

**Minutes of the Council of the City of Easton, Pa.
October 1, 2012**

Easton, Pa.
Monday
October 1, 2012
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 2013 City Budgets.

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

ROLL CALL

Present: Brown, Fleck, Ruggles, Warner, Warren, Panto (6)
Absent: Vulcano (1)

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

APPROVAL OF AGENDA

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

Yeas: Brown, Fleck, Ruggles, Warner, Warren, Panto (6)
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 2013 Budget message. (See attachment).

Council members made comments and asked questions regarding fees and hours of operations for parking meters.

Budget review dates were set for the following dates; October 23, November 13, November 27, and November 30, 2012. All sessions will begin at 6:00 p.m.

CITIZEN'S RIGHT TO BE HEARD – On any item

There were no comments or questions from the audience.

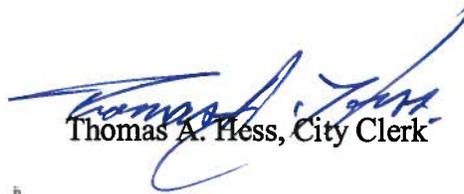
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ADJOURNMENT

With no further business, the meeting was adjourned at 6:40 P.M., on motion of Mr. Fleck and Mr. Brown by the following vote:

Yeas: Brown, Fleck, Ruggles, Warner, Warren, Panto (6)

Nays: None (0)


Thomas A. Hess, City Clerk



Mayor Salvatore J. Panto, Jr.
2012 Budget Message
"Continuous Improvement"

As required by the City of Easton Home Rule Charter, I am pleased to provide Easton City Council and our residents with the Administration's recommended 2013 Annual Budget.

This is my fifth budget address. There have been familiar themes throughout our tenure. We have faced difficult challenges, including the worst economy in decades, political uncertainty and dwindling state and federal revenues for cities and programs. But these hurdles have been met with a resolve to rise above them and move forward. We have not been deterred nor defeated. The evidence is all around us as we watch our city, once on the verge of Act 47, become a model for cities throughout the nation; a city that is becoming more and more financially stable. But the road was not easy, nor have we reached a level of comfort – our goal is now *continuous improvement*.

We made a conscious decision in 2008 that Easton would not follow the path of Harrisburg, Scranton, Altoona, Reading and others across this country including several in California. Easton will not be part of America's failures. Every day, we hear of more cities across the country that are struggling and recent history is peppered with an alarming number of citywide bankruptcies. That is not Easton. On Friday we released our Annual Independent Audit and once again our city ended the year with a surplus -- *our fifth straight year*.

We are on a path of continuous improvement to make City Hall's professional ethics, management, and internal controls as strong as they can be. Third party reviewers including The Pennsylvania Economy League, the Department of Community and Economic Development, our independent auditors and our Financial Advisor confirm that Easton's budget process and practices are as open, deliberative, and sound as they can be for a Pennsylvania City. Consultants, experts, and state officials have repeated over and over again that our city government has competent, capable, and committed fiscal management.

We have spent the last five years establishing our solid roots by carefully minding the city's finances. We changed how the city does business. The city had used short-term solutions to solve long-term budget problems. Now, and for the last several years, the budget is structurally balanced, meaning we use ongoing solutions for ongoing spending. We continue to achieve high regards from Standard and Poor's for our handling of our finances and we are on pace for another increase in our bond rating.

Friday we released the results of the 2011 audit. Among the data it shows that we are ahead of schedule to meet the reserve balances that we established and memorialized with City Council in December 2011. As recommended by S&P we established a fund balance policy with goals to be achieved by 2016 for the General Fund, Health Care and Casualty and Liability insurance funds. The audit indicates that our goal for General Fund is already at 88%; health care reserves are at 92% and \$350,000 was added to our Casualty and Liability funds in 2011.

During this same five year period we have repeatedly lost state aid but I have been adamant that our police and fire departments have as much support as possible to do their jobs efficiently and effectively. In spite of these state cuts, not one police officer or firefighter has lost his or her job. In fact, there are more firefighters on our force today than there has been in 7 years; 11 additional police officers and two additional code officers. I am committed to continuing that tradition of protecting our fire and police departments, which, in turn, protects our residents.

Just last week we took delivery of a new pumper for the fire department, our second large fire fighting equipment purchase in four years with a plan to purchase another pumper in two years. Our police department is equipped with state of the art technology and equipment but nothing replaces the fine investigative work that has resulted in more than 24 raids in the last 6 months resulting in 28 arrests. And our work toward a safer city continues every day.

These capital improvements in the police, fire, public works and other departments are the direct result of the commitment we made 5 years ago to eliminate all one-shot revenue sources from the General Fund budget and place them in our non-bond issue capital budget. This action has paid huge dividends in that our city now has the best equipment it has ever had and maintenance costs and downtime have been reduced. More capital purchases are recommended in the Fund 151 budget.

Coupled with the affects of the national Recession, we have had to deal with Harrisburg. Governor Corbett has proposed a budget that once again cuts funding for secondary and higher education at a time when Governors across the country – including right across the Delaware River – are investing more in education and becoming more competitive. This causes our school district to have to increase their taxes which impacts our residents. Furthermore this proposed state budget includes severe cuts to social service programs which would have a calamitous, devastating impact on the most vulnerable people in Pennsylvania and this may cause possible increases in the county taxes as well.

We have known since 2008 that the 2013 and 2014 budget would be difficult so we asked departments to tighten their belts even further. The proposed budget totals \$31,169,237.00. Over the last five years our budget has increased from \$25,640,000 to next year's \$31,169,237 for an average increase of 3.5% per year.

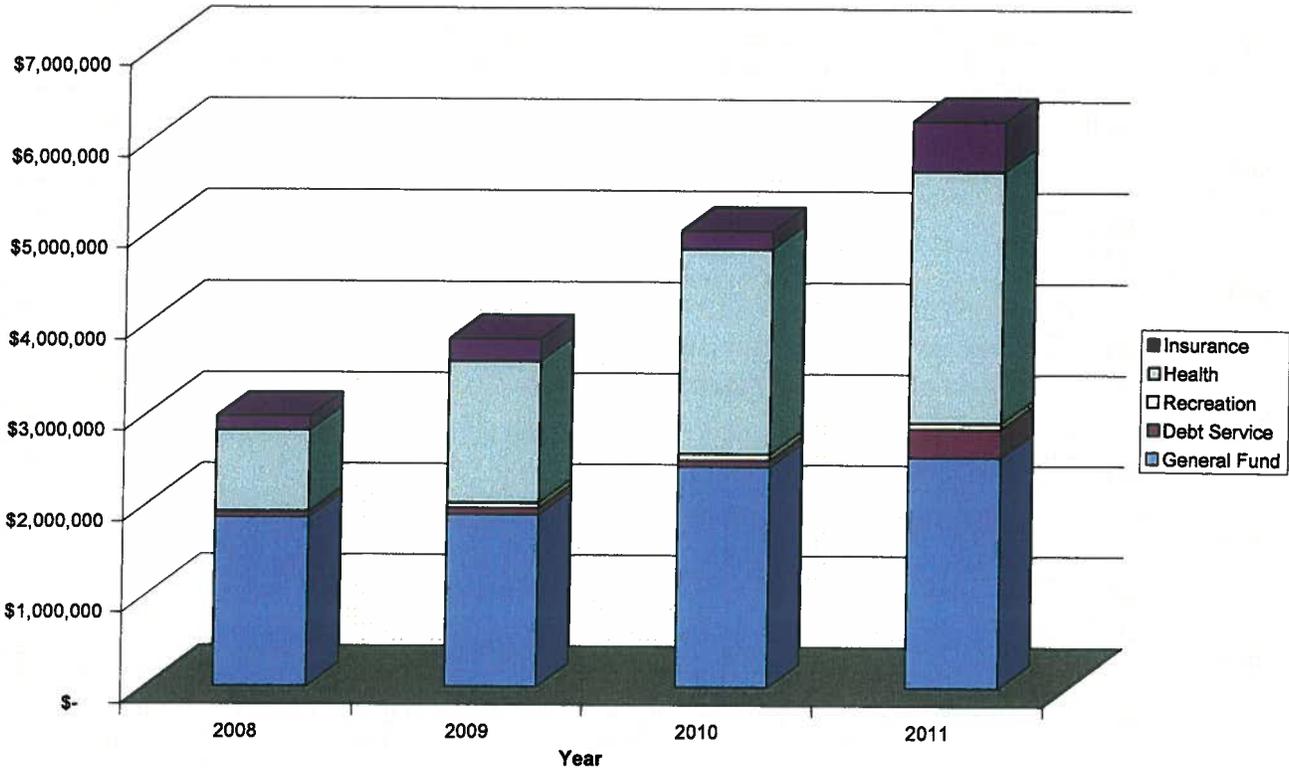
But to fully appreciate this minimal increase you have to realize that during this same time, we began paying on a large police lawsuit settlement which had a back-ended loan with the principle payable in 2013 and 2014. Our payment on that lawsuit next year is \$1 million. We are also paying approximately \$600,000 per year toward another lawsuit as well as the drastic increase in our contributions to our Mandatory Municipal Obligation for our city pension funds and our refuse hauling contract increased by \$700,000. Remove these costs and the actual increase in the last five years averages \$645,000 per year or less than 2.5% per year.

Many ask, "How are you doing it?" The short answer is that we have taken a comprehensive approach to all of our financial transactions. We have aggressively led efforts to recoup unpaid sewer and refuse bills. Yes, we have taken a hard-line collection effort and I constantly hear requests for debt forgiveness, but given our city's fiscal state, we said enough is enough. We charge interest to outstanding balances, affix municipal liens to delinquent properties, and cut off service to those who refuse to pay. Our citizens who pay their bills and are in good-standing should not subsidize others' irresponsibility. We also oversee the budget on a weekly and monthly basis to assure anticipated revenues are on target prior to funds being spent.

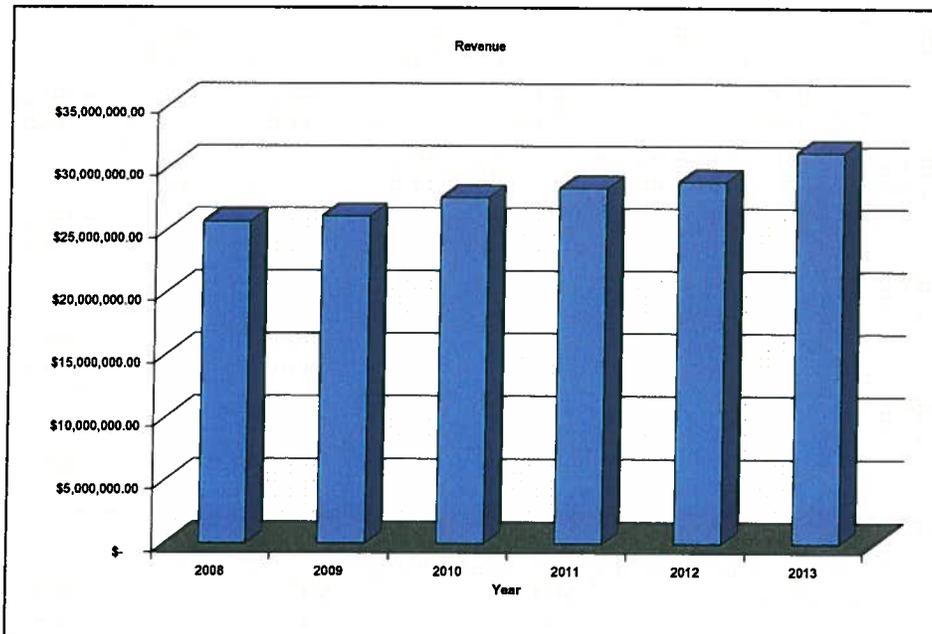
In addition, this budget also accomplishes our financial goals set out and memorialized by Resolution of Council in December 2011 despite our increasing financial obligations and an economic downturn

that has stalled revenue growth. During this five-year period we have increased our General Fund Balance to \$2,539,381 or 88% of our minimum goal; increased our Health Care Fund Balance to \$2,759,747 or 92% of our goal; and increased our Liability and Casualty Fund Balance to \$550,811 after an increase of almost \$350,000 in 2011.

Total Fund Balance (as of December 31)



REVENUE HIGHLIGHTS



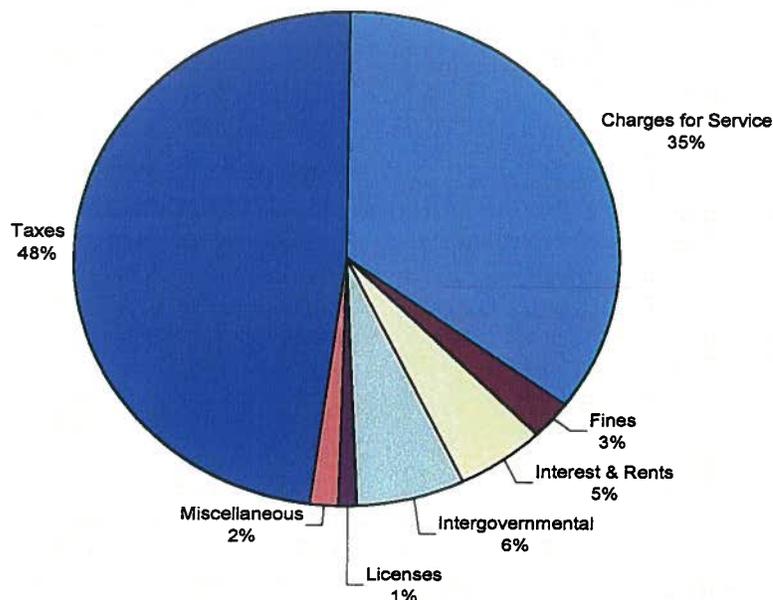
As indicated in the chart to the left, our revenue has remained fairly flat over the last six years.

There are signs of improvement but they are slow and steady. Given the economy we are doing better than most cities. Positive gains in the business revenue areas allow us to keep costs to our residents level.

I would like to highlight several revenue line items that have improved:

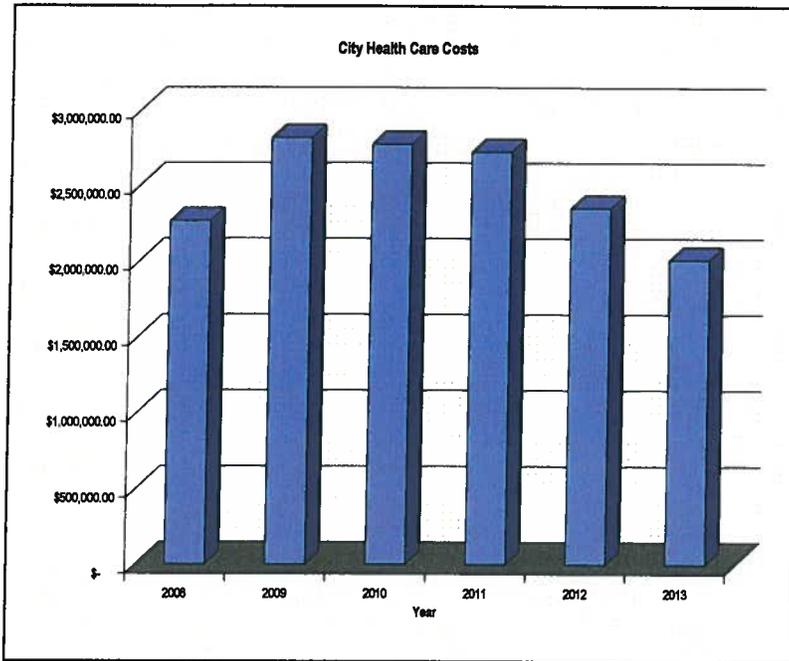
- Real Estate Taxes have increased, without a tax increase for the fifth year in a row indicating the increase in assessed value of the city through strong economic development efforts.
- Admissions Tax revenue continues to increase indicating our increase in tourism. Given Crayola's commitment to the city and the expansion of the Crayola Experience we are budgeting \$450,000 for 2013 which is an increase of \$65,000 in 2013 and a total increase of \$135,000 since 2008.
- Continued business growth in the city will net a Business Privilege Tax of \$625,000 in 2013 indicating positive business growth in the last four years and a total increase of \$114,000 since 2008.
- Earned Income Tax for residents continues to see positive increases. We are estimating \$4,675,000 in 2013, an increase of \$475,000 over 2012 and an increase of \$590,000 since 2009 when the new rate went in to effect. (This does not include the newly adopted non-resident EIT) which is solely earmarked for pension liability).
- One of the largest areas of increase is a result of being involved in the table game legislation for the state's casinos. Unfortunately Easton was not at the table for the slot machine formula but thanks to Senators Lisa Boscola and Pat Browne, as well as Bethlehem Mayor John Callahan, we were at the table in 2008 and Easton is now part of the formula for table games. The Sands Casino is doing remarkably well and next year's anticipated revenue is \$700,000.

2013 Proposed Revenue Sources



Revenue enhancements have also been achieved in the area of healthcare co-pays and co-share which is the result of employee contributions through their Collective Bargaining Unit agreements and increases to be paid by non-union personnel. In addition, worker compensation and disability and casualty insurances are also down.

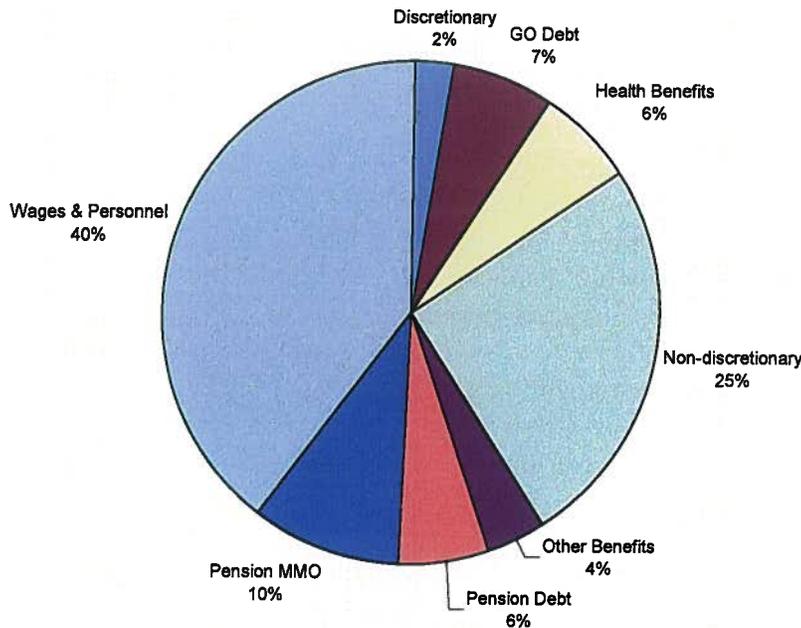
Our healthcare fund is stronger through education. Our employees are using their healthcare in a smarter way thereby saving themselves money by using features like the 90-day mail order for maintenance prescriptions and saving the city money through increased use of a primary care physician rather than visiting the emergency room of a hospital.



I thank all of our employees, our HR staff, our Directors and Supervisors and the bargaining process of the FOP, IAFF and AFSCME for their efforts in this area as well.

EXPENSE HIGHLIGHTS

2013 Proposed Expense Uses



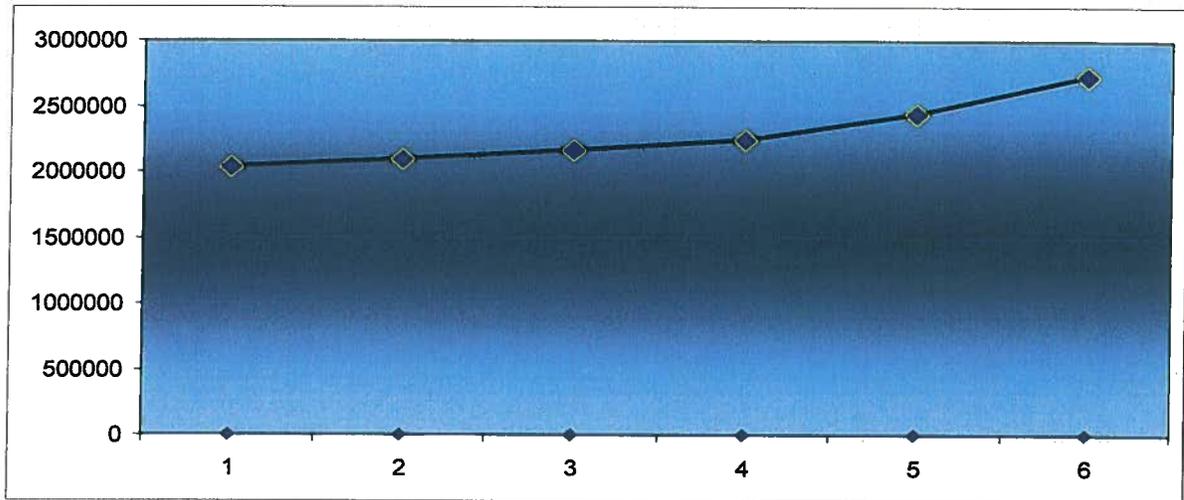
The expense side of our budget has a fixed budget of 73% dedicated to personnel and debt. Fixed costs such as utilities, fuel, etc. account for another 25% which leaves less than 2% as discretionary spending.

Credit goes to every employee for understanding that controlling costs is imperative to a healthy budget.

The Administration continues to serve as a watchdog for the taxpayer's money. In addition to items like fuel, wage increases, there are two large increases for 2013:

- Sanitation Costs – Easton City Council will recall that we inherited a 7-year contract with increases each year but large increase for 2013 and 2014. Next year's contract is \$2,735,856 which is an increase next year of \$280,000 and more than \$690,000 since 2008. We have absorbed most of these increases in the budget with little change to the garbage collection rate charged and with no increase to senior citizens.

Sanitation Contract



- Municipal Minimum Obligation for Pensions continues to increase at drastic rates. There is no doubt that the largest financial challenge is our legacy costs for our city-managed pension funds and our post retirement benefits – but pensions are the most severe. We are obligated to spend more than \$3.5 million on pension legacy costs next year. That's an increase of more than \$1.8 million just for next year and more than more than \$2.4 million or 8 mils of taxes since 2008. Our financial challenges are real.

That's why I'm stating, clearly and definitively, pension reform must be every city's goal. We must protect hardworking taxpayers and dedicated city employees with a fair, sustainable plan. Pennsylvania's systemic constraints, structural deficits, and legacy costs batter us every year and threaten our future. Simply put, Pennsylvania's local tax, pension, and arbitration systems, as well as urban boundaries are outdated, broken, and unfair.

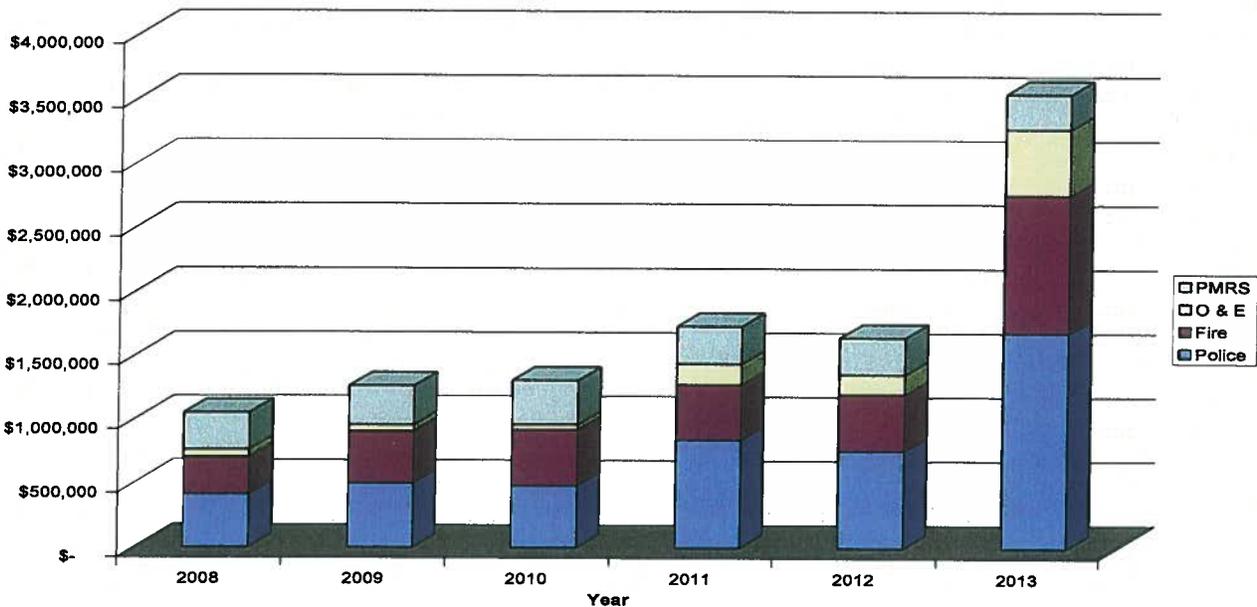
Along with 28 other core municipalities, we helped to prepare the Pennsylvania Municipal League's Core Communities in Crisis Report. For over a year, we have endorsed its recommendations. Once again, we urge our General Assembly to implement the PML recommendations.

These efforts, married with the efforts of twenty-four regional Pennsylvania Chambers of Commerce, including the Greater Lehigh Valley chamber of Commerce, all of the local municipality associations, the county association, and major business associations throughout Pennsylvania, led to the Coalition for Sustainable Communities Initiative -- government officials working with business leaders to restore our core communities to fiscal health. Tonight, I urge our General Assembly to advance the Coalition's recommendations.

To reach the next level, we must reform our pension. This is not an option. We must work hard to build the most effective, efficient and accountable services. The next few years will be extraordinarily challenging for Easton, its government, and for all of us, the citizens.

Year	2008	2009	2010	2011	2012	2013
Police	\$ 414,750	\$ 500,537	\$ 485,312	\$ 843,934	\$ 761,291	\$ 1,684,086
Fire	\$ 290,276	\$ 405,504	\$ 434,626	\$ 434,219	\$ 441,521	\$ 1,073,905
O & E	\$ 60,647	\$ 54,537	\$ 43,788	\$ 164,399	\$ 157,440	\$ 516,830
PMRS	\$ 287,476	\$ 304,583	\$ 345,618	\$ 290,556	\$ 288,585	\$ 273,801
	\$1,053,149	\$1,265,161	\$1,309,344	\$1,733,108	\$ 1,648,637	\$3,548,622

Pension MMO History



Yet with all of these challenges this budget continues to provide our residents with a full service city without the need for a tax increase. This budget continues to provide the necessary funds to move our city forward at a time when many other cities are closing fire stations, reducing staffing levels and reaching into reserve funds to maintain basic services.

This budget continues and increases our commitment to the Greater Easton Development Partnership which operates and manages the Main Street Initiatives, Easton Farmers Market, the Easton Ambassadors and many of our economic development programs. It also includes contributions to the West Ward Weed and Seed program.

I am pleased to report we are again holding the line on all taxes in the city. We are not recommending any increase in real estate taxes, earned income tax, wastewater rates, trash rates or the real estate transfer tax. This continues to be unprecedented in the recent history of our city.

However, to fund this budget we are recommending a \$2 per month billing charge for all wastewater and refuse bills, however, we are also recommending that seniors be exempted from this charge.

Lastly, in order to provide the necessary funding for the GEDP and the groups associated with the organization we are taking the advice of some of the recommendations of the recent parking study completed by Desman Associates. We are recommending that parking meters in the downtown be

increased to 75 cents per hour and that the hours of operation be extended to 8 PM. We are also recommending that meters in the circle and south be enforced on Sundays from noon to 5:00 PM. This should not hamper any individuals who attend church in the downtown. We are also updating the technology of our parking system. We will also be installing multi-space boxes on the surface parking lots beginning with the South Third Street lot and installing approximately 200 credit card meters to make it more convenient for the customer. (Note: these meters will require a minimum of \$1.00 to use a credit card.

CONCLUSION

Our budget is a working document. We review it on a daily basis and evaluate it on a monthly basis. I would like to thank City Controller Tony Basil and Finance Committee Chair Ken Brown, as well as members Roger Ruggles and Elinor Warner and the members of City Council. We have recommended some ideas that may have been challenged by others but you all have embraced the need to finance this city for the long term and not the political term. Also, I extend special thanks and gratitude to City Administrator Glenn Steckman and Finance Director Chris Heagele for their leadership in this area. To the Directors, Supervisors and employees who help us live within our means yet continue to move Easton forward I say thank you for helping to reinvigorate Easton.

In the last four years we increased our financial stability more than ten-fold. We have controlled costs to match revenues, rather than vice versa.

This budget continues to ensure long-term fiscal stability. This budget does not artificially raise revenue forecasts to balance the budget. Nor does this budget include gimmicks or one-time injections of money that will disappear next year.

This is what a 21st Century city government in a 21st Century city looks like. Smarter, more efficient, focused on the fundamentals. A government that citizens can trust to act honestly, openly and to spend their tax dollars wisely and carefully. A government that makes investments in our people and in our neighborhoods, ever focused on ensuring that we have a safer city, a smarter city, a more sustainable city, a city that continues to attract visitors, residents, businesses and jobs. A government that is innovative, creative and brings everybody together, around the same table, to create partnerships that will improve the lives of all Eastonians.

We've come a long way. We have a lot to be proud of in this city. Together, we have put down firm roots, are growing strong and soaring to great heights. *Continuous improvement* will be our new hallmark. There is still much to do.

I look forward to City Council's consideration of this proposed budget. The staff and I remain open to questions, concerns or reasonable amendments that will help ensure future fiscal stability in the City. Together, we are working harder and harder every day for a better Easton.

Respectfully Submitted,



Salvatore J. Panto, Jr., Mayor

CITY COUNCIL
SPECIAL MEETING AGENDA

Special Session
Monday
October 1, 2012
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 2013 CITY BUDGET
8. CITIZEN'S RIGHT TO BE HEARD (On any matter)
9. ADJOURNMENT