

**State of the City 2016
February 17, 2016**

Good morning, Thank you for attending the Annual State of the City Address.

This year, Bethlehem will be celebrating its 275th birthday since being founded by the Moravians in 1741. We were the place, where soldiers were cared for during the War of Independence, with several buildings in the Historic district, being used as hospitals. We were the place, where materials to build and arm a nation were forged. Our City is the place where we have seen a reemergence as a place to live, learn, work and play.

Bethlehem is at a critical junction in its history. It is one of the best cities to live and work in the Commonwealth of Pennsylvania. As your mayor, I believe we must continue to build on our economic success. We cannot allow ourselves to devolve into petty squabbles over narrow special interests. If we do, we will suffer the fate of so many other cities; high crime, lower home ownership and decline in services.

I am determined to keep moving forward, and I ask all of you to help Bethlehem move forward into the future.

As I evaluate the last two years, I can state with confidence that my administration, has accomplished a great deal. When I took office in 2014, I made it a priority to right the City's financial ship. Over the last two years, we made some difficult decisions that have dramatically improved the financial future of our City.

Finance/Budget

When I took office, I formed a Financial Advisory Committee, comprised of four business executives, and a former Mayor, to assist in providing insight and advice as we tackled budgetary challenges.

In January of 2014, my administration developed a five year financial model. It was then that I understood the problem was huge, and a major threat to our sustainability.

This model shows that the City was facing a \$40 million dollar five year deficit.

Working with the Financial Advisory Committee, and City Council, we reduced the five year deficit from \$40 million to \$25 million dollars. Certainly a step in the right direction.

With actions taken in developing the 2016 budget, the five year deficit is reduced further to \$17.7 million dollars.

We have asked a lot (\$2.8 million), and we have done a lot (\$11 million), because we had to. While this administration has made great progress, we are not done.

*******This summary shows the two-year impact of revenue increases (taxes and fees) totaling \$2,785,000 and expense reductions totaling \$10,828,000.*******

This is a net financial improvement of over \$8 million dollars.

The 2016 budget is \$73,725,800.00. Salaries, and the benefits provided to our workforce, continue to be the most significant component of our expenses at 74.7%.

My administration has done a great job in managing controllable expenses. However, we must continue to

improve efficiencies in every area. We, as a City, must learn to do more with less.

The City currently employs 610 full-time employees. This continues to represent the lowest workforce in the city's most recent history.

However, the non-controllable areas, including healthcare and pension expenses, have been the biggest challenge that all cities, governments and businesses must address.

Healthcare expenses have been escalating at an average pace of 9% per year, an impact felt throughout the nation. This chart indicates what we would expect to spend based on this escalation, as well as what we project to spend based on the changes that we have and will continue to make. Specifically, since January 2015, our non-union, Police and shortly Fire employees will contribute more toward their health care benefits.

In addition, the City completed the first year of an incentivized wellness program.

And, since January 2016, the City began providing Tele-health capabilities as a means to help reduce the

number of costly visits to emergency and urgent care facilities. This plan will reduce costs to both the city and employee, as well as providing more convenience for busy families.

The city's pension expense has also been escalating dramatically in the past decade as this slide indicates. The efforts that have been taken by past administrations as well as our own efforts, namely the pension bond transacted in 2014, have reduced this expense by over \$2MM annually.

Currently, our pension fund is funded at approximately 85% making it one of the highest in the Commonwealth.

The Largest source of revenue continues to be real estate and Act 511 taxes, totaling 52.2% of the City's budget. In addition, the City received \$9.7 million from the casino host fee.

Included in the 2016 budget, was a small .37 mill real estate tax increase, or 2.2%. This consideration is always the last and most difficult to be made. But, it is modest, and our circumstances required it.

The recycling fee was increased from \$60 per year, to \$70 per year for 2016. Bethlehem's recycling fee continues to be one of the lowest in the region.

The next slide indicates that Bethlehem's historical millage, when compared to the other local taxing bodies, including the BASD and Northampton County, has been the most restrained. From the 1991 baseline, the City of Bethlehem's restraint is obvious, as we have the lowest rate of escalation of the three taxing bodies, by far.

I am always asked "what does the City do with the casino host fee?" In two words: *public safety*. \$9.7 million host fee was received in 2015. It makes up more than 13% of our general fund revenues. If we didn't have it, the resultant tax increase would be 6.61 mills, or a 39% tax increase, or, to put it in real terms, the reduction of the Police force by 110 officers.

Economic Development

Economic development has also been a very important priority. We have seen a great deal of development in our corporate parks LVIP VII, Majestic

Property and former Bethlehem Steel property. Now is the time to focus on developing our urban infill.

Currently, there are a number of projects that will break ground this year. The Benner project at 3rd and New Streets with Lehigh University and St. Luke's Hospital as anchor tenants, Greenway Commons at 3rd and Polk Streets will be breaking ground in the spring, as well as the construction of a 626 space garage next to the Benner project on New Street.

The Boyd Theater was recently sold and I am looking forward to that block being revitalized.

Regarding Martin Tower, I believe it is important to develop the 53 acre site and I am confident that the recent zoning amendments will provide the flexibility needed to develop the property.

In 2015, the City issued 197 Certificates of Occupancy to new business, restaurants or home offices locating within the city of Bethlehem.

The City welcomed a second WalMart facility, this one an e-commerce center of 1.2 million square feet and Primark's sole east coast distribution center. We also welcomed Zulily, CSTK, Curtis Wright and Reeb Millwork to

the City. These projects total over \$56 million in private investment and will, when fully staffed, employ over 1,250 people, resulting in several hundred thousand dollars in additional earned income tax revenue.

In late 2014, I was able to announce the groundbreaking on the City's first CRIZ Project, "The Social Still".

Bethlehem, Lancaster and the Borough of Tamaqua are the only municipalities in the Commonwealth to have the CRIZ designation. While there are some issues with the legislation that need to be clarified, I direct attention to this site as a shining example of CRIZ development and to be the catalyst for continued development in South Bethlehem.

The City has also been a magnet for innovators and entrepreneurs alike. Incubators such as Pi, home to 8 companies and 48 employees and Hatch House, a live/work space for young entrepreneurs are prime examples.

The Keystone Innovation Zone, established in 2004 by the Commonwealth and managed by the

Bethlehem Economic Development Corporation, has facilitated more than \$6 million dollars of investment to eligible companies.

Over 80 start-up companies have been assisted and over 140 internships have been awarded since the inception of the program.

As our housing stock ages, it is important to be proactive in conducting housing inspections and utilizing our housing rehabilitation program.

Last year, our Housing Rehabilitation program and the Lehigh Valley Center for Independent Living invested more than \$200,000 in CDBG funds for rehabilitation and emergency repairs. This included the collaboration between DCED and LVCIL to repair the home of an elderly veteran who had given up on his home due to lack of funds. At this time his home is again insured and is in the process of being repaired.

In addition, the City's partnership with Lehigh University has resulted in Lehigh University paying for an additional inspector.

Visual inspection of all South Side properties West of Hayes Street to Fountain Hill allows the City to

establish benchmarks on the quality of our housing stock.

This program identified 350 rental properties that were not previously identified as such and increased the number of inspections resulting in greater compliance with our rental ordinance.

Public Safety

As many of you know, public safety is one of my most important priorities.

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. The City of Bethlehem is one of the safest cities in the Commonwealth of Pennsylvania and it will continue to be so under my leadership and that of Chief Diluzio.

2015 saw the Mounted unit receive contributions for two new horses. Asa, generously bought by Lehigh

University and Grey, bought through funds provided by the Moravian College Equestrian Team are clear examples of community partnerships, especially where public safety is the goal. The Mounted Unit which was predominately serving on the North Side has expanded to the Southside Business District, working hand in hand with the beat officers.

We continue to partner with Lehigh University and the Sands casino, in expanding the area of bike patrols to cover a significant portion of South Bethlehem. Community policing is continuing in the neighborhoods with an emphasis on patrol walks so our officers can become familiar with residents.

In 2015, the City continued the School Resource Officer Program. The safety of our children when they go to school is important. Communicating with teenagers and teaching them about drugs, gangs, bullying and guns, will in the long run help that child make a right decision later in life.

The Fire Department and Emergency Medical Services (EMS) have also done a great deal to ensure the safety of our residents. In addition to assisting with

the distribution and installation of fire detectors during my community walks, the Fire Department installed an additional 510 smoke detectors in City homes through their own community initiatives.

Last year the City received, and put into service a new Haz-Mat response vehicle and the department secured grant funding for an Aerial Platform Ladder Tower (similar to what is pictured).

In a first, EMS implemented a bike team during last year's MusikFest. This allowed for a quicker response time which resulted in providing faster care to the public. In addition, in 2015 EMS responded to approximately 12,000 calls, 95% of which were handled were handled by Bethlehem EMS.

In cooperation with Senators Lisa Boscola and Pat Browne, Bethlehem will continue to receive funding for our 911 system for the next four years.

Currently, a feasibility study is being done evaluating the 911 systems of Bethlehem, Allentown and Lehigh and Northampton Counties to determine what is the best approach, both economically and logistically, for a possible

consolidation with either Northampton County or all four entities forming a regional 911 center.

The strong bonds and partnerships that have developed between the City, Lehigh University, St. Luke's Hospital, Lehigh Valley Health Network, Moravian College, Northampton Community College and others has not gone unheeded.

They have reenergized their commitment to the City. Both Lehigh University and St. Luke's Hospital are expanding into South Bethlehem, moving offices into the Benner project. They have committed themselves to being an integral part in the economic recovery of South Bethlehem.

As we move into 2016, my administration will continue to move the City forward.

This year, I will continue my "Open Door" policy. Every second Monday of the month, my door is open for the public to come in and sit with me and share their ideas on policy, their suggestions and their concerns. In the first two years, I have met with 254 citizens discussing a myriad of topics and receiving substantial feedback on a multitude of issues.

In addition to my open door policy, I will continue to meet with the Financial Advisory Committee, the Latino Advisory Committee and Business Advisory Committee to get input, thoughts and ideas on the City's performance and what is happening in the community.

I will continue my three "Dare to Care" community neighborhood walks.

During those walks, streets were cleaned, potholes repaired and the Fire Department provided homeowners with over 600 free smoke detectors. Code enforcement provided notices to homeowners of potential housing code issues.

Through these walks, over 1,300 properties have been evaluated. The result is the improvement of the safety and value of the City's housing stock. Each of these walks has been followed by a town hall meeting to further open lines of communication between our residents and their mayor.

It is my strong belief that being out in the community, attending block watch meetings, is a direct and significant way to understand and promptly address the communities' concerns.

As promised, my administration unveiled the City's new website where one can get information about all City

departments, rent a pavilion, pay bills online and sign up for email alerts.

Continuing my policy of transparency and in conjunction with the City's Legal Bureau, I implemented an Administrative Gift Policy. This policy, to be followed by all City employees, prohibits their accepting any gift or benefit that can, in any way, be construed as an attempt to garner favorable treatment, by anyone, in their gaining or conducting business with the City.

In early October, 2015, I launched a zoned hauling pilot program in South Bethlehem. This program permits the collection of residential waste on the South Side on Monday and Tuesday. This program allows for greater enforcement over the accumulation of garbage on Wednesday, Thursday and Friday.

To attract new businesses, young families and millennials to our City, we must take a look at our community as a whole. In 2015, the City partnered with Lehigh University and the Redevelopment Authority of the City of Bethlehem in providing funding for the South Side Ambassadors program.

This program has been tasked with keeping South Bethlehem, specifically the business district, clean and maintained. The Ambassadors remove trash, assist residents, businesses and visitors, and are an additional level of safety as they are in direct communication with emergency services.

Last year 36 new planters were added, a dozen trees planted and trash and cigarette receptacles were placed at key locations in the South Side Business District, all to let visitors know that South Bethlehem is clean and safe.

In late 2015, the position of South Side Business Coordinator was created through the Bethlehem Economic Development Corporation and Lehigh University. The coordinator is responsible for the revitalization efforts of the Southside Bethlehem business district following the National Trust Main Street Center's comprehensive commercial district revitalization approach.

In 2016, the City will complete a market study and analysis for the Main Street business district which will

collect information on our current trade area, business inventory and demographic profile. Using that information, we will create a detailed report on the retail gap and the ability of our customer base to support specific types of retail. Further, it will clearly indicate the market leakage that our community experiences allowing us to create a focused business recruitment strategy that targets enterprises most likely to succeed in Bethlehem.

In 2015, the City invested a great deal in numerous infrastructure and recreation capital projects.

The Skateplaza has been upgraded and improved and has seen expanded amenities, including a pavilion, on-site bathroom facilities and a new entryway.

This year, we will construct a new staircase and an ADA ramp, further increasing the public connection between the Greenway and South Side neighborhoods.

The Department of Public Works continues to repair intersections and add ADA ramps. On tap for 2016 are the replacement of the Lynn Avenue Bridge, High Street Bridge and the PennDOT reconstruction of the Fahy Bridge.

2015 saw the installation of new street lighting, additional angled parking, new and refurbished sidewalks with underground electric conduit and new trees and the complete repaving of Main Street from Church to Broad. Additional cameras, lighting and Police were utilized during MusikFest where we had a record low 24 arrests.

Our Parks Department continues to implement sustainability measures in trying to reduce the City's carbon footprint.

The improvement of HVAC systems, the replacement of windows and purchasing more than 50% of our electricity from renewable resources, have all had a significant impact on lowering our carbon footprint.

Additional accomplishments are the securing of \$235,000 for a new bridge over Monocacy Creek at Monocacy Park, new playground equipment at Yosko Park and funds for two pole buildings, one to allow for increased salt reserves for winter snow removal.

For the past several years, Bethlehem, and other municipalities faced challenges to their parks from out-

of-state visitors. Saucon Park experienced large piles of trash, the dumping of charcoal into the creek, and damage to the bathroom facilities led to a decision where the Police would patrol the park from 7 a.m. to 7 p.m. on weekends from May through September. Currently my administration is in the process of making additional recommendations for 2016 and will be presenting them shortly to City Council.

On a lighter note, the City was named a Tree City USA for the 22nd year in a row and the Municipal Golf Course was named the best place to work on one's game in Lehigh Valley Style magazine. The City was also listed by Huffington Post as one of the 10 most beautiful U.S. towns to visit in the fall.

The Department of Water and Sewer resources concluded successful negotiations with Lower Nazareth Township for sewer capacity resulting in a \$2.5 million boost for further sewer capital improvement projects. And for the seventh consecutive year, the City received the Area-wide Optimization Program Award for Water Filtration Plant performance.

I would be remiss, if I did not mention the ongoing initiatives of the City's Health Bureau.

Based on a community health needs assessment, child abuse ranked as the number one health issue that Bethlehem residents thought the bureau should focus on. This resulted in the Health Bureau and the Bethlehem Partnership for a Healthy Community receiving a grant from Two-Rivers Health and Wellness Foundation to conduct the Front Porch Project, a child abuse prevention program, in local neighborhoods.

The result has been the training of 115 community members on how to become involved with preventing child abuse and neglect before it occurs.

In addition, the Health Bureau works with various homeless shelters and provides free flu vaccines to Bethlehem Area School District Students and the public through a vaccination grant donations by Lehigh Valley Health Network.

In mid-2015, the Hoover-Mason Trestle was open to the public and has become a major attraction of the Steel Stacks campus.

We have accomplished a great deal but there is still so much to do as we move into 2016.

My administration will continue to emphasize public safety, economic development, fiscal responsibility, accessibility and strong code enforcement.

The Police Department will expand its K-9 unit from 2 to 4 dogs.

It will enlarge its Special Victims Unit within the Criminal Investigation Division to 2 fulltime detectives to handle child abuse/sexual assault cases.

The BPD will be joining with both Lehigh County and Northampton County District Attorney offices in the implementation of the Nalaxone program, where an officer administers an injection that counters a heroin overdose.

We will continue to:

- 1. Implement additional cost reductions through a new procurement policy dealing with vendor consolidation.**
- 2. Expand the Greenway from East 6th Street to Auburn Street.**

- 3. Implement the Wayfinding and signage program for Bethlehem.**
- 4. Execute a power purchase agreement for a solar energy project at the water filtration plant that will supply nearly all of the electrical needs of the plant.**
- 5. Complete the Lynn Avenue and High Street bridge reconstruction projects.**
- 6. Try to meet the goal of overlaying 17 lane miles of streets in house.**

Bethlehem, like other cities, faces challenges, but, as we celebrate our 275th birthday, the future of our city is as bright as the star on South Mountain. Bethlehem will continue be the jewel of the Lehigh Valley.

Summation/Conclusion

In closing, I would like to take this opportunity to thank the Bethlehem Chamber of Commerce, BSI Corporate Benefits, West Side Hammer Electric and Capital Blue Cross for hosting this event, and a special thank you to all of our great sponsors for supporting this breakfast.