

As per the City's Home Rule Charter, I am pleased to present my 2022 Recommended Budget for your review and consideration.

Before I deliver my Budget Message, I would like to honor our late City Controller Tony Bassil with a moment of silence for the many years he helped to right the finances of our city.

I respectfully submit to you the Proposed 2022 Financial Plan for the City of Easton, which comprises the General Fund, enterprise funds, special revenue funds, internal service funds, including the Capital Improvement Plan, Sewer, Health Fund, Casualty and Property Insurance Fund, City Hall Fund, Debt Service, Highway Aid, Recreation, Open Space and Recreation, Revolving Loan, Workers Compensation, Unemployment, MS4 Stormwater, and the Parking Authority Fund.

The proposed operating budget is a balanced budget as required by Pennsylvania Statute. We are in very strange and challenging times. Initiatives at the State and Federal level have assisted us in our recovery. Our residents and businesses have made tremendous sacrifices throughout this pandemic, and as our collective response and recovery continues, we are very focused on how we ensure everyone makes it to the other side. The Covid-19 pandemic has caused a level of economic devastation that has upended many lives.

This budget is the financial foundation that guides the operational and financial planning of the City and is the single most important document presented to Council. The 2022 proposed budget is guided by the City's mission of maintaining our citizens quality of life through the provision of value driven, quality public services/facilities that reflect the expectations of our residents and the business community.

The reality of the pandemic hit the United States in March 2020, forcing the city (like many others) to close facilities to the public. Although City facilities were closed, services continued behind the scenes. In fact, our residents saw minimal disruption to services due to the ingenuity of departments citywide who went above and beyond to create new and inventive ways to facilitate the continuation of services, while at the same time ensuring the safety and welfare of our employees and community.

There is little doubt that Covid-19 will permanently change some behaviors, like working from home and shopping at brick-and-mortar stores. Many economists are fearful of the hollowing out of city centers, with 60% of mayors agreeing that downtown office buildings will become less desirable. Very few experts expect shops, restaurants, or tourism to return to normal until at least the second quarter 2022. For Easton, there may be a silver lining in this cloud. We are at a good place to attract offices from the bigger cities and are currently helping one organization find a location in our downtown. Unfortunately, we have limited office space in our city. Easton offers the experiences of a big city and the amenities of a small, walkable city. The good news is that we are optimistic that with vaccines and boosters being distributed and restrictions strategically being lifted, a return to normalcy is on the horizon.

This 2022 Budget has many similarities to last year's revised budget that City Council adopted after COVID became the most dreaded word in the world. Created amidst evolving impacts of the global pandemic, the 2022 Budget revenue estimates have been formed by our monthly data, insights from relevant industry professionals, and historical trends... but they are tempered by current realities.

While Easton and the world emerges from the worst public health and economic crisis in our lifetime, it has been our sound fiscal management over the last decade that allowed us to leverage our city's reserves to keep our city running and prevent an outright fiscal collapse brought on by COVID-19. Support from leadership in the White House has enabled a faster recovery in 2021. More importantly,

most of our residents have weathered this turbulent time by getting vaccinated, wearing face coverings, and protecting themselves and others. Easton has proven we are a resilient and vibrant city and every day we are becoming more and more “the place to live.”

Our city has been presented with challenges in many areas. We answered the call with bold and decisive leadership. We are now almost two years into a devastating public health crisis that has caused almost 700,000 deaths nationally, crippled the operations and finances of many of our residents & businesses, placed our country in a supply chain nightmare, businesses are desperately trying to hire individuals, and dramatically altered operations for many of our educational and social institutions. Our 2021 Audit will show that despite the pandemic, in our revised budget will indicate a surplus for the year ending December 31, 2021. The primary reasons were the President’s American Rescue Plan approved by the Congress due to strong lobbying efforts of the National League of Cities and the U. S. Conference of Mayors. A major component of that legislation was the ability for municipalities to replace revenue lost due to the pandemic.

I would like to express my appreciation to Luis Campos, our City Administrator, Finance Director Mark Lysynecky, Directors, and the budget team for their excellent work. As a direct result of the City's historically prudent financial practices, and despite current revenue losses, the City remains in a strong financial position.

As we begin the process of preparing the City’s \$63.8 million budget Plan for 2022, we must understand that effects of the COVID-19 pandemic continue to plague our national economy and our City. Over the last twenty (20) months, the City Administration has worked diligently on maintaining our core services while adapting to the new normalcy imposed by the global emergency.

Starting in March 2020, the city had the monumental task, at a moment’s notice, of developing new business practices and processes, adding protective gear, sanitizing all facilities, and taking necessary precautions to keep our residents and staff safe. Zoom became an everyday word for our senior staff. We were faced with facility closures and cancellation of planned events. And in the midst of all of this we had a horrific blizzard and a hazmat situation at a closed facility.

Throughout all the uncertainty we committed to maintaining the necessary business decisions and adjustments to redirect our resources to address the emergency head-on. Senior management was on duty every day and for four months we were alone as we were forced to furlough 81 employees.

We were also aware that our economy needed assistance if we were to meet the revised budget forecasts. To assist our local businesses, we created an outdoor dining experience that was copied by other communities and to assist our non-restaurant small businesses we held the first annual, and very successful, Easton Winter Village, complete with an ice-skating rink and entertainment. Several business owners told us that the Winter Village saved their business. Plans are underway for this year with an expanded ice-skating rink and an additional 10 huts.

Even throughout the challenges of the last twenty (20) months, economic development activities continued as we focused on our goals of increasing our population and taxable properties to pre-urban renewal levels; new projects are breaking ground and new small businesses are coming to Easton every day. As we move the city forward, we understand this is just another one of the challenges we face. Our job is to move ahead and provide services to our residents in the most effective and efficient manner. It is our energy, passion, and commitment to Easton, based on strong financial management that makes all of us proud of the community where we live, work and play.

Yes, we live in very strange and challenging times. Initiatives at the State and local levels to protect the health and safety of all residents during the COVID-19 pandemic are significantly impacting our budget and all aspects of our daily lives, though we are optimistic that with vaccines being distributed and as restrictions strategically being lifted, we hope for a return to the new normalcy, whatever that looks like. I continue to be highly impressed and grateful for the creativity and commitment demonstrated by our municipal leadership and staff. We have identified and implemented innovative ways to conduct operations and deliver necessary services to residents and businesses while simultaneously taking appropriate precautions to keep employees and the public as safe

Mentally, socially, and economically, many of our residents and families still struggle as the cost and availability of essential goods and services have skyrocketed. I presented to Council last week our American Rescue Plan budget which will assist our most vulnerable and working middle class residents.

Given all these factors and the uncertain outlook for the near future, this is not the time to add to the financial burdens of our residents and businesses. In our personal finances, if income declines or costs increase, we must adjust. For this budget cycle for our community, we must do the same. To that end, **I am pleased to present my 2022 Budget with no tax or fee increase. 2022 will be the 13th year without a real estate tax, earned income tax, sewer fee or trash fee despite significant increases in all areas.**

We can only accomplish level taxation and fees by growing our city population, taxable properties and our economy, A stagnant city means higher taxes and fees. And hopefully, in the near future, we will be able to propose a decrease in one of these areas. Of course, the revenue replacement allowed by the American Rescue Plan and the re-financing of our debt last year made this possible. The more the \$2.5 million from the "scoop and toss" refinancing our debt at historic low interest rates and extending the term by only three years helped the 2021 Revised Budget and this 2022 Budget. The residents thank all the members of Council who voted for this re-financing during the pandemic. This re-financing saved the city \$2,500,000 last year and will net the City a savings of \$600,000 annually through 2030.

We are still experiencing significant decreases in those line items tied to our tourism economy, for example admissions tax and casino revenues. Together these line items brought in \$1,635,000 in 2019 and were originally budgeted at \$1,635,000 for 2021. The Revised Budget for 2021 they were budgeted at \$568,136 for 2021 and next year together they are budgeted at \$1,243,318. Due to the success of our downtown economy, we are more aggressive on parking meter revenue which were budgeted at \$1,347,838 in the 2020 Revised Budget and \$1,193,247 in the 2022 budget.

This financial plan contains key components which includes the financial restoration of the City's fund balances in the various budgets that were used to mitigate COVID and will be incrementally phased out over a three-year period. My successful lobbying efforts for Easton, with the assistance of Senators Casey and Toomey, Congresswoman Wild and the National League of Cities and White House Office of Intergovernmental Affairs and the Pennsylvania Municipal League helped us get our fair share of the American Rescue Plan Act (ARPA) legislation which helped to restore funds lost last year and provides significant dollars to help our businesses and residents. You will recall that our initial allocation was \$2.7 Million, and it was increased to \$20.7 Million.

This budget has been prepared with the hope that by the end of the second quarter 2022, things will be back to some level of the pre-pandemic "normal", as more and more people are vaccinated and feel comfortable returning to gatherings in person, whether for dining in restaurants, shopping,

enjoying entertainment venues and attractions or returning to their offices for work. That said, we need to prepare for a new normal, because it will not be a pre-pandemic normal.

Maintaining a strong financial position is particularly important for this upcoming budget year because of all the expected changes including the construction of the Confluence, Water Mark, the Commodore, and the recently announced Marquis. Opening next year will be The Yards at Easton, The Mill of Easton and the Seville, the opening of our new Fourth Street Garage and several new businesses.

Most importantly, this budget also keeps our residents and businesses clean and safe, our city service levels high, our infrastructure in repair, and our parks and recreational facilities maintained, beautiful and enjoyable, fully staffed without any projected furloughs at this time.

Through the work of the team, along with our excellent public employees, residents, businesses and community partners, Easton continues to be a regional leader in so many ways. We are proud of our role in the region and enjoy our relationship with the other six municipalities that comprise the Easton Area. We are also on the state and national scene with my involvement in the National League of Cities, the US Conference of Mayors, and the Pennsylvania Municipal League. My involvement in these organizations have not only helped me professionally but has assisted our city in winning \$80 million in assistance and competitive grants. Without this funding from the County, State and Federal governments most, if not all, of our public improvements and economic development projects would not have occurred.

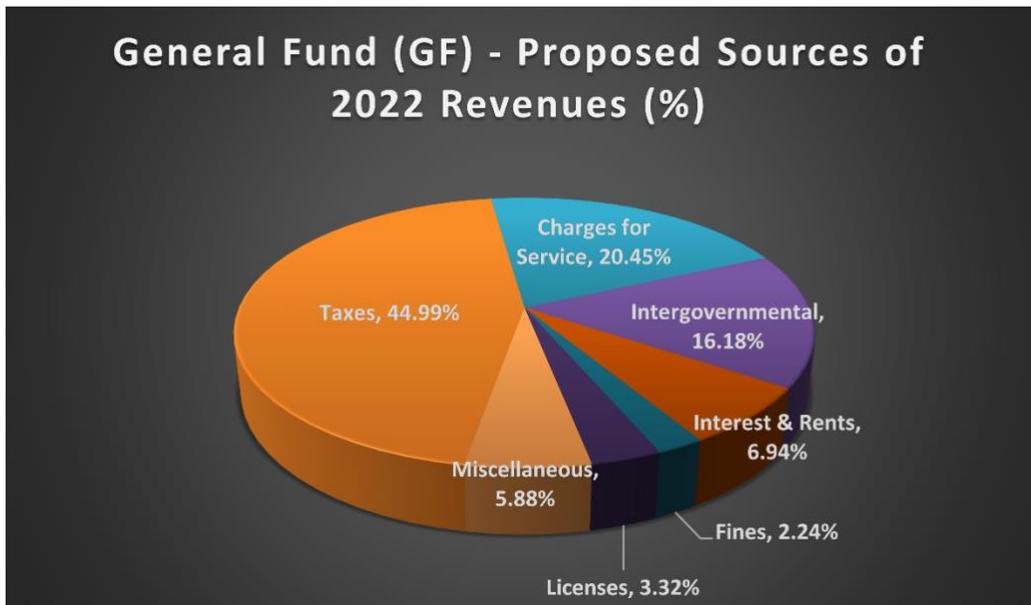
The intent of this budget document is to provide a clear picture of the financial condition of the City and the planning needed to properly manage our financial resources for the coming year, without knowing the true impact of COVID.

The budget for 2022 is austere and is cautiously optimistic towards how COVID will continue to impact our revenues. It also makes some slight adjustments to assist with the projected growth that is set to come through new development that are currently in various stages of review.

Also impacted by the pandemic, were revenue streams for municipalities far and wide and this City was no exception. Early estimates of revenue losses for the City were in the \$5 million-dollar range; however, actual losses experienced, were much lower mostly due to the re-financing and the “scoop and toss”. Looking back, the City of Easton made it through the 2021 budget/COVID year better than most; primarily due to our City’s Administration and City staff coming together to do their part. The City also received some financial assistance from the Coronavirus Aid, Relief, and Economic Security Act, the “CARES Act” through Northampton County.

Allow me now to present my recommended budget for 2022 and I remind you that this may seem to be the end of the budget process but, it is just the beginning. From this point forward my administrative staff will assist in any manner needed and provide any data requested but this budget will now be directed by this Council.

As the first chart below indicates, this budget does not bring the City Revenues back to the 2019 budget level but is approximately \$4 MM more than the 2021 Budget and more than \$5 MM more than the 2020 actual but still less than 2019. The bulk of the revenue comes from taxes and fees and the increase is directly related to a project 2% increase in the Earned Income Tax line items.



After nearly two years of economic impacts from the pandemic, Easton's revenues are beginning to recover, but they remain highly vulnerable due to continued uncertainty surrounding COVID --- globally, nationally, and locally, especially with so many individuals continuing their opposition to getting vaccinated.

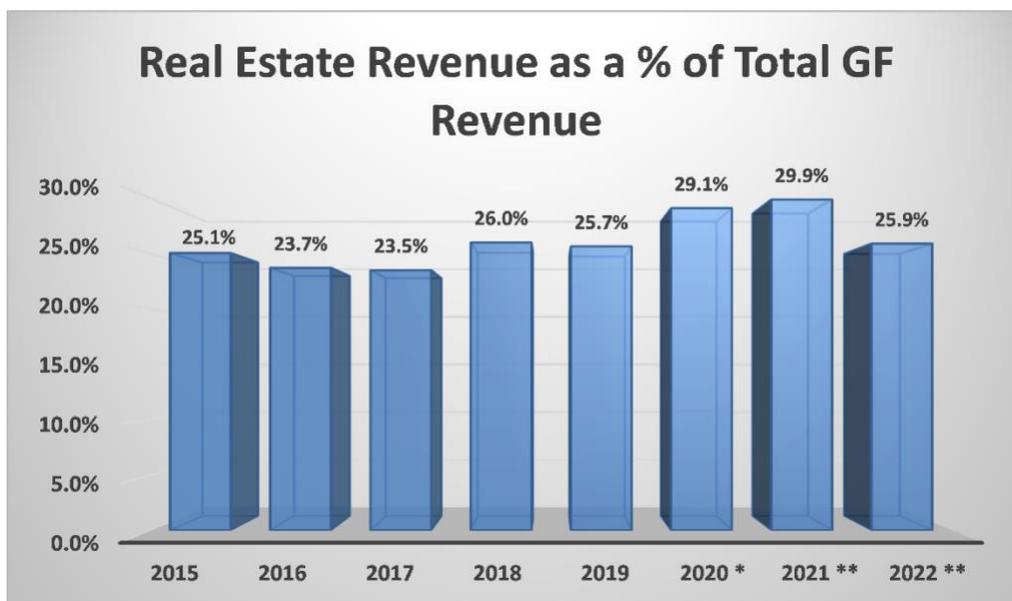
A critical role of government is the responsible stewardship of taxpayer dollars, and amid the most challenging economic conditions of our lifetime, our strong financial management and our long-term preparedness paid off. In all my budget letters over the last decade, I've cited the importance of our reserves. Reserves bolstered us during the massive economic impact of the pandemic. Reserves that the City did not have in 2008 and 2009 Great Recession.

Our unaudited 2020 indicates the following reserve fund balances:

City of Easton Fund Balances						
Fund Name	'18 Bal	'19 Bal	'20 Bal	'21 Change	Adj'd Bal	Notes
General Fund	\$ 5,623,591	\$ 5,210,505	\$ 6,671,307	\$ (1,300,000)	\$ 5,371,307	Incl's removal of scoop and toss savings spent in '21 & '22
Open Space	\$ 294,926	\$ 303,326	\$ 435,378	\$ -	\$ 435,378	
Liquid Fuels Fund	\$ 2,117,336	\$ 2,243,199	\$ 2,244,719	\$ -	\$ 2,244,719	
Debt Service Fund	\$ (81,176)	\$ -	\$ 818,231	\$ -	\$ 818,231	
Restlawn	\$ 310,458	\$ 310,458	\$ 309,221	\$ -	\$ 309,221	
Capital Project Funds	\$ 3,637,237	\$ 324,398	\$ 13,622,576	\$ -	\$ 13,622,576	incl's \$12M in bond funding and \$1.1M for sale of N 3rd lot
Recreation	\$ 148,980	\$ 92,487	\$ 176,973	\$ -	\$ 176,973	
City Hall	\$ 52,228	\$ 52,624	\$ 30,611	\$ -	\$ 30,611	
Health Benefit Insurance	\$ 155,113	\$ 107,685	\$ (47,085)	\$ 1,500,000	\$ 1,452,915	
Liability Insurance	\$ 754,061	\$ 280,132	\$ 162,961	\$ 1,000,000	\$ 1,162,961	
Unemployment Insurance	\$ 30,000	\$ 55,261	\$ 52,419	\$ -	\$ 52,419	
Sewage Treatment Plant Fund	\$ 45,755	\$ 45,755	\$ 45,755	\$ -	\$ 45,755	
Stormwater MS4	\$ -	\$ 834,986	\$ 1,551,355	\$ -	\$ 1,551,355	
Sewer Services Fund	\$ -	\$ -	\$ 576,375	\$ -	\$ 576,375	

But revenues are projections based on trends. No one can know exactly what the revenue line items will be, but we took the position that because of the continued pandemic and variants, our revenues will not increase over the 2021 revised budget, but for Earned Income Tax. We based this increase on conversations with our largest employers in the city and our tourist attractions.

We look forward to discussion centered on those line items attached to the economy, but the Administration feels strongly that we should take a conservative position on the revenue items. If the economy does rebound in 2022 we can re-assign those revenues or have a strong surplus on which to build the 2023 budget.



From the chart above, you can see that we are relying less on real estate taxes although we expect that will change in the next five years as the KOZ comes to an end and more and more properties come on the tax rolls allowing for less reliance on fees and Earned Income Taxes.

Again, the most prudent decision made last year was the Administration’s recommendation to re-finance our debt which has yielded a lower debt service for this year and saved the city more than \$2.6 million in year 2020 and provided the funds needed for the new Fourth Street Garage. This “scoop and toss” savings more than \$2 million last year, and \$600,000 this year.

Easton’s recovery is underway. This fiscally responsible budget will help sustain that recovery. The overall outlook for 2022 revenues reflects the city’s positive momentum toward economic recovery sometime in the 2nd quarter and the chart below indicates where the money is disbursed, most of which is the City’s core responsibilities of Public Safety and Public Works.

Departments	% of Budget
Police	36.64%
Fire	22.96%
DPW	19.02%
CA	6.07%
Codes	3.13%
Finance	1.96%
IT	1.90%
HR	1.46%
Plan	1.34%
Econ Dev	1.22%
Mayor	1.13%
Council	0.80%
Solicitors	0.77%
City Clerk	0.53%
Admin	0.51%
Health	0.35%
Zone	0.21%
Controller	0.13%
(blank)	-0.12%

Our financial choices for expending these funds are based on our following goals:

1. Maintaining a full-service city

This budget continues to provide our residents with full services including a full-time professional police and fire department as well as fully funded staffing positions.

2. Clean and Safe

The global pandemic changed the way we look at safety and reminded us of the value of our first responders. The 2022 Budget places a primary importance on the safety and security of our residents by fully funding the operational needs of the Fire and Police Departments.

3. Stormwater Infrastructure Needs and Climate Change Activities

The 2022 Budget continues to include a Stormwater Utility Fund which anticipates more than \$2 million of expenditures towards repair and maintenance of stormwater assets and infrastructure using funding previously accrued in the stormwater budget. Repair and maintenance projects will

be prioritized based on the citywide inventory of stormwater and the reduction of siltation on our waterways.

With the continued increase in the severity and number of storms the City will be looking to implement its Stormwater Management Program utilizing the fund that was created two years ago to help mitigate the impact of these rain events. Both are directly related to the implementation of our Climate Change Action Plan.

4. Continuing High-Quality Asset and Infrastructure Governance

The Budget reiterates the city's commitment to continue watchful maintenance over assets while ensuring the city's infrastructure is maintained to stand the test of time. This budget, and the ARPA budget sets aside funds for repair and maintenance of city assets even though they are mostly underground and not a visible improvement including \$350,000 for street milling and paving and \$2 million in water and sewer projects.

5. Enhancing our Park System

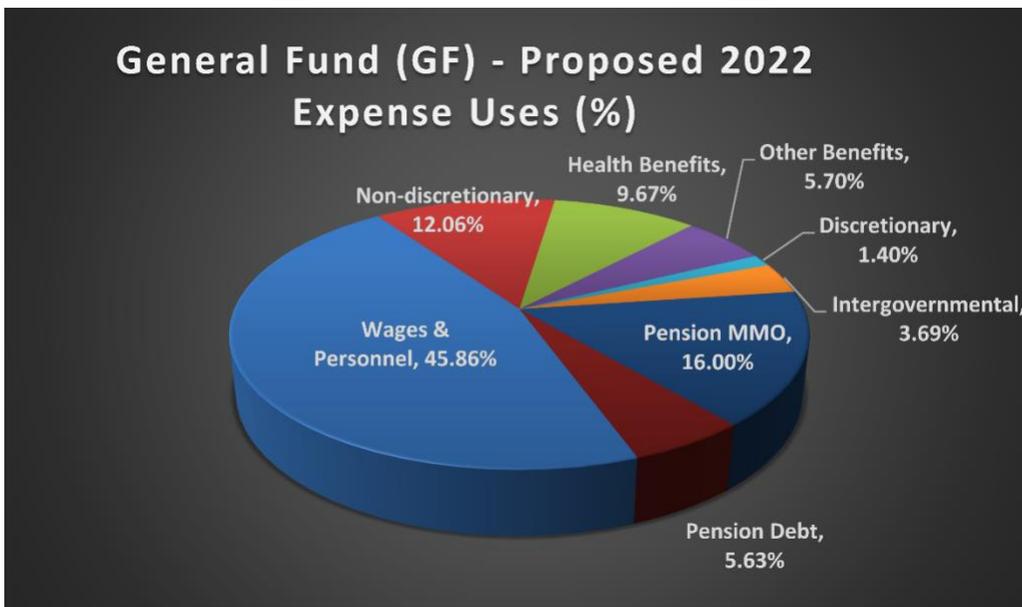
Many improvements and even additional lands for open space and parks have been completed since 2008 but we have a long way to go to restore our park system and add new ones we our residents want and deserve. To that end I implemented the Open Space and Recreation Fund that charged new developments a fee to improve our parks and recreation program. Started in 2009 this fund has been used for the Boys and Girls Club gardens and greenhouse; the Nevin Park fountain; the new basketball court at the Neighborhood Center; and more. This year, through the Open Space and Recreation fund. The Open Space Recreation Fund will be the source to provide the following:

- Fencing at the Heil Park Athletic Complex
- New Goal Posts at Heil
- New Bleachers for Heil
- Kitchen equipment at Heil
- Outfield wall safety improvements at Hackett Athletic Complex
- New scoreboard at Hackett
- Infield work on hardball field at Hackett
- Grandstand roof at Hackett
- Upgrade the locker rooms at Heil pool
- Replace pool gutters at Heil
- New diving blocks at Heil pool
- Regulation volleyball court at Eddyside Park

There are really no additional expense highlights next year other than increasing the fire department by 3 firefighters in anticipation of pending retirements. However, the budget does provide funding for the open personnel positions that remain vacant and not filled in 2020. These positions were to be filled in 2021 but revenues were still lagging. These positions included my Administrative Assistant; the position that would also be available to take the City Clerk's duties when not available, the Assistant Engineer and more vacant positions.

As noted below, as a service organization, most of our funds are expended on employee salary and benefits to deliver those services. Of significant note, is that our MMO is at 16% of our expenses even though our pension fund has more than \$72 million the aggregated fund although we still spend more than 18 mills of taxes on our annual legacy costs. For reference the pension fund balance was \$30 million in 2008 and today is more than \$72 million after paying pension

benefits to retirees---but it is still severely underfunded. This Administration is no longer “kicking the payments down the road to future generations” by offering benefits and not funding them. We pay our way and manage our pension funds to achieve the highest returns.



Overall, the proposed 2022 Budget provides the resources to serve our community, improve our infrastructure, maintain our assets, and most importantly, improve the overall quality of life. As the City ramps back up to what is expected to be the new normal, plans for 2022 consist of a steady and consistent approach to focus on vital investments and help provide for equitable recovery and growth for residents and businesses across the city. We look forward to discussing, refining, and finalizing the 2022 Budget.

A year and a half into the pandemic and as of this writing Pennsylvania is among the hotspots for Covid-19 resurgence. We ask that you keep this in mind as you deliberate this budget.

In recent years the city has taken steps to strengthen fiscal controls, replenish reserves, restore operating capital and invest in aging infrastructure. In taking these steps, the property values continue to increase, and the City becomes more appealing for residential and commercial activities. In the preparation of the 2022 budget, it is important to maintain this direction and the positive momentum that has already been established. Despite the Coronavirus challenges we faced during this and the previous fiscal year's budget process we were successful in producing a balanced 2022 budget. This is a budget that continues to place a strong emphasis on maintaining current service levels, addressing public safety service delivery, and preemptive measures to minimize on-going effects of the Coronavirus. It is recommended that the proposed budget be approved maintaining for the 13th consecutive year millage rate of 24.95 mills be approved based on an assessment from 1987. So, while our millage appears high, our assessments are very low.

Thank you.