

**Good morning, Thank you for coming out this morning for the Annual State of the City Address. I would like to take this opportunity to thank the Bethlehem Chamber of Commerce, The Downtown Business Association, and the Greater Lehigh Valley Chamber of Commerce for hosting this event, and a special thank you to all of our great sponsors for supporting this breakfast.**

**As I look back upon 2014, my administration has accomplished a great deal. In 2014, I placed dealing with the City's Budget as my top priority. I can say with the utmost confidence that my administration has taken on the hard issues, and has put the City of Bethlehem, on a financially sustainable path. As part of my campaign platform, I promised to elevate the importance of City's financial performance, and we**

**have delivered. I am proud to announce that my administration, with the cooperation of City Council, has made tremendous progress in the implementation of these changes. The magnitude of the financial challenges that we faced, required it.**

**Since taking office, I**

- **Established a five-year financial plan.**
- **Created a Financial Advisory Committee of successful executives to help provide oversight and input to our financial initiatives.**
- **Created financial statements for most business-like activities, including recycling, EMS, and Golf.**

**Last December, City Council approved the 2015 general fund budget totaling \$71,161,000.**

**I would like to put this in perspective for you. Based on the results of the 5-year plan, we projected a \$5.9MM deficit in 2015 as indicated in this now familiar graph of net income. We expected revenues of \$69MM with expenses of \$75MM if we did nothing.**

**Allow me to take a few minutes and first provide some insight on our *expense reductions*.**

**We took steps to control our healthcare spending, one of the largest cost drivers that we and any employer has in its income statement.**

- 1. For the first time in our history, we added deductibles to the healthcare plan and raised the copay for prescriptions.**
- 2. While, In cooperation with city employees we found it necessary to reduce the city's cost by increasing employee contribution. We are also in the process of reducing total cost of healthcare expense through an *incentivized wellness program*. It is important that the city moves more in line with the private sector regarding its approach to healthcare.**

**The effect of all of these actions has impacted our healthcare expense in this manner.**

**We have reduced pension expenses through good pension board management and two large financial transactions that took advantage of very favorable market conditions.**

- 1. Our pension board negotiated reduced fees from all of our providers. These fee reductions totaled over \$150,000 annually.**
- 2. We refinanced an existing 2004 pension bond.**
- 3. And issued \$27MM in new debt to fully fund our PMRS pension plan.**

**We reduced our worker's compensation expense through quicker claim management, bringing reporting down to three days from over two weeks.**

**I asked all department heads to reduce their non-personnel expenses by 10% from their 2014 budget levels, which they did. This resulted in significant savings to the taxpayer.**

**Lastly, we reduced the size of the City's workforce by six full time employees and several reductions in temporary help.**

**While the expense reductions are substantial and have resulted in a 2015 savings of \$5,030,000, we have also relied on several notable *revenue improvements* to balance our budget.**

**We hope to have a small one-time increase in revenue through the sale of excess landholdings within the city. Several parcels identified have no strategic role in our parks system, but do require ongoing maintenance.**

**By divesting ourselves of appropriate properties, we can reduce our maintenance expenses and potentially get them back onto the tax rolls.**

**We proposed several fee increases in the areas of, Recreation, Public Safety, and Community and Economic Development.**

**Given all of the above actions, there still remained a \$450,000 General Fund gap as well as a \$985,000 gap in our 911 fund as shown in the net income graph. Our 911 system is important to our community, which has been made very clear to me by our residents. PEMA provides funding to 911 centers throughout the state based on Act 56 (2005), which surcharges cellphone use on a monthly basis, and Act 78 (1990) which surcharges landline use. PEMA reimbursed the city 68% of all eligible funding during 2014, resulting in a deficit**

**of \$600,000 to the city. And we are not alone.**

**Allentown's deficit was \$800,000, Lehigh County \$1,500,000, and Northampton County \$2,100,000. It is time for the State to increase its reimbursement for wireless since the number of landline users are decreasing. Meanwhile, we have an underfunded but essential 911 system in Bethlehem that we must find a way to sustain.**

**It is my belief, that a real estate tax increase should be the last resort to any budget solution. I think that everyone would agree that a \$5MM+ reduction in expenses was significant. I truly feel it is important, as stewards of the taxpayers' money that City Hall must find ways to reduce spending; become more efficient and in the end, do more with less, before asking the residents to contribute.**

**I believe that my administration made great progress with the 2015 budget, considering the many actions aimed at the reducing the structural imbalance with our General Fund. The expense reductions comprise 73% of the 2015 financial impact, with revenue improvement responsible for 27%.**

**I am proud to say, that in addition to all of the hard work on the budget, I fulfilled my strongest campaign goals in my first year, which included; transparency, fiscal responsibility, economic development, public safety, and addressing the quality of life issues within our city limits. But I will say there is still much more to be done. For over a year now, on every second Monday of the month, I have opened my door for the public to come in and sit with me and share their ideas on policy and their concerns. To date, we have seen 150**

**individuals with substantial feedback on a multitude of issues. Furthermore, I have conducted three community walks known as “DARE TO CARE”, where we cleaned streets, distributed free smoke detectors, as well as notified property owners to bring their properties in compliance. Each of these walks has been followed by a town hall meeting with my Department Heads to further break down any barriers between our residents and their mayor.**

**I am proud to announce that we had an aggressive and positive first year in the area of community and economic development. It is my goal to expand the city’s tax base through well thought out economic development initiatives to allow the city to provide services at a reasonable cost. To aid in this process, I called upon my Community and Economic Development**

**Director to promote all of the tools that the city has at its disposal such as TIF, LERTA, and CRIZ to attract new businesses. Some highlights include, Rising Tide, the Bethlehem Small Business Loan Fund closed three loans totaling more than \$146,000 in 2014. The Southside Bethlehem KIZ awarded \$142,500 in Technology Transfer Grants and Student Internship Grants to start-up companies. This funding comes from the PA DCED and contributions we solicit from local companies. In 2014, KIZ (state) tax credits were also awarded to South Bethlehem start-up companies in the amount of \$578,427 to 12 companies. Lastly, Pi (Partnership for Innovation) is fully occupied with 9 companies and 48 total employees. The newest company LiveHelpNow has 10 employees, over 20,000 customers and 127,000 users of their product. One**

**great example of the effectiveness of all of these incentives is Viddler Inc. Viddler, provides interactive online media solutions for corporate communications, interactive training, and digital publishers to clients. After spending time in Ben Franklin Tech. Ventures, they moved to Pi in 2011 and are currently the largest member with 21 employees. While recently graduated from KIZ eligibility, they have taken advantage of the numerous incentives through the program and have received over a half-a-million dollars in KIZ funding. Now, Viddler proudly maintains exceptional international brand recognition as one of the premier Online Video Platform companies with over 4,000 clients in 180 countries worldwide.**

**Furthermore, we established a Business Advisory Committee to ensure that business concerns and suggestions were being heard in the city. One prime example of the issues tackled by this committee was back in angle parking on Main Street. Merchants up and down Main Street expressed their frustration with this policy and how it was a detriment to their businesses, so I made the decision to reverse back in angle parking. Also, I need to recognize the City's partnership with the Greater Lehigh Valley Chamber of Commerce. The Chamber has provided marketing assistance and zip code analysis to businesses in the city to further aid our small businesses to better market their products and services throughout the region. In 2014, we had 190 certificate of occupancies approved for businesses that are either expanding or locating**

**within the City of Bethlehem.( This includes LVIP 1 /LVIP 7) On this list we've seen numerous new salons, restaurants, retail, the expansion of hotels and restaurants as well as large corporations entering into the city. It is my philosophy, in terms of small business, that our approach toward economic development must strike a balance between restaurants and retail. I believe both must survive for each other to prosper. This balance is seen through the growth of the Bayou, the Social Still, The Restaurant Store, The Shoppe at Hotel Bethlehem, the expansion of Season's Olive Oil and Vinegar and the list continues. At the end of August I was proud to announce the groundbreaking on the State's first CRIZ Project, "The Social Still". This site was the home of the former Gozstonyi Savings and Trust Company which was a driving**

**force to provide working immigrants with crucial financial services to aid in developing the Southside. This site is called upon again to be the driving force and the start of CRIZ Development to start urban infill within South Bethlehem.**

**The City of Bethlehem has seen great success in 2014 in the 412 Corridor and in LVIP VII. This past spring, I cut the ribbon for a one million square foot Walmart.com distribution center entering into LVIP VII, currently it is being joined by a second Wal-Mart facility that will be 1.2 million square feet. Combined these two projects will see \$96 million invested into our city producing 650 jobs. These projects were facilitated by Liberty Property Trust and Majestic Realty. Additionally, the City of Bethlehem was able to secure the Zulily**

**Corporation, this online retailer is planning to distribute throughout the whole eastern United States from its Bethlehem location. Lastly, we saw the completion of the Trammell Crow building which is another 700,000 sq. ft. spec building which will also house Primark Stores, a European retailer expanding their operations into the United States starting in Bethlehem.**

**I am happy to report that the City's employment growth has not been solely focused on Distribution Centers, but we have seen Manufacturing return to the City of Bethlehem. This is seen through, Curtiss-Wright, relocating from New Jersey, and Reeb Millwork, expanding its operations into LVIP VII. Another project that I am proud to list is the relocation of CSTK into our city.**

**Further economic success in Bethlehem includes record years for our annual festivals and events. This year alone Musikfest attracted more than 1.1 million visitors to the city in 2014, and Celtic Classic attracted the largest number of visitors to date. Events like Runners World, VegFest and Harvest Fest have secured our place as the premier location for events.**

**As Mayor, I am continuously focused on job creation, but to be successful the City of Bethlehem cannot solely focus on jobs, we must be mindful to offer places for our workforce and our young entrepreneurs to live. Affordable housing – also known as workforce housing – serves those who earn 60 percent of an area's median income. In Bethlehem, that is a household which earns roughly \$43,000 a year. In October, I cut the ribbon on the South Side Lofts. This project is an**

**\$11 million dollar investment, and will provide 46-units which will help the City meet its growing need for affordable housing. The South Side Lofts provide medium density housing which are pedestrian friendly, and are going to serve the growing need of young artist in our arts and entertainment district. All of this positive economic activity has benefitted the city to see an upward trend of assessed valuations.**

**Bethlehem's success in 2014, is not just my biased opinion, but our city has received many accolades on the local, state and national levels. This is seen through receiving the 2014 Community of Distinction Award from the Lehigh Valley Planning Commission.**

**The SteelStacks Campus was awarded the Great Places in Pennsylvania – Great Public Spaces Category. The Urban Land Institute's (ULI) Award for Excellence was**

**awarded to SteelStacks Art and Cultural Campus in October. The ULI Philadelphia Inaugural Willard G. Rouse III Award for Excellence for SteelStacks.**

**Bethlehem was named in the top ten Happiest Cities in Pennsylvania (#2) by Creditdonkey.com. This study looked at populations over 20,000 and ranked cities based on census bureau and FBI crime reports.**

**TheKnot.com listed Hotel Bethlehem as one of the best wedding venues in Northeast Pennsylvania, and USA**

**Today named Bethlehem to its top ten Idyllic and Historic Main Streets Across the USA list. This list highlights that Bethlehem's development is vibrant and continuing to make strides toward recovery from the loss of Bethlehem Steel.**

**As most of you probably know my father was a detective in the Bethlehem Police Department, so I**

**have a natural interest in assuring that the public safety in the City of Bethlehem is second to none. It is my belief that public safety serves as an important 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. A safe Bethlehem allows individuals to invest in, or relocate their business to our city. A safe Bethlehem is fundamental to move our city forward. I charged Chief DiLuzio to review all personnel within the Department with the expressed goal to get more police on the streets. This new strategy, reinstated the North Side Business District Beat Officer and the Southside Business District Beat Officer. This was accomplished by utilizing existing manpower from day shift and middle shift platoons. The Mounted Unit which was**

**predominately serving on the North Side was expanded to the Southside Business District, working hand in hand with the beat officer. Beat cops are on foot and/or on bicycles. The Southside beat officers at times are doubled with a Lehigh University Police Department Officer while on the beat in the Business District and areas around the Lehigh Campus. Community policing is continuing in the neighborhoods with an emphasis on patrol walks so our officers can become familiar with residents in their respective areas. Additionally, in 2014, the City's School Resource Officer program was reinstated with the redeployment of five additional officers. All of these efforts of increased community policing have worked to maintain Bethlehem as one of the safest cities its size in Pennsylvania. In 2014, I am proud to report that Violent Crimes in the City overall**

**have decreased by 6.9% from 2013. The Fire Department, along with EMS, has also provided many contributions to protect our residents. Throughout the year, the Bethlehem FD responded to 4,056 incidents within the City of Bethlehem. In addition, this department conducted 1,965 Fire Safety Inspections on new and existing buildings and installed over 510 smoke detectors in the homes of city residents. Additionally, EMS responded to almost 12,000 calls, providing a high level of care for our residents. Firefighting apparatus is an essential part of serving to safeguard the community. With the help of Northampton County Gaming Authority, the City purchased a new Haz-Mat response vehicle and increased our EMS fleet from seven to eight to further serve our community. With this in mind Chief Novatnack has proposed**

**reductions to the City's motorized fleet to remove outdated and obsolete equipment. Additionally, the fire department has partnered with the police department to maximize resources for the full implementation of a certified fire investigation unit.**

**A core value of mine is to remain focused on the Quality of Life issues that affect our neighborhoods. The City of Bethlehem's Department of Health has been integral in this mission, with providing over 1500 flu vaccines to residents, students, and families this past year. In addition, they have provided care to the homeless at New Bethany Ministries and Trinity Episcopal Church. Furthermore, they partnered with LVHN, St Luke's, Northampton County, and Lehigh County for a comprehensive Ebola preparedness response within our city limits. 2014, Marked the 25<sup>th</sup>**

**year of the Theis Cornfeld Recycling center. The City's Recycling service recycled more than 6,000 tons through curbside and drop off services, reducing greenhouse emissions by 15,595 metric tons.**

**From day one of my administration, I have been focused on restoring and building community partnerships. I recognize that to continue to move Bethlehem forward the City must partner with the Greater Lehigh Valley Chamber of Commerce, the Lehigh Valley Economic Development Corporation, LVIP, and the DBA.**

**Additionally, I have met with the city's healthcare networks and educational institutions. I am proud to report of the great partnership restored between the City of Bethlehem and Lehigh University. The main focus of this newly restored partnership has been to create and maintain a clean and safe environment in**

**South Bethlehem. Lehigh has provided funding for additional cameras in South Bethlehem, and additional housing inspector as well as significantly funding the South Side Ambassador's Program. I believe that the Ambassador Program is a positive program for South Bethlehem that hopefully will encourage economic and community development.**

**In 2014, the City of Bethlehem provided its citizens with a multitude of services. These were seen through infrastructure projects in Public Works, Water and Sewer, and the Department of Parks. These projects tend to be conducted without great accolades, but tend to be vital for the citizens that we serve. The City over the course of 2014 has invested in numerous infrastructure and recreation capital projects. These include the overhaul of our street light infrastructure**

**with 5500 LED lights, dramatically reducing the city's energy and maintenance costs. Public Works was able to implement improvements to its road maintenance program, through the use of a new spray patch truck to increase our response to potholes and service cracks. Additionally, through a secured TAP Grant the City was able to refresh all shared lane markings throughout the City with thermoplastic tape to further insure bike and pedestrian safety. In 2014, the City invested heavily in its Water and Sewer infrastructure. Bethlehem was awarded \$1.25 Million through a PennWorks Grant for wastewater improvements and was additionally awarded \$10.7 million through a PennVest loan for a Bio-solids dewatering project, to implement the use of state of the art dewatering centrifuges to reduce an**

**approximately 20% waste sludge volume in turn reducing disposal costs for our customers.**

**In addition, Parks and Public Property had an aggressive work list maintaining our aging city public property, reducing our carbon footprint through energy efficient measures and successfully securing a new restaurant at our golf course to seamlessly support our golf operation in 2014.**

**I was proud to announce further development on the South Side Greenway in 2014. Bethlehem and the Community Action Development Corporation of Bethlehem (CADCB) have been working in the Eastern Gateway neighborhood through the South Side Vision initiative for over a decade with the support of key funders like M&T Bank, Lehigh Valley Hospital, Just Born and PPL. In 2012, the Lehigh Valley was fortunate**

**to be awarded a Sustainable Communities grant through HUD. Through that regional grant, Bethlehem was awarded \$450,000 for planning and design efforts in the Eastern Gateway neighborhood. The overall design includes benches, tables, concession stand, restrooms, landscaping, shade trees and decorative paving. This pavilion brings the City one step closer to the community's overall vision of the South Side Gateway. Another great project near completion in the city is the restoration of The Hoover-Mason Trestle. This structure was originally used to carry ore cars from the Ore Yard area – now the site of the Sands Casino– to the Blast Furnaces – now the site of SteelStacks. The trestle was part of an overhead material transportation system used by Bethlehem Steel. The goal of the adaptive reuse effort is to use**

**the existing structure establishing connections through the creation of a pedestrian-oriented promenade, supporting circulation, historic interpretation and passive recreation uses. This project is a key link, connecting pedestrians from the Sands Casino to the Steel Stacks campus.**

**As my administration moves into 2015 I will not abandon my overall platform and goals, though my main focus will be on economic development. First and foremost I will work with my Community and Economic Development Director, Alicia Miller Karner to build on 2014's success. This will include filling her deputy directorship.**

**In addition to regular meetings with all of the CRIZ developers, I will continue to meet with developers who are interested in investing in our city.**

**Last week I attended a forum put together by Lancaster's Mayor Gray. This round table was facilitated to act as a sounding board to unite designated communities to push Harrisburg for uniform answers to complex policy questions. It is my hope that policy makers in Harrisburg will provide CRIZ designated cities with answers on issues that have been identified with the law. Specifically, Harrisburg needs to add clarification on key questions such as how administrative costs are handled on CRIZ projects, clarification on the calculation of construction taxes as part of the CRIZ increment, how existing Pennsylvania businesses that move or expand in the state are categorized, clarity on how necessary out of CRIZ infrastructure that is a key component to a specific project can be funded, and guidance on the movement**

**of parcels within the designated zone. Developers need consistency and predictability when finalizing projects, especially one's of this magnitude. Presently, we see development occurring all around the Lehigh Valley, and I strongly support the revival of the valley's urban and rural areas, but this makes it critically important that our CRIZ projects move forward. Shortly, we will be breaking ground on our second CRIZ project the Greenway Commons. This 4.5 acre project across from the Community College will begin the transformation of East 3<sup>rd</sup> Street. Furthermore, this project, is essential urban infill that will bring additional foot traffic to South Bethlehem.**

**As we move into 2015, I believe the city needs to continue to partner with Discover Lehigh Valley and the Chamber of Commerce to further market and promote**

**Historical Moravian Bethlehem, which just achieved the historical designation, as a National Historic Landmark District. Statistics show that tourists who visit historical sites tend to spend more money and solicit more local business in turn bolstering local economies. To further aid this approach in our downtown, the City of Bethlehem was able to secure a grant and we are moving forth to repair the sidewalks on Main Street. This grant successfully has helped us offset the cost for business owners on Main St. Furthermore, this will give the downtown district a much needed facelift to ensure that this will remain a desired destination.**

**Next week I will finally release the city's updated website. This new virtual City Hall will allow our residents access to further services from their home. Residents of Bethlehem will now be able to pay real**

**estate taxes and book parks and recreation programming online. Additionally, this new webpage will allow greater transparency and communication with our citizens on breaking news and business being conducted at City Hall. Lastly, I have begun taking action to address the shortfall in the City's 911 funding. I formed a committee to review all aspects/possibilities of Bethlehem' 911 System. I feel the City must explore all options due to the fact that 80% of 2015's tax increase occurred solely for 911.**

**In closing, I feel my administration has had an aggressive and productive first year. But I can assure you that we are not done, there are many issues that need to be addressed both short term and long term. As we enter 2015, I am excited about the future of the City of Bethlehem. I believe that if we continue to be fiscally**

**responsible, and manage the city in a responsible way,  
Bethlehem will continue to be the shining star and the  
jewel of the Valley where people and business will want  
to locate. At this time I would like all of my Department  
Directors to stand and let's give them a round of  
applause for being good stewards of Bethlehem's tax  
money. I thank you all for your support and look  
forward to working with all of you in 2015. Thank you  
and God Bless.....**