



2020 Budget Message

Mayor Salvatore J. Panto, Jr.

Dear Members of City Council:

As per the City Home Rule Charter, I am pleased to present the residents and City Council my 2020 Proposed Budget. It is being presented for your review and consideration and ultimate approval.

The budget continues to fund needed core services for each resident and maintains Easton as a full-service city. The Budget recognizes the City's aging infrastructure and makes strides to update and improve our roads and parks. The message and overall theme of this 2020 budget proposal is stability.

I would like to express my appreciation to the department directors and the budget team for their excellent work in arriving at a budget plan for Easton in 2020. During our budget meetings, many ideas, recommendations and conversations occurred to create the document before you today. Throughout this process, we have all remained devoted to providing the high quality of services our residents have come to expect, and deserve, while also continuing our commitment to being fiscally mindful with the taxpayers' money.

The economic outlook for Easton is bright and at a point where we can weather a recession, although that doesn't seem to be in our future. Indicators continue to point toward slow, steady economic growth. Talk about fears of a coming recession have dwindled in the last few weeks given the recent second decrease in interest rates and the upcoming Presidential election. Our local economy reflects investor confidence and a generally strong housing market in Easton, which are key indicators we look toward when analyzing future revenues which are impacted by the water tapping fees and our non-resident EIT. We continue to see businesses reinvest in our community.

When I was first elected Mayor, I pledged to you and our residents, that our community would be better – safer, stronger, more financially secure and better prepared for challenges as they arise.

To be more fiscally stable we shifted the question from "*How much do you need?*" to "*How much do we have?*" This may be viewed as subtle change but we've seen this change as making our budget process more proactive and less reactive. Starting off with a clear understanding of how much revenue is available to spend for the upcoming budget year sets realistic expectations. Since revenues, not expenditures, are the real drivers of the budget, focusing on understanding where the money is coming from is extremely critical to the budget process.

Then next issue to overcome is always the structural deficit that exists not only in Easton but all cities in this Commonwealth. Each year we can expect our expenditures to increase by 3% while revenue increases are limited to 1%. We have been very successful in the last 11 years to balance this structural deficit through streamlining our personnel; staying on top of our finances every day and not just at budget season and our aggressive economic development program that has expanded our tax base, created jobs and is attracting businesses and investors creating new revenues to the city budget which are not paid by the current residents and businesses in the city.

The core function of City government is to provide quality of life, basic services, public safety, police and fire; recreational opportunities for our citizens, young and old; water and sewer; streets and drainage. To be successful takes on-going, smart planning, and constant oversight management of the city finances.

Infrastructure improvements are often not visible to the public. They don't typically garner a great deal of attention – but their failure certainly does. Nonetheless, they are essential to preserve our assets and ensure the continued reliability of services and quality of life to our residents. We will continue to invest in our infrastructure through our capital budget and at the next council meeting you will have an Ordinance that expands the repaving requirements utility companies are required to repave when they dig up our streets. We expanded this a few years ago and find it necessary to expand again.

Easton is growing! We are drawing new residents in record numbers. Easton's small-town charm, prime location, and quality of life amenities, serves only to strengthen the influx of new people into our City. With this growth, we are enjoying sustained new investment levels that enable quality municipal services without an increase in our taxes or fees. ***Tonight, for our twelfth year I am proposing no real estate tax increase and I am also proposing our eleventh year with no increases in fees.*** This stable budget for more than a decade has many people, and even former elected officials, surprised. Some say it is nothing short of a miracle. I say it is accomplished the old fashioned way ----- hard work!

With our growth comes some tension between accepting Easton's new residents and developments and maintaining its small-town charm. The balancing act to remain the inclusive City we are and the city we are becoming can be challenging. I believe our prime location, hard work and a lot of volunteer hours by our residents and excellent city management have made Easton what it is today.

Easton has been nationally recognized with many honors and is known throughout the Commonwealth as a City on the move. My overall goal is to get Easton back to pre-urban renewal days when Easton had more people and more taxable properties to share the financial burdens of managing a city. The end result of this goal is a city that is sustainable, resilient and vibrant and a place residents are proud to call home.

The City supports our public safety departments. We seek to continuously maintain and improve our public infrastructure and facilities. We are committed to developing and maintaining a professional, highly qualified, highly trained and service oriented workforce. We employ sound business practices that are efficient, effective, and responsive to the delivery of City services. The proposed budget

works to provide our continued investment in much needed infrastructure to allow for growth and prosperity for all residents.

Providing for a safe community is at the heart of our mission and this budget continues to fund our police department at 63 sworn officers which is 11 more than the City had prior to our Administration. The proposed budget continues to fund three additional firefighters to mitigate the overtime account and better prepare for expected retirements. Our rolling stock in police and fire is the best it's ever been and the capital budget continues to address the city's capital needs in all departments. The capital budget continues to fund replacement vehicles and fire apparatus.

From the graph below you will see that crime in Easton now below the national average, so much so that we are no longer eligible for Department of Justice grants.



Public Works is the largest department within the City and is responsible for managing and maintaining our sewer and stormwater pipes; maintenance of our streets, sidewalks and street signs; the environmentally safe operation of our wastewater treatment plant; purchasing and maintaining the City's vehicle and equipment fleet; maintenance, repair and construction of City-owned buildings; resource conservation, and managing all activities within the public right-of-way ranging from street trees to festivals and parades.

Previously, city government felt it could "penny-pinch" its way to prosperity and worked to implement this strategy by neglecting city streets, sidewalks and infrastructure; not properly maintaining city buildings; irresponsibly ignoring the need to replace or adequately repair city equipment; and not wisely allocating resources in the areas that need it most like our neighborhoods and essential, daily city services that improve the quality of life for city residents. This "deferred maintenance" approach didn't work then and it doesn't work now. We have reversed that plan, invested in our infrastructure, increased our street paving program, and we still have more work to do.

As we all know, technology is the new heartbeat of the organization. Data is critically important to the success of our administration. Our IT department has done a masterful job of keeping us online and secure. Our IT department continues to expand our operations technologically; even Council meetings are now live-streamed.

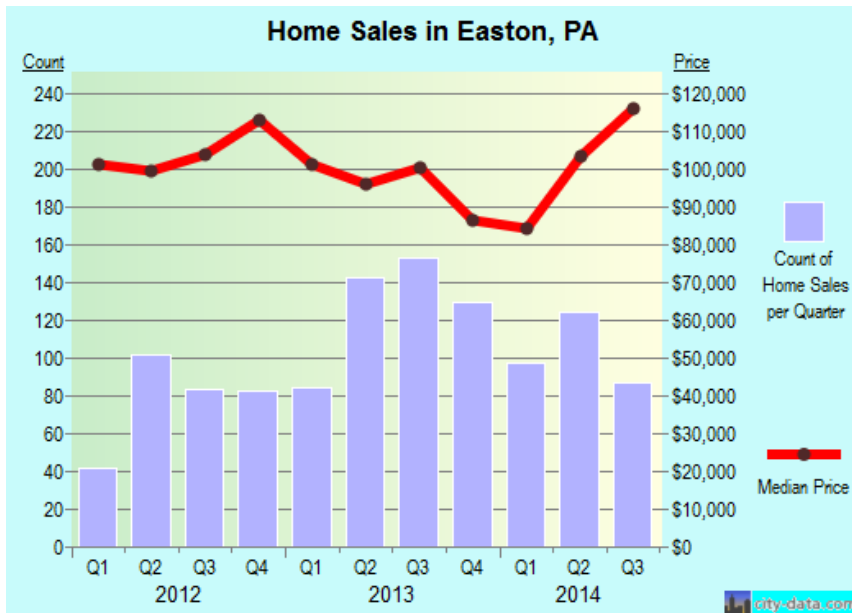
This proposed budget does not eliminate any of the current employment positions, filled or vacant. For the past several months we have evaluated every vacant position before hiring new personnel to make adjustments for unbudgeted overtime but all positions are budgeted to be filled.

While Easton moves down the path of change and betterment, my administration has worked diligently with City Council to get Easton's financial house in order. We have streamlined operations, refinanced debt to take advantage of historic low interest rates, and leveraged our purchasing power to achieve better deals for energy, fleet purchases, banking, and healthcare. Next year we look to add electric vehicles to our fleet and to totally automate our parking facilities with kiosks and license plate readers for more efficiency and convenience to the customer.

The result has been revenues meeting expenses and a much improved balance sheet. The 2017 audit, confirmed our financial stability and growth in our general fund reserves, and as 2019 nears its end that positive trend is continuing.

While the initiatives of the past several years have put us on much firmer ground, challenges still remain in the world of municipal finance, the largest being pension legacy costs; affordable housing and homelessness.

I have initiated the Mayor's Task Force on Affordable Housing to explore and make recommendation to the Administration and City Council on ways of addressing this national problem here on the local level. We will also be applying for more grants to fund more affordable housing in Easton. Our city has been and most continue to be a city for all people. As the graph below indicates, the price of housing in Easton is increasing which is great for those that own a house but more difficult for others that may be looking to purchase their first home.



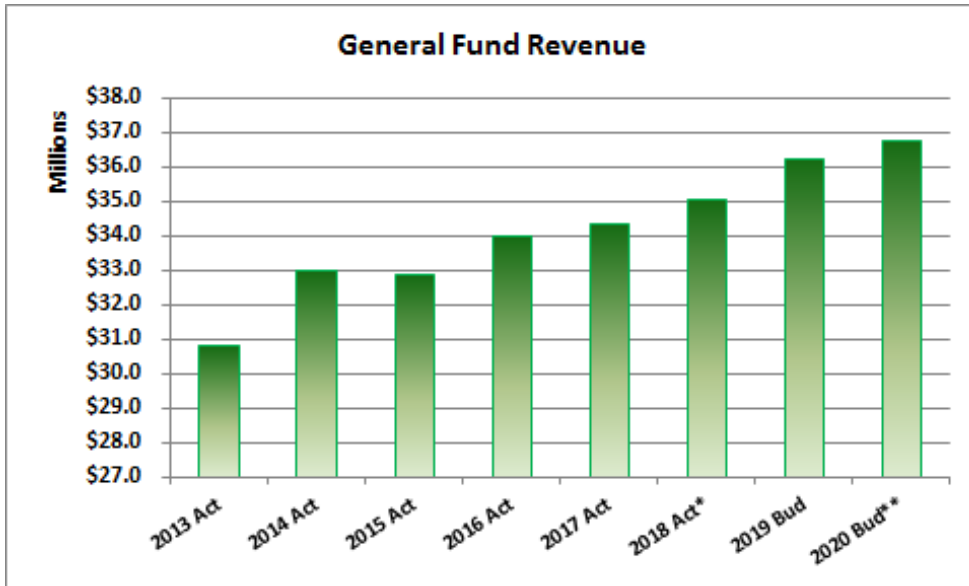
Local government faces a myriad of challenges every single day. We are developing an inventory and ultimately a plan to prepare for the effects of climate change, which are already impacting our community with severe heat and stronger storms more often. We continue to provide the important services needed to keep our community sustainable and resilient, and make Easton a place where people are happy to visit, to work and to live. The 2020 Mayor's Proposed Budget reflects our efforts to address these challenges and prepare for the shocks and stresses that are ahead of us.

Just as 2020 marks the beginning of a new decade, 2019 marks the end of a decade that ten years ago found Easton in a very different place. Fortunately, we took proactive steps in late 2008 to put the City in strong financial shape during 2009 while we were constructing our first budget under the shadow of the Great Recession. We were able to balance the budget that year, and in the years following, with less ad valorem than the year before, with less staff, and without significant impact to services. The City's population continued to grow, however, and along with it, demand. We worked collaboratively to find efficiencies wherever we could, eliminating positions through attrition so our remaining employees could focus on meeting increasing.

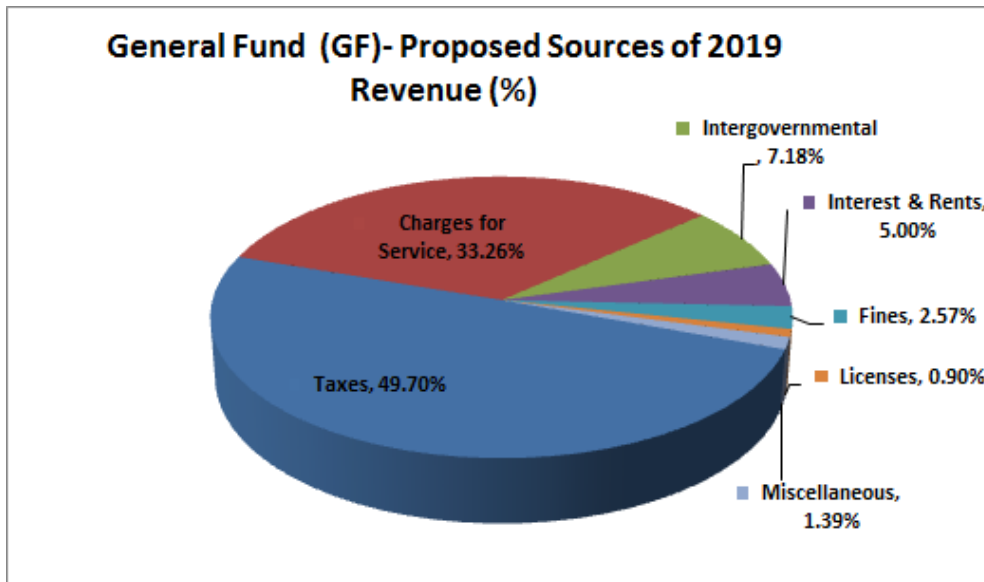
Undoubtedly, the next several years will bring abundant opportunities, challenges and unexpected surprises. However, we have a strong foundation to build upon. It is a tremendous honor to be a part of this community and its local government. Easton truly offers more than people expect.

I retain a strong belief in our community's resilience and in the bright future that awaits us. The road of late has not always been easy, but the passion, innovation, civic engagement and dedication of our citizens, educational institutions, businesses, City staff and policy makers, non-profits and others make me confident that Easton will remain a beautiful city in which to live, work and play. We are Rover Strong!

Revenue Highlights



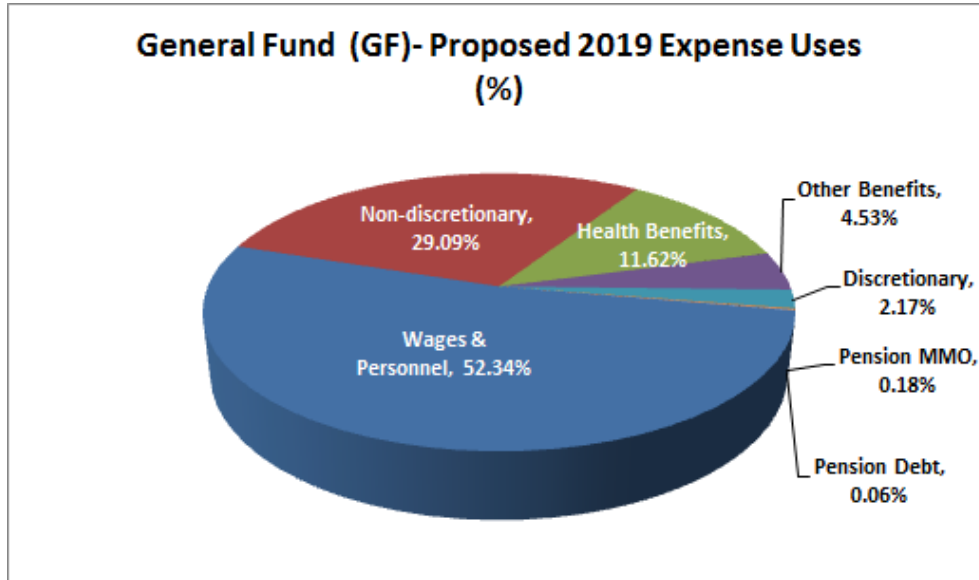
The amount of money to be expended next year is roughly 1½% higher than this year, well below inflationary estimates.



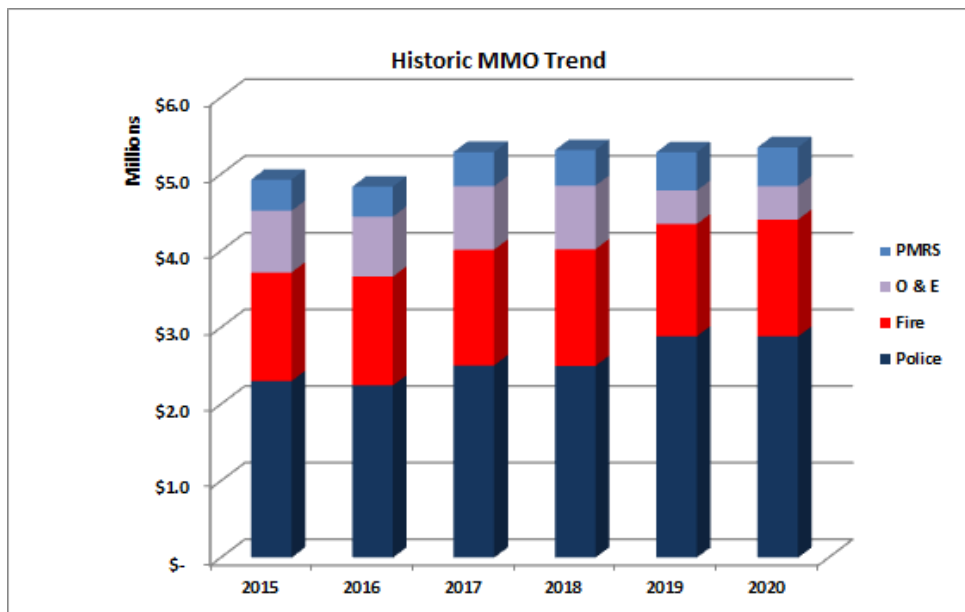
Real Estate tax revenues contribute just below 50% of our budget. To fund needed services the City relies on additional funding sources. Council will notice that the continued investment in our city has help to increase our permit fees and next year we see that continuing as well. Real estate tax revenue continues to rise (3%) but not from an increase in the tax rate; instead the increase is from growth which is also seen in the real estate transfer tax increase (22%). Earned income tax is again expected to increase another 3%. The Easton Water Authority lease of the water treatment facility and distribution lines will again increase by 2% as per the Lease and casino revenue is held flat for 2020.

Expense Highlights

More than 70% of the 2020 expenses are due directly to salary and fringe benefits. The 2020 budget does contain an additional part time Solicitor to assist in the collection of utility bills and taxes and the budget reflects the contractual increases in salaries. Firefighter overtime was increased by 33% but most other expense line items remain the same as the previous year and in many cases, several years.



The following graph is all too familiar to City Council and it is the Mandatory Municipal Obligation for pension legacy costs which continue to increase annually.

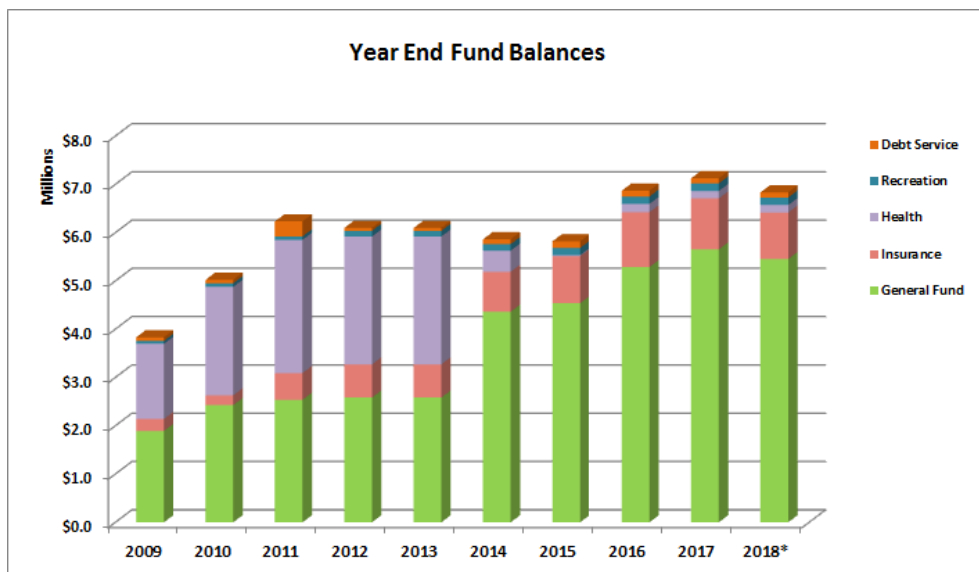


	2015	2016	2017	2018	2019	2020
Police	\$ 2,304,171	\$ 2,246,363	\$ 2,507,893.66	\$ 2,501,072.93	\$ 2,887,077	\$ 2,884,612
Fire	\$ 1,415,945	\$ 1,418,639	\$ 1,508,983.25	\$ 1,522,360.81	\$ 1,463,642	\$ 1,525,438
O & E	\$ 804,861	\$ 782,506	\$ 827,782.37	\$ 828,255.04	\$ 436,867	\$ 437,370
PMRS	\$ 405,659	\$ 391,711	\$ 446,854.83	\$ 464,593.00	\$ 499,689	\$ 504,317
Total	\$ 4,930,634	\$ 4,839,219	\$ 5,291,514.11	\$ 5,316,281.78	\$ 5,287,274	\$ 5,351,738

I would like to thank the members of the Aggregated Pension Board for their hard work in reviewing the Request For Proposals for a new financial investment consultant. The long hours of interviews I believe will pay off with increased assets as the pension plan continues to grow.

As I have stated, even with all of the financial difficulties we faced, this administration has worked hard to live within our means and yet continue to improve our city. All indicators point to our financial stability including our S&P rating, our liquidity, our pension plan investments and most importantly our reserves which are still north of \$6 million. This is nothing less than remarkable considering that just a short time ago Easton was on the verge of filing Act 47.

Most importantly, our Administration has built up our account reserves which have been increased from a deficit we inherited to a reserve fund of more than \$6 million. My Administration recommended fund balances that City Council did support and once those reserve levels are met we can look to start reducing the tax burden on our residents.



My Administration has been extremely aggressive at securing grant money to offset our financial capabilities. These grants have been used to fund the needed capital improvements that you see throughout the city. Without these grants our infrastructure and public property would continue to decay. Major capital improvements for 2020 include the completion of the 13th Street interchange and intersection, complete upgrade of Wood Avenue and a complete upgrade to the circle area park; expansion of Centennial Park removing two blighted properties and assisting our Redevelopment Authority and Karl Stirner Arts Trail with the purchase of the former Easton Iron and Metal property. Major economic development projects next year include the arrival of 175 employees for Hearst locating in the former Heritage building, construction of a new Fourth Street Parking Deck, Black Diamond, the Commodore, the Peron development at the Boyd Theatre tract, and the 185 South Third Street property. All of these private developments will provide the needed revenue the city requires to maintain the level of services our residents deserve.

I offer City Council a budget that does not increase the tax rate or fees and once again, does not tap into our city's reserves to balance the budget; reserves that didn't exist when we took office. I remain committed to ensuring our neighbors receive the continued quality service they've come to

expect, at the lowest possible cost so our community remains comfortable, desirable and ultimately affordable. I believe money is best left in the pockets of our hardworking taxpayers and encourage our neighbors to spend their money locally. Local spending stimulates our local economy, creates jobs so we can use to offer city services, without raising the tax rate.

We will continue with the recently implemented MS4 storm sewer program and on the recommendation of S&P this new budget creates the 808 Sewer Fund separate from the General Fund budget. The 2020 proposed budget also addresses to the best of our estimates the fire department overtime account and the addition of the 3 firefighters.

I would be remiss if I delivered this annual budget message without again pleading for the hundredth time to have our State Legislature address the pension legacy problems that are crippling most municipalities in the Commonwealth. As you can see from the chart below more than \$5.3 million a year goes to fund our pension legacy costs. If it were not for these costs that were constantly kicked down to future generations we could lower real estate taxes from 24.95 mils to less than 11 mils. Pension legacy costs consume 60% of the real estate taxes. Every session, our state legislature says they are going to address this extremely important issue and every year they fail to implement meaningful pension reform pushing the debt further and further down the generational line.

With a lack of federal leadership on critical issues like climate change and infrastructure, local leaders are increasingly focusing on local solutions that address national challenges. Our capital budget continues to address our aging infrastructure and provides the replacement of capital equipment and looks to sustainability and resiliency. We will continue our carbon reduction plan to meet the goals that City Council established earlier this year. Within the next few weeks we will also complete the PML Sustainability Certification program at a level of at least Gold.

This proposed Budget continues my administration's focus on transparency, efficiency and fiscal responsibility. My highest priority has always been the safety of our residents. We are well-poised to reach successes never before achieved in Easton. I am proud to be your Mayor and to lead Easton as we continue to flourish into the future. We are confident that with the current leadership the next several years will bring abundant opportunities, trying challenges and unexpected surprises. However, our team remains well positioned to embrace those opportunities and meet the challenges.

I look forward to spending the next few weeks working closely with the members of Council and our constituents to review the Proposed Budget and discuss any adjustments that are warranted.

In closing, the Administration's hope is that the 2020 Budget is a basis for discussions and decisions. I look forward to our discussions as we work to rebuild the great City of Easton.

Sincerely,

Salvatore J. Panto, Jr.
Mayor