforts for Victory Square – to be located in the former Weller Center this project has had many trials and tribulations but persistence will pay off in 2010.
- Neighborhood Stabilization Program for the West Ward - $500,000 for the acquisition and “green” rehabilitation of homes in the West Ward that are in foreclosure.
the C.D.B.G. program which assisted community groups by contributing a total of $134,291

In our HOME program 3 rehabilitation projects were completed; one is in progress; 2 lead abatement rehab projects were completed; 3 HOME projects are about to start and 10 applications are under review.

Most importantly in my view, our Administration recognized the deterioration of our neighborhoods. We re-established the Clean It and Lien It Program as well as our own city-directed housing rehabilitation program. When a contractor/developer cannot be found for one of our blighted buildings we oversee the rehabilitation ourselves. This year we are in the process of completing 540 Berwick St., 1008 Ferry Street, 626 Ferry St. We just closed on two more – 733 Ferry Street and 672 Pine Street

The department is working closely with all parties involved in the Intermodal Transportation Center and the National High School Sports Hall of Fame.

The largest economic development project is the Simon Silk Mill and the Bushkill Creek Corridor. The trail will start this spring with completion in the Fall. The total grant funding awarded during 2009 for the mill project was $1,728,000.

To showcase this remarkable site the city and ERA sponsored “Movies at the Mill” in October. It was such a resounding success that it is now intended to be an annual event.

Also, during 2009, Delaware Terrace was demolished to make way for our Hope VI project. Infrastructure replacement and installation has started now that our 108 loan has been approved.

Our special events are beginning to flourish. Our candle lighting festivities attracted the largest crowd in many years. The Gatorade Replay game was a huge success for Easton and the national exposure we received from that still has ripple effects. And let’s not forget that the World Series placed us on the front page of the Wall Street Journal and MSNBC national sports and the Sports Hall of fame press conference was carried by more than 150 papers, sports magazines and many national television networks.

Yes, 2009 was a good year for our city in spite of the economic downturn. But as we look forward to 2010, many positive changes will be taking place in our neighborhoods and downtown. But there will be many challenges as well.

The top challenge for the City of Easton in 2010 will be to maintain a balanced budget constantly monitoring revenues before expenses are incurred.

As we move forward in 2010, the challenges of our economy will continue, but so will the opportunities to create jobs and grow Easton. We enter 2010 with optimism, focused on the future and dedicated to our continued growth and success. Easton is a great city with many amenities and strengths; the greatest of which are its people.

It would be easy to stand here and focus on the financial markets that have rocked our world; or, the fact that our state government is perilously close to insolvency. Unemployment is hovering around 10%. Real estate values have eroded significantly, but we can’t keep blaming others. We must take responsibility to live within our means.
Yes, there will be critics but let them come forward and challenge us, as elected officials, to do better. Thomas Jefferson “our critics are our friends because they show us our faults.” He obviously didn’t have the internet. But I agree, when your critics face you and you can engage in effective dialogue all parties benefit.

I also ask that you take part in the life of the city. Support our local arts, theatre, restaurants and stores. Volunteer. Get involved in a youth program. Support our neighborhoods. A good city is made up of good neighborhoods. Good neighborhoods are enhanced and improved when they are organized.

It takes a team to run a city and I want to thank our team of city employees who often don’t get the recognition for the work they perform daily, even in the toughest of conditions.

I appreciate the work of the Chamber because as a regional entity they epitomize the fact that the way the three cities of the Lehigh Valley go so goes the entire Valley. I support regionalism in all ways. Any economies of scale that can be attained through cooperation and regionalization you can be assured that I will be there supporting it. Regionalization of services is one way we can reduce the burden on the taxpayer.

We have a bold agenda for the future. We dream the impossible and then work hard to make it happen. The gains we have made in this short time were achieved neither by accident nor with ease.

George Will wrote, “the inevitability of progress is a myth.” Our endeavors are based on belief and confidence, ideas and hard work --- embracing the fact that great things do not get accomplished by setting safe goals.

The result of our arduous and unrelenting effort is a city positioned to further excel, especially when the economy rebounds.

Difficult economic times have tested our resolve, and that has made it hard for many local families, friends and neighbors to remain confident in the face of continued uncertainty. I want you to feel confident that the City Council and Administration are sensitive to these conditions and in control, keeping Easton on course toward a prosperous future.

We have much to be proud of. Some tough choices lie ahead, but I can assure you that we will do whatever needs to be done to continue providing quality services to all our residents.

My vision for Easton remains a community in which all residents work together to enjoy the rich quality of life they want and deserve. Together, as a City and as a community, we are making this happen.

As your Mayor, I am dedicated to providing an efficient and effective form of government. In these unsettled financial times, we must do more with less and constantly try to find ways to use cost-saving measures and innovation to help us realize our dreams. We must keep the positive momentum growing. I have witnessed it before; we can’t allow ourselves to get push-back from the critics. We are doing well today and we will do better tomorrow.

We are ready… to move Easton forward in these challenging times.

God Bless Easton and God Bless America.