

Good morning.

Thank you for joining me for the Annual Business Leaders Breakfast. I would like to take this opportunity to thank Moravian College for hosting this event, and a special thank you to Boyle Construction and the Philadelphia Trust Company for sponsoring this breakfast. Let me also thank the Greater Lehigh Valley Chamber of Commerce for sponsoring and organizing this morning's breakfast.

The City of Bethlehem's strength is a result of our community partnerships. We are strong because of our residents, our businesses, our institutions of higher learning, and our medical institutions. To that end, I would specifically like to thank Lehigh University, Moravian College, Northampton Community College, East Stroudsburg University, St. Luke's University Health Network and Lehigh Valley Health Network for their continued support and investment in our community.

(City Administration)

Before I begin, I would like to take a moment to thank my department heads and all City employees for their hard work and dedication during the year. In addition, I would like to thank city council for their support on many initiatives during 2016 and a **(Financial Advisory Committee)** special thank you to the Financial Advisory Committee for their ideas and expertise.

As I approach the end of my third year in office, I am proud of the accomplishments my administration has made. In 2016, we moved towards prioritizing investment in three critical areas: Streets, Parks and Downtowns. And in 2017, you will see a continuation of these priorities throughout our efforts.

Allow me to begin by providing you with an overview of some of the significant financial events of 2016.

(Credit Rating)

The City's credit rating was adjusted upward two notches from BBB to (A-) positive outlook. This significant increase, is extremely rare, and is a function of favorable operating results based on a "concerted management effort" to improve our financial foothold as indicated by S&P.

Recall that the "concerted management effort" involved difficult internal decisions. The decisions are often obscure and not in the forefront of public awareness, but essential for the sustainability of our city. This credit rating improvement, is a strong indication that the City is a much better bet for investors, and a change that will reduce our cost of borrowing. You can't have a strong community without a strong financial foundation.

(Fund Balance – General Fund)

In addition, this graph shows progress we've made in improving the city's general fund **balance**. During my administration, the City's audits have reflected a year over

year improvement in our fund balance. As this graph indicates, the unassigned fund balance is now \$9.4MM, which is a measure of fund value not committed to any specific, restricted purpose. The GFAO benchmark indicates, that this unassigned fund balance, should be a minimum of \$12MM for an operation of our size. I am pleased to report that we have made great progress, and we are getting close to a target that has eluded the city for many, many years. Based largely on these achievements, I am pleased to release our 2017 proposed budget, with:

NO TAX INCREASE.

(Financial Highlights)

My administration has undertaken several **notable initiatives** necessary, to enable a balanced budget with no tax increase. This includes an advanced refunding of several debt components that, as we have done recently, takes advantage of current low interest rates.

We have reorganized our Parks Department to improve our execution and service delivery, while reducing cost. We will also reduce one additional position in our Police records room, based on current and planned efficiencies. In total, we will be operating with four fewer employees bringing our workforce to a low of 606, as well as offering an early retirement incentive to eligible employees.

In order to afford the important work to recapitalize our wastewater treatment facility, as well as establish the treatment capacity that will allow us to attract new business into the city, sewer rates will increase by 10%.

(Budget Expenses)

The **General Fund Expenses** are budgeted at \$74,055,000. Note that our personnel and benefit expense is the largest percentage of our budget at 74%.

(Healthcare)

Another significant cost to the city is **healthcare**. We continue to be self-insured and, like all employers, experiences escalation in these costs. However, our professional staff, as well as our three bargaining units, are now subject to a deductible which will avoid nearly \$800,000 in healthcare expense in 2017. This was a very difficult, yet important change to bring us closer to the employment mainstream, and I want to thank all city employees for helping us achieve this reduction.

(Pension Fund)

We have also worked hard to ensure that our **pension funds** are as completely funded as possible, to provide for the needs of our retirees. Our funds, including Police, Fire, O&E, and PMRS are 88% funded. This metric is the third best among the top ten most populated Pennsylvania cities, behind only Allentown and Harrisburg, both of which made the difficult decision to sell their assets in order to achieve higher pension funding levels. Bethlehem has not and under my leadership, will not sell assets to fund our pension system.

(Budget Revenues)

The budgeted **General Fund Revenue** is balanced with expenses, at \$74,055,000. Real Estate tax remains the largest revenue component, with Act 511 taxes at a higher rate than last budget based largely on better collections.

(Host Fee)

The recent Pa. Supreme Court decision, invalidating the casino host fee, has left us questioning the permanence of this revenue source. Based on the collective desire of the state legislature to resolve this uncertainty in a manner that makes us whole, I am budgeting the expected \$9.8MM.

Alternately, we will develop and prepare an appropriate revenue anticipation note, to ensure cash flow in 2017. Once clarity is restored, and the uncertainty removed, we will take action at that time.

(Three-Year Financial Impact)

Since the first budget of my administration, we have increased revenue by \$4,195,000 and we have reduced expenses by \$15,400,000. Our attention to efficiency has far outpaced the revenue increases asked of city stake-holders.

(Deficit)

Since the beginning of my administration, we have been honest regarding our financial challenges. One of the most important changes to the way that we manage is the addition of the five-year planning process. During this

process, we evaluate likely trends as well as the effect of planned initiatives. Each year, we have quantified the value of our five-year cumulative deficit. If you recall in 2014, we measured this five-year deficit as over \$40MM. We have made incremental progress each year. I am pleased to report that, based on the proposed 2017 budget, the five-year deficit is now reduced to \$12.8MM. This is great progress, but the challenges remain and it will demand our continued effort and creativity.

Internally, we have achieved many of our financial goals. Externally, we strive to make improvements that impact the quality of life of our residents.

(Streets Slide)

One of the more pressing issues of 2016 was the city's ability to improve the condition of our streets. I challenged the Department of Public Works to pave more miles and fill more potholes than ever before. To do this, we upgraded our equipment to meet this goal, including a milling machine, tack machine, large dump truck and a spray patch truck. I am happy to report we achieved this goal paving more than 6 miles using cost-effective, in-house labor and filling more than 10,000 potholes on our 520 lane miles of City streets.

(Lynn Avenue Bridge/Salt Bin)

In 2017, we expanded the goal to not only include improvements to our streets, but to tackle several bridge projects including the \$5 million dollar replacement of the Lynn Avenue bridge and the \$1.2 million replacement of the High Street bridge. In 2016, we constructed a new salt storage facility increasing our capacity from 1,800 tons to 4,100 tons to allow us in 2017 to buy more salt for less. For this winter, residents should notice investments in our snow plowing equipment which will help us better remove snow.

(Christmas Slide)

As we approach the holidays, we continue to evaluate and enhance our efforts to ensure that Bethlehem will continue to be known as the Christmas City. In 2016, we purchased an additional 120 artificial trees, switched to environmentally friendly LED lighting for both our live and artificial trees and illuminated the trees on Main Street, utilizing newly installed underground conduit. This year, we will add more trees, more LED stars, and will highlight the Christmas season with Christmas music on Main Street.

(Negative Saucon Park Slide)

2015 saw unprecedented overuse of our parks, more specifically Saucon Park. What was most disturbing was not the masses of people but the damage to the grounds, the creek and the facilities. We needed to take back our parks and in 2016, that is just what we did.

(Happy park Slide)

We rewrote the Parks Ordinance, Article 941, banning activities that were causing the most damage and disturbance, including swimming in the creek. New rules were adopted and posted, and police patrols implemented.

(Park Study)

Another goal for 2016 was to evaluate our City Parks. We contracted with Urban Research and Development Corporation to conduct a comprehensive parks and pools study done with an eye toward identifying needed capital improvements, as well as recommendations as to best use of facilities. We have budgeted almost \$600,000 to cover some of the needs identified in the study such as improvements and renovations to athletic fields,

tennis courts, landscaping, tree removal and replacement, playground equipment, pavilion and other building improvements and equipment.

In fact, we have already purchased new playground equipment for Elmwood, Martin Luther King, Sand Island and Bayard Parks. And with the generous donation of \$20,000 from TD Bank and assistance from numerous volunteers, we were able to plant 100 trees in our City parks.

(Monocacy Creek)

In recent years, we have become aware of the significant deterioration of the Monocacy Creek in Monocacy Park. We have acquired the funding for design, engineering and implementation of creek bank restoration and stabilization in the area of Illick's Mill and the pavilions. This will also significantly improve the aquatic and riparian habitat along the creek.

(Greenway Slide-Horses)

We continue to improve the South Bethlehem Greenway extending the trail southward to Saucon Park. Phase IV is under construction and Phase V will be planned in 2017 bringing us closer than ever before to connecting to the Hellertown/Lower Saucon Rail Trail.

(Main Street slide)

Over the last three years, I have focused my energies on improving the downtown business districts. In the Moravian Historic District, we have made parking easier and added spaces, made significant improvements to the infrastructure through sidewalk replacement and street overlays, and improved amenities such as underground wiring, new trees, planters and benches.

(Ambassadors slide)

In the Southside Arts District, we have created the Ambassadors program, added planters and garbage cans, and created the Southside Arts District Main Street Program. Under this program, we hired a manager and created the necessary committees to establish the framework for our commercial revitalization successes for years to come.

We have worked with the Community Action Development Corporation of Bethlehem to add and improve pocket parks, to provide technical and financial assistance to those residents interested in starting and growing their businesses in our community, and to manage our successful Southside Vision project, which has invested in everything from public art to additional street lighting to programs to ensure student's academic success.

(Streetscape Enhancements slide)

In the next year, you will see a continuation of these improvements and more: including a market analysis of our downtowns, both North and South of the Lehigh River, the creation of a Bethlehem Business Development position, an expansion of our Ambassadors program to include the Four Blocks International business district, a Façade program for our businesses, more video production marketing our businesses and downtowns, and a partnership to upgrade our Bethlehem websites to better assist those looking for business in Bethlehem and those looking to visit Bethlehem.

Also in 2017, we will undertake a comprehensive parking analysis to evaluate current and future capacity and to ensure we are maximizing parking for businesses and visitors alike.

(Streetscape Enhancements slide)

In the next year, you will see more than 50 new trees planted in our commercial districts, decorative bike racks and Murals on the Southside and significant streetscape improvements to New Street between 3rd & 4th Street and sidewalk and streetscape improvements on 3rd & 4th Street from Hayes to Wyandotte Street.

Additionally, we will invest in our Broad Street corridor through the installation of decorative street lighting and the placement of speakers to extend music through our business district.

(KIZ-Gooblies)

The South Bethlehem Keystone Innovation Zone, which last month was named the most successful KIZ program in the Commonwealth by PA DCED, has assisted more than 90 companies, securing \$6 million dollars of investment through the state tax credit programs. These investments have led to 400 new jobs, many tucked away in the second and third floors of our downtown, 116 new patents and 121 new products.

As Mayor, I will continue to focus on economic development and job creation using incentives like the KIZ, NPP, LERTA, KSDZ and CRIZ.

(Social Still)

I am very proud of our efforts to put the first CRIZ project, Social Still, into the marketplace, and even prouder to have additional projects, such as Greenway Commons and the Benner project anchored by Lehigh University and St. Luke's at 3rd & New Streets underway. It took more than two years of analysis and lobbying to get the changes to the CRIZ legislation that we needed, but it was well worth the effort, and I look forward to more CRIZ announcements in the weeks and months to come.

(Greenway Commons slide) (3rd and New Street – Benner Building)

The strength of our commercial district does not just rely on business development alone. There are currently more than 250 apartment units planned or under construction in the City and another 100 more in pre-development, many located in our downtown.

It is these residential units that will add more people to the streets and help drive the success of our business community for generations to come.

(Blight Remediation)

In addition to new construction, I have challenged my Community Development team to focus their attention on our blighted, deteriorated buildings in the downtowns and neighborhoods. When an owner neglects their responsibility to maintain a property, we are all impacted by a loss of property values. It is no secret that a significant amount of middle class American's wealth is tied up in the value of their homes, and when our neighbors let their property deteriorate, it impacts each of us.

Therefore, my budget includes almost half a million dollars in blight remediation funds, giving us the ability to start acquiring the worst properties in the community.

(Best Place to Retire)

And if you haven't heard, Money Magazine has named Bethlehem the best place to retire in the Northeast. Criteria included tax impacts, access to "superb" health care and a variety of housing options.

(Public Safety)

The bedrock of these goals is public safety. Police, Fire and EMS are of primary importance and this year has been no different. We had a successful negotiation with the International Association of Fire Fighters on a new agreement very similar to what was negotiated with the Fraternal Order of Police in 2015.

It is my belief that public safety serves as an invaluable catalyst in promoting the city's livability and its ability to attract further economic growth. A safe Bethlehem attracts millions of visitors to enjoy our great city each year; draws families to settle down; allows individuals to invest in, or relocate their business to our city. And that is why the City of Bethlehem continues to be named one of the safest Cities in the Commonwealth of Pennsylvania.

(Mounted Unit, Asa and Gray)

Last year, the Mounted unit received two new horses from Lehigh University and Moravian College.

This year, we will see the completion of the new Mounted Police Barn, a modern facility for use by both the horses and the officers to use.

(Rico and Blaze, Haz-Mat Vehicle, Ariel Platform, Ambulance)

This past year, we added several police dogs to our K-9

unit, as a result of generous contributions from the community, a new Hazmat vehicle, a \$1.2 million dollar aerial platform truck, and continue our upgrades to the EMS fleet by purchasing a new chassis to keep our fleet as modern as possible.

(In-Dash and Body Cameras)

In 2017, we propose to begin purchasing body cameras and reintroduce in car dash cameras, to greatly enhance public safety and policing. This investment will bring the police department back in line with nationally accepted and recommended standards from the Department of Justice.

(TraC System)

This coming year, the police will implement the TraCS system. This is a state approved digital ticketing and crash reporting system that is integrated into the Pennsylvania judicial system and PennDOT databases. The system will save time, eliminate duplicative paperwork and will decrease costs. A portion of this system is being funded by the Commonwealth.

(Breathing Apparatus)

The fire department will completely replace their self-contained breathing apparatus system. This upgrade will not only affect the Bethlehem Fire Department and the Hazmat Team, but the Police Swat Team and Bethlehem Water Bureau as well. Important to this system is the inclusion of a personal accountability system that monitors firefighters and their air supply while doing interior firefighting.

(911 slide)

As I discussed during last year's Budget and State of the City addresses, the Commonwealth has mandated that the City of Bethlehem consolidate its 911 center with Northampton County. To briefly update you, my administration has been meeting monthly with representatives from Northampton County, to determine what will be required for consolidating the two centers discussing issues such as equipment use and personnel.

I want everyone to know that I am determined to keep the high level of service we are accustomed to, and I am confident Northampton County will continue the level of safety the residents and visitors to the City of Bethlehem have come to expect.

Last year, Northampton County invested in the city's public safety capacity through grants towards our EMS fleet and fire trucks, and I am certain this 911 consolidation will see no less support and investment.

In closing, as you can see we have been busy. We have made difficult decisions and have made significant progress during the last three years. While we have more work to do, this is a no tax increase budget, that will allow us to continue to provide a high level of essential City services to the citizens of Bethlehem. We have an aggressive agenda for 2017, and I am confident that with Council and the community's support, we will achieve our goals.

Thank you, I will take questions.