



MATT TUERK
MAYOR

435 Hamilton
Street Allentown PA
18101

To: The Honorable Cynthia Mota, Council President
And Members of City Council

From: Mayor Matt Tuerk

RE: 2023 City of Allentown Proposed Budget and Program of Services

In accordance with Section 802 and 803 of the City of Allentown's Home Rule Charter, adopted by the voters on April 23, 1996, I Mayor Matt Tuerk, respectfully submit the Proposed Budget and Capital Program for the fiscal year 2023. Also, in accordance with Section 5-14 of the City's Administrative Code, I hereby submit both the detailed budget sheets, as well as a third book, which contains an extensive narrative of each program's revenues and expenditures.

This administration has delivered a balanced proposed 2023 budget, which keeps tax rates level, and which maintains the rates of any fees for services in the General Fund. The balancing of the budget does not require additional borrowing.

Our team's budget process differs substantially from prior years. I instructed our Director of Finance to work with department heads to create a Zero-Based Budget (ZBB), which requires the justification of program expenditures consistent with strategic objectives rather than simply increasing the previous year's budget by a certain percentage. The ZBB has eliminated much of the guesswork and contingency-based budgeting that characterized previous budgets.

A ZBB asks the department head to think about what the department truly needs to accomplish its goals and becomes an action plan for the year to come. The process offered leaders an opportunity to truly dig into their team's purpose and capacity.

Of equal importance, a ZBB offers a tremendous level of transparency. You, as an elected representative of the residents of the City of Allentown, will see a budget unlike any other. The level of detail has no parallel in our City's history. The finance director has reviewed budgets dating back to the 1940s and has yet to find something like this. You can confidently say that you know exactly how we propose to spend taxpayer dollars.

2023 Budget Highlights

We built this budget around our employees.

Everyone in Allentown recognizes the incredible job that our employees do in serving our residents. First among them, our police officers, firefighters, and paramedics respond to the most urgent and dangerous situations, no questions asked. Our building inspectors, parks maintenance workers, streets workers ensure that we work, live, and play in safe places. Our health workers, recreation team, and solid waste employees raise quality of life for all Allentonians. Our human resources team, help desk employees, attorneys, and payroll specialists support all of the operational employees.

They've done this work for years under sometimes absent leadership, with frequent criticism from outsiders, and through a global pandemic. And they've done it with pride.

This budget represents an investment in human capital. Government is a service industry and depends on highly capable professionals to work properly. We must invest in our under-manned departments before we can turn to capital investments in our assets, facilities, and infrastructure. It is pointless to buy a streetsweeper if we cannot hire someone to operate it. We should not plan to do studies on how to build a neighborhood when we do not have the planning staff to carry them out. We should not plan to deploy software if we don't have applications managers to support those projects.

We still must make capital investments to replace equipment, mostly vehicles that have outlived their useful lives and diminish the quality of the work environment for our employees. Additionally, we have some software upgrades that must begin in this budget year to be fully complete in subsequent years.

In many ways, Allentown is a city of deferred maintenance. We must invest in our buildings, our equipment, our land. We've also let many of our policies and practices go years without an update. But we most seriously need to invest in our people.

Some highlights:

Public Safety

- Five additional Patrol positions in Police operations (**\$332,000**)
- Four new Paramedics in the EMS budget (**\$243,000**)
- Increase in premium pay in the Fire Administration Budget to allow a 29-person staffing level (**\$1,208,000**)

Other Investments in Personnel

- Confidential Clerk to support clerical duties in IT, HR, Mayor's Office, Law (**\$50,097**).
- **Human Resources:** major reorganization of the department to broaden support scope and create HR Generalists to directly support departments. Includes two new positions, one new generalist, and one training coordinator (**\$130,240**).
- **Law:** Right to Know Officer to improve administration's response to RTK's (**\$59,621**).

- Operational personnel in Parks, Traffic, and Building Maintenance (**\$363,877**).
- Additional personnel in Rental Fund, Risk Fund, Solid Waste Fund, Stormwater Fund.
- A step paygrade for the 21A scale to ensure that incoming and current directors have some sense of their career pay trajectory. This scale will be treated exactly as all other non-bargaining step scales were enacted in 2021. The scale starts at \$111,000 and goes up to \$155,000. All current directors would be placed on the step closest to their current salary on January 1 and move to the next step on their anniversary. The directors would *not* receive any other cost of living increase in the 2023 budget (**\$42,709**).
- All contractual steps and increases are included in the personnel budget.
- Non-bargaining Cost of Living Increase is set at 5%. This includes Assistant Police Chiefs, and Deputy Fire Chief. This does not include directors.
- Because of the step scales implemented in non-bargaining in 2022, some employees were immediately placed on the last step and did not receive at least a 2% increase. Some received almost no 2022 increase. In consideration, these employees are set to receive a 7% in 2023. This includes Police Captains. (**\$20,000**)
- There are also requests to reclassify under-classified positions in our continuing efforts to bring parity to the non-bargaining pay scale.
- Convert all Clerk 2 to Clerk 3. This mostly affects Police (**\$25,000**).

Equipment

- 9 Police Patrol SUV's (**\$396,000**).
- Emergency response vehicle for Police (**\$300,000**).
- Single Axle Vehicle in Streets and Parks (**\$420,000**).
- EMS Ambulance re-chassis (**251,000**).
- Other police, streets, fire, PW, and Parks equipment (overall, a **\$3,000,000** investment in rolling stock equipment).

Other

- The administration will commit **\$350,000** in this budget to begin the migration from the Eden Financial and Personnel system to the recommended MUNIS product.

ARPA

In the early days of my administration, I requested that \$18 million in ARPA dollars be used for revenue replacement. The City would be wise to use ARPA funds to sustain its operations at current levels, while investing in deferred maintenance along the way. Thus far, \$8,000,000 in revenue replacement has been allocated between 2021 and 2022. I have included **\$5,000,000** in revenue replacement in this budget, which is half of the remaining share I had hoped to devote to revenue replacement.

In addition, Section 35.6(b)(ii)(E), permits ARPA dollars to be spent on supporting public sector workforce capacity. Use of ARPA funding towards this mission is wholly in line with my priorities in this first budget of my administration. By offsetting the costs of adding new positions in Police, Emergency Medical Services, Parks, Public Works, Human Resources, Law, and Community and Economic Development, we both broaden our capacity to deliver services, and allow the General

Debt

The charter obligates me, as Mayor, to give you a summary of the City's debt position. Since the City's bond refunding in 2020 and the note for the Administrative Order fund in the same year, the General Fund has issued no new bonds nor incurred direct debt. We will **not** use any new borrowing to balance this budget.

The City's debt service in 2023 will cost \$8,624,274 in the General Fund and \$66,726 in the Liquid Fuels Fund. We currently have four tax exempt general obligation bonds, and three taxable bond issuances. Our total non-electoral debt is \$90 million. This does not include the Special Revenue Note for the Administrative Order fund, which is serviced by the water and sewer utility customers.

This translates into \$715 in direct debt owed by the City per capita (2020), and 1.22% of the City's real estate market value. This debt load is well below our legal capacity and in-line with industry standards.

In the near future, the City of Allentown will likely need to incur additional debt to responsibly finance certain critical infrastructure improvements. This new debt will likely not increase debt service payments until 2024 at the earliest.

Finally, we have made progress in upgrading the City's current bond rating, which lies at A3 (stable) with Moody's, and A (negative) with S&P. Conversations with ratings agencies have given our finance team confidence that those agencies are very pleased with our financial position and future under my leadership.

Revenues and Expenditures in the General Fund

The plan for 2023 includes a \$138,684,000 in spending. This amount is net of a vacancy factor, which exists because we budget for positions as if each one will be filled for the entire year, although we know that they will not. The 2023 vacancy factor is expected to be \$2,700,000.

Separately, we project \$138,860,000 in General Fund revenues. The budget is, therefore, balanced.

On the revenue side, we expect 97% of the real estate taxes assessed to be collected within 2023, and for all mailed in payments to be processed within a week. This is a major achievement in efficiency for the taxpayers. City Real Estate Tax Collections are expected to be \$37,870,000.

Because of the inflationary environment we expect wages to increase throughout 2023. Even if nation-wide unemployment ticks up, it is reasonable to expect some upwards movement in EIT collections, because much of our residential income tax base work in essential fields such as health care, education, government, and fulfillment. We expect a 4.5% increase in EIT year-over-year from 2022. EIT is budgeted at \$44,193,000, and, for the first time ever is budgeted higher than real estate taxes.

Capital

We have submitted the City's 2023 Capital Plan under separate cover. The proposed budget includes support for a major capital needs assessment in 2023, which will put us on a footing to

compile a solid multi-year capital plan. Our capital plan in 2023 includes all projects that currently have a funding source.

Gratitude

As I submit this 2023 straight-forward, balanced budget, without tax increases, without fee increases, without borrowing, or any other financial gimmicks or wizardry, I must thank the people that went into making this.

To Bina Patel, Audrey Danek, Casandra Magliane, and Jennifer Palenchar: You have done a phenomenal job in putting this budget together. Your level of professionalism, institutional knowledge, and innovation is a credit to the taxpayers, and we cannot thank you enough.

To all of the department heads, bureau managers, office managers, clerical, public safety, line staff, and all other employees of the City: I want to thank you for your work on this budget. This plan is designed to support you to the best of my abilities. It is truly an honor to be your chief executive.

