

City of Allentown Pennsylvania



Five Year Plan and Financial Management Study

Discussion Draft

November 18, 2005



Public Financial Management

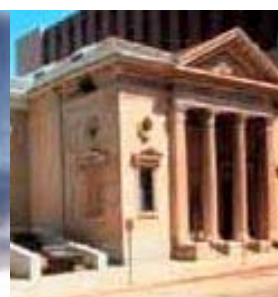
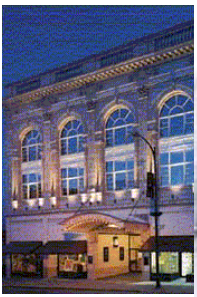
Two Logan Square, Suite 1600
18th & Arch Streets
Philadelphia, PA 19103-2770
215 567 6100
www.pfm.com



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Introduction



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Introduction

The City of Allentown faces critical challenges and opportunities during the remainder of this decade. Unlike some other Cities of the Third Class in the Commonwealth, Allentown has maintained its population base and is welcoming new residents. Downtown revitalization is well underway. The City has just elected new Mayor with a background in economic development, and several new members of City Council are about to take office. At the same time, some long-time employers have eliminated or reduced operations, and growth in Allentown trails that of other parts of Lehigh County. The City also faces significant financial challenges to pay for long-term costs which begin affecting the budget in 2008.

Public Financial Management, Inc. (PFM) has been retained by the City to prepare a five-year financial plan under the auspices of the Commonwealth of Pennsylvania's Early Intervention Program (EIP). Sponsored by the Governor's Center for Local Government Studies, the EIP is intended as a way for Pennsylvania cities to address long-term budget challenges before a crisis develops, and to strengthen the overall fiscal capacity of local governments.

The EIP has six major elements:

Financial Condition Assessment and Financial Trend Forecasting. This portion of the EIP reviews historic and current City revenues and expenditure and creates a baseline projection of how the City will fare over the next several years if no changes are made in its current condition and financial strategy.

Short-Term Action Plan. Based on the forecast and on information gathered in the initial review, this document focuses on steps the government should take to avoid financial emergency if there is an immediate threat to cash flow or the health and safety of residents. PFM's version of this Plan also includes changes in non-emergency situations that will have immediate financial consequence or long-term consequence that will be significantly enhanced by early implementation.

Management Audit and Multi-Year Financial Plan. The Management Audit includes summaries of departmental operations and identification of critical needs. The Multi-Year Financial Plan identifies priority actions to establish financial stability.

Implementation Plan. This final element of the EIP identifies the deadlines for the objectives in the Plan.

This document transmits the Management Audit and Multi-Year Financial Plan for the City of Allentown's EIP. The timing for the initiatives proposed here comprise the Implementation Plan; additional implementation suggestions and support will follow Administration and Council action.¹ This document represents the considered judgment of PFM's professionals, a team that includes experienced former local government officials who have advised cities throughout the Commonwealth. PFM's work is not intended in any way as an evaluation or judgment of the

¹ PFM can provide examples and support for many of the initiative recommendations, for example a sample request for proposals for the market-based revenue opportunities initiative discussed in the Revenue chapter of the Plan.



quality of prior or current Administration of the City and its finances. Rather, it is intended to provide a thorough assessment of the City's current and projected financial situation, and preliminary recommendations on how to react to those findings.

It is also important to view this as part of a dynamic process, not a pre-packaged solution. As outside observers, PFM's team members provide the advantage of a third party view informed by best practices in the Commonwealth and across the country. At the same time, while PFM's staff has talked to many people in Allentown, decisions on the City's future ultimately lie in the hands of the City's residents, business community, and elected officials. PFM has found a deep concern among all stakeholders in Allentown's future, and a willingness to help the City in a variety of ways.

Accordingly, PFM strongly recommends and looks forward to the continuation of robust public discussion on the City's financial situation and on the specific findings and recommendations of this Plan. Particularly with the advent of a new Mayor and Council, it is important that the City use this report as a tool to help move the City forward.

Acknowledgements

PFM's work on this initial phase of the project could not have been completed without the cooperation of the Mayor of the City of Allentown, Roy C. Afflerbach, his staff, and the directors and senior managers of all City departments. PFM offers special thanks to Finance Director Barbara Bigelow and the members of city Council's oversight group – President David Howells, Councilmembers David Bausch and Tom Burke, and City Clerk Michael Hanlon – for their time and thoughtful comments.

The firm also appreciates the time taken meet with PFM's team by many civic leaders throughout the City. Particular mention should be made of Mayor-elect Ed Pawlowski and his electoral rival, William Heydt; both were generous with their time and frank in sharing ideas with PFM.

Finally, PFM benefited greatly from the support and direction offered by Scott Hoh of the Commonwealth of Pennsylvania's Department of Community and Economic Development.



II. Demographic and Economic Analysis



The City of Allentown

The City of Allentown is the seat of Lehigh County and the largest city in the four-county Allentown-Bethlehem-Easton Metropolitan Statistical Area. At the 2000 census, the City was home to 106,632 people, making Allentown the third largest city in the Commonwealth of Pennsylvania.

Allentown has long served as an economic engine for the Lehigh Valley and east-central Pennsylvania. The City is home to a number of corporate headquarters, and has the largest employment concentration in the region. The Pennsylvania Power & Light Company, an operating utility which supplies electricity throughout central and eastern Pennsylvania, recently relocated its headquarters to a flagship economic development zone in central Allentown. Despite the recent closure of a large facility operated by communications and computer components supplier Agere Systems, the city retains a strong manufacturing presence through over 2,500 jobs at Mack Trucks, Inc. The Allentown School District and Lehigh County together employ more than 4,700 in the government sector within the city's boundaries.

Allentown is home to two institutions of higher education, Muhlenberg College and Cedar Crest College, with combined full-time enrollments of over 3,600 and employment for over 2,000 personnel. Health care institutions also employ more than 2,000 within the city, with the Lehigh Valley Hospital Center offering acute-care medical facilities.

The City has aggressively pursued residential and commercial development at multiple sites, including the redevelopment of Hamilton Street in Center City Allentown through local initiatives and state-local partnerships such as a Keystone Opportunity Zone (KOZ), offering designated land parcels with a greatly reduced tax burden for residents and businesses. Further potential development over the course of the Five-Year Plan may be undertaken at the State Hospital and Queen City Airport sites.

Population Trends

Unlike many comparable cities in Pennsylvania, Allentown has experienced relative population stability in recent decades. Allentown was home to over 108,000 residents in 1960, and the City's current population represents a modest increase after a decline in the 1960s. As the following table shows, Allentown is one of the few Pennsylvania cities with population growth in recent decades.



Figure 1

Large Pennsylvania Cities: Population Trends

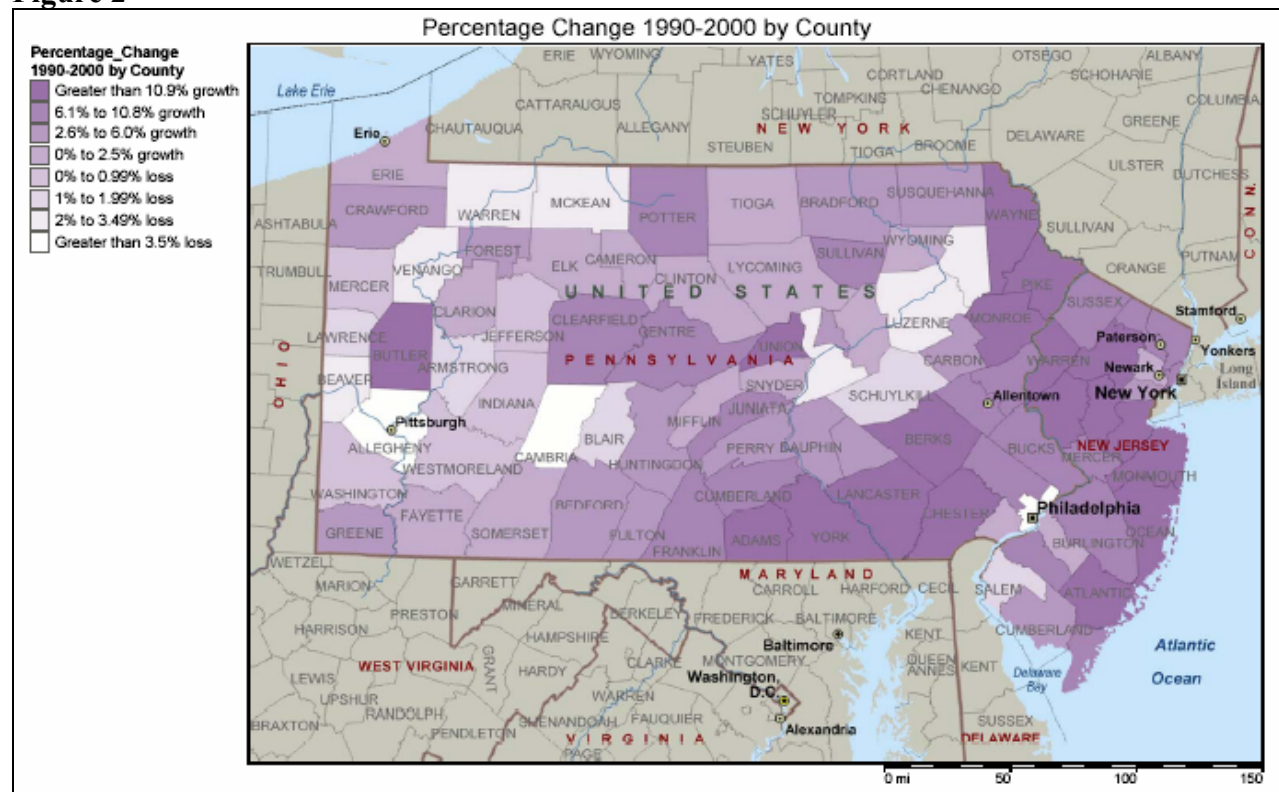
Place Name	State	Primary County	2000 Population	1990 Population	1980 Population	1970 Population	1960 Population	10 Year (1990-2000) % Change in Population	20 Year (1980-2000) % Change in Population	40 Year (1960 - 2000) % Change in Population
Commonwealth of Pennsylvania			12,281,054	11,881,643	11,863,895	11,793,909	11,319,366	3.4%	3.5%	5.0%
Allentown			106,632	105,090	103,758	109,871	108,347	1.5%	2.8%	(1.6%)
Altoona	PA	Blair	49,525	51,881	57,078	63,115	69,407	(4.5%)	(13.2%)	(28.6%)
Bethlehem	PA	Northampton	71,329	71,428	70,419	72,686	75,408	(0.1%)	1.3%	(5.4%)
Chester	PA	Delaware	36,854	41,856	45,794	56,331	65,658	(12.0%)	(19.5%)	(43.9%)
Easton	PA	Northampton	31,955	29,450	26,027	26,276	26,263	8.5%	22.8%	21.7%
Erie	PA	Erie	103,725	108,718	119,123	129,265	138,440	(4.6%)	(12.9%)	(25.1%)
Harrisburg	PA	Dauphin	49,100	52,376	53,264	68,061	79,697	(6.3%)	(7.8%)	(38.4%)
Lancaster	PA	Lancaster	56,347	55,551	54,725	57,690	61,055	1.4%	3.0%	(7.7%)
Philadelphia	PA	Philadelphia	1,517,550	1,585,577	1,688,210	1,948,609	2,002,512	(4.3%)	(10.1%)	(24.2%)
Pittsburgh	PA	Allegheny	334,563	369,879	423,938	520,117	604,332	(9.5%)	(21.1%)	(44.6%)
Reading	PA	Berks	81,201	78,380	78,686	87,643	98,177	3.6%	3.2%	(17.3%)
Scranton	PA	Lackawanna	76,415	81,805	88,117	102,696	111,443	(6.6%)	(13.3%)	(31.4%)
Wilkes-Barre	PA	Luzerne	43,123	47,523	51,551	58,856	63,551	(9.3%)	(16.3%)	(32.1%)
York	PA	York	40,889	42,192	44,619	50,335	54,504	(3.1%)	(8.4%)	(25.0%)
PA Large Cities (>35k) Median			63,838	63,490	63,749	70,374	77,553	(4.4%)	0.1%	(25.0%)
PA Large Cities (>35k) Average			185,658	194,408	207,522	239,397	254,200	(3.2%)	(8.4%)	(21.7%)
Variance from Allentown										
PA Large Cities (>35k) Median			42,794	41,601	40,010	39,498	30,795	5.9%	7.0%	23.4%
PA Large Cities (>35k) Average			79,026	89,318	103,764	129,526	145,853	0	(8.4%)	0

Source: U.S. Department of Commerce, Bureau of the Census



However, if Allentown's population trends are considered in the context of regional demographic and economic patterns, the City's stable population is anomalous for the opposite reason. As shown in *Figure 2: Percentage Change by County, 1990-2000* and *Figure 3: Percentage Change by County, 1960-2000*, Allentown and the Lehigh Valley are strategically located in an area of the east coast of the United States that has been undergoing substantial population growth over several decades. These high growth rates, which are centered in New Jersey and the eastern borders of Pennsylvania, are in contrast to many other urbanized regions of Pennsylvania, including the Scranton-Wilkes Barre-Hazleton area, Philadelphia City, the Altoona-Johnstown region, Greater Pittsburgh, and broad regions of urban and rural western Pennsylvania. Part of a bi-state region of strong growth, Allentown's virtually static population patterns indicate greater stability than urban peers but less dynamic expansion than nearby neighbors.

Figure 2



Percentage Change 1960-2000 by County

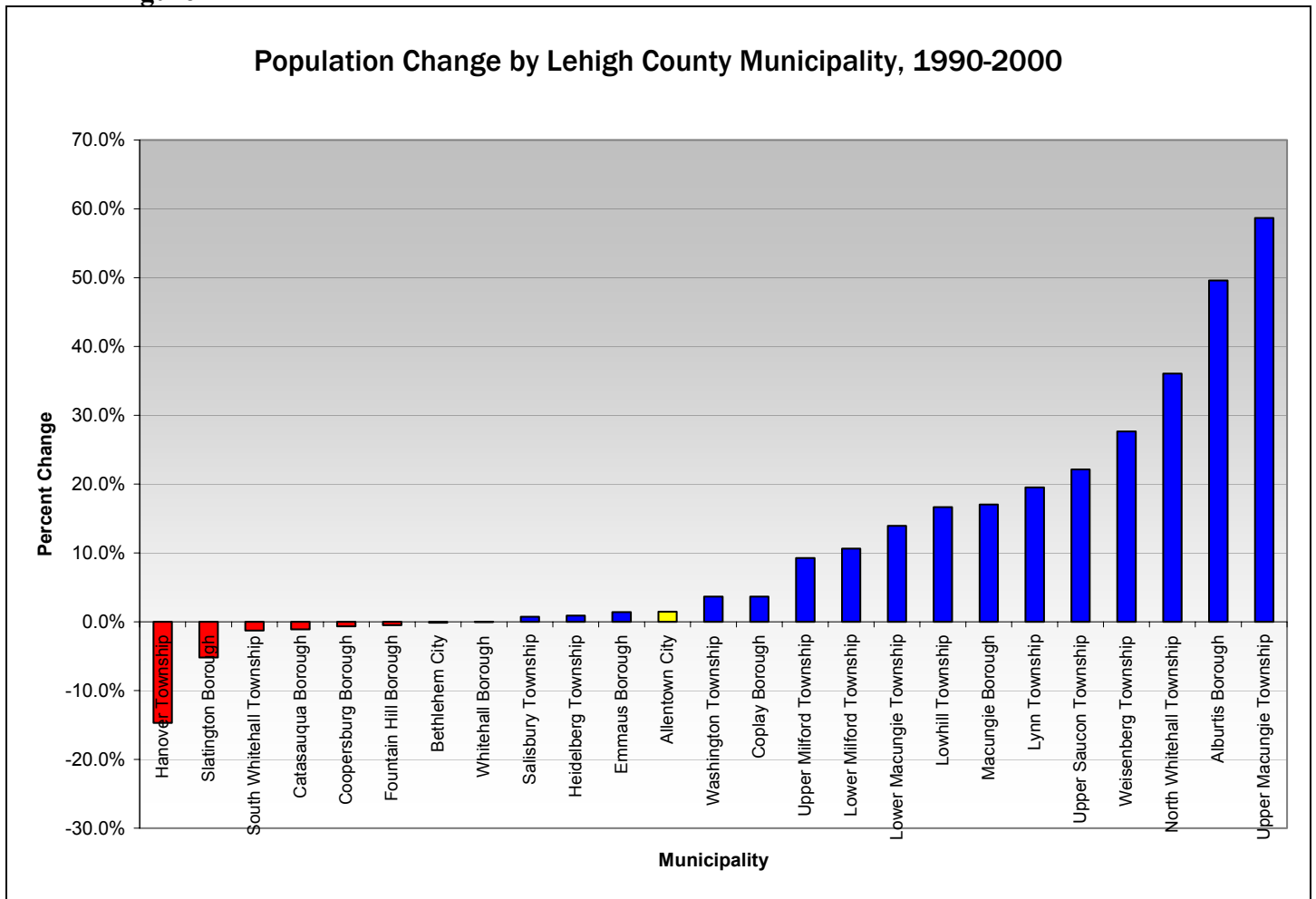
Percentage Change
1960-2000 by County

- Greater than 85% growth
- 62.1 to 84.9% growth
- 35.0 to 62.0% growth
- 15.8 to 34.9% growth
- 9.5 to 15.7% growth
- 0.0 to 0.94% growth
- 0.0 to 1.0% loss
- Greater than 1.1% loss

Map showing Pennsylvania counties and their percentage change in population from 1960 to 2000. Major cities labeled include Pittsburgh, Philadelphia, Harrisburg, and Allentown. Surrounding states include Ohio, New York, New Jersey, Maryland, Delaware, Virginia, and West Virginia. The Atlantic Ocean is to the east.

In particular, although holding its own, Allentown did not see the tremendous growth of adjacent Lehigh County localities in the 1990s. Figure 4 shows the relative position of Allentown among County governments in that decade, and Figure 5 shows the US Census Bureau's estimate of its population trend in the early part of this decade.

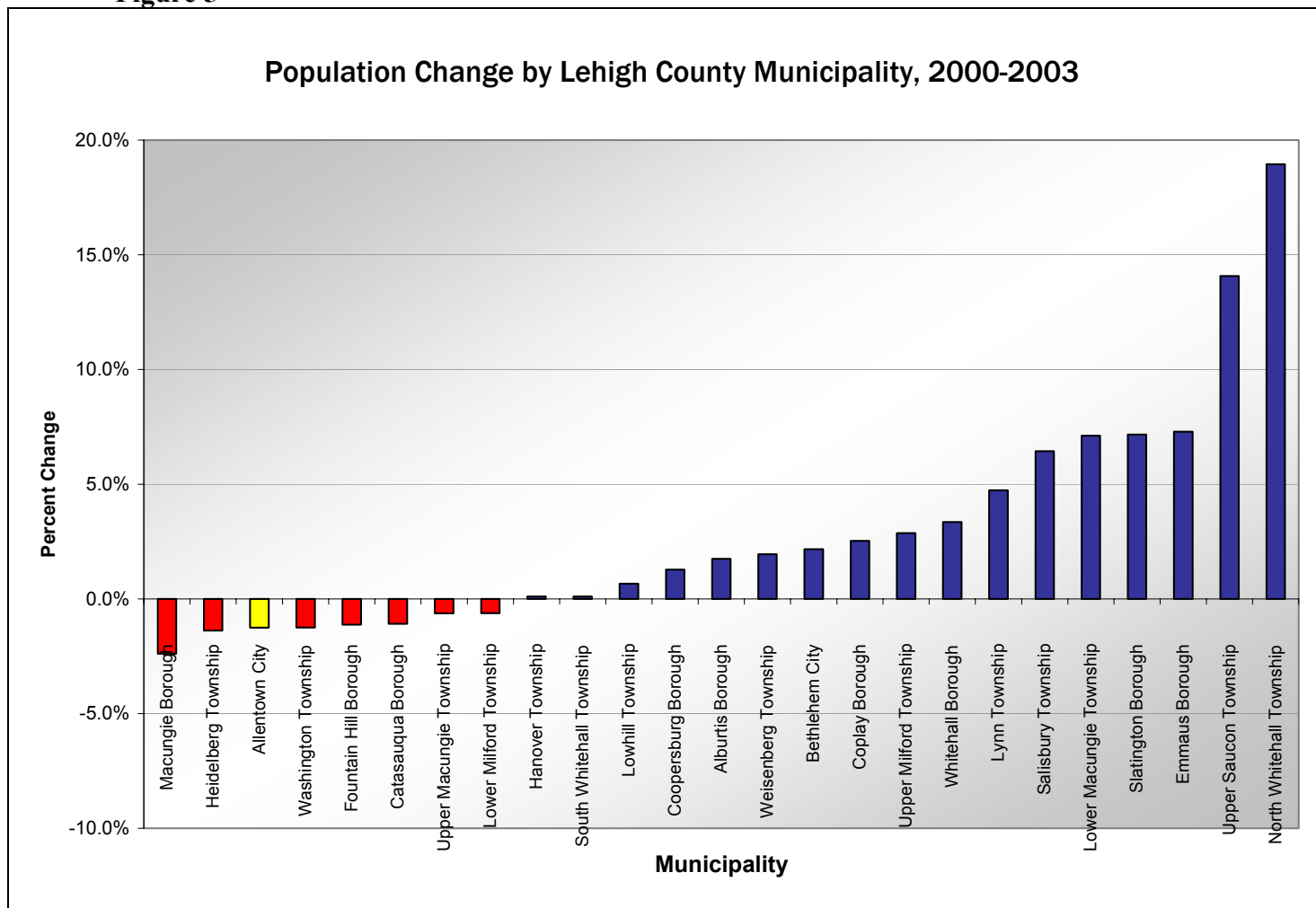
Figure 4



Source: U.S. Department of Commerce, Bureau of the Census



Figure 5



Source: U.S. Department of Commerce, Bureau of the Census

Income & Wealth

While ranking well against peers on population growth, Allentown does not show the same strength when the financial underpinnings of that population are examined. As shown in Figure 6, the City's ten-year improvements in three key categories have been well below the average of those recorded in other cities and the statewide average over the decade from 1989 to 1999 (the most recent period for which this information is available).



Figure 6

Large Pennsylvania Cities: Income Measures

Place Name	State	Primary County	1989 Median Household Income	1989 Per-Capita Income	1989 Median Home Value	1999 Median Household Income	1999 Per-Capita Income	1999 Median Home Value	10 Year (1999-1989) % Change in Median Income	10 Year (1999-1989) % Change in Per-Capita Income	10 Year (1999-1989) % Change in Median Home Value
Commonwealth of Pennsylvania			\$29,069	\$14,068	\$69,100	\$40,106	\$20,880	\$97,000	38.0%	48.4%	40.4%
Allentown	PA	Lehigh	\$25,983	\$12,822	\$75,900	\$32,016	\$16,282	\$76,900	23.2%	27.0%	1.3%
Altoona	PA	Blair	\$20,695	\$10,398	\$30,600	\$28,248	\$15,213	\$58,000	36.5%	46.3%	89.5%
Bethlehem	PA	Northampton	\$28,375	\$13,684	\$89,800	\$35,815	\$18,987	\$97,400	26.2%	38.8%	8.5%
Chester	PA	Delaware	\$20,864	\$9,115	\$37,800	\$25,703	\$13,052	\$43,100	23.2%	43.2%	14.0%
Easton	PA	Northampton	\$26,365	\$11,319	\$80,500	\$33,162	\$15,949	n.a	25.8%	n.a	n.a
Erie	PA	Erie	\$22,032	\$10,715	\$43,000	\$28,387	\$14,972	\$65,900	28.8%	39.7%	53.3%
Harrisburg	PA	Dauphin	\$20,329	\$11,037	\$38,000	\$26,920	\$15,787	\$56,900	32.4%	43.0%	49.7%
Lancaster	PA	Lancaster	\$22,210	\$10,693	\$58,300	\$29,770	\$13,955	\$71,300	34.0%	30.5%	22.3%
Philadelphia	PA	Philadelphia	\$24,603	\$12,091	\$48,400	\$30,746	\$16,509	\$59,700	25.0%	36.5%	23.3%
Pittsburgh	PA	Allegheny	\$20,747	\$12,580	\$40,500	\$28,588	\$18,816	\$59,700	37.8%	49.6%	47.4%
Reading	PA	Berks	\$22,112	\$11,041	\$37,300	\$26,698	\$13,086	\$44,500	20.7%	18.5%	19.3%
Scranton	PA	Lackawanna	\$21,060	\$11,108	\$56,100	\$28,805	\$16,174	\$78,200	36.8%	45.6%	39.4%
Wilkes-Barre	PA	Luzerne	\$19,525	\$10,513	\$43,600	\$26,711	\$15,050	\$64,700	36.8%	43.2%	48.4%
York	PA	York	\$21,812	\$10,485	\$41,100	\$26,475	\$13,439	\$56,500	21.4%	28.2%	37.5%
PA Large Cities (>35k) Median			\$21,922	\$11,039	\$43,300	\$28,488	\$15,500	\$59,700	27.5%	39.7%	37.5%
PA Large Cities (>35k) Average			\$22,622	\$11,257	\$51,493	\$29,146	\$15,519	\$64,062	29.2%	37.7%	34.9%
Varience from Allentown											
PA Large Cities (>35k) Median			\$4,061	\$1,783	\$32,600	\$3,529	\$782	\$17,200	4.3%	12.7%	36.2%
PA Large Cities (>35k) Average			\$3,361	\$1,565	\$24,407	\$2,870	\$763	\$12,838	6.0%	10.7%	33.6%

Source: U.S. Department of Commerce, Bureau of the Census

Note: The city of Easton has fewer than 35,000 residents, but is included for reference given its proximity

At \$32,016 in 1999, Allentown's median household income is above the average and median for other large Pennsylvania cities, and below the \$40,106 level for the Commonwealth overall. However, the 23.2 percent growth of the City's median income level between 1989 and 1999 was substantially below that of the peer city average and median, and below the statewide growth rate of 38.0 percent.

Allentown's 1999 per capita income of \$16,082 is above that of other large Pennsylvania cities but below statewide averages. Again, however, the ten-year growth trend was lower than that for large Pennsylvania cities generally. Indeed, per capita income growth in Allentown was well below its peer cities, second only to Reading among those cities surveyed. Ten-year growth levels were almost half the statewide average growth rate of 48.4 percent

The 1999 median home value in Allentown is greater than all but two of the large Commonwealth cities, but again, the ten-year improvement in was substantially below peer performance. The 1.3 percent ten-year increase was by far the lowest of all Commonwealth cities surveyed (average 33.6 percent growth), and lagged well behind average statewide growth rates (40.4 percent).



Age

As in the rest of Pennsylvania, residents of Allentown tend also to be older than the nation as a whole. 16 percent of Allentown's population is over age 65, compared to slightly more than 12 percent nationwide.



III. Revised Baseline Assessment and Multi-Year Projection



Overview

In order to understand how the demographic and economic factors described in the previous section affect the City of Allentown's future financial health, PFM built a multi-year financial projection model of the City's budget. The foundation of the model is electronic data on past financial results and the FY2005 budget provided by the City. This information has been supplemented by interviews with City officials and others to create a picture of the City's finances for the last several years, and has been updated several times since PFM delivered its Baseline Assessment and Short-Term Plan in August. In the model, PFM has made certain assumptions about the future growth in various budget lines, as described below, and used these to project revenues, expenditures, and net operating balance from FY2006 through FY2010. There may be reasons to change these assumptions as the outgoing Administration, the Mayor-elect, and City Council consider steps to take in the FY2006 budget to improve the City's long-term financial health.

The current version of the baseline financial model, presented and described in this section, show that if no changes are made to current policies the City will be close to budget balance for approximately two years, and then experience a widening gap between revenues and expenditures. The major reasons for this result are moderate growth in revenues offset by dramatically increased costs for Police and Fire pensions beginning in 2008 and debt service beginning in 2009.

PFM believes that it will be important to continue to update this baseline with additional information developed during the City's budget process. This information should provide a more accurate portrayal of the short- and long-term challenges facing City finances. However, these adjustments will affect only the size of the fluctuations shown in the following baseline analysis; the overall baseline trend shown here is likely to be accurate if no corrective action is taken by the City.

Summary of Findings

The results of PFM's baseline modeling show that the City of Allentown must act resolutely to halt negative trends that threaten its long-term financial health. As a result of a variety of factors, City revenues have grown little in recent years except as the result of property tax increases. At the same time, the City has faced the pressures on every local government – citizen expectations that current levels of service will be maintained or improved; employee expectations that wages at least as fast as their cost of living; skyrocketing costs for employee health care; and general price inflation rates that generally exceed the growth rate of municipal revenues.

In Allentown, this situation is particularly acute because:

- Reliance on the property tax for about 55 percent of City revenues means that stable property tax assessments result in flat revenues (absent a millage increase);
- Economic development initiatives, while critical to the City's long-term health and highly visible especially in the downtown area, will only translate into a significant source of



City revenue over time, especially since early development has been concentrated in Keystone Opportunity Zones (KOZs);

- A City Charter ban on implementing new revenues or altering existing levies without a referendum limits revenue flexibility; voters have rejected several proposed revenue initiatives in recent years, voting down both the adoption of the Emergency & Municipal Services Tax and an increased transfer tax in the November 2005 election.
- Administration initiatives to increase service – most notably in the Police Department – have raised costs for those services (although if current Administration intentions to slightly lower the Police complement are observed, costs will moderate slightly).
- Labor agreements have included provisions for wage and pension increases well above the rate of revenue growth (although they will be somewhat offset by lower salaries for new recruits in the early years of this projection); and
- The City has already undertaken many traditional responses to fiscal pressure, including personnel reductions, service reductions, fee revisions, and property tax increases.

As a result of these factors, expenditure growth in Allentown has been outstripping revenue growth for some time, and the City has had a negative net operating balance for the past three years. The effect has not been too visible to date, as the variances were offset by a modest operating balance at the start of the period. However, by 2004 the City began with a negative opening balance, and in 2005 budgeted a \$3.6 million starting shortfall.

It is significant that the financial situation in Allentown has been noticed by others. In September, Allentown's credit rating was downgraded by Standard & Poor's, which noted "the city's growing accumulated general fund balance deficit, continued weak financial performance, and limited flexibility and success in addressing structural budgetary imbalances." S&P assigned a negative outlook to the City.

Although actions taken by the Mayor and City Council in adopting and implementing the 2005 budget may result in a breakeven year, the underlying imbalance continues. If left unaddressed this trend will accelerate over the next five years and create a widening budget gap for the City. PFM's model projects that if no corrective action is taken, expenditures will exceed revenues by up to \$12.2 million in 2010, more than 16 percent of projected revenue (see page 38 for more information on PFM's projected net operating results).

As with all governments, options for the City of Allentown are clear:

1. Reduce expenditures by providing services more efficiently and at a lower cost, or by eliminating services.
2. Increase revenues to pay for the growing cost of baseline services and any desired service enhancements, whether by growing the tax base, more effective collection of taxes and fees, or increasing taxes and fees.



3. Bring in more direct, indirect, and in-kind assistance from other sources, including the county, regional, state and federal governments or civic institutions.

This multi-year plan provides a variety of options in each of these areas, designed to offer policymakers and the public with choices for creating long-term financial stability and (ultimately) growth.

The remainder of this section consists of a detailed baseline assessment and multi-year forecast based on information currently available to PFM. It is expected that these figures will change as a result of information developed during the budget process. The following section presents a summary of the menu of initiatives developed by PFM, and their possible effect on the five-year budget projection. It is expected that this report will become part of the larger public dialogue on major financial and policy issues as a new Mayor and Council take office in Allentown.



Multi-Year Projection Methodology

Base Year

The projections in this baseline assessment draw primarily on FY2004 data, using estimated year-end results provided by the City of Allentown's Department of Finance. 2004 estimated actual data (as opposed to FY2005 budget figures) were selected as the base in order to mitigate against the variance between actual and budgeted results that has been present in each of the previous two fiscal years and could affect FY2005 as well. The model can soon be updated with projected actual FY2005 results, or with FY2006 budget figures if necessary.

To account for the significant revenue, expenditure and programmatic changes that formed a part of the adopted FY2005 budget, to correct for "one-time" items present in the 2004 results, and to include known major changes in future year revenues and spending, hundreds of adjustments were made to the 2004 baseline in order to more accurately develop a 2005-2010 trend line from historical data. These adjustments include, but are not limited to, the following areas:

- Authorized salary increases for personnel in all bargaining units effective January 2005;
- Changes to salary, benefits, and employment levels resulting from recent labor agreements with the Fraternal Order of Police and International Association of Fire Fighters;
- Property tax collections based on recent millage rate and assessed value increases;
- Debt service payments scheduled for 2005 and future years;
- Re-assignment of numerous programs in the Police Department budget;
- Program cuts determined as part of and subsequent to the FY2005 budget process (such as swimming pools, recreation etc.);
- Budgeted collections for licenses; fines and other user fees based on recent ordinance changes;
- Pension payments required through the 2005 Minimum Municipal Obligation (MMO);
- An assumed increase of \$2.99 million in the Police Pension Fund MMO and \$1 million in the Fire Pension Fund MMO in 2008 to reflect recent changes in the Police and Fire collective bargaining agreements;
- Reprogramming of the Trexler Trust Fund maintenance grant;
- Increases in telephone rates.

Following the determination of a baseline budget in this manner, a series of growth assumptions were applied to develop a trend line forecast for revenue and expenditure



items in Fiscal Years 2006-2010. In general, PFM has sought to use prudent, moderately conservative assumptions to balance the need for adjustments against the most likely outcome. This approach allows the City to benefit from more positive results rather than becoming dependent on them to maintain fiscal health.

General Inflation Assumption

Most national projections for growth in the Consumer Price Index – All Urban Consumers (CPI-U) are at or around 2.5 percent for the next five to ten years. The budget projection model uses results from the Federal Reserve Bank’s *Survey of Professional Forecasters* to provide a standard growth factor for revenues and expenditures where needed. The *Survey* is the oldest quarterly survey of macroeconomic forecasts in the United States. Since 1991, the Philadelphia branch of the Federal Reserve Bank has polled forecasters each quarter about their views on the 10-year annual average rate of CPI inflation. For several years, the survey’s consensus (median) estimate has approximated 2.50 percent. The most recent survey — released on November 14, 2005 — reaffirmed the long-term rate consensus of 2.50 percent. However, shorter term rates were more variable. In particular, a spike in inflation in 2005 is expected to nudge the overall five-year (2005-2009) rate to 2.70 percent. Offsetting this are expected rates of 2.40 percent in 2006 and 2007. Since FY2005 is already reflected in the baseline model, and given the lower rates in the first two years of PFM’s 2006-2010 projection, the model maintains its overall inflation growth assumption of 2.50 percent.

Revenues

Overview

The City of Allentown’s revenue sources are central to its long-term fiscal health, yet for several years its primary revenue streams have been relatively stagnant. With inflationary pressures on the expenditure side of the budget that cannot be avoided without extensive service cuts, an increase in revenue – either from existing sources, new sources, or both – is a necessary component for the creation of a fiscally sustainable City government. This section examines recent and current trends in City revenues, as well as future revenue projections absent any corrective action or efforts to increase revenue.

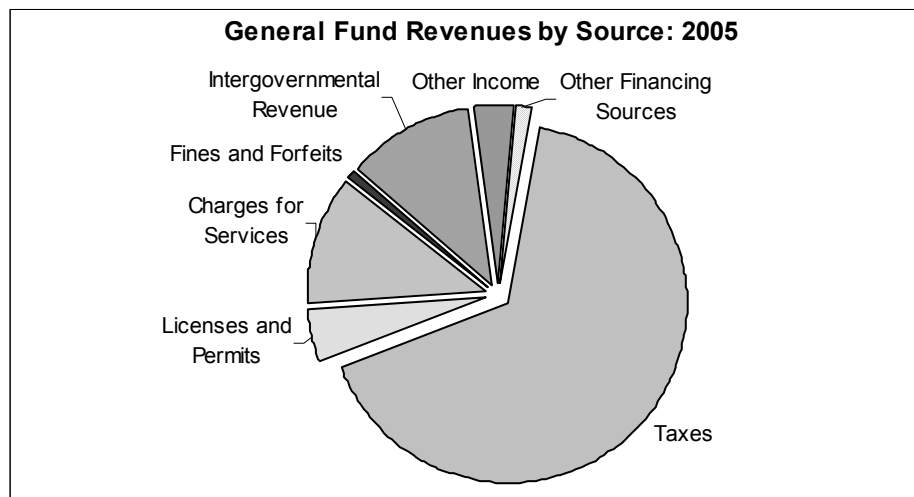
Revenue Trends: Past, Present, and Future

Allentown’s major revenue sources have grown at a rate below that of inflation over the last four years. Without significant modifications to the present revenue structure, this slow growth is likely to continue into the foreseeable future. This section highlights the City’s recent revenue history and describes this report’s “baseline” revenue forecast – the forecast of future revenue through 2010 under current trends and laws and assuming no change to the property tax millage rate.

As shown in the following chart, tax revenues constitute two-thirds of the city’s 2005 General Fund revenues. At 12 percent of revenues, charges for services are the second largest source, and intergovernmental revenues such as grants and reimbursements



represent an additional 11 percent of revenues. Thus, almost 90 percent of City revenues come from these three sources.



Detailed Revenue Projections

As shown in the detailed tables that follow, total revenue growth in the General Fund has been erratic over the last several fiscal years, with an overall average annual growth rate of 3.61 percent (after inclusion of real estate tax increases). Despite the irregularity across many items, based on the aforementioned projections methodology, each revenue item is forecast to raise annual amounts approximating the values on the first table that follows. The second projections table indicates the percentage increase (decrease) on the previous year for each revenue item or category. The dynamics of individual revenue types will be described in greater detail in the pages that follow the revenue projection tables.

The baseline revenue projections anticipate a modest growth in overall revenue of 0.36 percent in FY2006, reaching 1.65 percent in FY2007; 1.67 percent in 2008; 1.68 percent in 2009 and reaching a high of 1.7 percent in 2010; compared with an average annual growth of 4.26 percent in expenditures. City revenues are projected to grow at a significantly lower rate than expenditures in each and every year of the Five-Year Plan; Allentown is facing a major challenge as its costs are already beginning to outstrip the natural growth of its limited revenue sources.



City of Allentown, Pennsylvania, Five-Year Projections Model
Summary for the General Fund

	HISTORICAL DATA				PROJECTED DATA					
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES										
Taxes										
Real Estate Tax - Current	\$ 20,545,834	\$ 20,383,118	\$ 23,238,105	\$ 23,411,082	\$ 28,967,570	\$ 29,123,995	\$ 29,281,264	\$ 29,439,383	\$ 29,598,356	\$ 29,758,187
Real Estate Tax - Prior	949,808	1,108,124	1,027,822	792,681	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Lehigh Co. Tax Claim - Prior	547,426	88,365	36,964	37,269	51,000	52,493	54,030	55,612	57,240	58,915
Earned Income Tax	7,307,432	7,118,384	6,518,995	6,829,147	6,700,000	6,896,146	7,098,033	7,305,831	7,519,713	7,739,856
Deed Transfer Tax	1,015,460	1,355,552	1,464,610	1,765,198	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259	1,914,422
Occupational Privilege Tax	375,044	369,389	342,721	359,033	330,600	330,600	330,600	330,600	330,600	330,600
Business Privilege Tax	5,250,934	5,525,667	6,207,494	6,052,939	6,200,000	6,381,508	6,568,329	6,760,620	6,958,540	7,162,255
Amusement Device Tax	28,949	32,499	26,415	27,350	26,500	26,500	26,500	26,500	26,500	26,500
Per Capita & Residence Tax - Prior	96,190	43,053	42,454	49,120	30,000	30,000	30,000	30,000	30,000	30,000
Per Capita & Residence Tax - Current	233,049	225,223	203,788	243,142	250,000	257,319	264,852	272,606	280,586	288,801
Total Taxes	\$ 36,350,127	\$ 36,249,375	\$ 39,109,368	\$ 39,566,961	\$ 45,355,670	\$ 45,973,560	\$ 46,607,359	\$ 47,257,589	\$ 47,924,794	\$ 48,609,536
Licenses and Permits										
Business Privilege License	\$ 400,323	\$ 392,638	\$ 383,107	\$ 412,185	\$ 385,000	\$ 394,625	\$ 404,491	\$ 414,603	\$ 424,968	\$ 435,592
Building, Plumbing, Elec. Licenses	623,482	890,309	668,782	867,506	687,500	704,688	722,305	740,362	758,871	777,843
CATV Franchise Fees	983,996	858,509	909,745	963,251	1,024,377	1,049,986	1,076,236	1,103,142	1,130,721	1,158,989
Rental Inspection Program	316,360	339,230	415,561	503,103	535,000	548,375	562,084	576,136	590,540	605,303
All Other Licenses and Permits	430,757	402,353	428,753	480,447	490,401	502,661	515,228	528,108	541,311	554,844
Total Licenses and Permits	\$ 2,754,919	\$ 2,883,039	\$ 2,805,947	\$ 3,226,492	\$ 3,122,278	\$ 3,200,335	\$ 3,280,343	\$ 3,362,352	\$ 3,446,411	\$ 3,532,571
Charges for Services										
EMS Transit Fees	\$ 2,116,813	\$ 2,233,623	\$ 2,625,790	\$ 2,637,898	\$ 2,725,000	\$ 2,761,874	\$ 2,799,247	\$ 2,837,126	\$ 2,875,517	\$ 2,914,428
General Fund Svc. Charges	3,342,431	3,342,453	3,434,959	3,404,959	3,306,423	3,351,165	3,396,512	3,442,472	3,489,055	3,536,268
911 Phone Line Svs. Charge	1,081,593	1,024,347	1,008,431	970,467	1,046,948	1,061,115	1,075,474	1,090,027	1,104,777	1,119,726
All Other Charges for Services	1,021,128	974,299	884,910	851,877	909,551	991,859	1,005,281	1,018,884	1,032,671	1,046,645
Total Charges for Services	\$ 7,561,965	\$ 7,574,722	\$ 7,954,091	\$ 7,865,201	\$ 7,987,922	\$ 8,166,013	\$ 8,276,513	\$ 8,388,509	\$ 8,502,020	\$ 8,617,067
Fines and Forfeits	\$ 589,014	\$ 718,658	\$ 735,416	\$ 701,001	\$ 667,859	\$ 711,631	\$ 758,273	\$ 807,971	\$ 860,927	\$ 917,353
Intergovernmental Revenue										
Health Grants (215-12, Categorical)	\$ 1,635,486	\$ 1,926,295	\$ 2,600,580	\$ 2,441,889	2,606,239	2,671,395	2,738,180	2,806,634	2,876,800	2,948,720
Police Grants/Reimb/Training	1,344,128	1,217,874	1,032,460	1,542,567	904,370	926,979	950,154	973,908	998,255	1,023,212
State Aid for Pensions	3,133,726	3,169,093	3,711,704	3,792,770	3,891,382	3,988,666	4,088,383	4,190,593	4,295,357	4,402,741
All Other Intergovernmental Revenues	410,195	237,033	484,243	1,349,307	281,021	288,047	295,248	302,629	310,195	317,949
Total Intergovernmental Revenue	\$ 6,523,535	\$ 6,550,295	\$ 7,828,988	\$ 9,126,533	\$ 7,683,012	\$ 7,875,087	\$ 8,071,964	\$ 8,273,763	\$ 8,480,607	\$ 8,692,623
Other Income	\$ 2,850,721	\$ 2,934,330	\$ 2,504,086	\$ 2,426,922	\$ 2,521,017	\$ 2,584,042	\$ 2,648,643	\$ 2,714,859	\$ 2,782,731	\$ 2,852,299
Other Financing Sources										
Trexler Maintenance Grant	\$ 1,594,692	\$ 1,650,000	\$ 1,365,000	\$ 1,341,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewage Capacity Sales	-	-	-	927,000	927,000	-	-	-	-	-
All Other Financing Sources	450,000	100,000	14,789	11,362	11,657	11,949	12,247	12,554	12,867	13,189
Other Financing Sources	\$ 2,044,692	\$ 1,750,000	\$ 1,379,789	\$ 2,280,278	\$ 938,657	\$ 11,949	\$ 12,247	\$ 12,554	\$ 12,867	\$ 13,189
TOTAL REVENUES	\$ 58,674,972	\$ 58,660,418	\$ 62,317,684	\$ 65,193,388	\$ 68,276,415	\$ 68,522,617	\$ 69,655,343	\$ 70,817,598	\$ 72,010,357	\$ 73,234,638



City of Allentown, Pennsylvania, Five-Year Projections Model
Revenue Growth Rate Assumptions for the General Fund

	HISTORICAL DATA			PROJECTED DATA					
	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES									
Taxes									
Real Estate Tax - Current	(0.79%)	14.01%	0.74%	23.73%	0.54%	0.54%	0.54%	0.54%	0.54%
Real Estate Tax - Prior	16.67%	(7.25%)	(22.88%)	64.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lehigh Co. Tax Claim - Prior	(83.86%)	(58.17%)	0.82%	36.84%	2.93%	2.93%	2.93%	2.93%	2.93%
Earned Income Tax	(2.59%)	(8.42%)	4.76%	(1.89%)	2.93%	2.93%	2.93%	2.93%	2.93%
Deed Transfer Tax	33.49%	8.05%	20.52%	(15.02%)	5.00%	5.00%	5.00%	5.00%	5.00%
Occupational Privilege Tax	(1.51%)	(7.22%)	4.76%	(7.92%)	0.00%	0.00%	0.00%	0.00%	0.00%
Business Privilege Tax	5.23%	12.34%	(2.49%)	2.43%	2.93%	2.93%	2.93%	2.93%	2.93%
Amusement Device Tax	12.26%	(18.72%)	3.54%	(3.11%)	0.00%	0.00%	0.00%	0.00%	0.00%
Per Capita & Residence Tax - Prior	(55.24%)	(1.39%)	15.70%	(38.92%)	0.00%	0.00%	0.00%	0.00%	0.00%
Per Capita & Residence Tax - Current	(3.36%)	(9.52%)	19.31%	2.82%	2.93%	2.93%	2.93%	2.93%	2.93%
Licenses and Permits									
Business Privilege License	(1.92%)	(2.43%)	7.59%	(6.60%)	2.50%	2.50%	2.50%	2.50%	2.50%
Building, Plumbing & Electrical Licens	42.80%	(24.88%)	29.71%	(20.75%)	2.50%	2.50%	2.50%	2.50%	2.50%
CATV Franchise Fees	(12.75%)	5.97%	5.88%	6.35%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Inspection Program	7.23%	22.50%	21.07%	6.34%	2.50%	2.50%	2.50%	2.50%	2.50%
All Other Licenses and Permits	(6.59%)	6.56%	12.06%	2.07%	2.50%	2.50%	2.50%	2.50%	2.50%
Charges for Services									
EMS Transit Fees	5.52%	17.56%	0.46%	3.30%	1.35%	1.35%	1.35%	1.35%	1.35%
General Fund Svc. Charges	0.00%	2.77%	(0.87%)	(2.89%)	1.35%	1.35%	1.35%	1.35%	1.35%
911 Phone Line Svs. Charge	(5.29%)	(1.55%)	(3.76%)	7.88%	1.35%	1.35%	1.35%	1.35%	1.35%
All Other Charges for Services	(4.59%)	(9.17%)	(3.73%)	6.77%	9.05%	1.35%	1.35%	1.35%	1.35%
Fines and Forfeits	22.01%	2.33%	(4.68%)	(4.73%)	6.55%	6.55%	6.55%	6.55%	6.55%
Intergovernmental Revenue									
Health Grants (215-12 & Categorical)	17.78%	35.00%	(6.10%)	6.73%	2.50%	2.50%	2.50%	2.50%	2.50%
Police Grants/Reimbursements/Train	(9.39%)	(15.22%)	49.41%	(41.37%)	2.50%	2.50%	2.50%	2.50%	2.50%
State Aid for Pensions	1.13%	17.12%	2.18%	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%
All Other Intergovernmental Revenues	(42.21%)	104.29%	178.64%	(79.17%)	2.50%	2.50%	2.50%	2.50%	2.50%
Other Income	2.93%	(14.66%)	(3.08%)	3.88%	2.50%	2.50%	2.50%	2.50%	2.50%
Other Financing Sources									
Trexler Maintenance Grant	3.47%	(17.27%)	(1.69%)	(100.00%)	0.00%	0.00%	0.00%	0.00%	0.00%
Sewage Capacity Sales	0.00%	0.00%	0.00%	0.00%	(100.00%)	0.00%	0.00%	0.00%	0.00%
All Other Financing Sources	(77.78%)	(85.21%)	(23.17%)	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL REVENUES	(0.02%)	6.23%	4.61%	4.73%	0.36%	1.65%	1.67%	1.68%	1.70%



Tax Revenues

The City's tax revenues since FY2001 are shown in the table below, in descending order from the largest revenue sources as of FY2004. Several points are worth noting. First, revenue from the following four taxes accounted for 60 percent of all General Fund revenues and 98 percent of all tax receipts in 2004:

- Real Estate;
- Earned Income;
- Deed Transfer;
- Business Privilege.

With the increase in real estate tax millage in FY2005, this percentage is projected to grow to approximately 65 percent of all General Fund revenues in future years. Second, if the revenue trend line is adjusted to remove FY2003 and FY2005 increases in the real estate tax millage rate, the City's tax revenues are essentially flat (especially relative to inflation). The performance of the City's revenues with respect to inflation is shown in the chart below graphically depicts the fact that since FY2001, the 8.91 percent growth in CPI-U inflation has been well above the adjusted 4.1 percent rate of growth of the City's General Fund revenue.

	2001	2002	2003	2004	2005
REVENUES: TAXES	(trendline projection)				
Real Estate Tax	20,545,834	20,383,118	23,238,105	23,411,082	28,967,570
Real Estate Tax - <u>adjusted to 2001 millage rate of 13.22</u>	20,545,834	21,167,897	20,821,729	21,663,913	21,470,424
Real Estate Tax - Prior	949,808	1,108,124	1,027,822	792,681	1,300,000
Lehigh Co. Tax Claim - Prior	547,426	88,365	36,964	37,269	51,000
Earned Income Tax	7,307,432	7,118,384	6,518,995	6,829,147	6,700,000
Deed Transfer Tax	1,015,460	1,355,552	1,464,610	1,765,198	1,500,000
Occupational Privilege Tax	375,044	369,389	342,721	359,033	330,600
Business Privilege Tax	5,250,934	5,525,667	6,207,494	6,052,939	6,200,000
Amusement Device Tax	28,949	32,499	26,415	27,350	26,500
Per Capita & Residence Tax - Prior	96,190	43,053	42,454	49,120	30,000
Per Capita & Residence Tax - Current	233,049	225,223	203,788	243,142	250,000
Actual Total Taxes	36,350,126	36,249,374	39,109,368	39,566,961	45,355,670
Adjusted Total Taxes	36,350,126	37,034,153	36,692,992	37,819,792	37,858,524
Adjusted Annual Growth		1.9%	-0.9%	3.1%	0.1%
Adjusted Cumulative Growth		1.9%	0.9%	4.0%	4.1%
CPI-U Annual Growth (Jan)		1.14%	2.60%	1.93%	2.97%
CPI-U Cumulative Growth			3.77%	5.77%	8.91%

The annual rate of growth in the City's four largest revenue sources has performed slightly better than total revenue growth over the past five years. However, it is important to note that the *adjusted* individual and cumulative level of natural growth in these revenue sources has been modest. From 2001 through 2005, *adjusted* revenue from these four sources is estimated to have



grown by just 4.1 percent. Indeed, in 2003, tax revenues grew only as a result of an 11.35 percent enacted increase in the real estate millage: the natural rate of tax growth was actually negative in that year.

Over the five years from 2006 to 2010, it is anticipated that these categories in total will grow by only 5.4 percent, approximately 1.35 percent per year. Significantly, these amounts are routinely below the projected annual rate of inflation. As noted above, the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters report for the fourth quarter of 2005 suggests that the annual average rate of change in the Consumer Price Index from 2005 to 2009 will be 2.70 percent, driven by high inflation growth in 2005. The future aggregate annual growth for Allentown's four largest revenue sources is not expected to exceed this figure in any year from 2006 to 2010. Moreover, as will be discussed later, expenditure increases are projected to far exceed this rate of growth.

	2006	2007	2008	2009	2010
REVENUES: TAXES					
Real Estate Tax	\$ 29,123,995	\$ 29,281,264	\$ 29,439,383	\$ 29,598,356	\$ 29,758,187
Real Estate Tax - Prior	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Lehigh Co. Tax Claim - Prior	52,493	54,030	55,612	57,240	58,915
Earned Income Tax	6,896,146	7,098,033	7,305,831	7,519,713	7,739,856
Deed Transfer Tax	1,575,000	1,653,750	1,736,438	1,823,259	1,914,422
Occupational Privilege Tax	330,600	330,600	330,600	330,600	330,600
Business Privilege Tax	6,381,508	6,568,329	6,760,620	6,958,540	7,162,255
Amusement Device Tax	26,500	26,500	26,500	26,500	26,500
Per Capita & Residence Tax - Prior	30,000	30,000	30,000	30,000	30,000
Per Capita & Residence Tax - Current	257,319	264,852	272,606	280,586	288,801
Total Taxes	\$45,973,561	\$46,607,358	\$47,257,590	\$47,924,794	\$48,609,536

Real Estate Tax

The real estate tax offers its largest and most flexible source of revenues to support essential public services. The City's real estate tax is a combined charge levied against the assessed value of land and improvements as determined by the Lehigh County Office of Assessment. In a 1996 referendum City voters approved a Home Rule Charter creating a land value tax, known as the Property Development Incentive Taxation System. The System assesses land more highly than improvements, with the goal of encouraging development. The ratio between the land and improvement rates is 4.70 as mandated by the Home Rule Charter.

As shown in the table below, in order to respond to steady increases in the cost of providing city services, the City of Allentown's Real Estate Tax millage rates increased by 1.5 mills (11.3 percent) in 2003 and by 2.8 mills (19 percent) in 2005. The increasing cost of government services obliged Lehigh County and the Allentown City School District to raise millage rates twice and three times respectively since 2001. Since 2001, therefore, combined property tax millage rates have risen each year, from 53.841 to 69.24. For a property assessed at \$65,000, such a combined increase represents an additional tax burden of over \$1,000 per year.



Figure 5

Real Estate Tax Rates

	Millage Rates				Tax Collections	
	Millage Rate (City)	Millage Rate (Allentown School District)	Millage Rate (Lehigh County)	Millage Rate (Combined)	City Real Estate Tax Collections	Percentage Current Collections
2001	13.22	33.311	7.31	53.841	\$20,545,834	95.50%
2002	12.72	34.194	7.31	54.224	\$20,383,118	97.60%
2003	14.72	37.49	12.39	64.60	\$23,238,105	95.60%
2004	14.72	39.49	10.75	64.96	\$24,335,031	98.74%
2005	17.52	41.734	10.75	70.004	\$28,967,570	97.0%
5-Yr Average						96.25%

Sources: PA Department of Community and Economic Development, City of Allentown Official Statement 2004

Cost pressures have compelled real estate tax increases because other revenue options are constrained or removed by the City's 1996 Home Rule Charter. Section 807 of the Charter includes the following provisions:

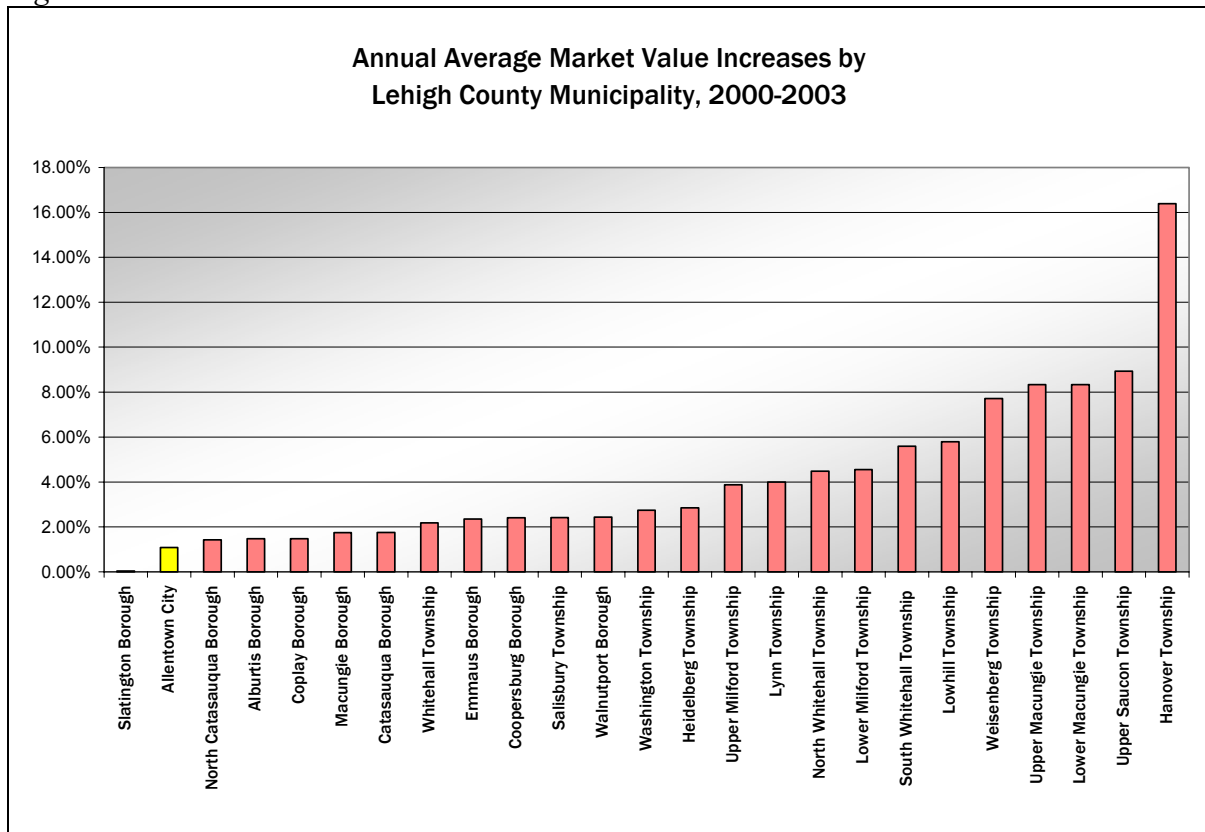
§807 A. Council shall establish no new tax.

§807 B. Council shall not raise the rates of the deed transfer, earned income, business privilege, occupational privilege, amusement devices, and resident taxes above their respective 1996 levels.

However, exclusive reliance on the real estate tax to respond to expenditure pressures has its costs. As shown in Figure 6, Allentown's urban area is adjacent to multiple suburban jurisdictions in which market values of real property have increased at a faster rate than increases in the city. In only 1 of 25 municipalities in Lehigh County have property values grown at a lower rate than in Allentown over the past several years. Properties in Allentown School District area have grown in value at a lower rate than all other school districts in the Lehigh Valley (Lehigh and Northampton counties), although the Parkland School District which covers a relatively small portion of the City has had robust growth.



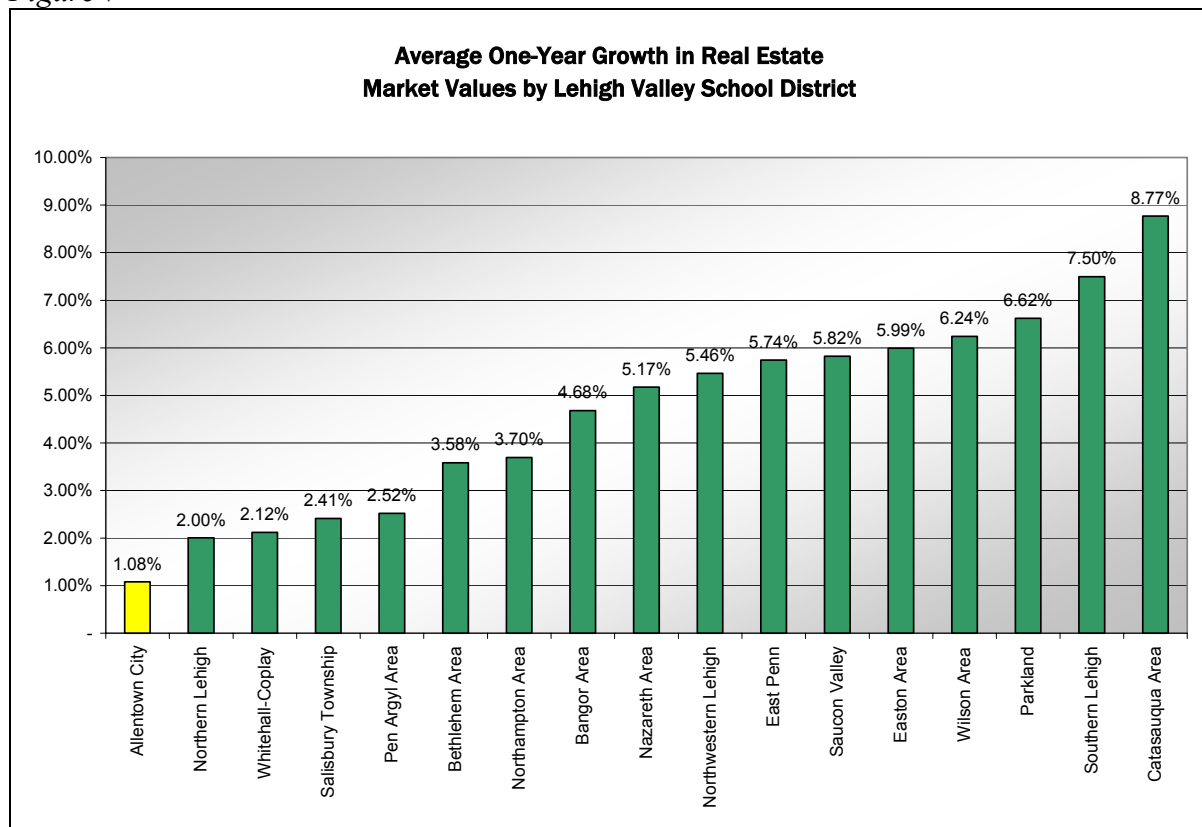
Figure 6



Data from Commonwealth of Pennsylvania Department of Community and Economic Development



Figure 7



PA

Data from Commonwealth of Pennsylvania Department of Community and Economic Development

In Allentown, a comparatively slow-growing real estate market combined with relatively high millage rates limit the short-term potential for significant assistance from the City's largest revenue source. As illustrated in Figure 8, even though assessed values have increased more rapidly in 2004 and 2005, the four-year average growth rate of just 0.54 percent per year is well below the rate of inflation. Given the city's predetermined assessment ratio of 50 percent, the combined market values of land and improvements need to increase at more than double the rate of inflation for assessed values (and resultant tax receipts) to keep pace with growth in the consumer price index. Even faster growth is needed to keep up with actual growth in City expenditures.

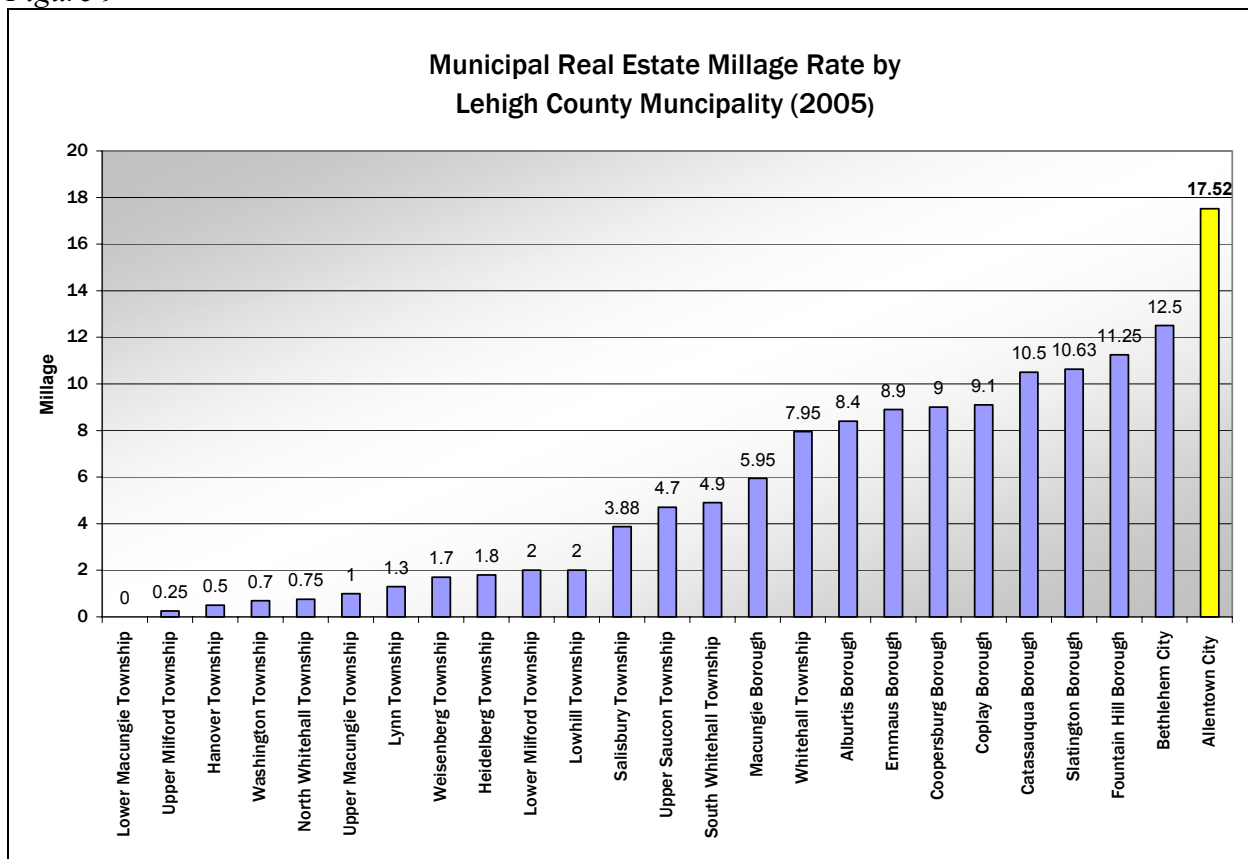
Absent new increases in market values, the City will be forced to choose between further adjustments to City services or additional hikes in the property millage rate. However, as shown in Figures 9 and 10, the city already levies the highest real estate millage rate in the county by a significant margin, and Allentown residents are subject to the second-highest combined millage rate in the county (when municipal mills are added to School District and County levies).



Figure 8

Year	Taxable Assessed Value (Predetermined Ratio = 50%)	Annual Increase
2001	\$1,632,830,600	
2002	\$1,640,576,300	0.47%
2003	\$1,647,495,900	0.42%
2004	\$1,659,647,850	0.74%
2005	\$1,687,398,200	1.67%
	Average Including 2005:	0.83%
	Average Excluding 2005:	0.54%

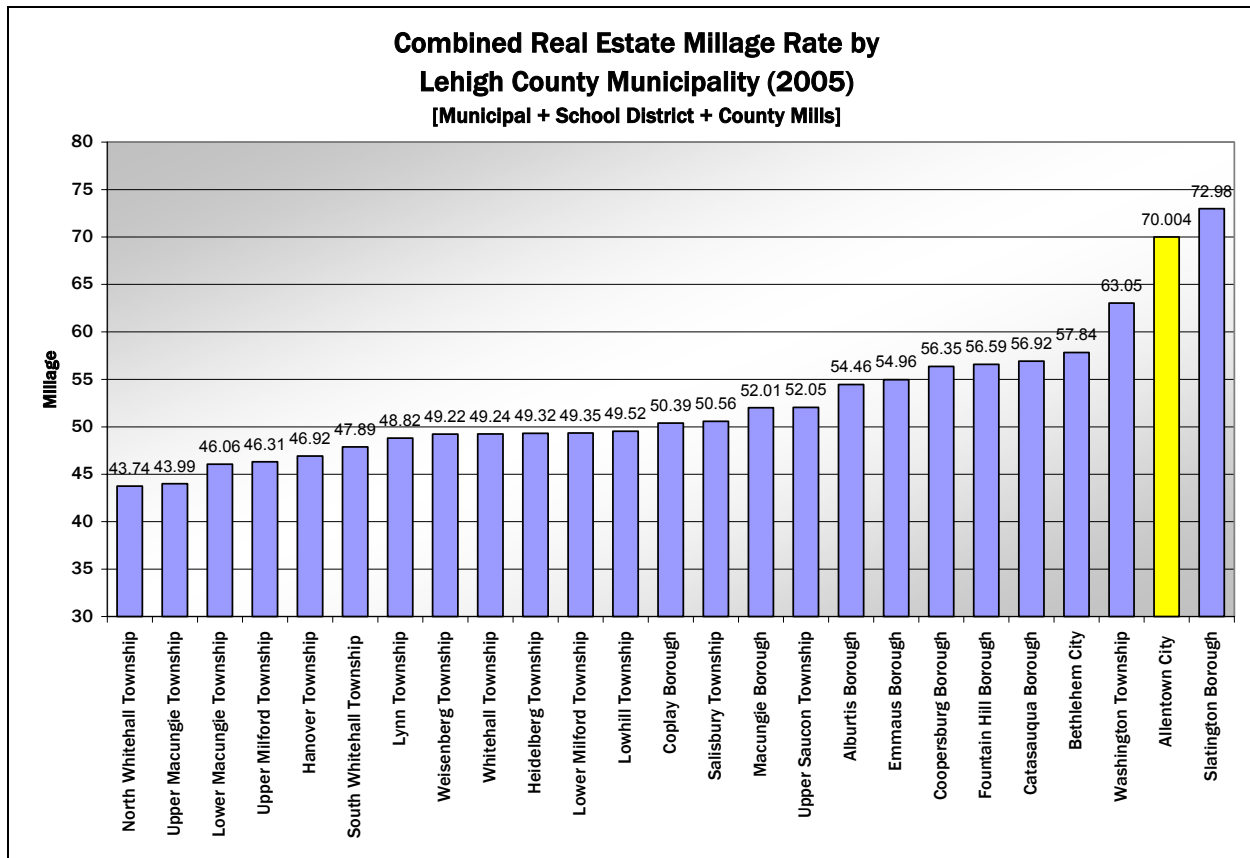
Figure 9



PA Department of Community and Economic Development



Figure 10



PA Department of Community and Economic Development

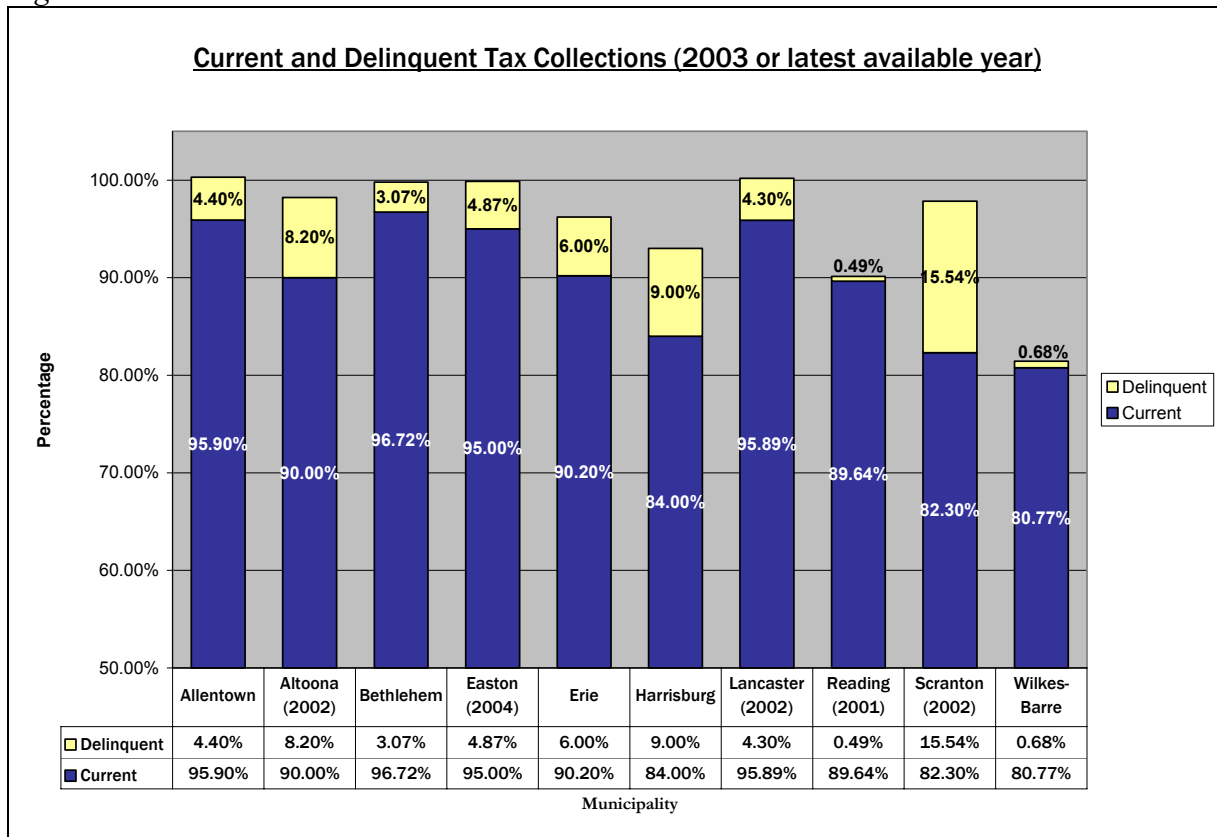
A further risk of excessive reliance on the real estate tax is that Section 807 E of the Charter provides the option for voters to overrule rate changes through a referendum device:

§807 E. The citizens of Allentown may increase or decrease property tax rates through the referendum process defined in Sections 1002-1009 (provided that, as long as the Property Development Incentive Taxation System is in effect, the resulting ratio meets or exceeds the minimum ratio set by this Charter or by Council).

Allentown's property tax collection performance ranks well in comparison with its peer cities in the Commonwealth. As shown in Figure 11, Allentown, Bethlehem, and Easton all collect a larger proportion of their current tax levy than cities in other parts of the state, with the exception of Lancaster.



Figure 11



Sources: Official Statements, Comprehensive Annual Financial Reports, City Finance Officials

Earned Income Tax

In accordance with Act 511 of 1965, the Local Tax Enabling Act, the City levies a one percent Earned Income Tax (EIT) on city residents. Fifty percent of all EIT collections are transferred to the Allentown City School District. All or a portion of the EIT levy is also applicable to non-residents who work in the city but reside in a municipality that does not levy the earned income tax or does not charge as much as one percent. However, given that all 63 municipalities in Northampton and Lehigh Counties levy the tax, any EIT receipts from non-residents must generally be returned to the taxpayer's resident jurisdiction. Unlike most neighboring jurisdictions, municipalities such as Allentown which have adopted a home rule charter are not limited to the one percent normally levied on residents. Section 807 B of the Charter does limit Allentown's EIT rate to 1996 levels, but this is a local rather than a state restriction.

The Earned Income Tax is the second-largest source of general fund revenues, usually generating more over \$6.0 million annually for city services. However, reflecting nationwide weakness in employment and wages during the recent recession, Allentown's EIT receipts have been flat or in relative decline since 2001, a consequence of the economic downturn as well as transitions in



collection methodologies. Prioritizing improved collections of EIT is a further priority of the Five-Year Plan.

Deed Transfer Tax

The Lehigh County Recorder of Deeds collects a one percent municipal levy assessed against the selling price of all real estate located in Allentown upon a transfer of ownership. As with the EIT, 50 percent of all local Deed Transfer Tax collections are passed on to the Allentown City School District.

Between 2001 and 2004, a period in which interest rates were at all-time lows, Deed Transfer tax revenues increased sharply as a result of intense real estate market activity. Over the period of the Multi-Year Plan, forecasts from the banking and finance sector indicate that the Federal Open Market Committee is considered likely to continue its policy of raising short-term interest rates, thus leveling out or reducing the number of mortgage refinancings from recent levels. This anticipated reduction in deed transfers resulting from refinancings may be offset by increases in home building in an expanding economy, as well as continuing commercial activity. Therefore, City revenues from this source are projected to increase at 5 percent per year – above the forecast rate of CPI inflation but below the four-year average annual growth rate of 20.7 percent.

In the November 2005 election, a ballot initiative to allow City Council to increase the transfer tax was defeated by the voters.

Occupational Privilege Tax (OPT) /Emergency and Municipal Services Tax (EMST)

The City of Allentown levies a \$10 Occupational Privilege Tax (OPT) on all individuals employed within the city. Unlike the EIT, the tax is paid by both residents and non-residents of Allentown who work in the city.

On December 1, 2004, the Local Tax Enabling Act was amended by the legislature and governor by Act 222. The new law established the Emergency and Municipal Services Tax (EMST) and authorized municipalities to levy up to a maximum of \$52 per year beginning on and after January 1, 2005. The EMST replaces the OPT and is designed to provide resources for “police, fire or emergency services; road construction or maintenance; or for the reduction of property taxes.”

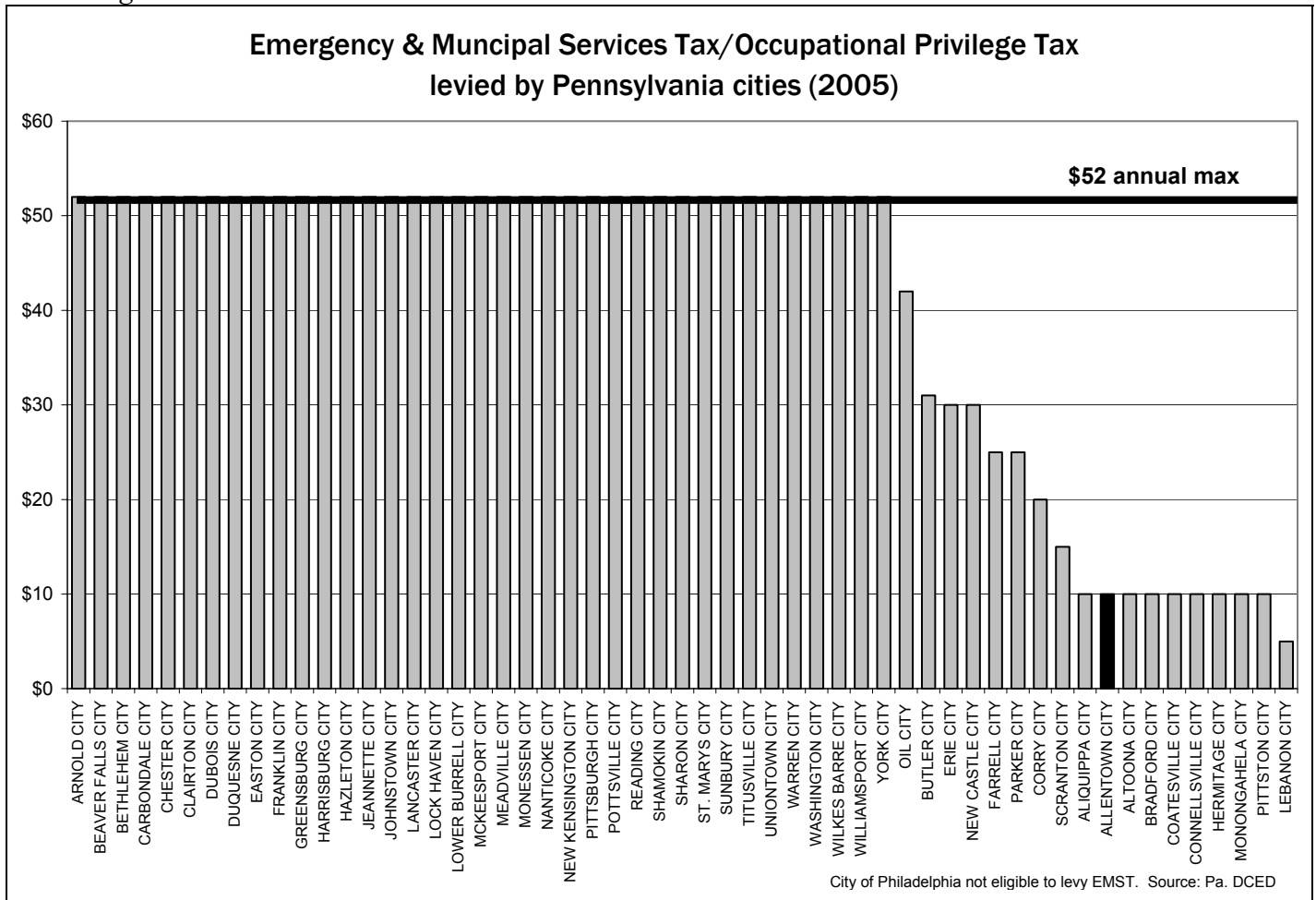
As illustrated in Figure 12, a large majority of Pennsylvania cities (67 percent) have undertaken to institute the new tax, raising rates from the former OPT maximum level of \$10 to the new EMST maximum of \$52. An additional 15 cities (16 percent) have opted to raise rates to a level between the original \$10 and the maximum \$52. Only 10 Pennsylvania cities have retained the \$10 levy, and with the exception of Altoona, all of these cities have less than one-quarter of Allentown’s population.

Increases to the tax (up to the \$52 maximum) can be made at any time during the fiscal year. Among the large third-class cities in the comparative sample, only Allentown and Altoona have left their OPT rate unchanged. Within Lehigh County, the City of Bethlehem, Catasauqua Borough, Emmaus Borough, Fountain Hill Borough and Salisbury Township have all increased OPT/EMST rates above \$10 for 2005. But as with other Act 511 taxes, Allentown is currently



prevented from raising the OPT/EMST rate above \$10 by Section 807 B of the Home Rule Charter. In the November 2005 election, a ballot measure to allow the imposition of the EMST was defeated by the voters.

Figure 12



Source: PA Department of Community and Economic Development



All Other City Revenues Overview

- **Licenses and Permits (FY2004 Base Year: \$3,226,000 – 4.9 percent of total GF revenues)**

To account for steady trends in licenses for businesses and the building, plumbing & electrical trades; cable franchise fees and the rental inspection program; total revenue within this category is projected to increase at the level of inflation over the Plan period.

- **Charges for Services (FY2004 Base Year: \$7,865,000 – 12.1 percent of total GF revenues)**

Reflecting below-inflation historical average increases in this revenue category, Charges for Services are projected at 1.3 percent per year. Such charges include EMS Transit fees; General Fund Service Charges, and 911 Phone Service Charges.

- **Fines and Forfeits (FY2004 Base Year: \$701,000 – 1 percent of total GF revenues)**

Relatively high historical average increases in this minor category (6.35 percent) are projected to continue over the Plan Period.

- **Intergovernmental Revenues (FY2004 Base Year: \$9,127,000 – 14.0 percent of total GF revenues)**

Intergovernmental revenues such as grants for city Health programs; Police Department grants and reimbursements; and State Aid for Pensions are projected using a general inflationary factor of 2.5 percent. A reduction in awards through the federal COPS program and other miscellaneous grant sources reduced this category from \$9.13 million in 2004 to \$7.68 million in 2005. PFM excludes such nonrecurring grant sources from the baseline and, as such, in FY2005 and in subsequent years of the projection forecast, intergovernmental revenues constitute 11 percent of total GF revenues.

- **Other Income (FY2004 Base Year: \$2,427,000 – 3.7 percent of total GF revenues)**

This category includes revenues from site and facility rentals; interest on city investments; asset sales; miscellaneous revenues; retiree health benefit contributions; special events reimbursements and the U.S Department of Housing and Urban Development's Community Development Block Grant program; and may capture other minor sources. A 2.5 percent inflationary factor is assumed.

- **Other Financing Sources (FY2004 Base Year: \$2,280,000 – 3.5 percent of total GF revenues)**

PFM excludes both the Trexler Maintenance Grant and sewage capacity sales from General Fund Revenues in subsequent years of the plan, resulting in a 99 percent reduction in this category in 2006. Going forward, the small total of revenues booked to this category is projected to grow at the level of inflation.

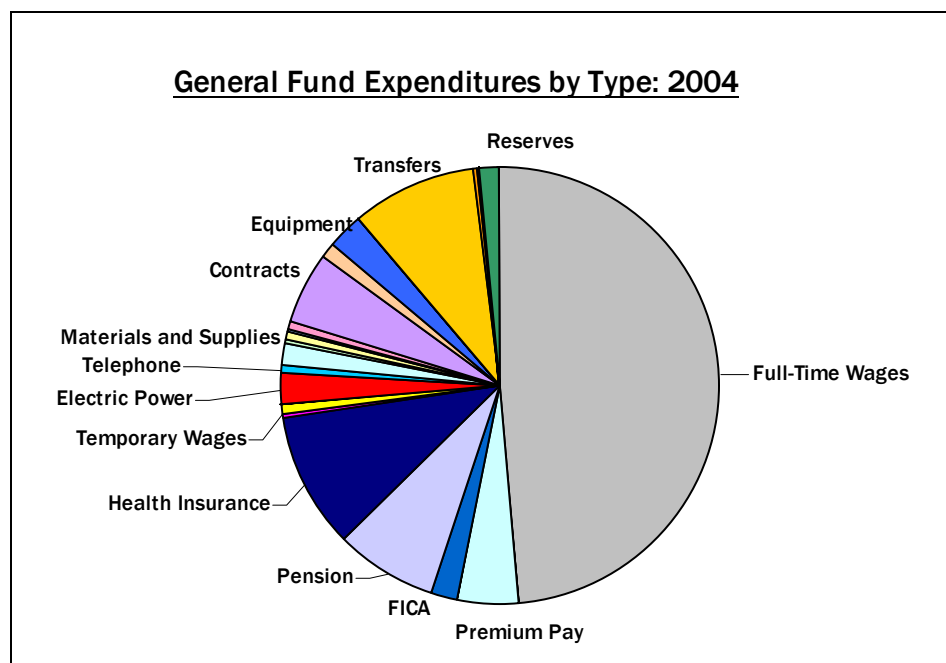


Expenditure Overview

Expenditure Trends

Allentown's major expenditures have grown at a rapid rate over the last four years, outpacing the natural rate of revenue growth. From 2001 through 2004, salaries and benefits grew at almost 6.5 percent per year, while operating expenses rose at almost 10.9 percent per year. These two budget categories make up 85 to 90 percent of the City's expenditures in a typical year.

This section highlights the City's major expenditures and cost drivers and provides a baseline expenditure projection – the forecast of future expenditures through 2010 under current trends, collective bargaining agreements and applicable laws. As shown in the following chart, personnel costs represent approximately three-quarters of total spending, reflecting the labor-intensive character of municipal services. Full-time employee wages constitute 49 percent the city's General Fund expenditures. Employee benefits represent an additional quarter of total costs. Interfund transfers (primarily to debt service) constitute the third largest expenditure category, at 9 percent of total budget.



Personnel: Salaries, Benefits and Pensions

▪ **Salaries and Wages (FY2004: \$32,684,000 - 49 percent of total GF expenditures)**

As illustrated in the preceding chart, almost three-quarters of Allentown's General Fund budget is disbursed to city personnel, either through expenditures on salaries; premium pay (overtime); Social Security and Medicare contributions (FICA); health insurance; temporary wages or pension contributions. 2005 is the first year of a four-year contract with the Fraternal Order of Police (FOP) local and the first year of an eight-year contract with the International Association of Fire Fighters (IAFF) local. The City's contract with over 200 municipal workers represented by the Service Employees International Union (SEIU) expires in December 2005. Currently, 81 percent of the general fund workforce is composed of bargaining unit employees.



Early retirement and hearing-related overtime reduction provisions in the City's collective bargaining agreements are projected to provide significant cost savings in 2005 and 2006. However, salary increases, pension enhancements and other compensation factors will be significant cost drivers in the later years of the multi-year projection, particularly in Fiscal Years 2007 and 2008.

In the post-implementation period of 2005 and in Fiscal Year 2006, the projection model uses the reported number of 54 early retirements from the Fraternal Order of Police (FOP) bargaining unit during the August 1 to September 9, 2005 retirement window. Of these, PFM has assumed that 44 will be replaced. In addition to the three IAFF members retiring prior to the retirement window in 2005, the model incorporates a further eight early retirements during the window with no replacement currently forecast. Because future operations targets for future headcount have not been finalized, some adjustment will likely be required to these assumptions going forward.

This attrition only and partial replacement with employees hired at a lower starting salary, in addition to the reimbursement available to the City while new Police recruits are at the Academy, leads 2006 numbers into balance.

The cost of full-time salaries citywide is projected to increase by \$3.5 million over the Plan period – from \$31.4 million to \$34.9 million per year. By far the largest salary growth factors originate in the Police and Fire Departments, with Cost of Living Adjustments (COLAs) and bargained pay awards increasing the salary growth percentage to virtually twice the forecast rate of inflation in 2007 and 2008. The schedule for these increases is shown in the chart below:

Negotiated Wage Increases, Allentown Police and Fire

	Jan 2005	July 2005	Jan 2006	July 2006	Jan 2007	July 2007	Jan 2008	Jul 2008	Jan 2009	Jan 2010	Jan 2011
Int'l Assoc. of Fire Fighters		COLA		COLA	3%	COLA	3% + COLA		COLA	COLA	COLA
Fraternal Order of Police	COLA		COLA	3%	COLA	3%	COLA	3%			

COLA: Annual cost of living adjustment increase based upon the Federal Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)

▪ Health Benefits (FY2004 Base Year: \$6,779,000 - 10 percent of total GF expenditures)

For health insurance contributions, national survey data provided by major benefits consulting firms indicates that 2005-2006 increases in employee health benefits costs will average approximately 12 percent. Although increases in health premium costs have reduced from the 15 percent peak in 2003-2004, health benefits experts anticipate that double-digit increases remain likely for at least the next several years, with no near-term relief projected. Based on these estimates, PFM's projection model has incorporated 12 percent increases in 2006 and 2007, with a slight reduction to 10 percent annual increases in subsequent years of the Plan.



▪ **Retirement Benefits (FY2004 Base Year: \$4,997,000 – 7.43 percent of total GF expenditures)**

Forecast pension expenditures are also affected by a number of provisions in the collective bargaining agreements with the IAFF and FOP, and will constitute a key element in the upcoming SEIU contract discussions. Based on actuarial assumptions provided by the Department of Finance and based on the recent labor agreements, the multi-year projection model incorporates a \$1,493,768 anticipated increase in the City's Minimum Municipal Obligation (MMO) payment for FOP personnel in 2008 and a \$1,064,585 anticipated MMO increase for the IAFF unit in 2008. The delay to implementing the arbitration awards appears to result in the postponement of the MMO payment for the additional FOP retirement benefits, originally scheduled for 2006. In addition, PFM has added an additional \$1,500,000 for FOP pensions beginning in 2008. This increment recognizes the revised calculation of police and firefighter salaries for pension purposes included in the recent collective bargaining agreements. PFM does not have specific numbers from the City's actuary on this cost, and will modify this amount once additional data is available.

All Other Expenses

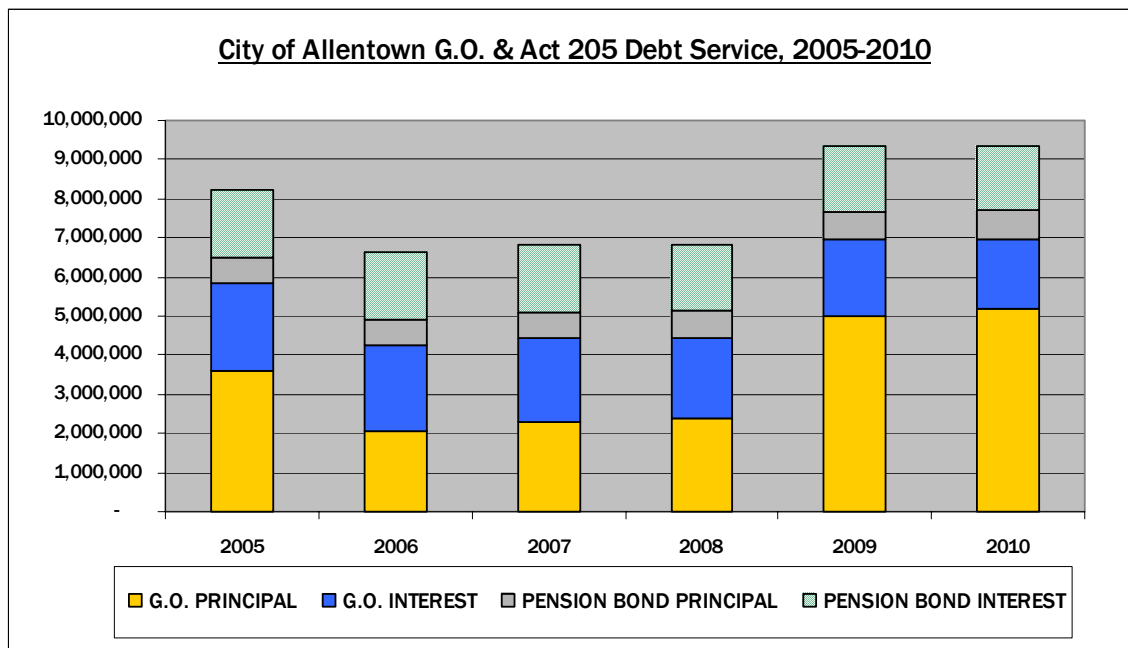
▪ **Operating Expenses (FY2004 Base Year: \$10,253,000 – 15.25 percent of total GF expenditures)**

Operating expenses include such cost centers as professional services contracts, fuels and utilities along with basic materials, supplies, and equipment. This category constitutes 15 percent of the city's General Fund budget. Record-setting energy and fuel costs have placed severe fiscal strain on cities and townships across the nation. However, with personnel costs projected to grow at up to 7 percent per year, operating expenses are anticipated to reduce as a percentage of Allentown's general fund budget over the period of the Plan. Absent minor adjustments where necessary, operating expenses are projected to grow at approximately the forecast rate of inflation.

▪ **Debt Service (Transfers) (FY2004 Base Year: \$6,069,000 – 9.02 percent of total GF expenditures)**

Debt service projections are based on existing Allentown debt schedules and fund allocations, and projected new capital borrowings in the subsequent years of the Plan. In the first three years of the projection, debt service payments will reduce both in the aggregate and as a percentage of expenditures. In 2009 and 2010, as shown in following charts, a noteworthy increase in amount of G.O. bond principal to be repaid will play a major role in widening the city's baseline fiscal gap.





Detailed Expenditure Projections

As illustrated in the following two pages that follow, total expenditure growth in the General Fund averaged 10 percent per year in 2002 and 2003, before a 1.82 percent reduction in 2004. After FY2004 estimated line-item expenditures were adjusted in the model for 2005 cost trends and budget program decisions, each item is forecast to cost annual amounts approximating the dollar amounts in the first table that follows. The second projections table indicates the percentage increase (decrease) on the previous year for each expenditure item or category.

The baseline expenditure projections forecast continued rapid growth in overall expenditures. First-year and second-year implementation savings from the Police and Fire arbitration awards are projected to draw expenditures \$1.2 million *below* 2005 levels in 2006. Following this first year of savings, annual increases of 4.7 percent in FY2007 and highs of 9.6 percent in 2008 and 7.2 percent in 2009 are forecast; before cost increases reduce slightly to 3.0 percent growth in 2010. Such growth factors compare with an average annual growth in city revenues of just 1.41 percent over the five years.



City of Allentown, Pennsylvania, Five-Year Projections Model
Summary of General Fund Expenditures

	HISTORICAL DATA				PROJECTED DATA					
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXPENDITURES										
Salaries and Benefits										
Permanent Wages	\$ 26,040,762	\$ 27,987,515	\$ 32,199,720	\$ 32,684,195	\$ 31,494,270	\$ 29,932,555	\$ 31,388,749	\$ 32,699,718	\$ 34,027,670	\$ 34,886,389
Holiday Pay	-	-	-	-	833,014	798,409	842,837	889,566	936,657	960,525
Education & Uniform Allowances	-	-	-	-	169,568	165,866	167,176	167,175	167,174	167,173
Premium Pay	2,539,475	3,072,455	4,017,445	2,919,335	2,366,267	2,603,401	2,548,208	2,426,326	2,499,068	2,561,545
Extra Duty Pay	248,391	143,283	66,520	70,908	46,847	48,533	50,813	53,197	55,101	56,479
Shift Differential	-	-	-	-	174,754	174,753	174,752	174,751	174,750	174,749
FICA	1,016,627	1,199,769	1,405,885	1,385,266	1,366,431	1,388,737	1,443,984	1,491,856	1,538,626	1,577,257
Pension	5,392,671	5,820,014	5,454,266	4,997,119	6,574,750	6,474,945	6,654,400	10,935,922	11,141,132	11,249,366
Health Insurance	5,516,732	6,091,696	6,203,302	6,779,425	7,477,601	8,374,913	9,379,903	10,317,893	11,349,682	12,484,651
General Insurance	25,482	34,374	39,007	30,782	33,582	36,636	39,969	43,604	47,570	51,897
Temporary Wages	703,821	766,233	645,642	682,716	590,957	726,814	726,814	726,814	726,814	726,814
Total Salaries and Benefits	\$ 41,483,961	\$ 45,115,339	\$ 50,031,787	\$ 49,549,745	\$ 51,128,041	\$ 50,725,562	\$ 53,417,605	\$ 59,926,823	\$ 62,664,244	\$ 64,896,845
Electric Power	\$ 1,278,076	\$ 1,430,917	\$ 1,487,634	\$ 1,479,818	\$ 1,525,527	\$ 1,563,665	\$ 1,602,757	\$ 1,642,825	\$ 1,683,896	\$ 1,725,994
Telephone	302,670	276,457	296,862	269,189	379,337	388,821	398,541	408,505	418,717	429,185
Materials and Supplies	936,766	1,119,102	1,068,203	1,189,838	1,132,549	1,148,885	1,180,873	1,210,762	1,241,397	1,272,799
Travel, Training, Dues etc.	243,470	269,987	274,240	207,374	262,869	270,096	276,848	283,769	290,864	298,135
Civic & Arts Expenses	327,512	341,273	314,406	317,349	325,648	333,789	342,134	350,687	359,454	368,441
Repairs & Maintenance	260,534	251,217	318,747	288,212	311,603	319,393	327,378	335,563	343,952	352,550
Grants and City Charges	445,197	317,308	358,804	363,312	372,116	381,418	390,954	400,728	410,746	421,015
Contracts	2,019,702	2,605,134	3,592,410	3,496,604	3,614,140	3,705,244	3,797,875	3,892,822	3,990,142	4,089,896
Fuels	522,537	535,533	688,269	781,690	924,016	947,117	970,795	995,065	1,019,941	1,045,440
Equipment	1,394,346	1,866,208	2,627,286	1,860,486	1,225,502	1,258,950	1,290,424	1,322,685	1,355,752	1,389,646
Self-Insured Losses	-	-	-	-	-	-	-	-	-	-
Capital Outlay	585,000	1,502,127	150,000	-	-	-	-	-	-	-
Total Operating Expenses	\$ 7,730,810	\$ 9,013,137	\$ 11,026,861	\$ 10,253,872	\$ 10,073,306	\$ 10,317,378	\$ 10,578,579	\$ 10,843,410	\$ 11,114,862	\$ 11,393,100
Governmental Transfers										
Transfers to Debt Service	\$ 6,492,127	\$ 6,538,532	\$ 6,697,791	\$ 6,069,393	\$ 6,058,298	\$ 4,990,609	\$ 5,180,400	\$ 5,179,859	\$ 7,710,653	\$ 7,708,797
Refunds and Rebates	214,037	182,480	209,380	200,147	205,351	210,485	215,747	221,141	226,669	232,336
Rentals	191,235	208,493	230,868	168,755	148,406	152,116	155,919	159,817	163,813	167,908
Reserve for Encumbrances	-	75	160,708	1,017,040	994,762	994,762	994,762	994,762	994,762	994,762
Total Governmental Transfers	\$ 6,897,399	\$ 6,929,579	\$ 7,298,746	\$ 7,455,335	\$ 7,406,818	\$ 6,347,972	\$ 6,546,828	\$ 6,555,579	\$ 9,095,897	\$ 9,103,803
TOTAL EXPENDITURES	56,697,170	62,560,182	68,507,395	67,258,952	68,608,165	67,390,913	70,543,012	77,325,811	82,875,003	85,393,747
NET OPERATING EXPENDITURES	1,977,801	(3,899,764)	(6,189,710)	(2,065,563)	(331,750)	1,131,705	(887,669)	(6,508,214)	(10,864,646)	(12,159,110)



City of Allentown, Pennsylvania, Five-Year Projections Model
Expenditure Growth Rate Assumptions for the General Fund

	HISTORICAL DATA			PROJECTED DATA					
	2002	2003	2004	2005	2006	2007	2008	2009	2010
EXPENDITURES									
Salaries and Benefits									
Permanent Wages	7.48%	15.05%	1.50%	(3.64%)	(4.96%)	4.86%	4.18%	4.06%	2.52%
Holiday Pay	-	-	-	-	(4.15%)	5.56%	5.54%	5.29%	2.55%
Education & Uniform Allowances	-	-	-	-	(2.18%)	0.79%	(0.00%)	(0.00%)	(0.00%)
Premium Pay	20.99%	30.76%	(27.33%)	(18.94%)	10.02%	(2.12%)	(4.78%)	3.00%	2.50%
Extra Duty Pay	(42.32%)	(53.57%)	6.60%	(33.93%)	3.60%	4.70%	4.69%	3.58%	2.50%
Shift Differential	-	-	-	-	(0.00%)	(0.00%)	(0.00%)	(0.00%)	(0.00%)
FICA	18.01%	17.18%	(1.47%)	(1.36%)	1.63%	3.98%	3.32%	3.14%	2.51%
Pension	7.92%	(6.28%)	(8.38%)	31.57%	(1.52%)	2.77%	64.34%	1.88%	0.97%
Health Insurance	10.42%	1.83%	9.29%	10.30%	12.00%	12.00%	10.00%	10.00%	10.00%
General Insurance	34.90%	13.48%	(21.09%)	9.10%	9.10%	9.10%	9.10%	9.10%	9.10%
Temporary Wages	8.87%	(15.74%)	5.74%	(13.44%)	22.99%	-	-	-	-
Average Growth Salaries and Benefits	8.20%	2.63%	(5.84%)	(0.99%)	4.27%	5.04%	12.98%	4.96%	4.30%
Operating Expenses									
Electric Power	11.96%	3.96%	(0.53%)	3.09%	2.50%	2.50%	2.50%	2.50%	2.50%
Telephone	(8.66%)	7.38%	(9.32%)	40.92%	2.50%	2.50%	2.50%	2.50%	2.50%
Materials and Supplies	19.46%	(4.55%)	11.39%	(4.81%)	1.44%	2.78%	2.53%	2.53%	2.53%
Travel, Training, Dues etc.	10.89%	1.58%	(24.38%)	26.76%	2.75%	2.50%	2.50%	2.50%	2.50%
Civic & Arts Expenses	4.20%	(7.87%)	0.94%	2.61%	2.50%	2.50%	2.50%	2.50%	2.50%
Repairs & Maintenance	(3.58%)	26.88%	(9.58%)	8.12%	2.50%	2.50%	2.50%	2.50%	2.50%
Grants and City Charges	(28.73%)	13.08%	1.26%	2.42%	2.50%	2.50%	2.50%	2.50%	2.50%
Contracts	28.99%	37.90%	(2.67%)	3.36%	2.52%	2.50%	2.50%	2.50%	2.50%
Fuels	2.49%	28.52%	13.57%	18.21%	2.50%	2.50%	2.50%	2.50%	2.50%
Equipment	33.84%	40.78%	(29.19%)	(34.13%)	2.73%	2.50%	2.50%	2.50%	2.50%
Self-Insured Losses	-	-	-	-	-	-	-	-	-
Capital Outlay	156.77%	(90.01%)	(100.00%)	-	-	-	-	-	-
Average Growth Operating Expenses	7.09%	14.77%	-4.85%		2.44%	2.53%	2.50%	2.50%	2.50%
Governmental Transfers									
Transfers	0.71%	2.44%	(9.38%)	(0.18%)	(17.62%)	3.80%	(0.01%)	48.86%	(0.02%)
Refunds and Rebates	(14.74%)	14.74%	(4.41%)	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%
Rentals	9.02%	10.73%	(26.90%)	(12.06%)	2.50%	2.50%	2.50%	2.50%	2.50%
Reserve for Encumbrances	-	214176.95%	532.85%	(2.19%)	-	-	-	-	-
Average Growth Governmental Transfers	(1.67%)	9.30%	(13.57%)	(3.21%)	(4.21%)	2.93%	1.66%	17.95%	1.66%
TOTAL EXPENDITURES	10.34%	9.51%	(1.82%)	2.01%	(1.77%)	4.68%	9.62%	7.18%	3.04%

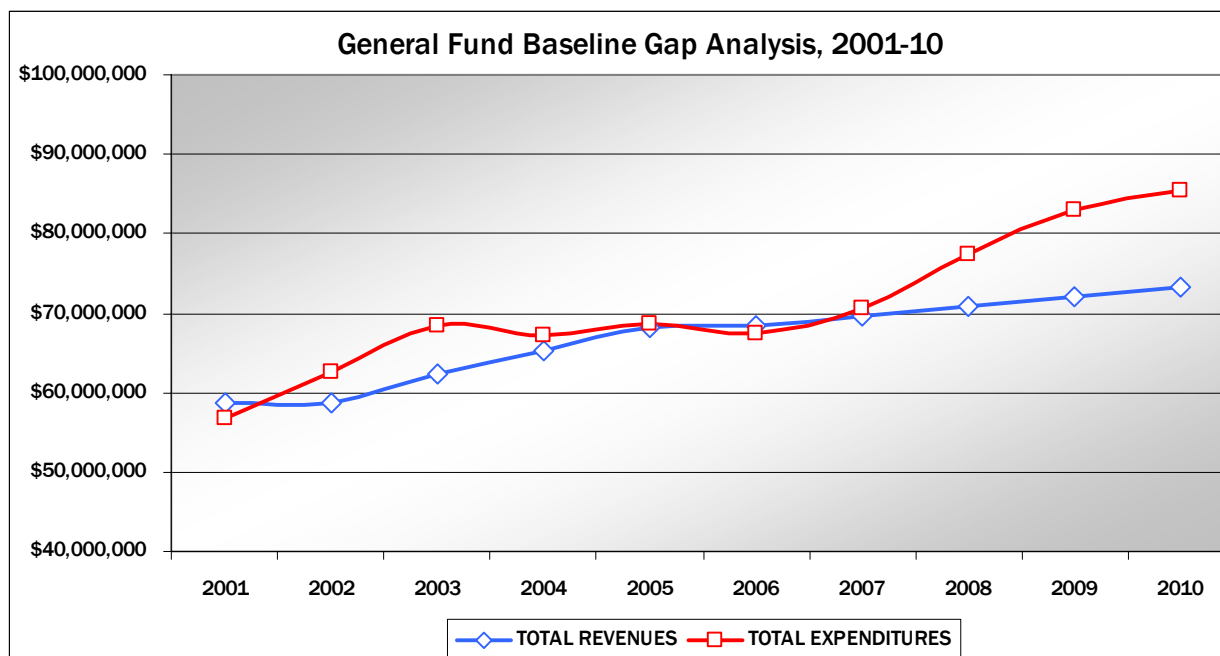


Fiscal Gap Projection

As shown in the table and chart below, given the divergent revenue and expenditure projections presented in the preceding pages, the financial projection model forecasts a series of annual budget deficits reaching \$12.2 million by 2010.

In the early years of the 2006-2010 period, the effect of police and fire retirements (specifically state assistance during training of new officers and the replacement of older officers with younger, lower-paid officers) offsets slow revenue growth. By 2008 and 2009, however, the effect of uniformed officers reaching full performance, incorporation of the new pension payments into the City's MMO, and increased debt service create a growing budget gap.

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues	\$58,674,972	\$58,660,418	\$62,317,684	\$65,193,388	\$68,276,415	\$68,522,617	\$69,655,343	\$70,817,598	\$72,010,357	\$73,234,638
Expenditures	\$56,697,170	\$62,560,182	\$68,507,395	\$67,258,952	\$68,608,165	\$67,390,913	\$70,543,012	\$77,325,811	\$82,875,003	\$85,393,747
Operating Balance	\$1,977,801	(\$3,899,764)	(\$6,189,710)	(\$2,065,563)	\$ (331,750)	\$1,131,705	\$(887,669)	(6,508,214)	(10,864,646)	(12,159,110)



To close this projected series of deficits and to build a strong structural foundation for Allentown's financial future, the remainder of this FY2006-2010 Five-Year Plan presents numerous proposals and initiatives that could either reduce projected expenditures or raise City revenues over the course of the Plan. The remainder of this chapter consists of an overview of the major themes of the Plan and a summary of the initiatives.

Building a Stable Financial Future for Allentown

The steadily growing gap between revenues and expenditures in the baseline model is daunting. However, the City of Allentown can make significant progress toward narrowing the gap by



taking important actions early, and by making small savings that accumulate year after year. Allentown has an unusually good opportunity to do this because its financial situation is relatively more manageable in the next several years before becoming significantly worse if no corrective action is taken.

The Plan provides approximately 100 recommendations for the City to improve revenues, reduce expenditures, and implement better management practices. Because of the severity of Allentown's financial challenges in the out years, all segments of the City and the regional community will have to contribute to the solution. However, Allentown can draw on a strong, committed community of residents, business owners and regional leaders to build in recent economic development successes and turn around the City's financial picture. The initiatives in this Plan attempt to build on the depth of this local pride and commitment. Key themes that underlie the initiatives include the following:

- 1. Transparency and Public Discussion** – A projected cumulative budget shortfall of almost \$40 million over the five years from 2006 through 2010 will not be resolved with a simple, short-term strategy. Long-term changes in how the City does business – and the businesses it is engaged in – will be necessary. The budget situation is driven in large part by long-term trends and agreements, so will require some time to remediate. Therefore, it is critical that all aspects of the public are informed about the nature and scope of the City's financial challenge and the options for addressing it. Similarly, multiple constituents, including resident homeowners, businesses, non-profit institutions, and other governments will have to join with the City and its employees to craft a solution.
- 2. Community Participation** – This analysis and set of preliminary recommendations was developed concomitantly with the selection of a new Mayor and the campaign for several City Council seats. Mayor-elect Pawlowski and his Council colleagues will enter office early next year needing the support of the entire community, as government alone cannot address the many challenges identified in the baseline assessment. Several recommendations in Plan speak to working now to create resources – business executives, experts from non-profits, and others – to help the outgoing Administration and the new one generate new resources to assist the City in addressing its financial and operational issues.
- 3. Management Leads** – When belt-tightening becomes necessary in difficult financial times, management must take the first step. Non-represented employees have already forgone a wage increase this year. While the City must be cognizant of the need to retain talented at will employees, the high percentage of the City's budget consumed by personnel costs makes a financial solution impossible without having an impact on wages and benefits. The Plan suggests additional cost controls on wages and the development and implementation of a new, more affordable management health plan more in line with regional and national norms.
- 4. Working Together With City Unions** – At the same time, during budgetary crisis, workers at every level are being asked to tighten their belts until recovery is achieved. At the state level, for example, Commonwealth of Pennsylvania AFSCME and other union members last year agreed to a two-year wage freeze and the introduction of health benefits cost-sharing to help address the state's budget crisis. In Allentown, uniformed bargaining units have already received multi-year awards covering wages, benefits and working conditions. The Plan suggests that the City's financial success depends on a dialogue between the uniformed



bargaining units, the City and City Council on those awards. For non-uniformed represented employees, the Plan suggests that significant savings are achievable through realignment of wages, benefits and terms of employment to regional and national norms. While the City's employees did not cause the financial challenges, there will be no way for the City to balance its long-term budget without the assistance of every bargaining unit.

5. **Revenue Growth** – The City's property tax was raised in 2005 for the second year in a row, and many fees, fines and user charges were adjusted. Strong development is occurring downtown, but the use of Keystone Opportunity Zones means that revenue impact will be dispersed and limited during most of the period covered by the Early Intervention Plan. City property tax rates are by far the highest in the County, and many other charges are at competitive levels. Further increases will not help the City's competitive position. Instead, the Plan suggests raising certain fees and charges that are below market rates. It is also important to continue and expand recent efforts to collect delinquent taxes. However, the large budget gap facing the City means that major new revenues must also be part of the solution. The Plan therefore endorses a renewed, targeted proposal to institute the new Emergency & Municipal Services Tax (EMST). Although voters rejected the EMST at the polls this month, in the near future the City's leadership must unite to campaign aggressively to adopt this new levy, which will help the City share some of its tax burden more broadly in the region.
6. **Improved Technology** – In the midst financial pressure, the City must find a way to prioritize and implement a variety of information technology projects to increase government efficiency and performance. The Plan recommends that the City work now to find and put in place loaned outside project managers to prioritize and execute key information technology projects, which could include upgrading the City's systems for tax collection, increasing the use of imaging to reduce paper files and storage needs while increasing accessibility of records, and dramatically upgrading the internet "E-government" services available to residents and businesses.
7. **Capital and Debt Policies** – In the recent past, the City has deposited certain long-term payments – such as sewer capacity fees – in the General Fund to offset operating costs. While City finances may be too tight to avoid continuing this practice in the near term, over time these types of payments should properly be dedicated to infrastructure renewal. In addition, the funding of the City's long-term infrastructure needs require additional borrowing that is not accounted for in the PFM's baseline model. Finally, the City's current debt service structure includes a large jump in debt service principal payments in 2009 and 2010 that widen the financial gap in those years. The Plan suggests exploring the use of an interest rate swap with proceeds escrowed to reduce the impact of the debt service spike in 2009 and 2010.
8. **Management Communications and Accountability** – Finally, PFM strongly recommends significantly improved budget monitoring, initiative tracking, and communications led by the Chief Financial Officer to be managed across all departments and agencies on an ongoing basis throughout the year. The Finance Department will require new personnel to prepare and share Quarterly Management Reports with City Council and the public, hold mid-year budget meetings with departments, and continue development of new initiatives as part of future annual Multi-Year Plan development.



A complete list of the initiatives in the Multi-Year Plan follows below:

Initiative Name	Fiscal Impact				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues					
Authorize and implement \$52/year Emergency & Municipal Services Tax (EMST)	\$0	\$2,082,780	\$2,221,632	\$2,221,632	\$2,221,632
Long-Term Initiative: Eliminate Per Capita and Residence Taxes					
Take Initial Steps to Grow Market-Based Revenue Opportunities	\$102,722	\$154,083	\$205,444	\$256,805	\$308,166
Establish a Public Service Foundation to Generate Contributions from Non-Profit Institutions	\$125,000	\$250,000	\$375,000	\$500,000	\$500,000
Consider Implementing a Transfer Tax Increase (1% Increase)	\$0	\$3,307,500	\$3,472,875	\$3,646,519	\$3,828,845
Per Capita Fee on College/Graduate Students	\$105,750	\$119,850	\$141,000	\$141,000	\$141,000
TOTAL	\$333,472	\$5,914,213	\$6,415,951	\$6,765,956	\$6,999,643
Elected Officials					
Provide Limited Policy Support for City Council	(\$75,000)	(\$76,875)	(\$78,797)	(\$80,767)	(\$82,786)
Reduce Mayor's Office Staffing Levels	\$170,502	\$177,383	\$184,106	\$191,249	\$198,848
Reduce Controller's Office Staffing Levels	\$56,596	\$59,033	\$61,404	\$63,931	\$66,629
TOTAL	\$152,098	\$159,541	\$166,713	\$174,413	\$182,691
Economic Development					
Potential Establishment of a Licensed Gaming Facility in Allentown	\$0	\$0	\$10,000,000	\$10,000,000	\$10,000,000
TOTAL	\$0	\$0	\$10,000,000	\$10,000,000	\$10,000,000
Fire Department					
Fire Alarm Regulation					
Enforce a registration requirement	\$56,250	\$59,063	\$62,016	\$65,116	\$68,372
Enact a false fire alarm ordinance with incrementally increasing fees for multiple false alarms	\$10,314	\$10,314	\$10,314	\$10,314	\$10,314
Review of all Fire Department Fees					
Evaluate Changes to Fee Structure and Marketing of Fire Academy	\$9,000	\$24,000	\$30,000	\$36,000	\$42,000
Establish Fire Apparatus Replacement Schedule					
TOTAL	\$75,564	\$93,377	\$102,330	\$111,430	\$120,686
Police Department					
Revise Vehicle Specifications on a Pilot Basis	\$16,790	\$19,580	\$22,370	\$25,159	\$27,949
Civilianization					
Introduce the Volunteers in Police Service Program (VIPS) to support police operations and enhance community involvement					
City-County Consolidation of 911 dispatch services					
Automated Traffic Light Enforcement					
Evaluate EMS Fee Structure and Resident Billing Policy					
Evaluate EMS Billing and Collections Enforcement					



Initiative Name	Fiscal Impact				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Evaluate EMS Period Scheduling					
Restructure False Burglar Alarm Program	Awaiting APD data	Awaiting APD data	Awaiting APD data	Awaiting APD data	Awaiting APD data
Review of All Police Department Fees					
Management of Court Overtime					
Build Civic Support through a Police Foundation Partnership with Lehigh Carbon Community College for Police Academy	\$20,000	\$25,000	\$25,000	\$25,000	\$25,000
Increase Mobile Data Terminal (MDT) Use	\$196,000	\$588,000	\$588,000	\$588,000	\$588,000
Reimbursement for School Crossing Guards	\$60,000	\$150,000	\$150,000	\$150,000	\$150,000
Seek Full Reimbursement for Fringe Benefits and City Overhead from Extra Duty Jobs	\$32,500	\$32,500	\$32,500	\$32,500	\$32,500
TOTAL	\$325,290	\$815,080	\$817,870	\$820,659	\$823,449
Public Works Department					
Reduce the Frequency of Trash Collection	\$186,000	\$373,000	\$373,000	\$373,000	\$373,000
Transition to a Variable-Rate System					
Consider a RecycleBank System to Increase Recycling Diversion Rates	\$180,000	\$180,000	\$180,000	\$180,000	\$180,000
Develop an Intermediate-Term Strategy to Convert to Semi-Automated Collection (and a Long-Term Strategy to Adopt Full Automation where Appropriate)					
Reduce the Size of the Vehicle/Equipment Fleet	\$46,008	\$46,008	\$46,008	\$46,008	\$991,008
Implement a Personal Auto Program					
Administer a GPS Pilot Program	(\$7,000)	(\$500)	(\$500)	(\$500)	(\$500)
Implement an Automated Vehicle Sharing Program	\$20,865	\$15,865	\$15,865	\$15,865	\$15,865
Implement a Transfer Station in Allentown					
TOTAL	\$425,873	\$614,373	\$614,373	\$614,373	\$1,559,373
Capital					
Plan for GO Debt Service Costs	\$0	(\$250,000)	(\$350,000)	(\$500,000)	(\$650,000)
Better Coordinate Capital Planning and Capital Financing					
Anticipate State and Federal Funding in the Plan					
Enhance Project Reporting					
Integrate the Operational Impacts of Projects into Long-Range Planning Efforts					
Implement a Pay-As-You-Go Program					
Charge Staff Time to the Capital Budget	\$187,000	\$256,000	\$328,000	\$403,000	\$413,000
TOTAL	\$187,000	\$6,000	(\$22,000)	(\$97,000)	(\$237,000)
Debt Management					
Interest Rate Basis Swap	\$0	\$0	\$0	\$810,000	\$810,000
TOTAL	\$0	\$0	\$0	\$810,000	\$810,000
Finance Department					
Freeze Expenditures on Materials and Supplies in 2007		\$85,215	\$87,345	\$89,529	\$91,767
Enhance Budget Reporting and Analysis					
Increase Staff Support for Budget Reporting and	(\$161,759)	(\$167,738)	(\$173,620)	(\$179,838)	(\$186,418)



Initiative Name	Fiscal Impact				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Analysis					
Establish Policy on Use of Asset Sale Proceeds					
Create a "CitiStat" Program					
Implement Computerized Accounts Receivable System for Miscellaneous Billing					
Include Bar Codes on Bills					
Increase Tax and Utility Systems Automation					
Casework Coordination with Solicitor's Office					
Decrease Time Lag in Pursuing Delinquent Accounts	\$185,049	\$138,787	\$92,525	\$46,262	\$0
Establish a Procurement Card System for the City					
Institute Joint Purchasing arrangements with other Public Procurement Units					
Establish a Third-Party Online Auction for Surplus City Materials and Equipment					
Establish a Quarterly Training Schedule for Eden Classes					
Write a Procurement Manual					
Update Administrative Information Manuals (AIMs)					
TOTAL	\$23,290	\$56,264	\$6,250	(\$44,047)	(\$94,651)
Community Development					
Office of the Director					
Continue to Improve "One-Stop" Permitting System					
Create Permits Technician Position					
Reorganization of Office of the Director					
Consider Costs and Benefits of Outsourcing Annual Lights in the Parkway Display					
Planning and Zoning					
Review of All Planning and Zoning Fees					
Building Standards & Safety					
Minimize and Recover Costs of UCC Administration and Enforcement Compliance					
Examine Ways to Deal with Abandoned Vehicle Situation					
Improve Acquisition Procedures of Blighted or Derelict Properties					
Revise Rental Unit and Inspections Ordinance					
Health					
Implement a Reinspection Fee (Environmental Inspection Services)	\$10,800	\$11,070	\$11,347	\$11,631	\$11,922
Recreation					
Consider Privatization of Municipal Golf Course					
Determine Appropriate Organization of Parks and Recreation Maintenance					
Increase Use of Volunteer Workers					
Operate a Sustainable Number of Swimming Pools	\$67,500	\$69,188	\$70,918	\$72,691	\$74,508
TOTAL	\$78,300	\$80,258	\$82,265	\$84,322	\$86,430
Human Resources & Risk Management					



Initiative Name	Fiscal Impact				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Human Resources					
Implement Performance Evaluations					
Institute Employee Training and Development Program					
Address Results of Job Study					
Risk Management					
Establish a Worker's Compensation Case Review Committee					
Establish a Third Party Claims Review Committee	\$0	\$54,000	\$54,000	\$54,000	\$54,000
TOTAL	\$0	\$54,000	\$54,000	\$54,000	\$54,000
Technology & Information Services					
Consider Elevating the IT Director to Cabinet Status					
Create Loaned Executive Program for IT					
Create a Mechanism to Foster Joint Working Between the City's Information Technology Resources					
Explore the Possibility of Combining City and County Information Technology Resources	\$79,473	\$132,455	\$185,437	\$238,419	\$264,910
Explore Cooperative Purchasing/Service Agreements (i.e. State contract, government purchasing alliance)					
Work Cooperatively with Area Jurisdictions that have GIS Operations to Realize Economies of Scale, Improve Effectiveness, and Avoid Duplication of Efforts					
Implement a Hardware Tracking System and Desktop Replacement Cycle					
Aggressively Pursue Outside Funding Sources					
Implement a Software Tracking System					
TOTAL	\$79,473	\$132,455	\$185,437	\$238,419	\$264,910
Management and Productivity					
Executive Sharing					
Public Sector Task Force					
Private Sector Task Force					
Productivity Bank					
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
Workforce					
Redesign Management Compensation	\$197,491	\$398,531	\$604,638	\$815,423	\$1,030,973
Healthcare Cost Containment Committee for Police & Fire Unions					
Engage Professional Benefits Guidance	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)
Explore Health Benefits Self-Insurance					
Enhance Management Focus on Attendance					
Establish Collective Bargaining Savings Targets	\$400,000	\$700,000	\$750,000	\$2,100,000	\$2,650,000
Bargain Toward Improved Management Flexibility					
Contain the Size of the Workforce					
TOTAL	\$547,491	\$1,048,531	\$1,304,638	\$2,865,423	\$3,630,973



Initiative Name	Fiscal Impact				
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Pension and Other Post Employment Benefits					
Explore Alternative Future Retirement Program (Defined Compensation)					
Develop an OPEB Funding Plan					
TOTAL	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL EXCLUDING GAMING	\$2,227,851	\$8,974,092	\$9,727,827	\$12,397,948	\$14,200,504
TOTAL EXCLUDING GAMING & TRANSFER TAX	\$2,227,851	\$5,666,592	\$6,254,952	\$8,751,429	\$10,371,659

Net Fiscal Gap, 2006-2010

Annual Net Operating Balance	1,131,705	(887,669)	(6,508,214)	(10,864,646)	(12,159,110)
Total Initiatives Excluding Gaming & Transfer Tax	<u>2,227,851</u>	<u>5,666,592</u>	<u>6,254,952</u>	<u>8,751,429</u>	<u>10,371,659</u>
Revised Annual Fiscal Balance/(Gap)	3,359,556	4,778,923	(253,262)	(2,113,217)	(1,787,451)

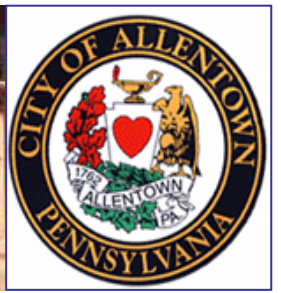
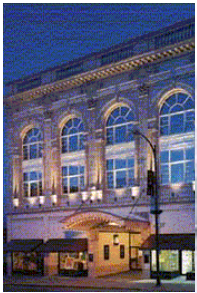
PFM anticipates that changes to this discussion draft may alter the specific size and timing of the fiscal gap and initiative benefits. In the meantime, however, the current list of initiatives does not completely cover the anticipated fiscal gap in the third, fourth and fifth years of the Plan (2008, 2009 and 2010). There are several potential ways to fill the remaining gap:

- Valuation of some of the currently “to be determined” initiatives for revenue enhancement and expenditure reduction;
- Development of additional initiatives;
- The successful implementation of revenue initiatives described but not counted in the initiative total:
 - Transfer tax (if approved by voters)
 - Gaming revenues (if a venue is approved for Allentown)
 - Property tax increase (less desirable, for the reasons described, but most easily achieved to fill a remaining gap.

However, PFM also believes that effective and efficient government management, combined with currently unquantified impacts from economic development initiatives, could eliminate the remaining fiscal gap between now and 2008.



Revenue



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Revenue

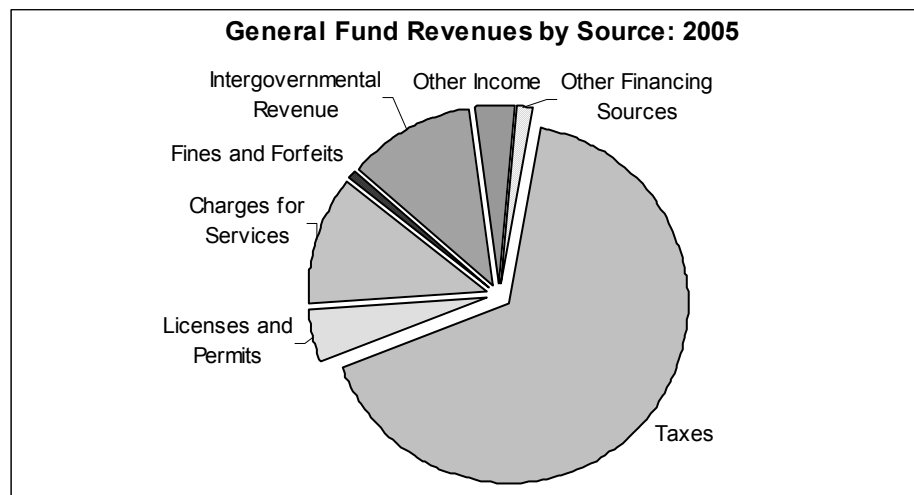
OVERVIEW

The City of Allentown's revenues set the limits for possible expenditures and are central to its long-term fiscal health, yet for several years its primary revenue streams have shown little growth. With inflationary pressures on the expenditure side of the budget that cannot be avoided without extensive service cuts, an increase in revenue – either from existing sources, new sources, or both – is a necessary component for the creation of a fiscally sustainable City government. This chapter examines recent and current trends in City revenues, future revenue projections absent any corrective action, and potential methods to increase revenue.

REVENUE TRENDS: PAST, PRESENT, AND FUTURE

Allentown's major revenue sources have grown at a rate below that of inflation over the last four years. Without significant modifications to the present revenue structure, this slow growth is likely to continue into the foreseeable future. This section highlights the City's recent revenue history and describes this report's "baseline" revenue forecast – the forecast of future revenue through 2010 under current trends and laws and assuming no change to the property tax millage rate.

As shown in the following chart, tax revenues constitute two-thirds of the City's 2005 General Fund revenues. At 12 percent of revenues, charges for services are the second largest source, and intergovernmental revenues such as grants and reimbursements represent an additional 11 percent of revenues. Thus, almost 90 percent of City revenues come from these three sources.



DETAILED REVENUE PROJECTIONS

As shown in the detailed tables that follow, total revenue growth in the General Fund has been erratic over the last several fiscal years, with an overall average annual growth rate of 3.61 percent (after taking into account the effect of real estate tax increases). PFM has reviewed historical performance, underlying trends, and other factors to produce a revenue forecast through 2010 for each of the City's revenue categories. These amounts are shown in the first table that follows. The second projections table indicates the percentage increase (decrease) on the previous year for each revenue item or category. The dynamics of individual revenue types will be described in greater detail in the pages that follow.

The baseline revenue projections anticipate a modest growth in overall revenue of 0.36 percent in FY2006, reaching 1.65 percent in FY2007; 1.67 percent in 2008; 1.68 percent in 2009; and reaching a high of 1.7 percent in 2010. These modest increases compare with an average annual growth of 4.26 percent in expenditures. City revenues are projected to grow at a significantly lower rate than expenditures in each and every year of the Five Year Plan. As a result, Allentown faces a major challenge as its costs are already beginning to outstrip the natural growth of its limited revenue sources.

These challenges are heightened by other factors. Most important, with the exception of the property tax, Allentown's Home Rule Charter precludes the increase of any tax (or the imposition of a new tax) without voter approval. Section 807 of the Charter includes the following provisions:

§807 A. Council shall establish no new tax.

§807 B. Council shall not raise the rates of the deed transfer, earned income, business privilege, occupational privilege, amusement devices, and resident taxes above their respective 1996 levels.

With taxes comprising such a large portion of the City's revenues, and with property assessments controlled by the County, the City therefore has only modest ability to directly improve its revenues. Moreover, inherent limits on service charges and intergovernmental revenues – the next largest sources of income – further limit potential revenue growth for Allentown.



City of Allentown, Pennsylvania, Five-Year Projections Model
Summary for the General Fund

	HISTORICAL DATA				PROJECTED DATA					
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES										
Taxes										
Real Estate Tax - Current	\$ 20,545,834	\$ 20,383,118	\$ 23,238,105	\$ 23,411,082	\$ 28,967,570	\$ 29,123,995	\$ 29,281,264	\$ 29,439,383	\$ 29,598,356	\$ 29,758,187
Real Estate Tax - Prior	949,808	1,108,124	1,027,822	792,681	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Lehigh Co. Tax Claim - Prior	547,426	88,365	36,964	37,269	51,000	52,493	54,030	55,612	57,240	58,915
Earned Income Tax	7,307,432	7,118,384	6,518,995	6,829,147	6,700,000	6,896,146	7,098,033	7,305,831	7,519,713	7,739,856
Deed Transfer Tax	1,015,460	1,355,552	1,464,610	1,765,198	1,500,000	1,575,000	1,653,750	1,736,438	1,823,259	1,914,422
Occupational Privilege Tax	375,044	369,389	342,721	359,033	330,600	330,600	330,600	330,600	330,600	330,600
Business Privilege Tax	5,250,934	5,525,667	6,207,494	6,052,939	6,200,000	6,381,508	6,568,329	6,760,620	6,958,540	7,162,255
Amusement Device Tax	28,949	32,499	26,415	27,350	26,500	26,500	26,500	26,500	26,500	26,500
Per Capita & Residence Tax - Prior	96,190	43,053	42,454	49,120	30,000	30,000	30,000	30,000	30,000	30,000
Per Capita & Residence Tax - Current	233,049	225,223	203,788	243,142	250,000	257,319	264,852	272,606	280,586	288,801
Total Taxes	\$ 36,350,127	\$ 36,249,375	\$ 39,109,368	\$ 39,566,961	\$ 45,355,670	\$ 45,973,560	\$ 46,607,359	\$ 47,257,589	\$ 47,924,794	\$ 48,609,536
Licenses and Permits										
Business Privilege License	\$ 400,323	\$ 392,638	\$ 383,107	\$ 412,185	\$ 385,000	\$ 394,625	\$ 404,491	\$ 414,603	\$ 424,968	\$ 435,592
Building, Plumbing, Elec. Licenses	623,482	890,309	668,782	867,506	687,500	704,688	722,305	740,362	758,871	777,843
CATV Franchise Fees	983,996	858,509	909,745	963,251	1,024,377	1,049,986	1,076,236	1,103,142	1,130,721	1,158,989
Rental Inspection Program	316,360	339,230	415,561	503,103	535,000	548,375	562,084	576,136	590,540	605,303
All Other Licenses and Permits	430,757	402,353	428,753	480,447	490,401	502,661	515,228	528,108	541,311	554,844
Total Licenses and Permits	\$ 2,754,919	\$ 2,883,039	\$ 2,805,947	\$ 3,226,492	\$ 3,122,278	\$ 3,200,335	\$ 3,280,343	\$ 3,362,352	\$ 3,446,411	\$ 3,532,571
Charges for Services										
EMS Transit Fees	\$ 2,116,813	\$ 2,233,623	\$ 2,625,790	\$ 2,637,898	\$ 2,725,000	\$ 2,761,874	\$ 2,799,247	\$ 2,837,126	\$ 2,875,517	\$ 2,914,428
General Fund Svc. Charges	3,342,431	3,342,453	3,434,959	3,404,959	3,306,423	3,351,165	3,396,512	3,442,472	3,489,055	3,536,268
911 Phone Line Svs. Charge	1,081,593	1,024,347	1,008,431	970,467	1,046,948	1,061,115	1,075,474	1,090,027	1,104,777	1,119,726
All Other Charges for Services	1,021,128	974,299	884,910	851,877	909,551	991,859	1,005,281	1,018,884	1,032,671	1,046,645
Total Charges for Services	\$ 7,561,965	\$ 7,574,722	\$ 7,954,091	\$ 7,865,201	\$ 7,987,922	\$ 8,166,013	\$ 8,276,513	\$ 8,388,509	\$ 8,502,020	\$ 8,617,067
Fines and Forfeits	\$ 589,014	\$ 718,658	\$ 735,416	\$ 701,001	\$ 667,859	\$ 711,631	\$ 758,273	\$ 807,971	\$ 860,927	\$ 917,353
Intergovernmental Revenue										
Health Grants (215-12, Categorica	\$ 1,635,486	\$ 1,926,295	\$ 2,600,580	\$ 2,441,889	2,606,239	2,671,395	2,738,180	2,806,634	2,876,800	2,948,720
Police Grants/Reimb/Training	1,344,128	1,217,874	1,032,460	1,542,567	904,370	926,979	950,154	973,908	998,255	1,023,212
State Aid for Pensions	3,133,726	3,169,093	3,711,704	3,792,770	3,891,382	3,988,666	4,088,383	4,190,593	4,295,357	4,402,741
All Other Intergovernmental Revenues	410,195	237,033	484,243	1,349,307	281,021	288,047	295,248	302,629	310,195	317,949
Total Intergovernmental Revenue	\$ 6,523,535	\$ 6,550,295	\$ 7,828,988	\$ 9,126,533	\$ 7,683,012	\$ 7,875,087	\$ 8,071,964	\$ 8,273,763	\$ 8,480,607	\$ 8,692,623
Other Income	\$ 2,850,721	\$ 2,934,330	\$ 2,504,086	\$ 2,426,922	\$ 2,521,017	\$ 2,584,042	\$ 2,648,643	\$ 2,714,859	\$ 2,782,731	\$ 2,852,299
Other Financing Sources										
Trexler Maintenance Grant	\$ 1,594,692	\$ 1,650,000	\$ 1,365,000	\$ 1,341,917	-	-	-	-	-	-
Sewage Capacity Sales	-	-	-	927,000	927,000	-	-	-	-	-
All Other Financing Sources	450,000	100,000	14,789	11,362	11,657	11,949	12,247	12,554	12,867	13,189
Other Financing Sources	\$ 2,044,692	\$ 1,750,000	\$ 1,379,789	\$ 2,280,278	\$ 938,657	\$ 11,949	\$ 12,247	\$ 12,554	\$ 12,867	\$ 13,189
TOTAL REVENUES	\$ 58,674,972	\$ 58,660,418	\$ 62,317,684	\$ 65,193,388	\$ 68,276,415	\$ 68,522,617	\$ 69,655,343	\$ 70,817,598	\$ 72,010,357	\$ 73,234,638



City of Allentown, Pennsylvania, Five-Year Projections Model

Revenue Growth Rate Assumptions for the General Fund

	HISTORICAL DATA			PROJECTED DATA					
	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUES									
Taxes									
Real Estate Tax - Current	(0.79%)	14.01%	0.74%	23.73%	0.54%	0.54%	0.54%	0.54%	0.54%
Real Estate Tax - Prior	16.67%	(7.25%)	(22.88%)	64.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Lehigh Co. Tax Claim - Prior	(83.86%)	(58.17%)	0.82%	36.84%	2.93%	2.93%	2.93%	2.93%	2.93%
Earned Income Tax	(2.59%)	(8.42%)	4.76%	(1.89%)	2.93%	2.93%	2.93%	2.93%	2.93%
Deed Transfer Tax	33.49%	8.05%	20.52%	(15.02%)	5.00%	5.00%	5.00%	5.00%	5.00%
Occupational Privilege Tax	(1.51%)	(7.22%)	4.76%	(7.92%)	0.00%	0.00%	0.00%	0.00%	0.00%
Business Privilege Tax	5.23%	12.34%	(2.49%)	2.43%	2.93%	2.93%	2.93%	2.93%	2.93%
Amusement Device Tax	12.26%	(18.72%)	3.54%	(3.11%)	0.00%	0.00%	0.00%	0.00%	0.00%
Per Capita & Residence Tax - Prior	(55.24%)	(1.39%)	15.70%	(38.92%)	0.00%	0.00%	0.00%	0.00%	0.00%
Per Capita & Residence Tax - Current	(3.36%)	(9.52%)	19.31%	2.82%	2.93%	2.93%	2.93%	2.93%	2.93%
Licenses and Permits									
Business Privilege License	(1.92%)	(2.43%)	7.59%	(6.60%)	2.50%	2.50%	2.50%	2.50%	2.50%
Building, Plumbing & Electrical Licens	42.80%	(24.88%)	29.71%	(20.75%)	2.50%	2.50%	2.50%	2.50%	2.50%
CATV Franchise Fees	(12.75%)	5.97%	5.88%	6.35%	2.50%	2.50%	2.50%	2.50%	2.50%
Rental Inspection Program	7.23%	22.50%	21.07%	6.34%	2.50%	2.50%	2.50%	2.50%	2.50%
All Other Licenses and Permits	(6.59%)	6.56%	12.06%	2.07%	2.50%	2.50%	2.50%	2.50%	2.50%
Charges for Services									
EMS Transit Fees	5.52%	17.56%	0.46%	3.30%	1.35%	1.35%	1.35%	1.35%	1.35%
General Fund Svc. Charges	0.00%	2.77%	(0.87%)	(2.89%)	1.35%	1.35%	1.35%	1.35%	1.35%
911 Phone Line Svs. Charge	(5.29%)	(1.55%)	(3.76%)	7.88%	1.35%	1.35%	1.35%	1.35%	1.35%
All Other Charges for Services	(4.59%)	(9.17%)	(3.73%)	6.77%	9.05%	1.35%	1.35%	1.35%	1.35%
Fines and Forfeits	22.01%	2.33%	(4.68%)	(4.73%)	6.55%	6.55%	6.55%	6.55%	6.55%
Intergovernmental Revenue									
Health Grants (215-12 & Categorical	17.78%	35.00%	(6.10%)	6.73%	2.50%	2.50%	2.50%	2.50%	2.50%
Police Grants/Reimbursements/Trai	(9.39%)	(15.22%)	49.41%	(41.37%)	2.50%	2.50%	2.50%	2.50%	2.50%
State Aid for Pensions	1.13%	17.12%	2.18%	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%
All Other Intergovernmental Revenues	(42.21%)	104.29%	178.64%	(79.17%)	2.50%	2.50%	2.50%	2.50%	2.50%
Other Income	2.93%	(14.66%)	(3.08%)	3.88%	2.50%	2.50%	2.50%	2.50%	2.50%
Other Financing Sources									
Trexler Maintenance Grant	3.47%	(17.27%)	(1.69%)	(100.00%)	0.00%	0.00%	0.00%	0.00%	0.00%
Sewage Capacity Sales	0.00%	0.00%	0.00%	0.00%	(100.00%)	0.00%	0.00%	0.00%	0.00%
All Other Financing Sources	(77.78%)	(85.21%)	(23.17%)	2.60%	2.50%	2.50%	2.50%	2.50%	2.50%
TOTAL REVENUES	(0.02%)	6.23%	4.61%	4.73%	0.36%	1.65%	1.67%	1.68%	1.70%



Tax Revenues

The City's tax revenues since FY2001 are shown in the table below, in descending order from the largest revenue sources as of FY2004. Several points are worth noting. First, revenue from the following four taxes accounted for 60 percent of all General Fund revenues and 98 percent of all tax receipts in 2004:

- Real Estate;
- Earned Income;
- Deed Transfer;
- Business Privilege.

With an increase in real estate tax millage in FY2005, this percentage is projected to grow to approximately 65 percent of all General Fund revenues in future years.

Second, if the revenue trend line is adjusted to remove FY2003 and FY2005 increases in the real estate tax millage rate, the City's tax revenues are essentially stagnant (especially relative to inflation). The performance of the City's revenues with respect to inflation is shown in the chart below and depicts the fact that since FY2001, the 8.91 percent growth in CPI-U inflation has been well above the adjusted 4.1 percent rate of growth of the City's General Fund revenue.

	2001	2002	2003	2004	2005
REVENUES: TAXES	(trendline projection)				
Real Estate Tax	20,545,834	20,383,118	23,238,105	23,411,082	28,967,570
Real Estate Tax – adjusted to 2001 millage rate of 13.22	20,545,834	21,167,897	20,821,729	21,663,913	21,470,424
Real Estate Tax – Prior	949,808	1,108,124	1,027,822	792,681	1,300,000
Lehigh Co. Tax Claim - Prior	547,426	88,365	36,964	37,269	51,000
Earned Income Tax	7,307,432	7,118,384	6,518,995	6,829,147	6,700,000
Deed Transfer Tax	1,015,460	1,355,552	1,464,610	1,765,198	1,500,000
Occupational Privilege Tax	375,044	369,389	342,721	359,033	330,600
Business Privilege Tax	5,250,934	5,525,667	6,207,494	6,052,939	6,200,000
Amusement Device Tax	28,949	32,499	26,415	27,350	26,500
Per Capita & Residence Tax – Prior	96,190	43,053	42,454	49,120	30,000
Per Capita & Residence Tax – Current	233,049	225,223	203,788	243,142	250,000
Actual Total Taxes	36,350,126	36,249,374	39,109,368	39,566,961	45,355,670
Adjusted Total Taxes	36,350,126	37,034,153	36,692,992	37,819,792	37,858,524
Adjusted Annual Growth		1.9%	-0.9%	3.1%	0.1%
Adjusted Cumulative Growth		1.9%	0.9%	4.0%	4.1%
CPI-U Annual Growth (Jan)		1.14%	2.60%	1.93%	2.97%
CPI-U Cumulative Growth			3.77%	5.77%	8.91%



The annual rate of growth in the City's four largest revenue sources has performed slightly better than total revenue growth over the past five years. However, it is important to note that the *adjusted* individual and cumulative levels of natural growth in these revenue sources have been modest. From 2001 through 2005, *adjusted* revenue from these four sources is estimated to have grown by just 4.1 percent. Indeed, in 2003, tax revenues grew only as a result of an 11.35 percent enacted increase in the real estate millage: the natural rate of tax growth was actually negative in that year.

Over the five years from 2006 to 2010, it is anticipated that these categories in total will grow by only 5.4 percent, approximately 1.35 percent per year. Significantly, these amounts are routinely below the projected annual rate of inflation. The Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters report for the second quarter of 2005 suggests that the annual average rate of long-term change in the Consumer Price Index will be 2.50 percent. The future aggregate annual growth for Allentown's four largest revenue sources is not expected to exceed this figure in any year from 2006 to 2010. Moreover, as will be discussed later, expenditure increases are projected to far exceed this rate of growth.

	2006	2007	2008	2009	2010
REVENUES: TAXES					
Real Estate Tax	\$ 29,123,995	\$ 29,281,264	\$ 29,439,383	\$ 29,598,356	\$ 29,758,187
Real Estate Tax - Prior	1,300,000	1,300,000	1,300,000	1,300,000	1,300,000
Lehigh Co. Tax Claim - Prior	52,493	54,030	55,612	57,240	58,915
Earned Income Tax	6,896,146	7,098,033	7,305,831	7,519,713	7,739,856
Deed Transfer Tax	1,575,000	1,653,750	1,736,438	1,823,259	1,914,422
Occupational Privilege Tax	330,600	330,600	330,600	330,600	330,600
Business Privilege Tax	6,381,508	6,568,329	6,760,620	6,958,540	7,162,255
Amusement Device Tax	26,500	26,500	26,500	26,500	26,500
Per Capita & Residence Tax - Prior	30,000	30,000	30,000	30,000	30,000
Per Capita & Residence Tax - Current	257,319	264,852	272,606	280,586	288,801
Total Taxes	\$45,973,561	\$46,607,358	\$47,257,590	\$47,924,794	\$48,609,536

Real Estate Tax

The real estate tax is the largest and most flexible source of revenue to support essential City public services. The City's real estate tax is a combined charge levied against the assessed value of land and improvements as determined by the Lehigh County Office of Assessment. In a 1996 referendum City voters approved a Home Rule Charter creating a land value tax, known as the Property Development Incentive Taxation System. The System assesses land more highly than improvements, with the goal of encouraging development. The ratio between the land and improvement rates is 4.70 as mandated by the Home Rule Charter.



As shown in the table below, in order to respond to steady increases in the cost of providing city services, the City of Allentown's Real Estate Tax millage rates increased by 2.0 mills (15.7 percent) in 2003 and by 2.8 mills (19 percent) in 2005. The increasing cost of government services obliged Lehigh County and the Allentown City School District to raise millage rates once and three times, respectively, since 2001. Since 2001, therefore, combined property tax millage rates have risen each year, from 53.841 to 69.24. For a property assessed at \$65,000, such a combined increase represents an additional tax burden of over \$1,000 per year.

Figure 5: REAL ESTATE TAX RATES

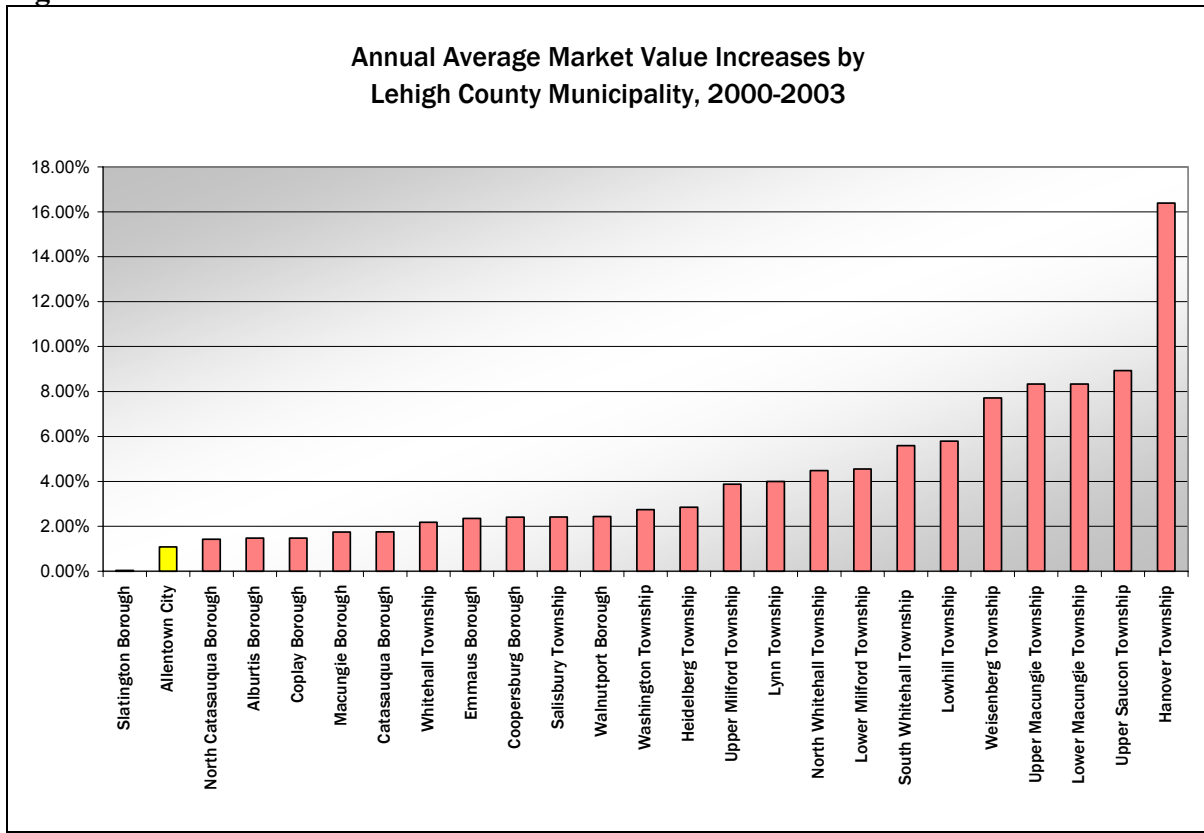
	Millage Rates				Tax Collections	
	Millage Rate (City)	Millage Rate (Allentown School District)	Millage Rate (Lehigh County)	Millage Rate (Combined)	City Real Estate Tax Collections	Percentage Current Collections
2001	13.22	33.311	7.31	53.841	\$20,545,834	95.50%
2002	12.72	34.194	7.31	54.224	\$20,383,118	97.60%
2003	14.72	37.49	12.39	64.60	\$23,238,105	95.60%
2004	14.72	39.49	10.75	64.96	\$24,335,031	98.74%
2005	17.52	41.734	10.75	70.004	\$28,967,570	97.0%
5-Yr Average						96.25%

Sources: Pennsylvania Department of Community and Economic Development, City of Allentown Official Statement 2004

Cost pressures have compelled real estate tax increases because other revenue options are constrained or removed by the City's 1996 Home Rule Charter, as described above. However, exclusive reliance on the real estate tax to respond to expenditure pressures has its own costs. As shown in Figure 6, Allentown's urban area is adjacent to multiple suburban jurisdictions in which market values of real property have increased at a faster rate than increases in the city. In only 1 of 25 municipalities in Lehigh County have property values grown at a lower rate than in Allentown over the past several years. In addition, Figure 7 shows that properties in Allentown School District area have grown in value at a lower rate than all other school districts in the Lehigh Valley (Lehigh and Northampton counties), although the Parkland School District which covers a relatively small portion of the City has had robust growth.



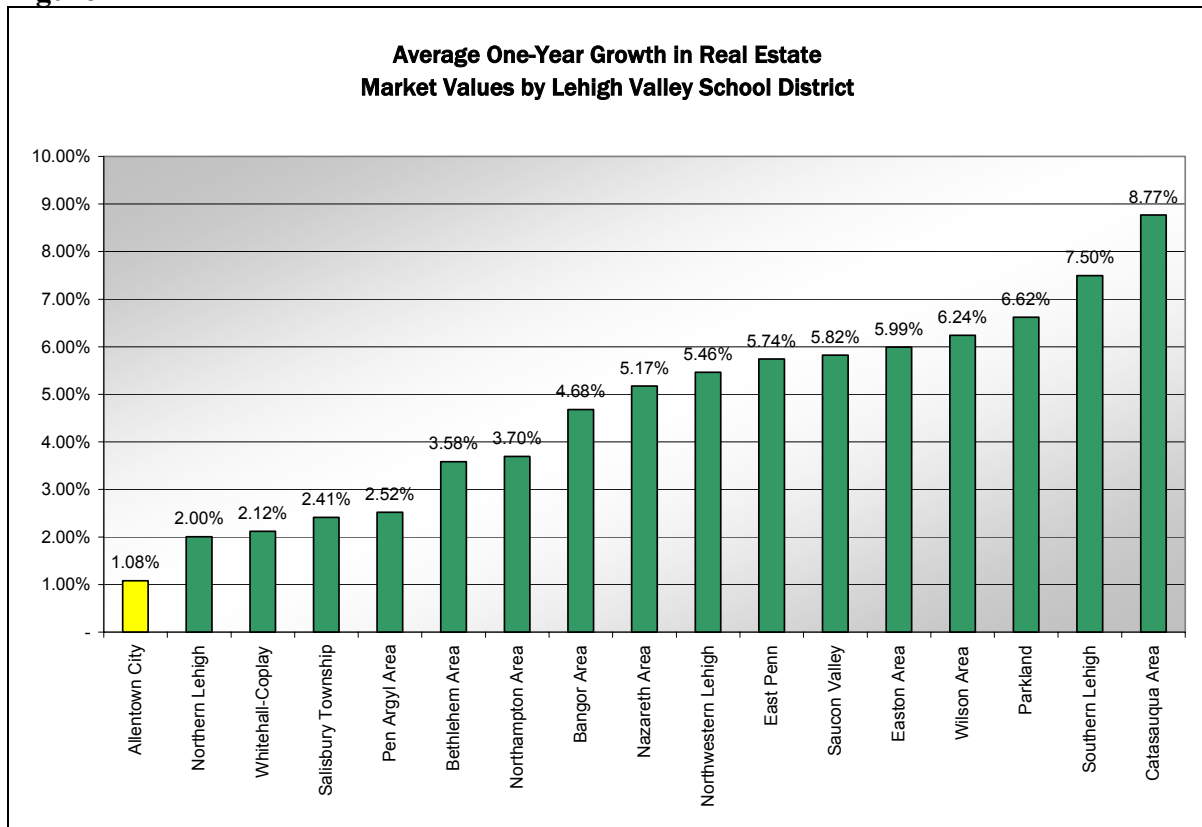
Figure 6



Source: Commonwealth of Pennsylvania, Department of Community and Economic Development



Figure 7



Source: Commonwealth of Pennsylvania, Department of Community and Economic Development

In Allentown, a comparatively sluggish real estate market that has only recently shown signs of growth, combined with relatively high millage rates, provides reason for conservatism in projecting future property tax revenues. As illustrated in Figure 8, assessed values have increased at a pace well below the rate of inflation, with a four-year average of just 0.54 percent per year. While assessed value grew 1.67 percent in 2005 – more than twice the rate of any of the previous three years – this growth will have to be sustained, and even increased, to enable the City to fund spending commitments already made for the next several years. PFM recognizes that a significant growth in property tax revenues could occur when currently-exempt properties are returned to the tax rolls after 2010, when the Keystone Opportunity Zone (KOZ) program ends. That possibility is discussed in the Economic Development section of this Plan.

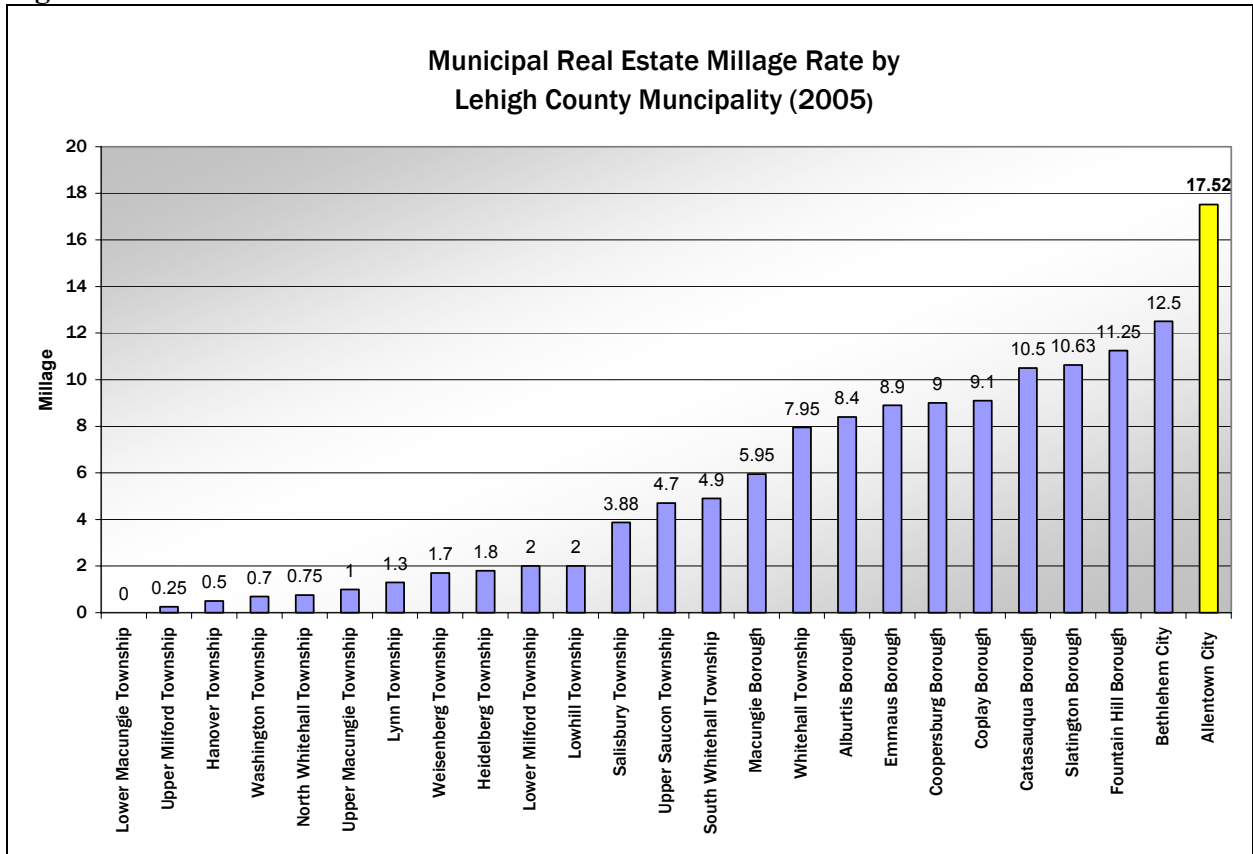
Absent new increases in market values, the City will be forced to choose between further adjustments to City services or additional hikes in the property millage rate. However, as shown in Figures 9 and 10, the city already levies the highest real estate millage rate in the county by a significant margin, and Allentown residents are subject to the second-highest combined millage rate in the county (when municipal mills are added to School District and County levies).



Figure 8

Year	Taxable Assessed Value (Predetermined Ratio = 50%)	Annual Increase
2001	\$1,632,830,600	
2002	\$1,640,576,300	0.47%
2003	\$1,647,495,900	0.42%
2004	\$1,659,647,850	0.74%
2005	\$1,687,398,200	1.67%
	Average Including 2005:	0.83%
	Average Excluding 2005:	0.54%

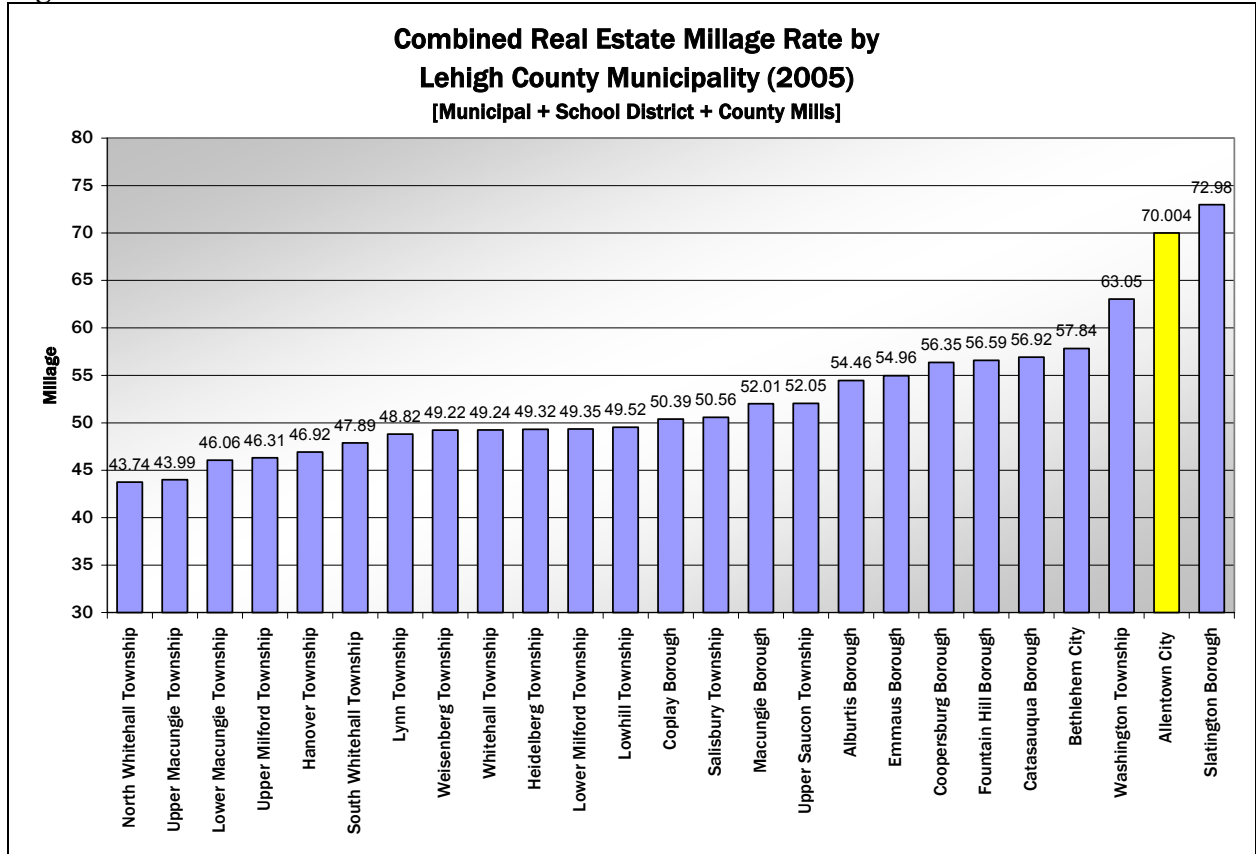
Figure 9



Pennsylvania Department of Community and Economic Development



Figure 10



Pennsylvania Department of Community and Economic Development

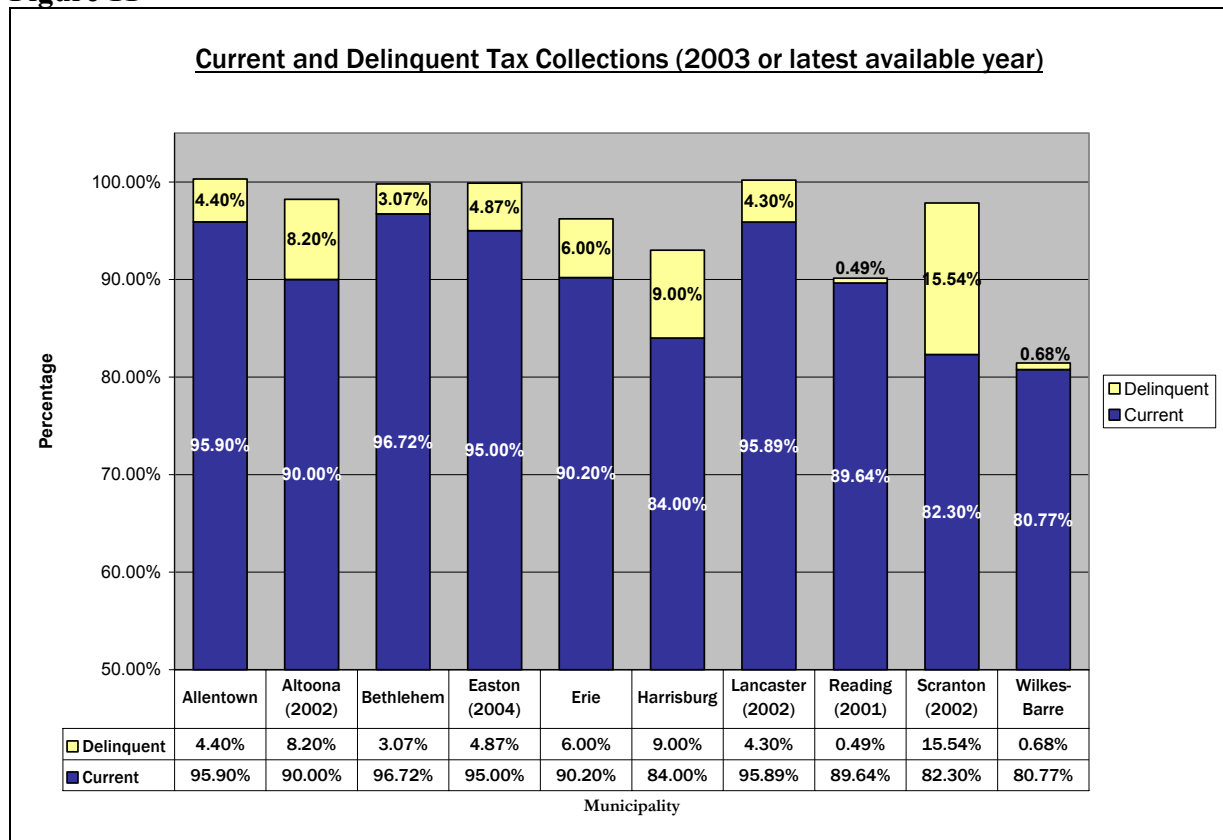
A further risk of excessive reliance on the Real Estate Tax is that Section 807 E of the Charter provides the option for voters to overrule rate changes through a referendum device:

§807 E. The citizens of Allentown may increase or decrease property tax rates through the referendum process defined in Sections 1002-1009 (provided that, as long as the Property Development Incentive Taxation System is in effect, the resulting ratio meets or exceeds the minimum ratio set by this Charter or by Council).

Finally, in some cases local governments can improve revenue performance through more effective collection. While there is some room for this, Allentown's property tax collection performance ranks well in comparison with its peer cities in the Commonwealth. As shown in Figure 11, Allentown, Bethlehem, and Easton all collect a larger proportion of their current tax levy than cities in other parts of the state, with the exception of Lancaster. The City has recently returned its prior year tax collection efforts to private hands, and expects improved performance compared to the past several years.



Figure 11



Sources: Official Statements, Comprehensive Annual Financial Reports, City Finance Officials

Earned Income Tax

In accordance with Act 511 of 1965, the Local Tax Enabling Act, the City levies a one percent Earned Income Tax (EIT) on city residents. Fifty percent of all EIT collections are transferred to the Allentown City School District. All or a portion of the EIT levy is also applicable to non-residents who work in the city but reside in a municipality that does not levy the earned income tax or does not charge as much as one percent. However, given that all 63 municipalities in Northampton and Lehigh Counties levy the tax, any EIT receipts from non-residents must generally be returned to the taxpayer's resident jurisdiction. It is important to note that unlike most neighboring jurisdictions, municipalities such as Allentown which have adopted a home rule charter are not limited to the one percent normally levied on residents. Section 807 B of the Charter does limit Allentown's EIT rate to 1996 levels, but this is a local rather than a state restriction.

The Earned Income Tax is the second-largest source of general fund revenues, usually generating over \$6.0 million annually for city services. However, reflecting nationwide weaknesses in employment and wages during the recent recession, Allentown's EIT receipts have been flat or in relative decline since 2001, a consequence of the economic downturn as well as transitions in collection methodologies. Prioritizing improved collections of EIT is a further priority of the Five Year Plan.



Deed Transfer Tax

The Lehigh County Recorder of Deeds collects a one percent municipal levy assessed against the selling price of all real estate located in Allentown upon a transfer of ownership. As with the EIT, 50 percent of all local Deed Transfer Tax collections are passed on to the Allentown City School District.

Between 2001 and 2004, a period in which interest rates were at all-time lows, Deed Transfer tax revenues increased sharply as a result of intense real estate market activity. Over the period of this Multi-Year Plan, forecasts from the banking and finance sector indicate that the Federal Open Market Committee is likely to continue its policy of raising short-term interest rates, thus leveling out or reducing the number of home sales and new mortgages from recent levels. This anticipated reduction in deed transfers may be offset by increases in home building in an expanding economy, as well as continuing commercial activity. Therefore, City revenues from this source are projected to increase at 5 percent per year – above the forecast rate of CPI inflation but below the four-year average annual growth rate of 20.7 percent.

As with the Earned Income Tax, although Deed Transfer Tax rates in Home Rule cities are not limited by the one percent maximum specified by Pennsylvania's Third Class City Code, Allentown's Home Rule Charter does not currently permit an increase above current levels.

Occupational Privilege Tax (OPT)/Emergency and Municipal Services Tax (EMST)

The City of Allentown levies a \$10 Occupational Privilege Tax (OPT) on all individuals employed within the city. Unlike the EIT, the tax is paid by both residents and non-residents of Allentown who work in the city.

On December 1, 2004, the Local Tax Enabling Act was amended when Act 222 was approved by the General Assembly and the Governor. The new law established the Emergency and Municipal Services Tax (EMST) and authorized municipalities to levy up to a maximum of \$52 per year beginning on and after January 1, 2005. The EMST replaces the OPT and is designed to provide resources for "police, fire or emergency services; road construction or maintenance; or for the reduction of property taxes."

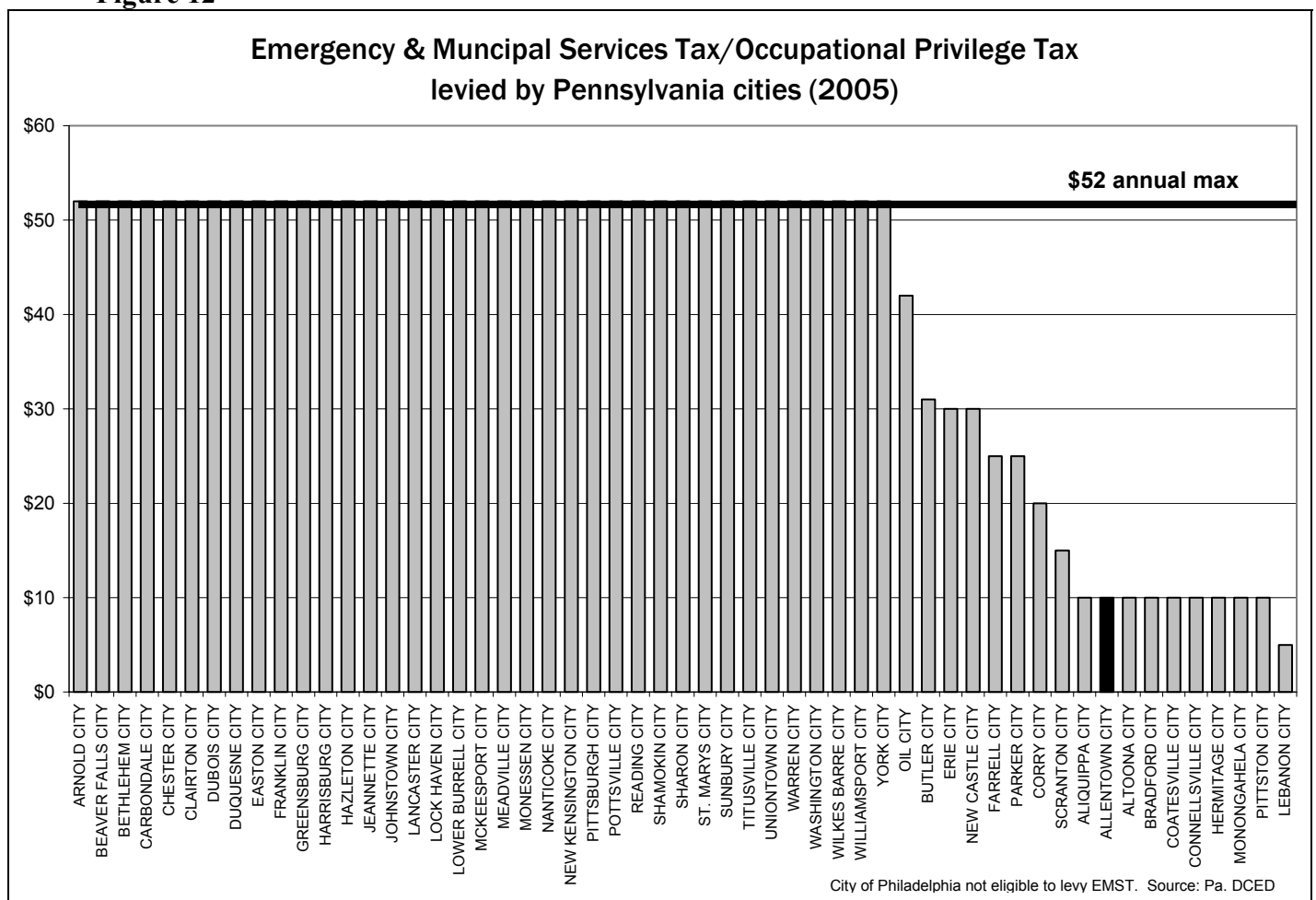
As illustrated in Figure 12, a large majority of Pennsylvania cities (67 percent) have committed to instituting the new tax, raising rates from the former OPT maximum level of \$10 to the new EMST maximum of \$52. An additional 15 cities (16 percent) have opted to raise rates to a level between the original \$10 and the maximum \$52. Only 10 Pennsylvania cities have retained the \$10 levy, and with the exception of Altoona, all of these cities have less than one-quarter of Allentown's population.

Increases to the tax (up to the \$52 maximum) can be made at any time during the fiscal year. Among the large third-class cities in the comparative sample, only Allentown and



Altoona have left their OPT rates unchanged. Within Lehigh County, the City of Bethlehem, Catasauqua Borough, Emmaus Borough, Fountain Hill Borough and Salisbury Township have all increased OPT/EMST rates above \$10 for 2005. As with other Act 511 taxes, though, Allentown is currently prevented from raising its OPT/EMST rate above \$10 by Section 807 B of the Home Rule Charter.

Figure 12



Source: PA Department of Community and Economic Development



All Other City Revenues Overview

- **Licenses and Permits (FY2004 Base Year: \$3,226,000 – 4.9 percent of total GF revenues).** To account for steady trends in licenses for businesses and the building, plumbing & electrical trades; cable franchise fees and the rental inspection program; total revenue within this category is projected to increase at the level of inflation over the Plan period.
- **Charges for Services (FY2004 Base Year: \$7,865,000 – 12.1 percent of total GF revenues).** Reflecting below-inflation historical average increases in this revenue category, Charges for Services are projected to increase by 1.3 percent per year. Such charges include EMS Transit fees; General Fund Service Charges, and 911 Phone Service Charges.
- **Fines and Forfeits (FY2004 Base Year: \$701,000 – 1 percent of total GF revenues).** Relatively high historical average increases in this minor category (6.35 percent) are projected to continue over the Plan Period.
- **Intergovernmental Revenues (FY2004 Base Year: \$9,127,000 – 14.0 percent of total GF revenues).** Intergovernmental revenues such as grants for City Health programs; Police Department grants and reimbursements; and State Aid for Pensions are projected to increase using a general inflationary factor of 2.5 percent. A reduction in awards through the federal COPS program and other miscellaneous grant sources reduced revenues in this category from \$9.13 million in 2004 to \$7.68 million in 2005. PFM excludes such nonrecurring grant sources from the baseline and, as such, in FY2005 and in subsequent years of the projection forecast, intergovernmental revenues constitute 11 percent of total GF revenues.
- **Other Income (FY2004 Base Year: \$2,427,000 – 3.7 percent of total GF revenues).** This category includes revenues from site and facility rentals; interest on city investments; asset sales; miscellaneous revenues; retiree health benefit contributions; special events reimbursements and the U.S Department of Housing and Urban Development's Community Development Block Grant program; and may capture other minor sources. A 2.5 percent inflationary factor is assumed.
- **Other Financing Sources (FY2004 Base Year: \$2,280,000 – 3.5 percent of total GF revenues).** PFM excludes both the Trexler Maintenance Grant and sewage capacity sales from General Fund Revenues in subsequent years of the plan, resulting in a 99 percent reduction in this category in 2006. Going forward, the small total of revenues booked to this category is projected to grow at the level of inflation.



INITIATIVES

RV01. Authorize and Implement \$52/year Emergency & Municipal Services Tax

In November 2005 the electorate turned down a ballot initiative to institute the Emergency and Municipal Services tax (EMST) at \$52 per year, replacing the \$10 per worker Occupational Privilege Tax (OPT) in place since the 1960s. This was unfortunate, as the EMST would have indexed the OPT rate for four decades of inflation, and would have created a broad contribution to filling the City's financial gap by all those who use City services, including both residents and non-residents. This plan suggests that City leaders unite to support a charter change to allow implementation of the tax, which will broaden the City's tax base.

The EMST is not a perfect tax – at the \$52 rate, it is 0.43 percent of wages for someone earning \$12,000 per year, but just 0.13 percent for someone earning \$40,000 annually. However, the EMST is one of the few options the City has for raising a large amount of new revenue. Moreover, reliance on the EMST for a partial response to the City's financial challenges would avoid further reliance on the property tax. As described previously, the City already levies the highest real estate millage rate in Lehigh County by a significant margin. Moreover, since workers who commute from outside Allentown pay the EMST, adopting the new levy would broaden the City's tax base at a rate per employee of just 20 cents per workday (assuming a 260 day work year).

The transition from the OPT to the EMST would generate substantial revenue. The discounted fiscal impact of this initiative presented in the table below exceeds \$2.0 million per year (with the Commonwealth of Pennsylvania anticipated to mandate an annual earned income exemption of \$12,000, much greater than the \$1,000 exemption under the OPT, the net increase in revenues is discounted in all years by 20 percent to account for those Allentown taxpayers who would become newly exempt from paying). In addition, the General Assembly is considering the introduction of a quarterly payment system which would reset EMST collections to be in arrears. Collections in arrears would have the effect of delaying fourth quarter collections to the following fiscal year, reducing EMST cash receipts in the first year by 25 percent. This initiative is not discounted for this proposed change because Allentown's accrual accounting system has the ability to book delayed fourth quarter tax revenue in the appropriate fiscal year.

Implementation of an EMST is delayed until at least FY2007 due to the need for voter approval.

EMST: Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	100%	25%	20%	20%	20%
Fiscal Impact	\$0	\$2,082,780	\$2,221,632	\$2,221,632	\$2,221,632



RV02. Long-Term Initiative: Eliminate Per Capita and Residence Taxes

In many other Pennsylvania jurisdictions where the EMST was recently raised, City councils have used the opportunity not only to increase the \$10 OPT charge, but also to discontinue collection of the \$5-\$15 Residence/Per Capita taxes. Because of the small amount of revenue involved and the relatively high cost of collection, these levies authorized by the Local Tax Enabling Act are known as “nuisance taxes.” The Per Capita tax has no connection with employment or income; rather it is levied equally on all adult residents of Allentown. Throughout the Commonwealth, collection of the Per Capita tax is notoriously difficult because accurate preparation of the per capita tax list is complex and time consuming. Indeed, according to the Taxation Manual produced by the Pennsylvania Department of Community and Economic Development, “the Per Capita tax has a high collection cost in relation to its yield in revenues. A growing number of municipalities are eliminating the tax.”

As part of the Five-Year Plan proposals, the City should consider the eventual elimination of the Per Capita and Residence taxes. Such a proposal would remove a low-yield tax burden from the City’s books and would mitigate the level of increase in the local tax burden caused by the OPT/EMST revision.

Eliminate Nuisance Taxes: Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	0%	0%	0%	0%	0%
Current Collections Foregone	\$(243,142)	\$(243,142)	\$(243,142)	\$(243,142)	\$(243,142)
Delinquent Collections Foregone	\$0	\$(12,617)	\$(25,234)	\$(37,850)	\$(50,467)
Net Impact	\$(243,142)	\$(255,759)	\$(268,376)	\$(280,992)	\$(293,609)

Note that an elimination of the Per Capita and Residence taxes is only financially feasible as part of a larger overhaul of the City’s spending and taxing policies.

RV03. Take Initial Steps to Grow Market-Based Revenue Opportunities

A Market-Based Revenue Opportunities (“MBRO”) program offers an opportunity to the City to maximize the revenue-generating capacity of City assets. This broad term encompasses various entrepreneurial concepts, including advertising, exclusivity arrangements, rental agreements, and corporate sponsorships. A comprehensive and effectively administered MBRO program could generate \$1.0 million over the next five years.

While some MBRO opportunities, such as an outdoor advertising program, are generally well established in the governmental marketplace, other areas are still evolving. Such arrangements can raise legitimate community concerns regarding the appropriateness of advertising content, aesthetics, and excessive commercialization of public service. The



City will initially establish MBRO program parameters and guiding principles for considering such arrangements consistent with local community values.

Within this policy framework, the City will – with the assistance of an MBRO specialist solicited through a request-for-proposals process – inventory facilities, real estate, and other assets and mechanisms under their control with potential for MBRO revenue generation. This assessment may include, but not be limited to, consideration of opportunities in the following categories:

- **General outdoor advertising.** Billboards and other outdoor signage can generate both a fixed rental payment and/or a share of gross advertising revenues. While the precise revenue generation potential largely depends on location, a single prime billboard location can generate tens of thousands of dollars per year. Some governments are also exploring temporary ad banners on public construction site fences.
- **Street furniture.** Advertising revenues can offset or even eliminate the costs of “street furniture”¹, including such amenities as bus shelters, benches, public toilets, newsstands, trash receptacles, information kiosks, bicycle racks, and telephone pillars. In Boston, for example, the city’s advertising revenue stream for a high quality street furniture program includes both an annual fixed fee of \$750,000 and a license royalty fee (10 percent of annual revenues, generating \$314,780 in 2003).
- **Indoor advertising.** Advertisements may be placed in public restrooms, libraries, civic centers, parking garages, and recreation venues. For a modestly scaled indoor advertisement, vendors estimate that each frame can generate as much as \$1,920 annually, with a government receiving 10-25 percent of the revenue.
- **Other miscellaneous advertising.** Other advertising options being pursued by municipalities nationally include: tax and utility bill inserts; banners on government websites; advertising placements on the sides of rollout refuse carts as used in conjunction with automated trash collection; vehicle advertising “wrap” arrangements; and advertisements on parking meter poles.
- **Secondary use of public real estate.** City facilities and/or infrastructure can generate supplemental revenues from such options as leases for the placement of telecommunications equipment (e.g., cell-phone towers) and facility rentals for events and activities.



¹ “Street furniture” is the terminology for physical components/amenities of the streetscape such as kiosks, bus shelters, benches, and trash/recycling receptacles.



- **Municipal marketing partnerships.** A number of communities have developed corporate sponsorship programs, often in a blended arrangement involving commodity delivery, promotions, and discounts. For example:
 - **Oakland, CA:** Named Coca-Cola its official soft drink, giving it exclusive rights in city buildings and parks.
 - **San Diego, CA:** Corporate partnership program has netted \$5 million over the past several years, resulting in a revenue to expense ratio of 22:1². Corporate partners, including Pepsi, Verizon, and General Motors, have all paid for the right to be the “exclusive” provider of their respective products and services to the City.
 - **Huntington Beach, CA:** Realizes \$3 million in annual benefit from corporate partners including Coca-Cola, Chevrolet, Simple Green, and Yamaha.
 - **Miami, FL:** Purina sponsored construction of two “Dog Chow Dog Parks” as part of a marketing campaign in exchange for promotion rights and a waiver of fees for park events.
 - **Austin, TX:** Austin has recently committed to exploring MBRO options and is considering which types of assets and services should be involved in a future program.

An MBRO program would enable the City to create new revenue streams within guidelines for the appropriate use of public space and facilities consistent with local standards. Benefits of such programs include cost avoidance, revenue, non-monetary benefits, and limited administrative burdens from contract structures emphasizing the responsibilities of the contractor.

MBRO programmatic responsibilities should be centrally coordinated. One individual or office/group should oversee the program. Through centralization or consolidation, the City can maximize programmatic benefits and revenue potential by focusing efforts and avoiding duplication of labor.

Because of the competing interests inherent in the formulation and implementation of an MBRO program, other counties and professionals supporting such programs have recommended a phased approach to adopting MBROs. Regardless of whether a comprehensive or targeted approach is adopted, the City will phase in new MBRO initiatives to facilitate the public’s acclimation and the program administrators’ capacity.

In terms of allocation, it should be acknowledged that certain programs impact the feasibility and revenue generating potential of others. For instance, a comprehensive street furniture program may affect the City’s ability to pursue advertising in other venues due to finite advertising revenue sources.

² The “expense” referred to in this ratio is the amount of money the City has spent on their MBRO program, meaning that for every \$1 spent, they’ve generated \$22 in MBRO income.



The table below projects Allentown MBRO revenue for the first five years of a structured program. These goals are based upon discussions with MBRO specialists who typically project revenue potential at 2% of current, locally-generated³, General Fund income. Based upon Allentown's locally-generated General Fund revenue of \$51.3 million, annual revenue could be as high as \$1.0 million annually, without discounting. As a measure of conservatism in the early years and confidence that a robust program can be achieved prospectively, an implementation discount descending from 90 percent to 0 percent over five years has been calculated, yielding five year revenues of \$2.9 million. Actual revenue potential cannot be ascertained with certainty until programmatic parameters are established; in particular, revenue potential is subject to the City's tolerance for placements, concepts, and content. Further, finalized revenue projects will not be possible until RFPs are issued and vendors make firm financial commitments.

MBROs: Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	90%	70%	50%	0%	0%
Fiscal Impact	\$102,600	\$307,800	\$513,000	\$1,026,000	\$1,026,000

Based on initial vendor response to an MBRO RFP issued this fall in Pittsburgh, and estimates of MBRO revenue in Philadelphia, *PFM recommends that the City move immediately to prepare and issue an MBRO RFP*. Prompt work on this initiative should have a proposal ready for review and issue by the new Mayor in January 2006.

RV04. Establish a Public Service Foundation to Generate Contributions from Non-Profit Institutions

One characteristic which the City shares with many other Pennsylvania urban centers is the large number (and size) of its tax exempt institutions. These range from relatively large health care and higher education facilities and property owned by government entities to much smaller social service and community non-profit organizations. City estimates of the assessed value of the real property owned by these institutions indicate that their tax exempt facilities constitute 20 percent of the total assessed value of City property. For the most part, in addition to exemption from real property taxation, these same organizations are also exempt from other taxes imposed on for-profit businesses in the City.

There is no question that these tax exempt institutions already provide important support for the City of Allentown, ranging from indigent care from local hospitals to research and analysis services from colleges. They are also the source of some of the region's best paying and most challenging jobs. Some of the institutions own, and pay taxes on, taxable real property and some provide their own security and sanitation services. Nevertheless, it is also unquestionable that these institutions, because of their size and number of employees, utilize a broad variety of City services such as police, fire, utility and public works. The challenge is to find a mechanism to encourage the continued

³ Local taxes, fees, fines, and charges average \$51,361,000 over the last four years.



success in Allentown of these organizations, while at the same time having them provide some financial support for the City services upon which they rely.

PFM believes that local non-profit institutions want to contribute to the City's success and will contribute what they perceive as a fair amount – in both funding and in-kind services – to a Citywide effort that is believed to be equitable and non-punitive. Because of the important leadership and institutional role played by non-profit colleges, hospitals, and religious institutions in Allentown, this Five-Year Plan makes several requests of the non-profit community, including this initiative and several in the Management & Productivity section.

However, the options available to accomplish the goal of direct contributions from non-profits are limited. One is for the City to attempt to impose some type of municipal services fee or tax on these institutions. While “fair” from the standpoint of obtaining the tax exempt institutions' participation in supporting these services, this option is certain to lead to litigation between the City and the institutions – resulting in the expenditure of funds by both which would not contribute to their respective missions. This approach also creates an adversarial relationship, rather than one of cooperation.

A second option is the pursuit of municipal services agreements with the institutions. Although this solution is common to many urban centers housing large non-profit institutions, depending upon their formality and terms these agreements can be difficult to enforce and uneven in the revenues raised from year to year. Municipal services agreements are therefore difficult to budget in a responsible manner. In addition, since the agreements often are between the City and individual tax exempt entities, they are often perceived as unfair by participating institutions because the payments vary from institution to institution and not all institutions participate. Finally, with the enactment of Act 55 of 1997, the Institutions of Purely Public Charity Act, the state legislature made it easier for institutions to qualify as tax exempt and has therefore removed the incentive for institutions to enter into municipal services agreements with Pennsylvania cities.

The third option is for the City, to establish a community or public service foundation, or similar tax exempt charitable entity pursuant to federal tax law and Act 55. This expectation that Allentown's tax exempt institutions will make voluntary financial contributions to the City's operations is not unprecedented. Tax exempt institutions around the country have agreed to make substantial voluntary payments to their host communities by written agreement. In Providence, Rhode Island, the four major educational institutions agreed to make payments to the City over a 20 year period beginning in 2004, with annual payments ranging in 2004 from over \$1 million from the largest institution to a range of \$156,000 to \$275,000 from the smaller institutions. The payments escalate each year. Moreover, in addition, these same institutions agree to make “transition payments” to the City as reimbursement for the purchase of taxable real property. The payments initially equal the tax that would have been paid if the property had remained taxable. The payments, reduced over time, are made over 15 years for each parcel. In Baltimore, 23 major institutions currently contribute approximately \$4-6 million per year over a four year period. In Boston, 50 institutions contribute a total of



\$24 million annually. In Pennsylvania, final arrangements are underway to establish a Pittsburgh Public Service Fund under the provisions of Act 55 to generate as much as \$6.0 million of that City's operations. In Wilkes-Barre, major hospitals, colleges, and other institutions contribute over \$500,000 each year directly to the City.

The goal of the Foundation would be to generate at least \$500,000 per year in City operating support and perhaps eventually to build an endowment to support projects in the City which relieve obligations of the City's operating or capital budgets. The Foundation would be governed by its own board which would work with the City to decide on the projects to be supported by the Foundation. Although donors to the Foundation can specify with some particularity the use of their donated funds, it is hoped that the Foundation's assets would be used in the broadest manner possible to relieve the obligations of the City's operating or capital budgets. Examples of such uses could be to support operations of City parks and recreation centers, purchase technology upgrades, or to provide matching funds for federal or state economic development or technology grants, among many other possibilities.

To achieve this, it is recommended that the City initiate discussions this year with the major healthcare and higher education tax exempt institutions, and eventually with smaller tax exempt institutions, foundations and taxable entities. The goal of these discussions would be to consider alternative ways by which a broad range of tax exempt institutions, through a multi-party municipal services agreement or a community or public service foundation or otherwise, could make substantial annual contributions toward City services or projects.

The advantages of this approach are many. It fosters cooperation and problem solving, rather than discord. It builds on the historic commitment of Allentown's non-profit organizations to contribute to the City's vibrancy and well-being. It makes possible fixed, annual contributions to the City's revenues which can be responsibly budgeted. It facilitates the initiation and completion of projects which the City could not otherwise afford. If an independent foundation were used, it would give donors the authority to direct their donations to projects in which they have a particular interest and would also give them security that their donations would be controlled by the Foundation. Finally, as potential donors gain confidence in the City's ability to manage the projected budget gap, their contributions over time could build an endowment to support creative projects in the City for years to come.

On a more mundane level, the City should review every application made to the Lehigh County Board of Assessment for exemption from real property taxation in the City. The City must confirm that the proposed use, not just ownership, qualifies for exemption under the applicable law. When the Board approves a decision, the City should consider whether an appeal is in order. This process and these reviews must be continued in order to assure that only qualifying entities are added to the City's already long list of exempt properties.



Non-Profit Contributions: Discounted Fiscal Impact

	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	100%	75%	50%	25%	0%	0%
Fiscal Impact	\$0	\$125,000	\$250,000	\$375,000	\$500,000	\$500,000

RV05. Maintain the Option of a Transfer Tax Increase

In November 2005, Allentown voters rejected an initiative authorizing an increase in the deed transfer tax. The current 1 percent transfer tax is divided equally between the City and the school districts; if the City Charter were changed to allow an increase, all of the added revenues would accrue to the City. While a ½ percent increase could generate over \$1.5 million per year in new revenue, and a 1 percent increase over \$3.0 million, the transfer tax is notoriously volatile. In recent years, jurisdictions across the Commonwealth have seen tremendous growth in tax receipts from this source. In Allentown, transfer tax receipts have grown 74 percent just from 2001 to 2004.

Allentown's difficult financial challenges, combined with very limited revenue options, have made this an attractive tax option. However, before such an increase is actually enacted, the Mayor and City Council should carefully consider its potential impact on the real estate market in the City and competing suburbs. The potential for a precipitous decline in revenues from the tax, and what the City would do if that happened, should also be considered. Finally, any transfer tax increase should be part of a comprehensive multi-year financial plan for the City, and not enacted unilaterally. For these reasons, revenue from an enhanced transfer tax is shown here, but not included in the recommended list of initiatives to address the City's fiscal gap. The City should continue to consider this option, and its strengths and weaknesses, as it debates specific ways to address its financial challenges.

Transfer Tax Increase: Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount	10%	0%	0%	0%	0%
Fiscal Impact at 0.5%	\$1,575,000	\$1,653,750	\$1,736,438	\$1,823,259	\$1,914,422
Fiscal Impact at 1.0%	\$3,150,000	\$3,307,500	\$3,472,875	\$3,646,519	\$3,828,845

RV06. Per Capita Fee on College/Graduate Students

Description

Allentown values the energy, vitality, and economic benefits provided by college and graduate students. In return, the City strives to provide a civic environment that is exciting, clean, safe and conducive to learning.



While their residence in Allentown may not be permanent, these students are nonetheless direct/indirect beneficiaries of a range of municipally provided services, such as public safety functions performed by the Police and Fire Departments, street maintenance and litter pickup provided by the Department of Public Works, and myriad economic development and civic reinvigoration initiatives advanced by various City departments and agencies.

Rather than cost-of-service, this proposed fee contemplates a typical college/graduate student's contribution to the City's coffers in comparison to residents. Per capita taxation in Allentown is \$377⁴. Through local taxes collected, each resident (or their families/legal guardians) of Allentown is contributing approximately \$377 to fund local government services. If they are not domiciled in Allentown and they or their families/legal guardians are not contributing directly to the local tax base, the students are essentially paying little to nothing for municipal services. If a \$50 per capita fee were charged, several hundred thousand dollars could be generated. In terms of parity, students (or universities on their behalf) would only be paying 13.3 percent of the total average per capita tax burden.

This concept is fairly novel and no direct comparables have been identified, although the City of Erie, Pennsylvania (population 103,000) was – at one point - seriously considering imposing such a fee on the students of Gannon and Mercyhurst Colleges, with 3,300 and 3,700 students, respectively. In Erie, the Mayor had proposed a \$50 per capita fee, which would have generated approximately \$350,000 in annual revenue.

PFM believes that the most effective method for pursuing revenue to cover the cost of services provided to non-profit institutions is the public service foundation approach described in initiative RV04, above. The foundation is preferred in large part because of the more narrow base of potential participants and resulting lower possible revenue from a student per capita fee. In addition, the administrative burden of collecting this fee will be difficult to overcome without the full and willing participation of Allentown's colleges and universities. Because most students are not officially domiciled in the City, Allentown administrators have no official record of students, where they live, and other information related to collecting the fee. One way of addressing this issue would be to advance "housing district legislation"⁵. Through this type of legislation, a City imposes a number of requirements on students, colleges/universities, parents/legal guardians, and property owners/managers. Essentially, students and those who transact with them are required to provide addresses and automobile information (if appropriate). Establishing such a reporting system does not impose a disproportionate burden on students and their host institutions; rather, it merely raises their level of reporting responsibility to that of all other residents.

Assuming the City charges \$50 dollars per capita and 20 percent of Allentown college/grad students are exempt from this fee because they are currently domiciled in the

⁴ \$39.5 million in locally generated in FY2004 and divided by 105,000 population.

⁵ This concept has been realized in Philadelphia in a single Councilmanic district where St. Joseph's and Philadelphia University are located.



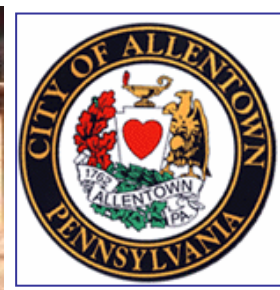
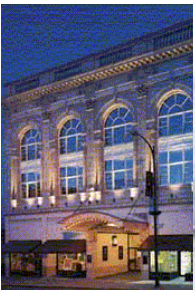
City and they or their parents/legal guardians are property tax paying residents, the City could generate \$105,750 in year one, \$119,850 in year two, and \$141,000 thereafter, for a five year total of \$648,600. Because this is a new fee and collection processes are not in place, discounts of 25 percent and 15 percent for the first and second year, respectively, have been calculated.

Fiscal Impact

FY2006	FY2007	FY2008	FY2009	FY2010
\$105,750	\$119,850	\$141,000	\$141,000	\$141,000



Workforce

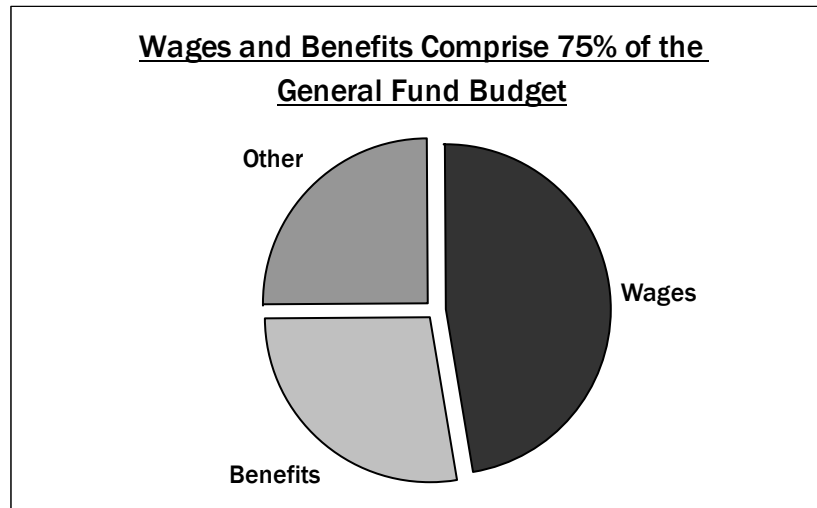


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City Workforce

The City of Allentown's largest category of General Fund expenditures in all years of the Plan will be for employee wages and benefits, at approximately 75 percent of total costs.



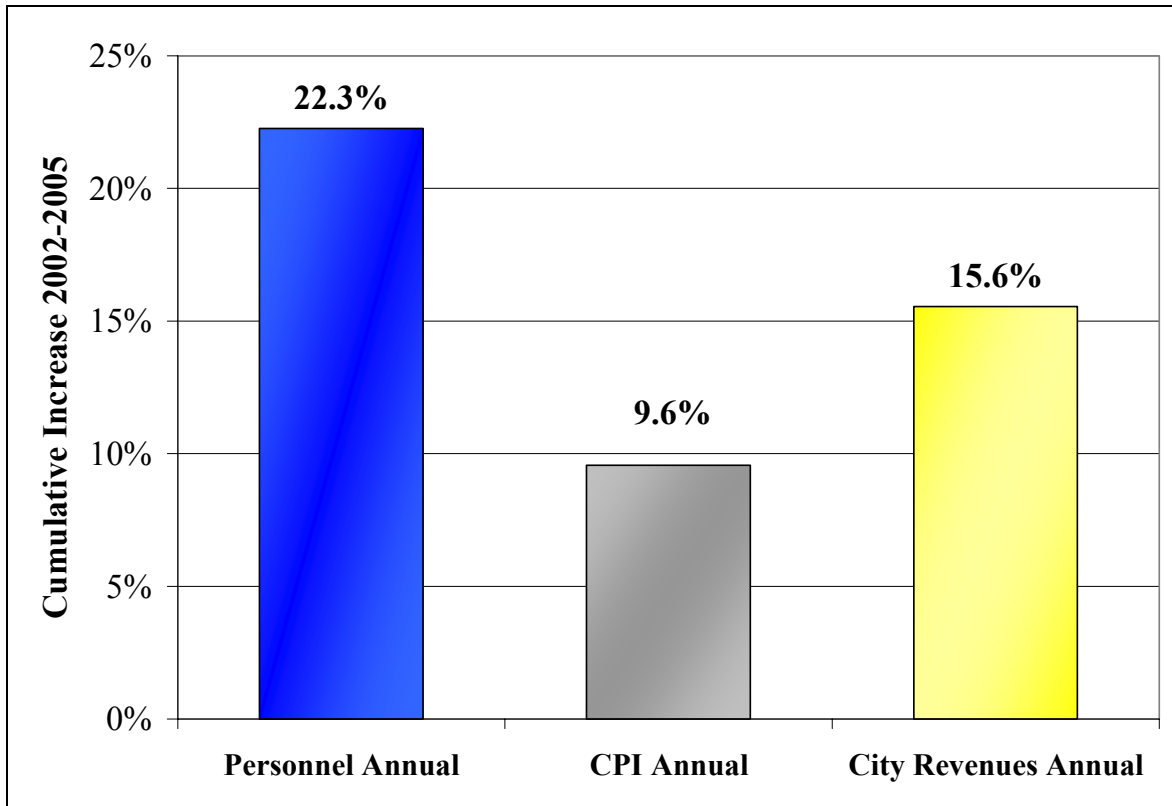
Government is a labor intensive endeavor. It is people who patrol City streets, repair potholes, respond to emergency calls, and maintain parks and recreation facilities. The dedication and commitment of municipal employees is critical to efficiently providing vital services to the citizens of Allentown.

At the same time, employee expenditures represent such a large portion of the budget that the City must work to contain workforce spending to reach its legally mandated goal of not allowing expenditures to exceed projected revenues. With so much of the budget of Allentown consumed by wages and benefits, financial sustainability is dependent on a workforce cost structure that remains within the City's limited means. Without a financially stable municipal government, there can be no stability in either public services or the long-term compensation structure for City employees.

Further, while the City has taken some steps to address its high personnel expenditures – for example, by reducing headcount in 2005, renegotiating health insurance plans with City vendors, and freezing management wages – overall cost pressures remain high. Over the past four years, growth in the City's wage and benefit spending has been well over twice the rate of inflation, and has also significantly outpaced growth in locally generated revenues. Not only have these trends been a major driver behind the City's financial distress, but the growing percentage of the City budget required for personnel costs has also eroded the level of resources available for investment in non-workforce needs.



PERSONNEL EXPENDITURES
Growth FY2002 – FY2005 Exceeds CPI and Growth in Revenues



Although moderated somewhat in 2004 and 2005, reductions were achieved largely through difficult headcount and service-level reduction. Going forward, continued cost pressures are projected due to the high growth rate for health benefits, rising employee pension costs due to factors including a large wave of early retirements, as well as police and fire wage increases averaging greater than inflation under the terms of new arbitration awards.

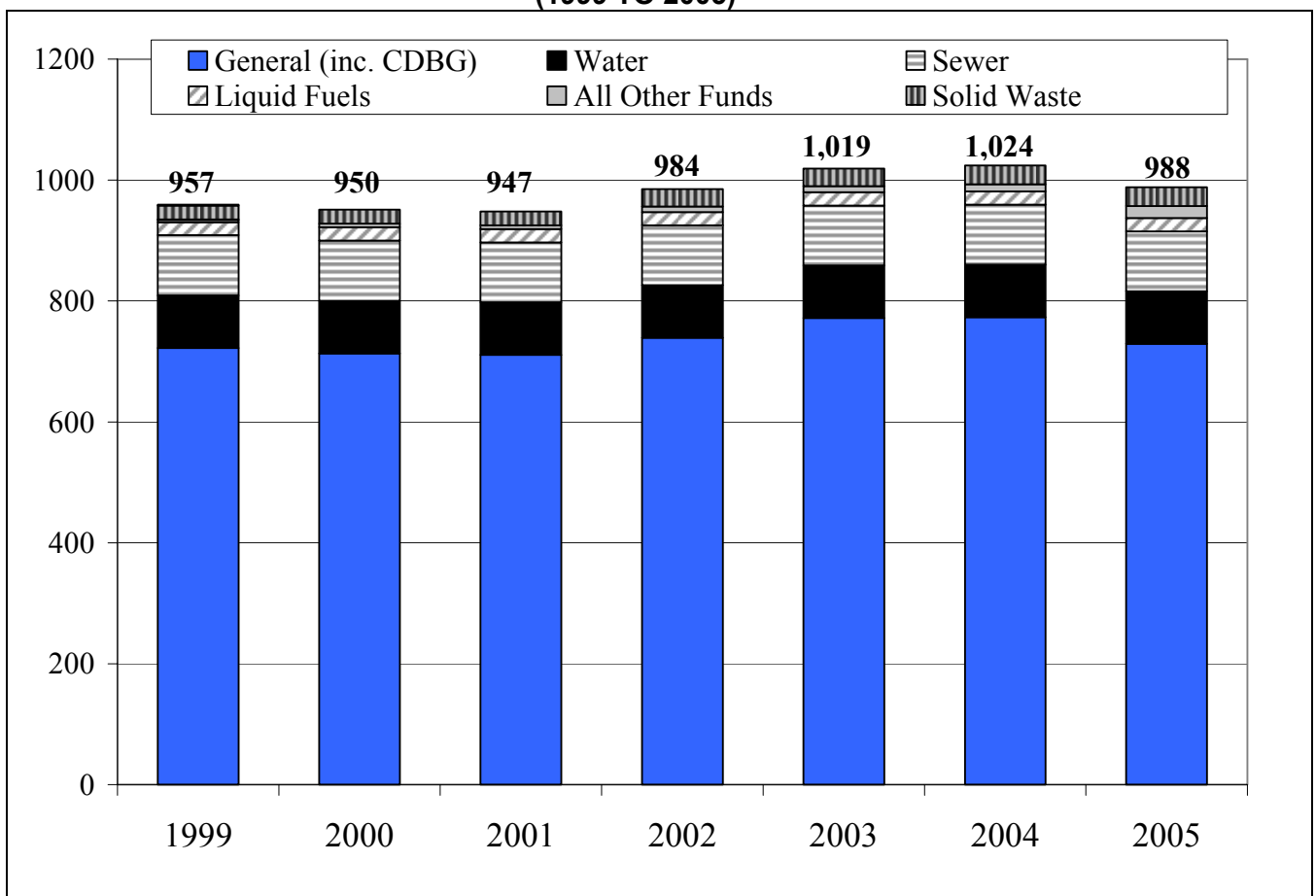
To achieve bottom line stability, Allentown must contain the rate of growth in its workforce spending. This goal is particularly critical given the slow growth of revenues projected over the course of the Five-Year Plan.

To achieve this fiscal imperative – while also striving to maintain quality services and minimize any hardship on public employees – this workforce strategy incorporates three primary goals:



- **Reduce the per employee cost of compensation.** The cost of wages and benefits can be contained while still maintaining competitive compensation. To achieve this objective, this chapter outlines options for moderating future wage growth, bringing fringe benefits into line with public and private sector norms, and controlling overtime spending through work rule reforms and reductions in the usage of paid leave.
- **Achieve the right sized workforce and deploy that workforce effectively.** Allentown should also work with employees to accommodate changing service needs over time. Throughout this Report, multiple strategies are set forth for improved technology, work procedures, and managed competition. Such initiatives would enable the City to maintain quality services with a smaller number of personnel. It may be noted that, despite significant cuts in the 2005 budget, Allentown still funds more positions than just a few years ago.

**CITY OF ALLENTOWN POSITIONS -
ALL FUNDS
(1999 TO 2005)**



- **Strengthen human resources management.** Also critical in a leaner, more technologically sophisticated environment, Allentown should strengthen its overall human resources management. In the “Human Resources” section of this Plan, strategies are outlined for investment in employee training and other best practices important to providing high quality services.

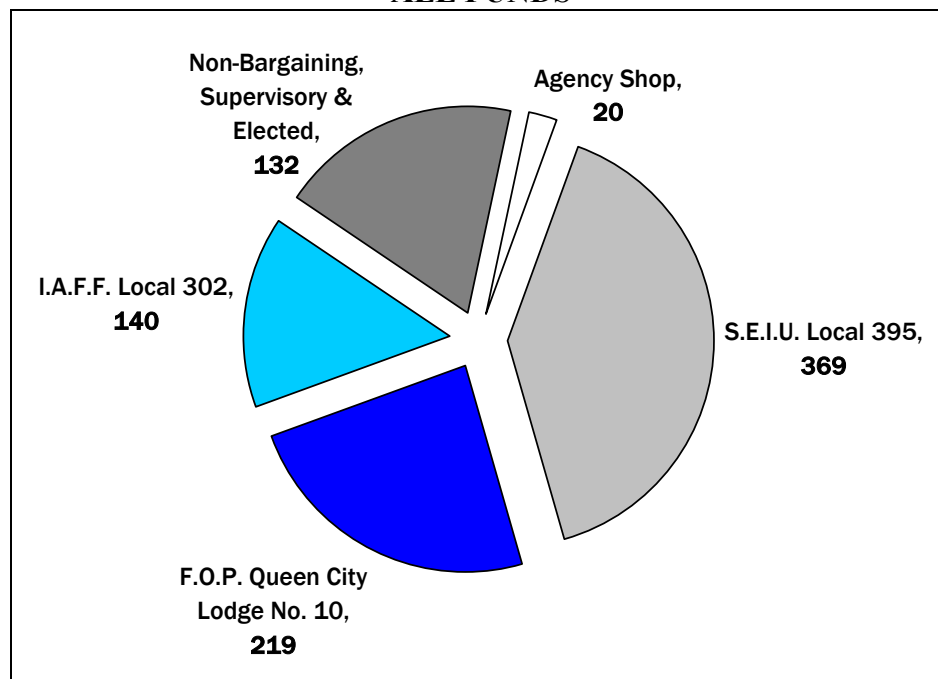
Allentown should pursue these three goals in tandem, working with its operational managers and public employee unions to implement the changes needed to restore long-term financial stability.

LABOR-MANAGEMENT RELATIONS

As detailed in the chart below, a large majority of Allentown municipal workers – more than eight out of ten City employees – are represented by one of the following three employee unions:

- Service Employees International Union Local 395
- Fraternal Order of Police Queen City Lodge No. 10
- International Association of Fire Fighters (IAFF) Local 302

UNION AFFILIATIONS OF ALLENTOWN EMPLOYEES ALL FUNDS



Within the past year, initial changes in the City’s workforce practices have begun at the top. In 2005, the City has taken the following actions to control personnel costs among appointed City managers and staff:

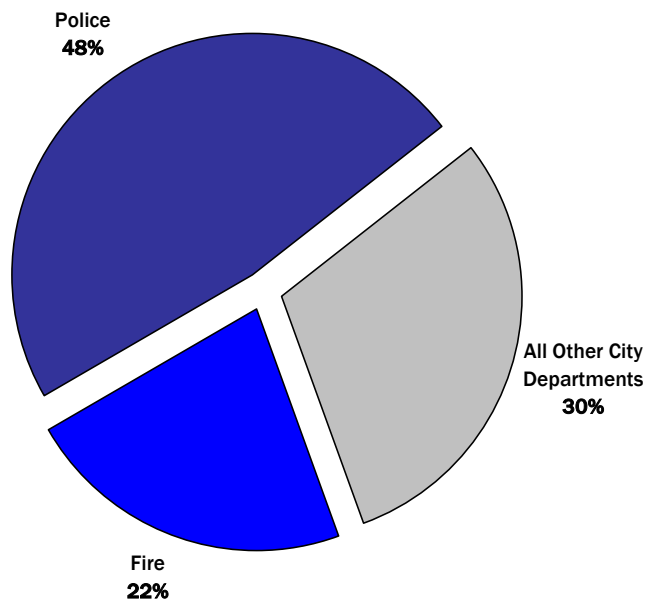


- Eliminated ten (10) management positions in multiple departments;
- Froze management wages; and,
- Increased brand name prescription drug co-payments from \$10 to \$25, and mandated the use of generic drugs where available.

Because the great majority of the City workforce is unionized, however, the challenge of controlling costs and improving effectiveness can only be fully addressed through the collective bargaining process and effective labor management relations. Further, with regard to all City employees – including managers – additional cost containment will likely be necessary to achieve financial stability.

For Allentown, containing workforce costs within the period covered by this Plan will be particularly challenging because two of the City's three collective bargaining groups are in the first year of long-term labor contracts. 2005 is the first year of a four-year contract with the Fraternal Order of Police (FOP) local and the first year of a seven-year contract with the International Association of Fire Fighters (IAFF) local. As shown in the following chart, the large number and high cost of police and fire safety employees for the City generates more than two-thirds of total City workforce expenditures, making it virtually impossible to fully control costs without addressing public safety functions.

FY2005 PERSONNEL EXPENDITURES



Nonetheless, the City's contract with over 200 municipal workers represented by the Service Employees International Union (SEIU) does expire in December 2005, and these upcoming negotiations provide an important opportunity for Allentown to begin to advance long-term, structural changes to its workforce spending.



While such restructuring may require dramatic changes in the short-term, the experience of other financially distressed governments strongly indicates that such reforms are essential to long-term, sustainable recovery:

- In 1992, the City of Philadelphia reached labor agreements through both civilian negotiations and police/firefighter arbitrations that included a two-year wage freeze (total four-year term of 0, 0, 2, and 3 percent), elimination of 4 holidays (from 14 to 10), lowered police and fire starting pay by \$6,000 (20 percent), reduced employer health benefit contributions, restructured longevity pay, and disability and sick leave reforms.
- As a component of its fiscal recovery in the mid-1990s, the City of New Haven, Connecticut negotiated a two-year wage freeze in FY1995-96, and significant health care cost containment.
- During its 1995 fiscal crisis, the District of Columbia imposed multiple changes including 6 percent wage *cuts* in the middle of negotiated contract term, 6 unpaid furlough days in FY95, and 6 more unpaid days in FY96.
- In the fiscally distressed City of Scranton, a four-year clerical employee settlement reached in late 2002 froze City health care costs, eliminated longevity for new hires, and provided no base wage increases (lump sum bonuses only) over four full years. The City's 2004 clerical employee settlement froze City health care costs, eliminated longevity for new hires, and provided no base wage increases over a full four years (lump sum bonuses only).
- Since 2004, the City of Pittsburgh has negotiated settlements with the majority of its municipal unions that include a two-year wage and step freeze and the introduction of a 15 percent employee health benefits contribution (or equivalent) along with significant cost containment plan redesign.

Even among governments not yet under fiscal oversight, widespread public sector fiscal challenges – including weakened revenues and rising retirement and healthcare benefit costs – have led many to adopt significant cost containment measures.

- According to recent National League of Cities surveys of municipal finance officers across the U.S., 2002 was the first time in more than a decade that over half (55 percent) of these officials believed their City to be less able to meet financial needs compared to the previous year. In 2003, this figure rose to 81 percent, and expectations remained negative at 63 percent for 2004. When asked what issues have had the most negative impact on the ability to meet financial needs, rising costs for health benefits and pensions are the first and second most frequently cited.
- Facing such trends, workforce reduction has been widespread. In Pennsylvania, many cities and other larger governments have imposed layoffs. Within the past two years, for example Pittsburgh laid off over 400 workers – including police and EMTs – while Philadelphia laid off employees for the first time in over two decades.



Wage freezes and increased cost sharing for health benefits have also become increasingly common. For example:

- Commonwealth of Pennsylvania FY2004 settlements for approximately 80,000 state employees include a two-year wage freeze, one-year step freeze, and introduction of cost-sharing for health benefits.
- Many other state governments are also imposing wage freezes. State of Maryland workers, for example, received no general wage increases between January 2002 and July 2004. In 2004, after this 2.5 year pay freeze, fixed dollar increases of just \$752 (averaging 1.6 percent) were provided. Similarly, Ohio state employees received no wage or step increases for FY2004 or FY2005.
- In addition to the Pittsburgh and Scranton examples cited above, Wilkes-Barre firefighters reached a new agreement in 2004 that provides for a first year wage freeze, along with average wage increases over the seven-year term of the agreement of just 2.85 percent. In addition, cost-sharing for health benefits was introduced for the first time.

While such workforce changes can be difficult in the short run, long-term spending must become aligned with revenue growth. Without a fiscally stable local government, future labor negotiations will always focus on how to divide a shrinking pie. Although achieving such stability may require real near-term sacrifices, as the City recovers, it will be able to share the rewards of its fiscal responsibility with its employees.

PER EMPLOYEE COMPENSATION

This section reviews the major components of the City's total compensation package, and outlines a number of significant opportunities in current and future contract negotiations to reduce the City's cost per employee. These potential changes would not materially impair the City's ability to recruit and retain qualified personnel, shift Allentown out of the mainstream for regional compensation, or dramatically erode the quality of life for individual employees and their families. While budgetary balance can likely be achieved without adopting each and every one of these options in full, and further alternatives may arise, some significant change is critical to align Allentown's workforce costs with available means.

Salaries and Wages

The largest component of employee compensation is salaries and wages; therefore, controlling the growth of these expenditure categories is key to successfully controlling the costs the overall workforce.



Citywide, without corrective action, the cost of full-time salaries is projected to increase by more than \$3.5 million over the Plan period – from \$31.5 million to \$35.1 million per year. By far the largest salary growth factors originate in the Police and Fire Departments, with Cost of Living Adjustments (COLAs) and bargained pay awards increasing the salary growth percentage to virtually twice the forecast rate of inflation in 2007 and 2008.

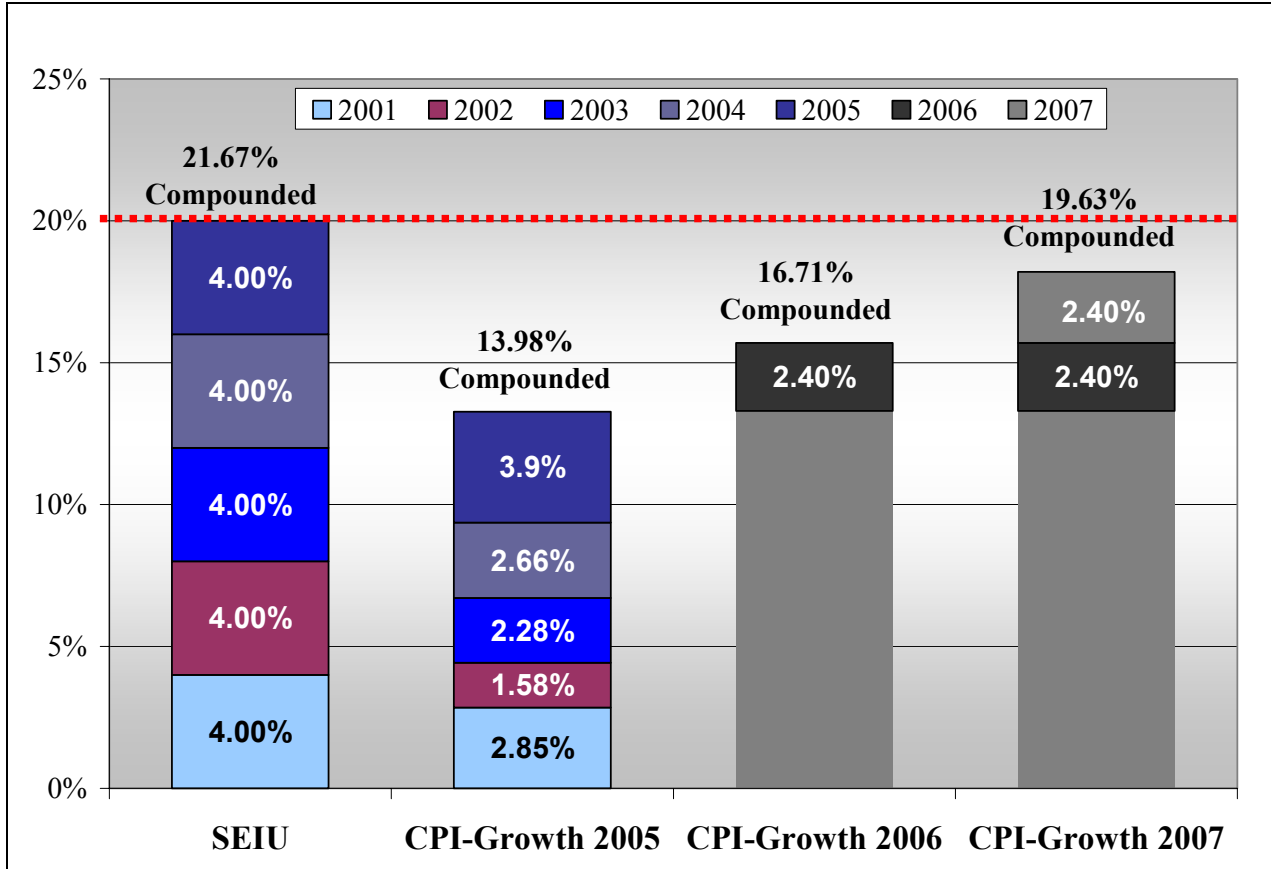
While this Five-Year Plan does not assume reversals or undoing of base wage levels legitimately negotiated in past collective bargaining, the City's history of pay increases above the rate of inflation would make it possible to contain future wage growth at the expiration of current agreements while still maintaining pace with long-term cost-of-living changes.

A) Municipal Employees

The chart below shows wage increases for the Service Employees International Union (SEIU) – the largest city bargaining unit – from the beginning of 2001 through the end of the existing agreement and compares them to growth in the CPI. As illustrated, with annual wage increases of 4.0% for each of the past five years, across-the-board wage growth exceeded the CPI by nearly 12 percentage points. As a result, based on current CPI projections, SEIU wages could be frozen during 2006 and 2007 and still be ahead of their inflation-adjusted levels as of the start of their last agreement in 2001.



**FY2001 ACTUAL – FY2007 PROJECTED
WAGE INCREASES – MUNICIPAL WORKERS AND THE CPI**



Note: With 2005 year-end CPI data not available at time of publication, PFM used the most recently-available inflation forecast from the Survey of Professional Forecasters, the oldest quarterly survey of macroeconomic forecasts in the United States, released by the Federal Reserve Bank of Philadelphia. The Fourth Quarter survey forecasts that 2005 inflation will average 3.9 percent.

Further, individual employees frequently receive step or longevity increments over and above across-the-board raises, such that individuals have typically experienced even greater salary growth – even without merit-based promotions. Accordingly, even during a “wage freeze,” many employees would receive step and longevity increases to actual pay.

B) Firefighters and Police Officers

Again, Allentown’s firefighters – represented by the International Association of Fire Fighters (IAFF) Local 302 – are under contract until 2012. The terms of this contract provide for continued base wage growth that will exceed projected CPI over the term of the contract, as shown in the following table.



Negotiated Wage Increases, Allentown Firefighters

	July 2005	July 2006	Jan / July 2007	Jan 2008	Jan 2009	Jan 2010	Jan 2011
IAFF	COLA	COLA	3% (Jan) + COLA (July)	3% + COLA	COLA	COLA	COLA

COLA: Annual cost of living adjustment increase based upon the Federal Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)

The City's police officers, represented by the Fraternal Order of Police, Queen City Lodge No. 10, are under contract through December 2008. The most recent F.O.P. contract provides significant hearing-related overtime reduction provisions that are projected to generate savings in 2006, however, salary increases, pension enhancements and other compensation factors will be significant cost drivers in the later years of the multi-year projection, particularly in Fiscal Years 2007 and 2008.

Negotiated Wage Increases, Allentown Police Officers

	Jan 2005	Jan / July 2006	Jan / July 2007	Jan / July 2008
Fraternal Order of Police	COLA (2.14%)	COLA (Jan) + 3% (July)	COLA (Jan) + 3% (July)	COLA (Jan) + 3% (July)

COLA: Annual cost of living adjustment increase based upon the Federal Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)

Overall, the City's strong current position with regard to base pay indicates that some period of future wage growth moderation after the end of the current contracts would not shift Allentown's public safety personnel outside the mainstream of the local labor market. Among the Commonwealth's larger cities of the third class, Allentown police and firefighters are already among the highest paid, and the increases outlined above will result in further growth above inflationary levels across the terms of both contracts.

Overtime

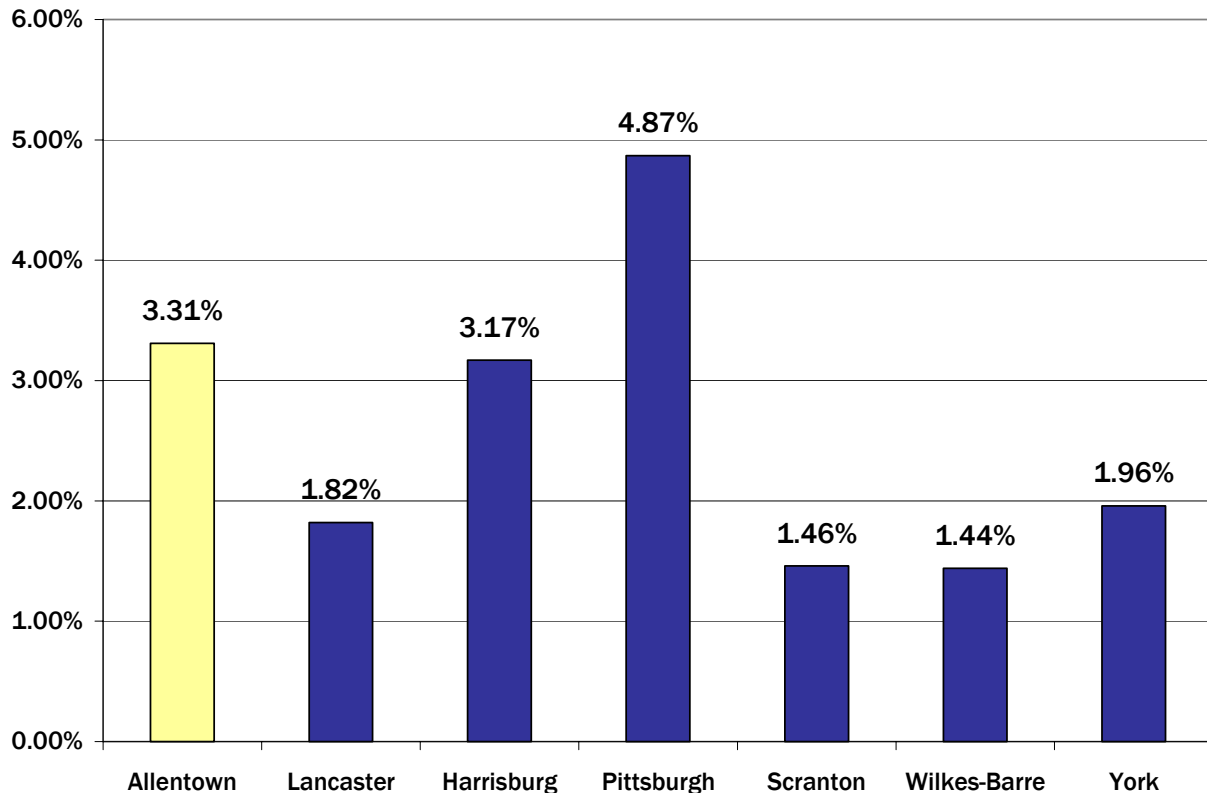
Allentown employees are projected to receive a total of \$2.9 million in overtime pay in 2005. The 2005 overtime budget equates to 6.5 percent of salaries and 4.1 percent of all pay. Two departments – Police and Fire – were responsible for 86.2 percent of total overtime spending, with \$1.3 million and \$587,000 respectively in 2005 budgeted expenditures.

Of course, overtime may sometimes serve as an efficient means of ensuring that personnel are available for handling unanticipated or episodic events. In certain cases, overtime can even be more cost effective than adding staff – particularly when the total cost of compensation, including benefits, is accounted for with additional hires. Nonetheless, when overtime becomes a routine means to meet normal service delivery requirements, or is used to provide supplemental compensation for non-critical tasks, it becomes an ineffective way to manage scarce resources.



In Allentown, 2005 budgeted overtime is high when compared to other Pennsylvania cities. The graph below shows the ratio of total overtime expenditures to total General Fund budgets. While this ratio may be affected by factors unrelated to excessive overtime, Allentown's high ratio (3.2%) and relatively high ranking among regional cities indicate that initiatives to better control these costs are warranted.

**2005 OVERTIME EXPENDITURES
AS PERCENTAGE OF TOTAL GENERAL FUND BUDGET**



Among the factors that may contribute to excessive levels of overtime are high levels of absenteeism due to the accrual of vacation and sick days; overtime guarantees; work schedules that do not match service demand schedules; and inadequate technological resources for increasing productivity. Along with high allowances of paid leave time further detailed in subsequent sections of this Workforce Chapter, specific examples of overtime drivers include:

- Guaranteed overtime rates above Fair Labor Standards Act (FLSA) requirements. For example, Allentown SEIU-represented employees are paid at time-and-a-half rates after working eight (8) hours in a day, even if they did not work a full forty (40) hours during that week due to personal or sick leave usage. Under the FLSA, employees are only required to be paid straight time until they have actually worked the regular hours in a full period.



- Minimum overtime guarantees for employees called in to work outside of their regular schedule. In the SEIU contract, call in assignments are guaranteed a minimum of four hours straight time pay. In Allentown's recent police contract, parallel court time guarantees were scaled back to achieve significant savings.
- The SEIU contract currently limits the use of seasonal employees to 50. This artificial cap constrains the use of supplemental resources to manage predictable workload peaks.

Other Pay Premiums

Beyond base wages and overtime, Allentown spends millions each year on additional pay– ranging from compensation for longevity to shift assignments to uniform maintenance allowances. Examples include:

- **Longevity:** Beginning with the fifth year of service, SEIU members receive \$100 longevity pay, increasing annually to reach \$1,500 after 25 years. Firefighters receive \$175 in the fifth year, increasing to a maximum of \$1,825 after 25 years. Police receive \$425 in the fifth year, increasing by \$100 annually with no cap.
- **Holiday Pay (Police and Fire):** City firefighters receive 12 hours pay for each of 13 holidays annually, whether or not they work – and an additional 6 hours pay if they do work on one of four “festive” holidays. City police officers receive a full day's pay for each of 14 holidays, whether or not they work, plus time-and-a-half (total of 2.5X regular pay) if they actually work on any of the 14 days.
- **Clothing Allowance:** Uniformed police and firefighters receive a \$300 annual uniform maintenance allowance along with uniforms at no cost. Non-uniformed police personnel an annual allowance of \$500.00. SEIU-represented Para-Police, Paramedics and Police Cadets receive \$175 annually for uniform upkeep.
- **Education Pay (Police):** An additional \$300 per year is paid to police who have earned an Associates Degree, \$600 for a Bachelors, and \$750 for a Masters.
- **Shift Differential:** Additional compensation is available for police staffing the middle shift (\$0.35/hour) and/or Night Shift (\$0.40/hour). In SEIU-represented positions, a shift differential of \$0.50/hour is paid.

Pay Categories	2005 Budgeted
Salaries - Full & Part Time	29,348,564
Premium Pay (Overtime)	2,209,327
Other Premium Pay, including, Education Pay, Holiday Pay, Extra Duty Pay, Uniform Allowance and Shift Differential	1,288,345
Total	32,846,236



Paid Leave

Allentown employees are eligible for multiple forms of paid leave. The City pays for time not worked through paid holidays, vacation days, personal and sick leave and injury leave. For the average civilian City employee with over 15 years of tenure, total time-off equates to 8 holidays, up to 6 personal days, up to 21 sick days, and 25 vacation days. When added together, paid leave per employee totals 60 days, almost three months of the 260-day work year. For uniformed employees, holidays are generally compensated through additional cash premiums, while sick and vacation leave is highly generous. Given the City's current fiscal condition and the impact of high leave usage on staffing needs and overtime, the appropriate level of these benefits must be closely evaluated.

PAID LEAVE FOR 15-YEAR ALLENTOWN EMPLOYEES VERSUS U.S. PUBLIC AND PRIVATE SECTOR¹

	Holidays	Sick Day Allowances	Vacation Days	Personal Days	Total
SEIU Local 395	8.0	21.0	25.0	6.0	60.0
FOP Lodge No. 10	14.0 premium pay	30.0	25.0	3.0	72.0
IAFF Local 302 <i>Note: working days as shown average 12 hours, equating to more paid leave than other groups if converted to 8-hours</i>	13.0 premium pay	21.0	21.0	0.0	55.0
US State and Local Governments ²	11.4	12.6	21.1	0.0 ³	48.2
US Private Sector Average ⁴	8.0 ⁵	10.5	17.8	0.0 ⁶	39.8

Sick Leave. Allentown sick leave allowances are extraordinarily high, at 21 days per year for the SEIU, 30 days for police, and 21 12-hour days for firefighters. In evaluating

¹ A 15-year tenure is used for benchmarking leave allowances based on typical average experience among governments with which PFM has worked nationally.

² National averages for holidays, sick, vacation, and personal days from Department of Labor, Bureau of Labor Statistics, *Employee Benefits in State and Local Governments, 1998* (pub. December 2000). Sick days are average number of days at full pay for full-time employees for cumulative plans.

³ According to *Employee Benefits in State and Local Governments, 1998* (pub. December 2000), three of five state and local governments do not provide personal days, and therefore the median number of days is shown in the table. For the minority of state and local governments that do provide personal days, the average number of days is 3.1.

⁴ National averages for sick and personal days from U.S. Department of Labor, Bureau of Labor Statistics, *Employee Benefits in Medium and Large Private Establishments, 1997* (pub. September 1999). Sick days are average number of days at full pay for full-time employees for cumulative plans.

⁵ Holiday and vacation data from the *National Compensation Survey: Employee Benefits in Private Industry in the United States, March 2005*. Also per this report, only 36 percent of full-time employees receive personal days, and therefore the median number of days is shown in the table. Because detailed sick leave benefit data not available in this report, *Employee Benefits in Medium and Large Private Establishments, 1997* (pub. September 1999) was used for the sick leave average reported.

⁶ According to *Employee Benefits in Medium and Large Private Establishments, 1997* (pub. September 1999), 80 percent of full-time employees do not receive personal days, and therefore the median number of days is shown in the table. For the minority of employers that do provide personal days, the average number of days is 3.5.



these benefit levels, it should be noted that Allentown's high allowance for SEIU-represented employees is somewhat offset by a partial payment system not typically found among comparable employers. In the SEIU agreement, employees may be paid at only 90% for all sick days used after their first three in a year unless there is documentation of serious medical conditions or a past record of good attendance.

Nonetheless, Allentown's sick leave usage is also higher than government averages and the experience of most private sector industries. Such excessive leave usage not only reduces productivity, but also triggers increased costs for overtime and call-back time to cover the duties of absent employees. Further, such high sick leave usage appears to be correlated with the high allowances provided by the City.

	Days Used	No. of Employees in Unit	Average Sick Days Used Per Employee
SEIU Local 395	4,384.5	369	11.9
FOP Lodge No. 10	2,615.5	219	11.9
IAFF Local 302	1,715	140	12.3
Non-Bargaining	1,092.75	174	6.3
Government Sector Average			9.6
Manufacturing Sector Average			5.6

According to a survey by Commerce Clearing House (CCH) Inc.⁷, the average number of sick days granted by U.S. government employers was 11.9 per year. These findings are generally consistent with similar surveys by the U.S. Bureau of Labor Statistics, which found the average number of days provided to State and local government employees to range from 12.3 to 12.6 per year in cumulative plans (depending on length of service)⁸, and the comparable average for private sector employees in medium to large establishments to range from 9.0 to 11.6 days per year.⁹ In turn, the CCH findings also indicate a relationship between the number of days granted and the number of days actually used: of the eight industry sectors listed below, only one, Finance/ Banking, had a usage rate of less than 70 percent of granted sick days.

⁷2001 Commerce Clearing House (CCH), Inc. Unscheduled Absence Survey. Over 230 human resources executives in organizations covering nearly 1.4 million employees in 42 states were included in this survey, one of the largest and most comprehensive of its type. Recent CCH reports have not included this level of detail.

⁸U.S. Bureau of Labor Statistics (December 2000): Employee Benefits in State and Local Governments, 1998.

⁹U.S. Bureau of Labor Statistics (September 1999): Employee Benefits in Medium and Large Private Establishments, 1997.



AVERAGE SICK DAYS GRANTED AND USED BY INDUSTRY SECTOR

	Number of Days Granted	Number of Days Used	Percentage of Available Days Used
Government	11.9	9.6	80.7%
Service	8.3	8.4	101.2%
Utility	4.1	4.1	100%
Health Care	7.0	5.9	84.3%
Manufacturing	7.2	5.6	77.8%
University	9.9	7.4	74.7%
Retail/Wholesale	8.6	6.1	70.9%
Finance/Banking	14.3	6.1	42.7%

Source: CCH, Inc. (2001)

Aggressive programs to manage leave usage, particularly sick leave, can help to control the major overtime costs correlated with leave of absence usage. Reports and feedback for operational managers can help to improve accountability and drive down excessive usage. Over the longer-term, reduced sick leave allowances, strengthened wellness and disease management programs, and tightened control policies can also achieve positive results.

Holidays and Personal Leave. SEIU members currently receive the 8 paid holidays listed below, supplemented by the provision of up to six personal days to SEIU bargaining unit employees, for a total of 14 days.

- | | |
|---------------------|---------------------------|
| 1. New Year's Day | 5. Labor Day |
| 2. Good Friday | 6. Thanksgiving Day |
| 3. Memorial Day | 7. Day After Thanksgiving |
| 4. Independence Day | 8. Christmas Day |

While the number of paid holidays is below the U.S. state and local government average of 11.4 holidays and the private sector average of 9.3 holidays, the additional 6 personal days ("floating holidays") raise combined paid holiday and personal leave in Allentown well above government and private sector averages.

Again, FOP members currently receive the 14 paid holidays listed below. Police officers receive a full day's pay whether worked or not, and are paid at the actual hourly rate of each employee. Officers required to work on any of the holidays are compensated at time-plus-one-half overtime in addition to the regular rate of pay for that day.

- | | |
|-------------------------------|---------------------------------|
| 1. New Year's Day | 8. Veterans' Day |
| 2. Martin Luther King Jr. Day | 9. General Election Day |
| 3. Good Friday | 10. Thanksgiving Day |
| 4. Memorial Day | 11. Day After Thanksgiving |
| 5. Flag Day | 12. Christmas Day |
| 6. Independence Day | 13. Covered Employee's Birthday |
| 7. Labor Day | 14. Employee's Anniversary Date |



As also noted, IAFF members currently receive the 13 paid holidays listed below, whether worked or not. Fire fighters receive an additional half day's pay [in addition to 12 hours holiday pay] when they work on Festive Holidays: New Year's Day; Independence Day; Thanksgiving; or Christmas.

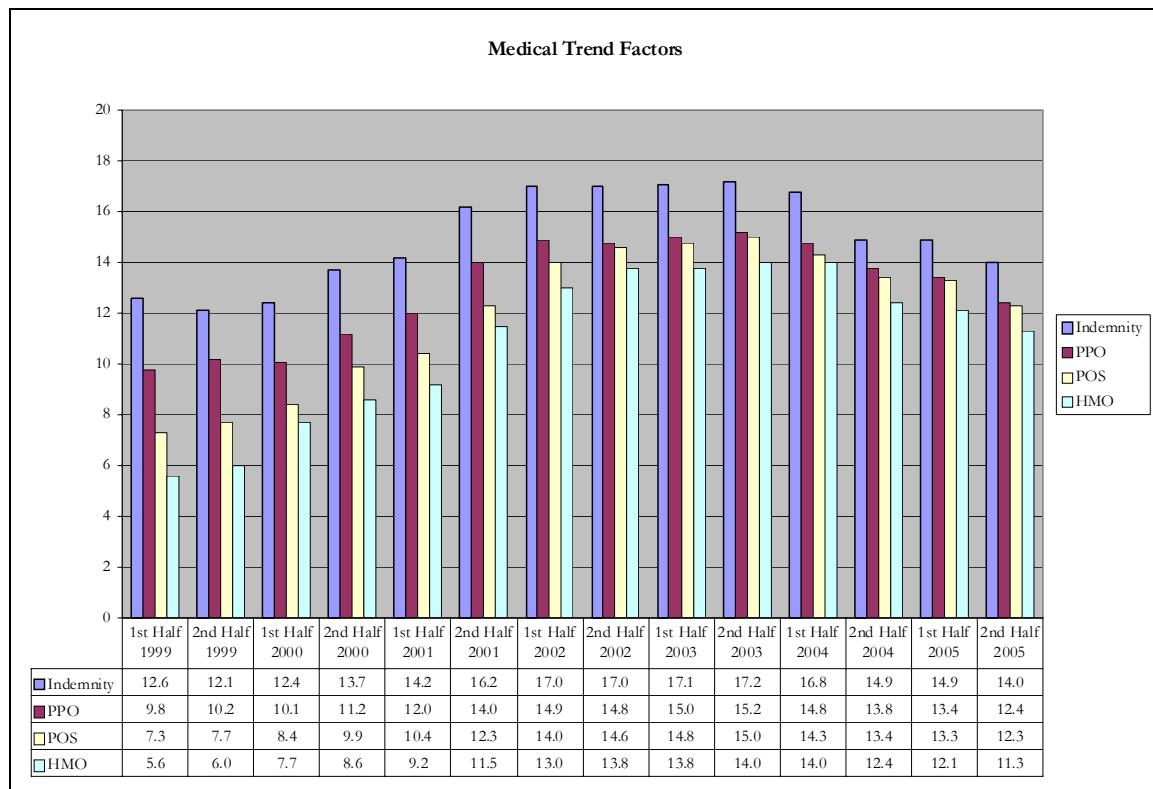
- | | |
|-------------------------------|--------------------------|
| 1. New Year's Day | 8. Washington's Birthday |
| 2. Martin Luther King Jr. Day | 9. Good Friday |
| 3. Labor Day | 10. Easter |
| 4. General Election Day | 11. Thanksgiving Day |
| 5. Independence Day | 12. Christmas Day |
| 6. Veterans' Day | 13. Flag Day |
| 7. Labor Day | |

Health and Welfare Benefits

Medical coverage and life insurance for Allentown employees and retirees cost the City \$10.39 million in 2004 – 22 percent of total compensation. Further, costs of medical coverage are projected to rise dramatically in the coming years.

The Buck Consultants National Health Care Trend Survey, Second Half 2005 indicates continued double digit growth in underlying medical plan cost trend pressures.

MEDICAL TREND FACTORS ANNUAL PERCENTAGE COST INCREASES BY PLAN TYPE



Source: Buck Consultants National Health Care Trend Survey, Second Half 2005. Reflects underlying medical premium trends prior to plan redesign or other cost containment measures.

In response, widespread plan design cost containment and cost-sharing actions by employers, along with some cyclical in healthcare underwriting, have led to modest reductions in average medical premium increases relative to the peaks of the first part of the decade. Overall, however, growth in health insurance costs nationally remains approximately three times that of the general CPI, and most analysts expect ongoing high rates of growth for the foreseeable future.

Although the City of Allentown has taken some steps to contain the cost of health benefits, including the renegotiation of its contract with its primary provider, Capital Blue Cross, benefits for both union and management workers remain generous. The City requires no cost sharing for monthly premiums from its represented employees choosing its Capital Blue Cross Traditional plan, and managers pay just ten percent (10.0%).

In contrast, a recent Bureau of Labor Statistics report on private industry found employee contributions toward benefits to be commonplace (National Compensation Survey: Benefits in Private Industry in the U.S., March 2005):

- 88 percent of private industry workers with medical insurance are required to contribute toward premiums for family coverage (89 percent for establishments with 100+ workers) and 76 percent for single coverage (82 percent for establishments with 100+ workers)
- The typical covered worker pays 29 percent of the premium cost for family coverage (26 percent for establishments with 100+ workers) and 18 percent for single coverage (17 percent for establishments with 100+ workers)
- On a monthly basis, these employee contributions average \$68.96 for single coverage (\$64.05 for establishments with 100+ workers) and \$273.03 for family coverage (\$243.38 for establishments with 100+ workers).

Likewise, a majority of public sector employers nationally also require cost-sharing, including a growing number of Pennsylvania governments. Across the U.S., 46 out of 50 state governments require employees to contribute toward family coverage, while 37 of 50 states require a contribution for some or all individual plans (Workplace Economics, Inc. 2005). In Pennsylvania:

- Commonwealth of Pennsylvania: Pursuant to June 2003 collective bargaining agreements, the Commonwealth is phasing in its first employee monthly health benefit premium cost-sharing over a several year period for almost all of its nearly 80,000 workers. Employee contributions will rise to 1 percent of salary by FY2007.



- State System of Higher Education: Effective in 2005, Association of Pennsylvania State College and University Faculties members now contribute 10% of the cost of medical and prescription coverage.
- City of Pittsburgh: Pittsburgh employees now contribute an average of 15.0% of premium costs.
- City of Wilkes-Barre: In a long-term settlement (January 2004 – December 2010) reached with its firefighters union, Wilkes-Barre introduced a new hire premium cost-sharing system, with contributions starting at 30 percent and declining to 5 percent (potentially 10 percent) over six years of service. In addition, all firefighters will make a 5 percent (potentially 10 percent) premium contribution effective 1/1/08.

Nationally, deductibles and office visit copays have also been trending upward. For example, the Employer Health Benefits 2005 Annual Survey reports that between 2003 and 2005, the percentage of covered workers with a \$20 copay for office visits increased from 19 percent to 32 percent. As a result, \$20 is now the median office visit copay, double the \$10 median of 2002.

Similarly, across Pennsylvania's public sector, plan redesign has been common. In cooperation with the Commonwealth's major unions, for example, the state Pennsylvania Employees Benefit Trust Fund (PEBTF) has implemented significant plan redesign to further contain costs, including:

- Phase-out of indemnity plan
- Increased deductibles and co-insurance
- Tightened spousal eligibility rules
- Reduced coverage levels for probationary employees

Within overall healthcare plans, prescription drugs are a major cost driver. According to the Buck forecast, projected growth for prescription drug plans is 12.8 percent among Pharmacy Benefit Managers (PBMs) and health insurers. These projections represent at least the 7th consecutive year that prescription plans have trended in the double digits.

Growing from \$1.9 million in 2001, Allentown prescription costs increased at an average annual rate of 10.6 percent. Currently, Allentown features a "two tier" plan for prescription drugs for employees, with a low \$5.00 charge for generic drugs and just a \$10.00 co-pay for brands. Effective January 1, 2005, prescription drug co-pays for brand name drugs were increased from \$10.00 to \$25.00 for all non-bargaining, supervisory, appointed, and elected officials.

In contrast, many well-managed plans mandate generic drugs where medically appropriate under a controlled formulary approach, and/or use a "three-tier" co-pay system to encourage employee participation in cost-effective decision-making. For example, the City of Wilkes-Barre recently increased the prescription drug co-payment system from two tiers (\$5/\$20) to three tiers (\$10/\$20/\$35); and the Commonwealth of



Pennsylvania increased prescription co-pays to from \$6 for generics and 15 percent up to \$25 maximum for brand drugs to \$10 generic; \$18 preferred brand; \$36 non-preferred.

According to the 2005 Kaiser/HRET Survey of both public and private employers, nationally, prescription drug co-pays have been increased and plans redesigned to create incentives for use of generic and formulary medicines.

- The use of three-tier (or more) formularies has grown from 27 percent of covered workers in 2000 to 74 percent in 2005.
- The average copays in 2005 were \$10 for generics, \$22 for preferred drugs, \$35 for non-preferred drugs.
- An increasing number of employers has further added a fourth-tier for certain high-cost drugs (e.g., lifestyle drugs or expensive biologics), requiring an average copay of \$74 where in effect.

ALLENTOWN HEALTH PLANS VERSUS LARGE FIRMS NATIONALLY

	Allentown Unions	Large National Private Firms (2005)
Monthly Employee Contribution	None	17% of premiums individuals; 26% for family coverage
Office Visit Co-Pay	\$5 (HMO)	\$15 - \$20
Annual In-Patient and Hospital Deductible	None	\$241
Prescription Drug Co-Pays	\$5 generic; \$10 brand	\$10 generic; \$22 formulary brand; \$35 non-formulary; \$74 fourth-tier (where in effect)

Source: Kaiser Family Foundation and Health Research and Educational Trust *2005 Employer Health Benefits Annual Survey*. Because survey reports data according to firm size, figures shown reflect median for data available for firm size most comparable to Allentown (large firms).

It is important for the City to continue efforts to revise benefit plan options and administration and use the most cost-effective regional providers. Nationally, the pressure to increase cost sharing and redesign plan incentives is not expected to abate significantly. Consequently, a high percentage of major employers report plans to increase the share of health care costs passed along to employees.

According to the 2005 Kaiser Survey, despite the significant changes already adopted by employers in recent years, 74 percent of large firms report the likelihood of further increases to the amount employees pay for their health insurance as “very likely” or “somewhat likely” for the next year. These strategies should also be a key area of focus in negotiating a new contract with the SEIU bargaining unit.

As the Wall Street rating agency, Fitch Ratings, wrote in a December 2004 special report “Local Governments Pressured by Rising Employee Health Care Costs:”



“The extraordinary growth of health care and health insurance costs over the last five years has created significant budgetary challenges for U.S. state and local governments...

Because health care is one of the fastest growing components of a government’s cost base, it is expected to be an increasingly important credit consideration...

From a credit perspective, Fitch believes the problem of rising employee health care costs is most acute for issuers whose financial operations are already strained and those with limited revenue-raising capacity or other financial flexibility. However, given the likelihood for continued rising costs, even issuers that historically have had positive financial operations and maintained strong fund balances may be affected if health care costs are not proactively and prudently managed.”

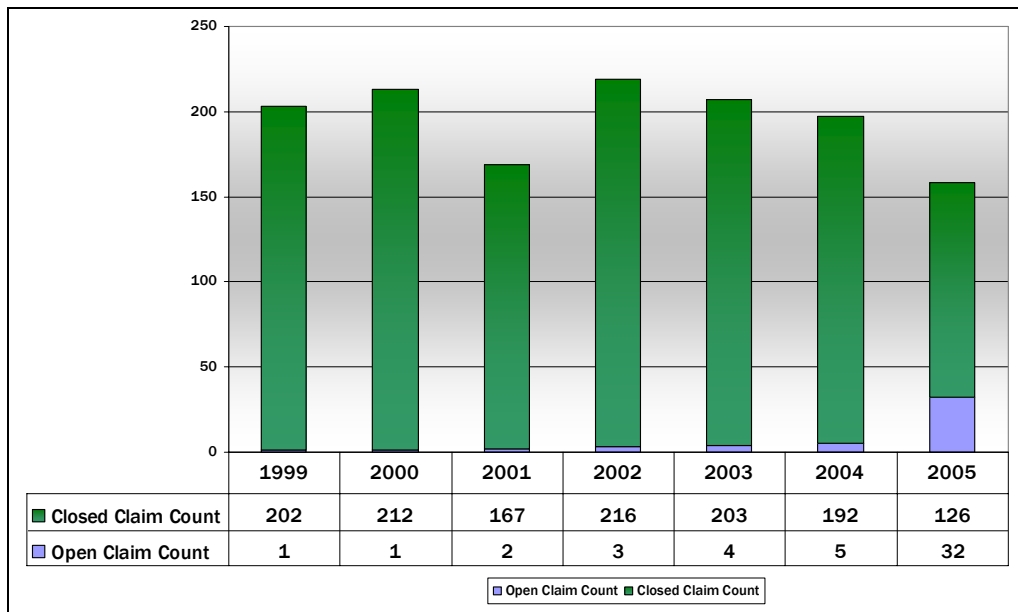
Injury benefits. Different systems for compensating employees with workplace injuries apply to the City’s three bargaining units, with civilians subject to the general Workers Compensation Law, and Fire and Police union members subject to the “Heart and Lung” Act and injury leave provisions of their Collective Bargaining Agreements.

Firefighters and police officers who have sustained an injury in the performance of their duties are compensated at 100 percent of their weekly wages when on injury leave. Because pay received while on leave is tax-free, firefighters on leave earn more than they would by coming to work, creating a disincentive to return to work. For firefighters, the City may require employees to submit a “Return to Work Evaluation” form once every two months, and for both police and fire employees, the City receives all monies paid to the employee under Pennsylvania’s Workers Compensation Law or any other insurance contract, less the amount for medical expenses.

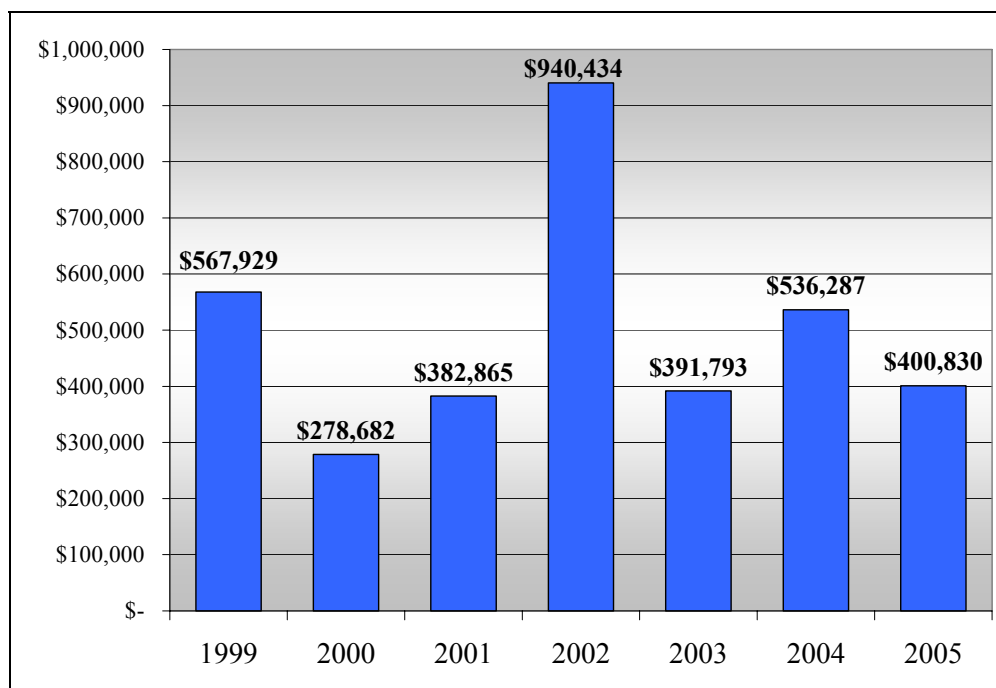
For both sworn and civilian employees, the City maintains a self-insured workers compensation program. The program funds benefits for City employees injured while working for the City. Under this program, injured employees receive benefits as provided by State law. Payments include medical expenses, indemnity (at 66.67 percent of annual pay for civilian employees) claims management, loss prevention, and excess insurance. The City contracts with a Third Part Administrator (TPA) to manage much of the program.



NUMBER OF WORKERS COMPENSATION CLAIMS FILED, 1999-2005 (OPEN CASES AS OF 06/30/05)



WORKERS COMPENSATION PROGRAM: TOTAL DOLLARS INCURRED (AS OF 06/30/05)



Opportunities to reduce Workers' Compensation costs are further outlined in the Human Resources - Risk Management section of this Plan. Such strategies may include:

- Settlement of open Workers' Compensation cases;



- Expanded limited duty programs, building on existing options; and,
- Accelerated reporting of injuries, claims, and related activities.

Longer-term, the City may also wish to explore development of a managed care network for Workers' Compensation medical care, perhaps providing an enhanced level of benefits to participating employees as an incentive for participation.

Other benefits. City of Allentown employees also receive various other benefits, such as life insurance, per collective bargaining agreements. Civilians receive life insurance coverage of \$20,000; Firefighters are provided with life insurance of \$50,000 with double indemnity for accidental death and dismemberment; and Police Officers have coverage of \$75,000, also with the double indemnity provision. Other miscellaneous benefits available to some or all bargaining units include: tuition reimbursement; payment for required licenses and certificates (other than driver's licenses); and partial payment for accrued, unused leave upon retirement.

Pensions and Other Post-Employment Benefits (OPEB). Like many public employers, Allentown maintains a generous defined benefit pension plan. These retirement benefits will require an employer contribution estimated at \$X.X million in FY2005, one of largest expenditure pressures in the City budget. In addition, Allentown projects to spend \$XXXX for retiree medical benefits in FY2005 – a major component of overall City workforce spending. With rising healthcare costs, a growing number of retired employees, and new Governmental Accounting Standards Board (GASB) Statement No. 45 changing the way this liability is viewed in the public sector, retiree healthcare will be an even more important challenge going forward. These issues, as well as the City's pension program, are further detailed in the "Pensions and Other Post-Employment Benefits (OPEB)" section of this Plan.

Overall competitiveness: recruitment and retention. The overall market competitiveness of the City's compensation for its employees is demonstrated by recruitment and retention success.

**TURNOVER DATA BY REASON
CITY OF ALLENTOWN
2003-2005**

	2003	2004	2005
Voluntary Resignations	21	30	16
Service Retirements	17	16	77
Terminations	3	5	11
Layoffs	1	3	3
Total Permanent Separations	42	54	107
Total Employees	1019	1024	988
Total Turnover Rate	4.1%	5.3%	10.8%
Quit Rate	2.1%	2.9%	1.6%

Source: Allentown Department of Human Resources



In comparison with national private and government sector averages, Allentown's quit rate (voluntary separations as a % of total workforce) is low. The United States Department of Labor releases labor turnover data on a monthly basis through its Job Openings and Labor Turnover (JOLTS) program. Although JOLTS data does include some categories of employees not directly comparable to the Allentown data above, the contrast nonetheless strongly indicates that Allentown's retention is strong.

NATIONAL PUBLIC AND PRIVATE SECTOR TURNOVER: AUGUST 2005

	Sep 2004	Oct 2004	Nov 2004	Dec 2004	Jan 2005	Feb 2005	Mar 2005	Apr 2005	May 2005	Jun 2005	Jul 2005	Aug 2005	Annual Rate
State and Local Govt. Quit Rate	0.7	0.5	0.4	0.5	0.5	0.4	0.4	0.5	0.7	0.8	0.7	1.2	7.3%
Private Quit Rate	2.0	2.0	2.1	2.1	2.2	2.0	2.1	2.1	2.1	2.1	2.1	2.2	25.1%

Source: United States Department of Labor, Bureau of Labor Statistics

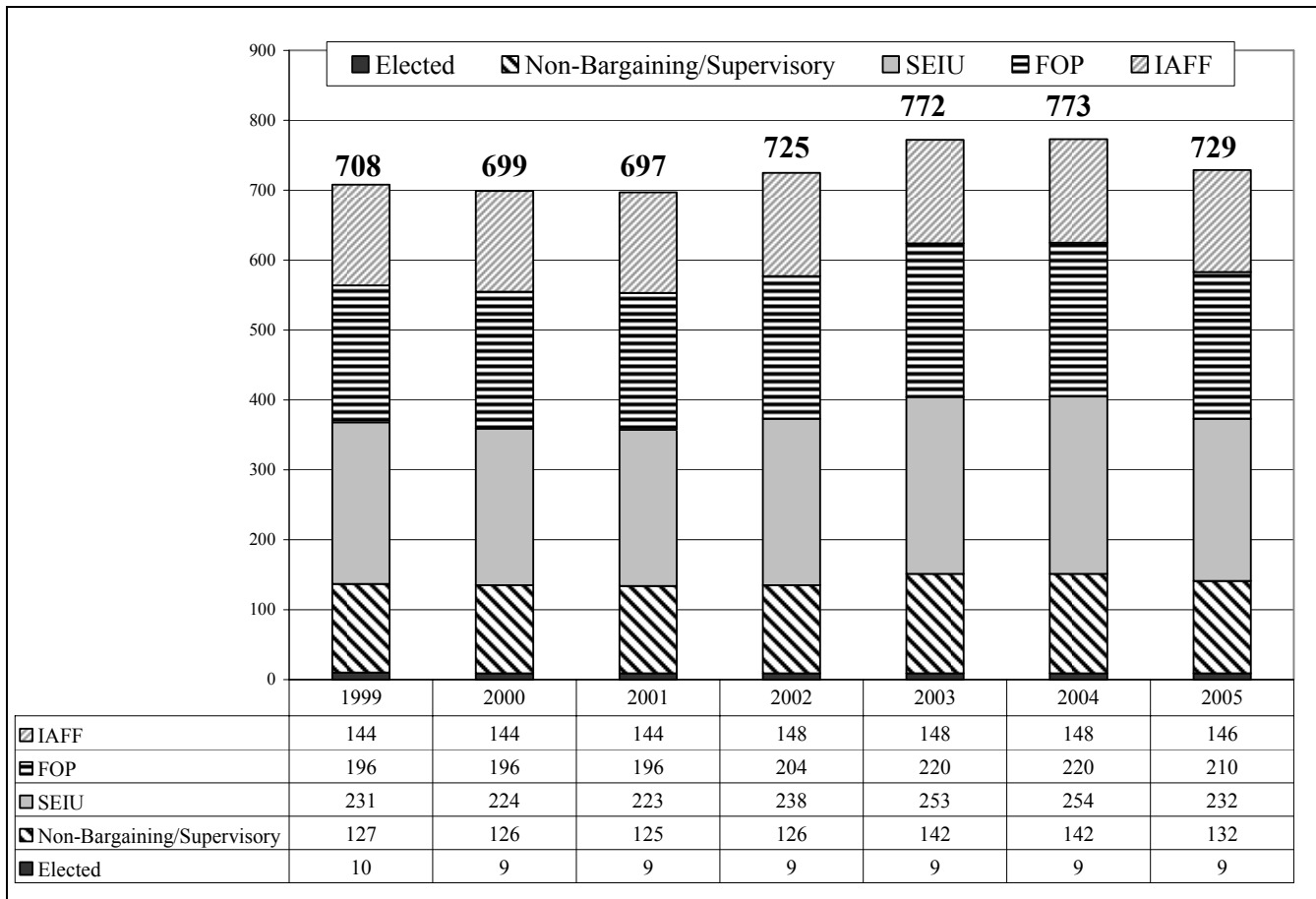
Strong interest in vacant positions also demonstrates the competitiveness of City compensation. In one month in 2004, the Human Resources Department accepted 278 applications for Firefighter positions. Between July 23rd and August 19th, 2005, the Department accepted 528 applications for vacant Police Officer Positions. 23 applications were accepted for Clerical position openings during April and May of 2005; and 16 for Maintenance Worker I position in September and October 2005.

WORKFORCE SIZE

Workforce size, along with costs per employee, is the other key determinant of total workforce costs. Reflecting this reality, many other local governments have been forced to reduce their workforces in response to widespread fiscal strain. Likewise, the 2005 City of Allentown budget reduced authorized positions, albeit modestly, to 988 across All Funds and to 729 in the General Fund.



**EMPLOYEE POSITION TOTALS, GENERAL FUND
FY1999 – FY2005**



Looking at these trends from a departmental perspective, most have maintained staffing levels as of the FY2005 Budget consistent with levels of several years ago. As may be noted, the most significant changes were a decrease in Public Works General Fund staffing, and fluctuation in police staffing reflecting growth from 2001 to 2003, followed by partial declines since.



**EMPLOYEE POSITIONS BY FUND AND DEPARTMENT
FY2001 – FY2005**

		2001 Authorized	2002 Authorized	2003 Authorized	2004 Final Budget	2004 Actual & Estimated	2005 Final Budget
General Fund	Community & Economic Development	122.9	136.9	140.9	142.0	134.2	128.0
General Fund	Finance	50.0	50.0	51.0	49.0	46.5	50.0
General Fund	Fire	147.0	151.0	151.0	151.0	149.0	149.0
General Fund	Human Resources	6.0	6.0	6.0	6.0	6.0	6.0
General Fund	Elected Officials Depts.	24.0	26.0	26.0	26.0	26.0	26.0
General Fund	Police, EMS, Communications	297.0	306.0	331.0	333.0	327.0	317.0
General Fund	Public Works	64.0	64.0	64.0	66.0	55.9	53.0
Golf Course Fund	Community Development	0.0	3.0	3.0	4.0	4.0	4.0
Liquid Fuels	Public Works	22.0	22.0	22.0	22.0	22.0	22.0
Risk Management	Finance	1.4	1.4	2.0	2.0	2.0	2.0
Sewer Fund	Public Works	99.0	99.0	100.0	99.0	92.1	99.0
Solid Waste Fund	Public Works	23.0	29.0	29.0	31.0	29.9	34.4
Trexler Fund	Community Development	3.0	3.0	5.0	7.0	7.0	15.0
Water Fund	Public Works	87.0	88.0	89.0	87.0	85.5	87.0
TOTAL		946.3	985.3	1019.9	1025.0	987.1	992.4

Going forward, the City is further working to reduce staffing levels. In 2005, a soft hiring freeze is in place. Every new vacancy is reviewed, positions are eliminated or left vacant where possible, and hiring takes place only to meet specific operational objectives and if funding is available.

Also in 2005, an early retirement incentive was developed for Fire and Police employees, pursuant to which **XX** police and **XX** firefighters have resigned. Originally, the primary goal of this initiative was to replace retirees with lower cost, early-career employees – not to dramatically cut overall public safety headcount. Further given the large number of retirements – representing over 25% of the City police force – some replacements will still occur. As of October 2005, the City is projecting to maintain a post-retirement headcount of **XXX** police and **XXX** firefighters.

As of November 2005, the full cost of this early retirement incentive has not yet been determined, but enhanced pension benefits are anticipated to generate large increases to the City's pension contributions.

[NOTE PENSION CHANGE, PENDING ACTUARIAL DETERMINATION. REQUIRES MORE INFORMATION TO ANALYZE]



INITIATIVES

As detailed in the preceding section, recent Act 111 Arbitration Awards for the City's police and fire bargaining units will place extraordinary strain on the city's finances going forward. For firefighters, the current agreement is in place for the full five-year plan period and beyond through December 31, 2011. For police, the current agreement is in place through December 31, 2008. For civilians represented by the SEIU, a new agreement is to be negotiated for the period beginning January 1, 2006.

Going forward, pressures will be high to contain and even reduce overall staffing levels to afford rising costs per uniformed employee, and significant compensation restructuring will be needed to avoid significant cutbacks in the services provided by non-union and SEIU-represented civilian City workers. To address these pressures, the following overall approach is recommended:

- Redesign the management compensation package using contemporary pay and benefit practices to maintain competitiveness while better controlling costs. For example:
 - Stronger performance management and performance-based pay;
 - Health benefits plan redesign to reflect the current marketplace;
 - Shift toward a defined contribution mode for future retiree benefits; and,
 - Streamlined and restructured paid leave.
- Address other workforce cost drivers that are independent of primary union contract negotiations. For example:
 - Joint labor-management healthcare cost containment committees;
 - Engage professional benefits support;
 - Explore health benefits self-insurance;
 - Enhanced management focus on attendance; and,
 - Pursue labor-management cooperation to civilianize positions that do not require sworn personnel (see Police Department section of this Plan).
- Negotiate with the SEIU toward a package paralleling the approach for management personnel, capturing available savings through paid leave reforms and benefits redesign to help fund any wage increases; and
- Pursue similar economies with the police and fire unions when their current agreements expire at the end of 2008 and 2011, respectively.

The following initiatives outline these strategies in greater detail.



WK01: Redesign Management Compensation

In 2005, for management employees, the City froze wages, increased brand name prescription drug co-payments from \$10 to \$25, and mandated the use of generic drugs where available. Both for the actual cost containment achieved and to demonstrate leadership in moving toward a more affordable Citywide compensation structure, these were important and positive steps. Looking now to 2006, the City could consider building on these initiatives by establishing the following economic pattern with management employees:

- A second year of a wage freeze, with any pay premiums based on performance;
- Further health benefits plan redesign to include greater cost-sharing (e.g., consistent with State employees);
- Reductions in paid leave commensurate with national standards; and,
- Shifting retirement benefits for future hires into a defined contribution mode.

The following represents the potential savings if a wage and step freeze were imposed from January 1, 2006 through 2010 for non-union employees only.

	FY2006	FY2007	FY2008	FY2009	FY2010
Fiscal Impact	\$197,491	\$398,531	\$604,638	\$815,423	\$1,030,973

While such extended wage containment is not recommended due to the potential adverse impact on recruitment and retention of quality managers, the City might fund future management wage increases from savings in other areas of the total compensation package and/or reduced non-union headcount. For example, development of a new health benefits program that held cost growth at zero for 2006 and to 9% annually thereafter, would save over \$192,000 relative to baseline assumptions in 2006 – rising to more than \$414,000 by FY2010.

WK01: Healthcare Cost Containment Committee for Police & Fire Unions

The recent Collective Bargaining Agreements for Police and Fire established medical/labor relations committees with the aim of providing quality medical care to union members and their families at a less expensive cost to the City of Allentown. The intent of establishing the committee was to provide a forum for deliberating matters such as prescription drug coverage; pooled healthcare purchasing; healthcare savings accounts (HSAs); preventative care and fitness & wellness initiatives. If both the city and union representatives agree on medical changes, those changes shall be adopted immediately during the term of the award. In the event of a disagreement, the issue shall be brought back to the Act 111 arbitration panel for binding arbitration.

PFM strongly recommends that the city and affected bargaining units commence negotiations on ideas to contain healthcare costs. Such discussions might focus on:

- Potential reforms to the City's prescription drug coverage arrangements (mandatory generic prescription drugs; copays; deductibles; number of tiers);



- Healthcare purchasing consortiums;
- Health Savings Accounts (HSAs);
- Office visit copays and deductibles;
- Wellness programs;
- Disease Management; and
- Eligibility and billing reviews.

WKXX: Engage Professional Benefits Guidance

Given the high cost of employee healthcare, as well as the increasing complexity within this area, it is important for larger employers to maintain access to professional expertise and assistance when developing and implementing cost containment options. Currently, the City relies on in-house staff with no regular use of a benefits consultant. In this specialized area, a modest investment in outside support can potentially generate significant long-term savings. Accordingly, it is recommended that Allentown pursue the competitive selection of a qualified benefits consultancy. Annual expenditures of approximately \$50,000 are preliminarily proposed for this support.

	FY2006	FY2007	FY2008	FY2009	FY2010
Fiscal Impact	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)	(\$50,000)

WKXX: Explore Health Benefits Self-Insurance

Many larger employers, both public and private, have shifted to self-insured benefits arrangements rather than purchasing self-insured products. Through this measure, certain ongoing insurance risk premiums can be avoided, while stop-loss insurance can be purchased to safeguard against adverse scenarios. In addition to the potential for such ongoing savings, many employers have experienced significant one-time benefits during the transition to self-insured status— since there is typically a lag in the receipt of new invoices after premium payments to the insurer stop. Because such cash flow “savings” are non-recurring, it is strongly recommended that they be applied to non-recurring expenditures. For example, such savings might be used to establish a reserve toward Other Post-Employee Benefit (OPEB) retiree medical obligations.

WKXX: Enhance Managerial Focus on Attendance

Many local governments have improved employee attendance by more actively monitoring unscheduled absences and providing increased reporting and feedback to both employees and supervisors. In addition, strict enforcement of existing policies and controls regarding physicians’ notes and other requirements can serve to discourage excessive absenteeism.

WK0X: Establish Collective Bargaining Savings Targets

As a general framework for collective bargaining, it is recommended that the City pursue an interest-based, “open book” approach that takes the City’s fiscal constraints strongly



into account. Under this approach, the City would develop a savings target to be reached through collective bargaining and a “menu” to achieve that target. The City and its unions would negotiate in good faith toward meeting the savings target, looking to the menu, and also considering other ideas that might be brought to the table by the unions.

As guidelines for improving fiscal stability, PFM preliminarily recommends the following targets (subject to change, depending on the success of new revenue initiatives and other changing circumstances):

	2006	2007	2008	2009	2010
SEIU	\$400,000	\$700,000	\$750,000	\$800,000	\$900,000
FOP				\$1,300,000	\$1,750,000
IAFF					
TOTAL	\$400,000	\$700,000	\$750,000	\$2,100,000	\$2,650,000

The above targets are tied to the City’s fiscal constraints, and would be achievable via settlements generally consistent with recent Commonwealth of Pennsylvania agreements for the majority of state employees that featured a first year wage and step freeze, second year wage freeze and significant health care cost containment.

No specific bargaining targets are set forth for the IAFF, since the existing firefighter agreement does not expire until well after the term of this Multi-Year Plan. Nonetheless, through labor-management healthcare cost containment efforts, management initiatives to improve attendance, and other mid-contract efforts, the City should work to involve all employee groups in moving Allentown forward.

To the extent that negotiations do not fully meet the savings target, the City should take strong action to reduce the size of workforce. Although this is not the preferred alternative given the potential impact on City services, Allentown should take those steps necessary to ensure the sustainable fiscal health of the City.

The following initiatives further detail opportunities the City can pursue to control workforce expenditures, categorized by area within the overall compensation package.

Base Wages

Along with the direct costs of base wage hikes, such increases compound over time and generate “roll up” costs with regard to premium pay and employer pension contributions. While periodic pay adjustments are important for recruiting and retaining quality employees, Allentown raises for the SEIU of 4.0% per year over the past five years have been well in excess of growth in consumer prices.

In the near term, PFM recommends that in developing its upcoming SEIU bargaining position, the City carefully consider moderation in wage growth and/or pursue the development of creative labor-management savings ideas to generate the resources needed to fund wage increases for exempt and non-uniformed employees.



The current baseline gap projections assume 2.5% annual increases in base wages (inclusive of step increments) when no otherwise negotiated wage hike is in place for a particular group of employees. The following represents the potential savings if a two-year wage and step freeze were negotiated for the SEIU beginning January 1, 2006, including “roll-up” savings with regard to payroll taxes and overtime:

	FY2006	FY2007	FY2008	FY2009	FY2010
Fiscal Impact	\$214,345	\$429,883	\$443,566	\$456,168	\$467,572

The following represents the potential savings if a wage and step freeze were negotiated for the FOP at the expiration of their existing collective bargaining agreement for January 2009 forward, including “roll up” into holiday pay, overtime, Medicare, and other factors.

	FY2006	FY2007	FY2008	FY2009	FY2010
Fiscal Impact				\$964,948	\$1,334,524

Beyond a wage freeze, pay plan restructuring is a further option for controlling base wage costs (e.g., reducing starting pay, elongating the pay progression, and/or providing any wage increase as a new top step or on a performance basis instead of across-the-board).

Overtime

Overtime can be addressed – and often reduced – through a combination of increased management attention, changes to work and assignment practices, and improvements in attendance through paid leave reforms and controls.

The following table shows the potential savings relative to the expenditures assumed in this Plan’s baseline gap projections if overtime could be reduced by 5%, 10%, 15%, or 20% annually. Given the lower overtime rates of other comparable cities, this area appears to hold potential for achievable savings.

	FY2006	FY2007	FY2008	FY2009	FY2010
<i>Baseline OT</i>	\$2,603,401	\$2,548,208	\$2,426,326	\$2,499,068	\$2,561,545
5% reduction	\$130,170	\$127,410	\$121,316	\$124,953	\$128,077
10% reduction	\$260,340	\$254,821	\$242,633	\$249,907	\$256,154
15% reduction	\$390,510	\$382,231	\$363,949	\$374,860	\$384,232
20% reduction	\$520,680	\$509,642	\$485,265	\$499,814	\$512,309

In the City’s SEIU agreement, as previously outlined, the following are among the work practices where negotiated change could help to control overtime costs:

- Elimination of time-and-one-half overtime premium rates paid for periods beyond Fair Labor Standards Act (FLSA) guarantees. While such practices are not unusual in the public sector, other governments facing fiscal strain – such as the District of



Columbia during the mid-1990s – have shifted to payment at straight time rates for such hours, consistent with the requirements of the FLSA.

- “Call back” guaranteed pay of at least four (4) hours pay at straight time rates could be reduced to more modest levels (e.g., two hours).
- The arbitrary limits of 50 seasonal employees in SEIU-represented functions could be eliminated, enabling more flexible staffing approaches to workflow peaks.

In addition, restructuring paid leave benefits could help to reduce overtime and/or help to maintain or even enhance service levels with lower overall staffing requirements. Specific opportunities include:

- Reducing extraordinarily high sick leave allowances (21 days per year for SEIU members) and improving monitoring and controls.
- Moderating vacation allowances, now significantly above national averages.
- Scaling back the high combined 14 holidays and personal days (8 holidays; 6 personal days)

Other Cash Compensation

One large area of other cash compensation involves uniformed holiday pay. Options for containing these costs include:

- Reducing the number of holidays for which compensation is provided, eliminating extra pay for such days as Flag Day – or, in the case of police officers, the employee’s birthday and anniversary date.
- Compensating firefighters for paid leave (including holiday pay) on the basis of an eight hour day, not the current 12-hour practice, recognizing that the basic firefighter schedule already includes many fewer appearances than are required for other City workers.
- Eliminating extra premium pay when uniformed employees work on a holiday (time – and-one-half for police; an extra half day’s pay on four “festive” holidays for firefighters), since the primary holiday pay structure already compensates sworn personnel at an effective double-time rate for all holidays whether worked or not.

A second major area of other cash compensation is longevity pay.

- Facing fiscal strain, other public sector employers have frozen or restructured longevity pay. In 2004 and 2005 settlements, for example, Pittsburgh has frozen all longevity payments and eliminated for future hires. Similarly, in 1992 collective bargaining toward fiscal recovery, Philadelphia restructured its longevity schedule to achieve savings.



Modest savings might also be achieved by reducing uniform maintenance allowances, shift differentials, and/or education pay premiums.

Healthcare (Active Employees; For Discussion of Retiree Medical Coverage, See Pensions and Other Post-Employment Benefits” chapter)

At a projected cost of **\$XX** for active City employees in FY2005, and with recent cost growth per employee at double-digit rates, health benefits are a major concern for the Allentown. While this is, in many respects, a national problem, the current structure of the City’s benefits program affords multiple opportunities for local approaches that would reduce the severity of such pressures.

In order to initiate cost savings measures to limit the growth of health care expenditures below the baseline projection of 10-12 percent; the City should develop a new plan with cost containment features for non-represented personnel; and should negotiate for the inclusion of such features in the new SEIU bargaining agreement after the start of the new contract term on 1/1/06; and for the uniformed employees at the commencement of their next collective bargaining agreement terms. For non-represented personnel, PFM strongly recommends that the City undertake such a plan revision for the next open enrollment period. The revised plan would limit cost growth through multiple alterations to plan design, including:

- increased deductibles and/or co-pays;
- increasing the number of tiers in the prescription co-payment system; and
- introducing a new premium contribution from all eligible employees.

A redesigned healthcare plan and employee contribution structure might be implemented for eligible employees no later than January 1, 2006 such that growth above 2005 average costs per participant (including medical coverage, dental, and vision benefits in the aggregate) are frozen at zero percent in year one, with future growth held at or below 9.0 percent in all future years. To continue to meet the above guidelines for ongoing cost containment, annual adjustments would potentially be made to plan design and employee contributions as necessary.

The savings shown below assume SEIU members initiate a new plan on January 1, 2006 and that comparable cost growth containment is achieved with the FOP for January 1, 2009.

	FY2006	FY2007	FY2008	FY2009	FY2010
Fiscal Impact	\$204,839	\$280,630	\$327,299	\$756,533	\$891,915

Workers Compensation

Along with management reforms further outlined in the Risk Management section of this plan (e.g., structured settlement of long-term cases, and improved timeliness of claims



reporting), the City might negotiate stronger collective bargaining agreement provisions to encourage return to work for employees injured on duty. Examples might include:

- Stronger language to make clear the City's ability to require cooperation with limited duty assignments.
- Potential linkage of enhanced injured-on-duty benefits beyond statutory requirements (e.g., continuation of family medical coverage and/or wage replacement above minimum levels) to extended care within a City-managed network of occupational health providers.

WKXX: Bargain Toward Improved Management Flexibility

In addition to containing workforce costs, it will also be important for the City to achieve the management tools important to delivering services with increasing efficiency. The following are among the areas within the City's collective bargaining agreements where increased flexibility might be pursued:

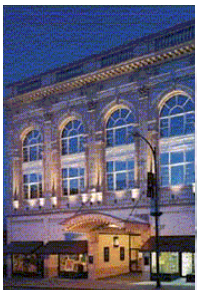
- Extending the probation period for new SEIU hires from the current 90 days to at least one year. With just a 90 day evaluation period, it is difficult to determine if new hires will be productive public servants. A longer probation period will help to improve workforce quality.
- Current SEIU provisions entitling current employees to bid for promotions primarily on the basis of seniority create an unwieldy structure for filling vacancies that may not result in the appointment of the most qualified personnel.
- If layoffs do occur, the City is precluded from using volunteers to help provide related services for an 18 month, period. While layoffs are never desirable, if economic conditions do require workforce reductions, this provision would impair the City's ability to work with the community to sustain municipal services.

WKXX: Contain the Size of the Workforce

[AT A MINIMUM, CAN NOTE HOW ADDITIONS TO HEADCOUNT WOULD INCREASE OUT-YEAR GAP; COULD CONSIDER INITIATIVES FOR HIRING FREEZE AND/OR OTHER ACTIVE APPROACH]



Finance



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Finance Department

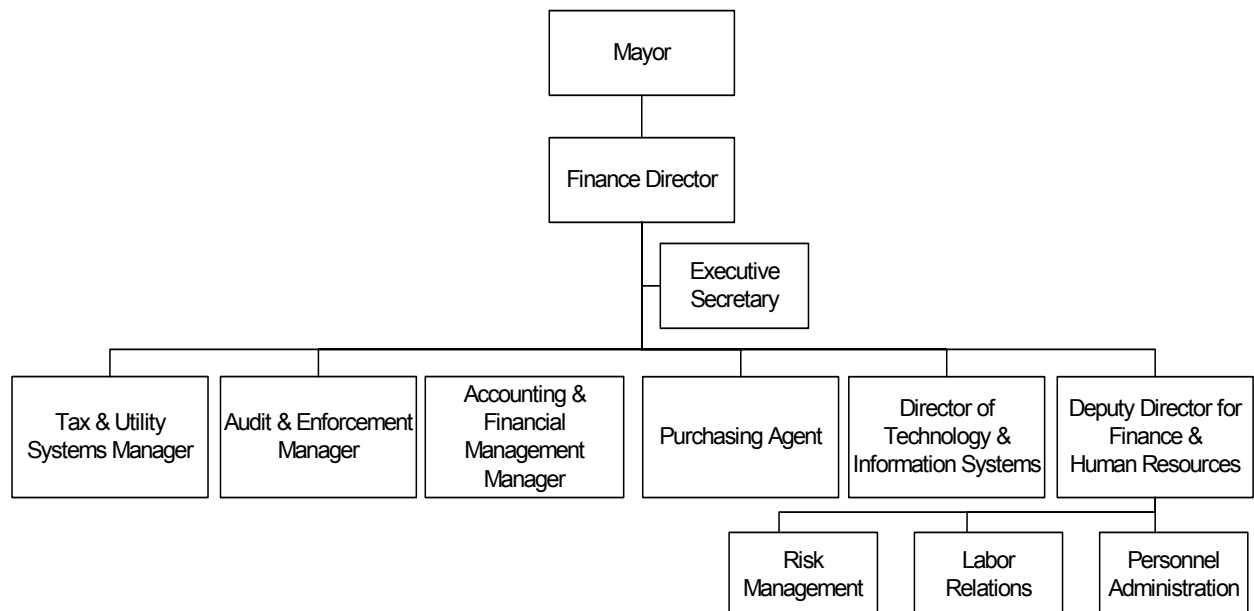
OVERVIEW

The City of Allentown's Finance Department manages the financial affairs of the City. The Department has 38 employees involved in financial administration, tax administration and revenue collection, auditing, accounting and purchasing. The Finance cluster also includes the City's human resources administration and information technology bureau (the latter functions are described in separate chapters of this Plan).

With the exception of the Audit & Enforcement Bureau, staffing for Finance Department functions has been stable or declined in recent years. Much of this reduction has been a result of efforts to increase automation, reorganize service provision, upgrade employee skills, and engage contract services in targeted areas of the department. There may be additional opportunities to streamline the organization.

However, the Finance Department has also seen a staff reduction resulting from the City's straitened financial circumstances. This is particularly evident in the budget and financial policy area, where the Finance Director is the only professional employee. This Plan includes specific suggestions for rebuilding a modest budget and policy analysis function for the City.

ORGANIZATION CHART



Finance & Budget Administration

MISSION

To oversee the total operation of all finance-related activities, to efficiently prepare the budget, and to administer budget activity throughout the year.

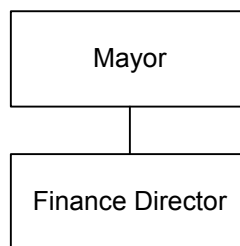
OBJECTIVES

- To provide oversight to the other bureaus and programs within the Department
- To continually seek ways and means to improve, enhance and refine the financial management process.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The Finance Director supervises all areas incorporated into the Department of Finance. This program area of the Department is also responsible for coordinating and producing the City's annual budget, monitoring and modifying the budget during the fiscal year, reviewing budget transfers, and preparing ordinances amending the adopted budget. The director arranges appropriate bond sales and structures debt refinancings; interacts with the Pension Board, the Pension Investment Committee, overseeing pension investments; and leads the short and long-term Investment Advisory Committee in the management of operating cash. A cooperative effort with the Bureau of Planning and the City Controller produces the Five-Year Capital Improvements Program. The Director is also the Third Step Grievance hearing officer as designated in the City's collective bargaining agreements.

ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2000	2001	2002	2003	2004	2005
Finance Director	1	1	1	1	1	1
Executive Secretary	0.6	0.6	0.6	0	0	0
Total	1.6	1.6	1.6	1	1	1

EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Personnel	\$104,959	\$99,230	\$101,441	\$103,266	\$100,796
Services & Charges	\$1,306	\$135,392	\$74,200	\$56,450	\$141,244
Materials & Supplies	\$97	\$0	\$0	\$130	\$0
Capital Outlays	\$0	\$0	\$0	\$0	\$0
Total	\$106,362	\$100,493	\$236,883	\$159,716	\$242,040

Projected (Baseline)

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$112,209	\$115,935	\$119,629	\$123,510	\$127,593
Services & Charges	\$63,102	\$64,679	\$66,296	\$67,954	\$69,652
Materials & Supplies	\$0	\$0	\$0	\$0	\$0
Capital Outlays	\$0	\$0	\$0	\$0	\$0
Total	\$175,311	\$180,614	\$185,925	\$191,464	\$197,246

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Number of staff-hours allocated to budget preparation	2,000	2,000	2,000	2,000	2,000
Number of hours devoted to Capital Improvement Program	80	90	80	80	80
Number of budgetary bureaus/ programs reviewed and monitored	100	101	102	104	98
Number of staff meetings	0	30	30	30	30
Number of Third Step Hearings	20	25	30	25	25



CHALLENGES AND GOALS

- To report and provide information to the Mayor, City Council, Department Heads, and Bureau Managers to facilitate the use of the City budget as a tool for conscientious financial management.
- To make the entire budget process a cooperative effort with all involved City personnel.
- To monitor debt service requirements and work with the designated underwriter to seek refunding opportunities.
- To monitor the MMO (Minimum Municipal Obligation) of the three City Pension Plans and the PMRS Plan.
- To hear and determine solutions to Third Step grievances.

COMPARABILITY

It is not uncommon for Finance Directors in Pennsylvania cities to maintain a small oversight and policy staff. Wilkes-Barre has only one person in this area, while York has approximately three. Both cities have a population of about one-half of Allentown's and General Fund budgets one-third to two-thirds the size of Allentown's. However, PFM recommends that a City like Allentown maintain at least two professional staff – a budget manager and a budget assistant – to assemble, monitor and enforce the annual budget (see Initiative FI02). This is especially important given the many other critical policy areas that report to the Finance Director in Allentown's structure.

INITIATIVES

FI01. Freeze Expenditures on Materials and Supplies in 2007

The baseline financial model described earlier in this report projects that the City will have a slight negative operating balance in 2005, but that this shortfall will grow dramatically in coming years if no corrective action is taken. In addition, the City has limited reserves, coming into 2005 after several years of negative operating results. As a result, a variety of broad-based spending control initiatives are recommended. These will give the City an opportunity to reconsider and reorder its spending priorities while maintaining short-term budget balance.

In the area of materials and supplies, PFM reviewed expected baseline expenditures and excluded certain items – mostly related to utility services. While items like postage, printing, office supplies, equipment rental, training, and discretionary contracts are not the largest items in the budget, the City's financial situation is serious enough that even minor contributions are important to achieving financial stability. PFM understands that the City has held the line on this spending in 2006. However, in 2007, the City could continue to freeze spending on the total amount of all remaining materials and supplies at 2005 levels as a result of enhanced oversight, increased efficiency, full consumption of inventory, elimination of necessary items, and other management efforts. Savings would extend across all years of the Plan, since any inflationary growth or additional purchases



in years 2007-2010 would start from a lower baseline level in 2006. The Finance Department would be charged with implementing such an initiative as part of their budget implementation and financial oversight responsibility.

PFM recommends that all spending in the following budget categories be frozen at 2005 levels. Depending on results, additional oversight may be imposed, and additional categories should be added as possible:

- Postage
- Printing
- Rentals
- Publications & Membership
- Training & Professional Development
- Civic Expenses
- Arts Expenses
- Repairs & Maintenance
- Professional Service Fees
- Repair & Maintenance Supplies
- Office Supplies
- Operating Materials & Supplies
- Machinery & Equipment

The City Administration has noted that during the past several years of budget pressure it has consistently limited increases wherever possible in the areas noted, and has reviewed all purchases to limit spending in these categories. The potential for postal rate increases in 2006 and machinery and equipment failure were also highlighted. The postal rate increase now slated for next year will mean that a freeze would require a slight reduction in the number of items mailed.

For these reasons, PFM has proposed a freeze rather than reduction of the overall current level of materials and supplies expenditures. The savings estimate is calculated compared to the assumption in the baseline model that spending in most of these categories would rise by 2.5 percent in 2007 if no changes were made. Furthermore, although the savings estimate has been calculated using the summary of all materials and supplies combined, it is assumed that spending will be shifted to address specific needs in this general area while holding the overall spending flat. For example, PFM understands that civic and arts expenses were not paid in 2005 and will not be proposed in the 2006 budget, therefore freeing those amounts to cover a portion of a postal rate increase or catastrophic equipment failure beyond the baseline budget amounts.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$0	\$85,215	\$87,345	\$89,529	\$91,767



FI02. Enhance Budget Reporting and Analysis

PFM strongly recommends that the City of Allentown adopt a rigorous budget implementation and reporting structure, beginning with the FY2006 budget. The structure proposed below would build on the monthly reports currently prepared by the Finance Director by establishing a formal annual spending plan with regular departmental reviews and a quarterly budget, finance and performance report that would be published and made available on the City's website. Specifically, PFM recommends that:

1. Each department should prepare an annual target budget, in advance of the beginning of the fiscal year on January 1, 2006. This target budget will detail projected monthly expenditures in each budget category. The target budget must be credible and reasonable based on past experience, recognizing seasonality in certain work, timing of major annual procurements, the distribution of 26 pay periods over 12 months, the due dates for debt service payments, and other variable expenditures.
2. Every department's target budget plan should be reviewed by the budget staff (see Initiative FI03, below) and approved by the Finance Director in advance of the beginning of the fiscal year.
3. No later than 15 days after the end of each month, each department should forward to the Finance Department a monthly target budget update, showing the actual monthly results for each month completed, the original projected and actual results for the most recent month, revised projections for remaining months, and the budgeted and projected actual totals for the year.
4. No later than four weeks after the end of each quarter, the Finance Director, budget staff, and other appropriate personnel should meet with the heads of each department to review actual budget performance for the quarter, projected performance for the remainder of the year, major factors driving expenditures, and actions taken to control any potential overspending. This process could be managed in conjunction with the proposed Allentown CitiStat initiative described elsewhere in this Plan. Note that this initiative would also require accurate and timely monthly reporting of financial results between the Finance Department and the Controller's Office.
5. The budget reports and budget meetings should be used to compile and circulate a Quarterly Financial and Management Report detailing key budgetary metrics and performance levels, no later than 45 days after the end of each quarter. The City's Quarterly Report would include details on the performance of major revenue sources and expenditure categories (current quarter, year-to-date, budget-to-actual, budget-to-projected actual, comparisons to prior year: year-to-date through the same period and year-end, narrative variance analysis); reports on key factors driving the budget (e.g., staffing levels by unit; filled vs. authorized positions;



overtime by unit; leave usage by unit); cash flows; and brief updates on important management initiatives (i.e., deficit reduction initiatives). The Report would provide the Mayor, City Council, and the public with an ongoing understanding of how current activities will reflect in the year-end balance, as well as opportunities to improve that results and threats to budget balance. To the extent possible other existing reports – such as those describing staffing levels, sick leave usage or other information – can be added to provide a more complete picture of the City’s ongoing financial and management situation.

This type of interim budget report is a recognized best practice in public sector financial management¹. Among its other benefits, FitchRatings has cited the effective use of monthly or quarterly financial reporting and monitoring to be of “significant” value in their credit rating process.

FI03. Increase Staff Support for Budget Reporting and Analysis

The City’s Finance Department has a traditional staff complement for tax and utility revenue administration, tax audit, and treasury functions, but limited budget and program evaluation staffing. The current and emerging financial challenges in Allentown will require increased effort in these areas, as well as strong ongoing and detailed oversight of difficult expenditure controls.

This is particularly true given the capabilities needed to expand the Department’s current monthly reporting to encompass the cycle of meetings, and additional analysis and reporting recommended in Initiative FI02, above. These challenges will require additional analytical capability for revenue and expenditure monitoring and forecasting, beyond what can be provided with existing staff. The Multi-Year Plan recommends that the City make two targeted hires to oversee and enforce the City budget and to provide program analysis. In order to implement a more formalized system of budget oversight, these two targeted hire recommendations would include one Budget Director and one Budget Analyst.

It is recommended that such positions be hired on a full-time basis at an annual salary level of approximately \$70,000-\$75,000 for the Budget Director and approximately \$50,000 for the Budget Analyst. Using current City budget data, the Fringe Benefit Rate is estimated at 32% in 2006, rising to 38% in 2010 due to projected increases in health insurance premiums during the intervening period. Note that this initiative presumes the cost of the new budget implementation and oversight personnel, but does not suggest an offsetting financial benefit. While it is anticipated that the renewed focus on quarterly budget reporting and analysis will have a major quantitative impact on improving City finances over the period of the Multi-Year Plan, it is also assumed that most of these benefits are quantified in other initiatives of the Plan.

¹ As articulated in the recommended budget practices of the National Advisory Council on State and Local Budgeting, “Regular monitoring of budgetary performance provides an early warning of potential problems and gives decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. It is also an essential input in demonstrating accountability.”



Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	(\$161,759)	(\$167,738)	(\$173,620)	(\$179,838)	(\$186,418)

FI04. Establish Policy on Use of Asset Sale Proceeds

The City's operating budget in 2004 and 2005 included revenue from the sale of sewer capacity. While this level of revenue from this source is unlikely to be generated again in the near future, the City should adopt a formal policy against using money generated on a one-time or very periodic basis for annual recurring operating expenses. In addition to being anathema to bond rating agencies, this approach uses funds that should benefit multiple generations of Allentown citizens to address short-term problems. The Government Finance Officers Association specifically recommends that municipalities discourage "the use of one-time revenues for ongoing expenditures."²

The preferred approach is to use the proceeds of long-term activities or assets to fund other long-term commitments. While the City may use great latitude in defining proper uses, as a general rule it should try to use capital revenues for investment in physical assets or programs with long-term returns. Many cities direct these proceeds to a special account in the capital budget to ensure that they are used in the most appropriate manner.

FI05. Create a "CitiStat" Program

Allentown's annual budget document has an impressive list of performance measures for each of the City's departments. Allentown should expand on this important practice by creating a "CitiStat" program based upon the City of Baltimore's successful model. CitiStat is an accountability process with roots in the New York City Police Department's CompStat. CompStat used computer pin mapping and weekly accountability meetings to help the NYPD dramatically reduce crime. Mayor Martin O'Malley of Baltimore expanded CompStat to cover all City services and integrated its outcome-based measurement into the daily management of his government. Baltimore department heads meet with the Mayor and his senior staff bi-weekly to review current performance and goals on a range of specific service delivery parameters.

Baltimore describes its approach to CitiStat as based on four principles:

1. Accurate and timely intelligence
2. Effective tactics and strategies
3. Rapid deployment of resources
4. Relentless follow-up and assessment

² Government Finance Officers Association, Recommended Practices, "Adoption of Financial Policies," 2001.



The CitiStat approach has been adopted by many cities, in each case tailored to local priorities and government structures. For Allentown, CitiStat might involve the following process steps:

- Department heads would come to a CitiStat meeting on a frequent, periodic basis (e.g., bi-monthly) with the Mayor, Finance Director and other senior personnel. Each meeting would be focused on a specific department or a number of bureaus.
- Prior to each meeting, departments would submit data to the CitiStat team. The data would include operational and budgetary information and would be focused on informing performance metric tracking and initiative implementation.
- After information is received, the CitiStat team (most likely comprised by the budget staff described in FI03, above, but also including personnel from IT and other areas) would analyze and distill the materials for presentation at the next meeting.
- At the department meeting, information would be reviewed and department heads (or their staff) would be asked questions – and held accountable – for their department’s recent performance. Visual aids – such as projected spreadsheets and photographs – should be used to focus the discussion on important operational and budgetary tasks.

The value of the CitiStat process is that it can provide the City with a structured, organized, and focused process for examining operation/budgetary performance and tracking initiative implementation. Also, CitiStat creates a dynamic of accountability that is difficult to achieve through less formal management of government operations.



Accounting and Financial Management

MISSION

To ensure proper accounting for and financial reporting of all City of Allentown funds.

OBJECTIVES

- To continue to improve the accounting and budgetary control reporting systems which are based on Generally Accepted Accounting Principles (GAAP)
- To provide efficient and professional tax collection service to the citizens of Allentown.
- To distribute authorized payments to vendors.
- To provide accounting services in administration of the CDBG Program.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

Cash Management: The Accounting and Financial Management program provides reliable financial information to the City administration by accounting for all receipts and expenditures and by managing the City's cash. The cash management function includes the prompt deposit of all cash receipts; prompt recording of all receipts by appropriate source; and investing available cash in accordance with the policy recommended by the City's Investment Advisory Committee.

Financial Reporting: Program personnel prepare multiple statutory financial reports, such as the City's annual Comprehensive Annual Financial Report (CAFR); the Single Audit; and various grant-related financial reports for the Liquid Fuels Fund, the Department of Community and Economic Development (DCED), the Trexler Trust, and E-911. The program also oversees pension fund activity for the City's three pension funds.

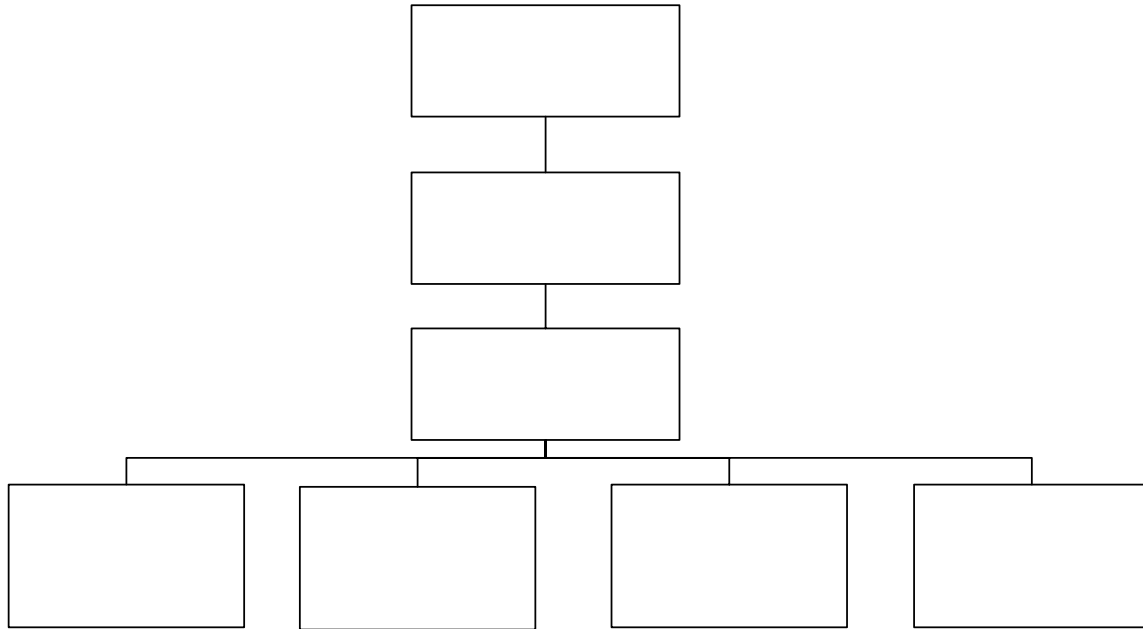
Tax Collection: The program also operates as the tax collection agent for the City of Allentown and for partner agencies, including School Real Estate taxes, Per Capita taxes, and Occupational Privilege Taxes and Earned Income Taxes. This function also includes the compilation and processing of Tax Certifications for properties located within the City of Allentown, including those listed for Sheriff, Upset, and Judicial sales by the Lehigh County Tax Claims Bureau.

Accounts Payable: In addition to processing payroll checks and distributing authorized payments to vendors, department personnel undertake due diligence work to ensure that payments for services provided to the City have been properly authorized and approved and that proper disclosures are made in accordance with IRS regulations for individuals and organizations receiving payments from the City. Program personnel are responsible for filing all necessary payroll tax forms to the Commonwealth and Federal government and for compiling and submitting Forms 1099-Miscellaneous to vendors and Federal government for all non-payroll income received.



CDBG Accounting Services: The Program provides accounting services in connection with the City's administration of federal Community Development Block Grant (CDBG) funds. Program personnel provide proper payment and disbursement of CDBG funds and maintain accounting for CDBG loans to property owners.

ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2000	2001	2002	2003	2004	2005
Treas and Acct Manager	1.0	1.0	1.0	1.0	1.0	1.0
Accountant	3.0	3.0	3.0	3.0	3.0	3.0
Executive Secretary	0.2	0.2	-	-	-	-
Clerk 3	3.0	3.0	3.0	3.0	3.0	3.0
Clerk 2	2.0	2.0	2.0	2.0	1.8	1.8
Clerk-Bookkeeper	1.0	1.0	1.0	1.0	1.0	1.0
Total	10.2	10.2	10.0	10.0	9.8	9.8

EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Personnel	494,738	545,882	562,397	536,689	577,037
Services & Charges	43,264	52,714	37,525	16,452	59,573
Materials & Supplies	430	1,065	831	1,137	3,279
Capital Outlays	19,737	69,833	51,154	22,667	0
Total	\$558,169	\$669,494	\$651,907	\$576,945	\$639,889



Projected (Baseline)

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$613,869	\$639,127	\$663,769	\$689,979	\$717,893
Services & Charges	\$17,302	\$17,734	\$18,177	\$18,632	\$19,098
Materials & Supplies	\$1,196	\$1,226	\$1,256	\$1,288	\$1,320
Reserve for Encumbrances	\$22,668	\$22,668	\$22,668	\$22,668	\$22,668
Total	\$655,034	\$680,754	\$705,870	\$732,567	\$760,978

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Estimated
Tax Certifications	5,825	6,240	7,475	10,535	9,500
Pooled interest earned all Funds	\$1,767,017	\$1,025,525	\$737,855	\$563,388	\$640,000
Interest earned General Fund	\$1,156,388	\$791,468	\$623,705	\$507,977	\$325,000
Average yield – Interest	4.85%	3.01%	2.44%	2.14%	2.37%
Accounts Payable – checks issued	13,920	13,180	14,372	16,597	14,825
Accounts Payable – Direct Payments	2,100	2,000	1,500	670	500
Cash receipt transactions – Treasurer’s office	89,976	98,310	107,041	155,000	117,000
Transactions – Bank Tellers and Lock Box	199,701	180,423	199,639	200,146	195,000
Internet Credit Card Charges	-	324	540	584	475

RECENT ACCOMPLISHMENTS

- **Integration of ProSystems Software (AuditVision)**
In 2003, the Bureau purchased and incorporated the use of AuditVision to produce trial balances and financial statements for the annual CAFR. This integration enabled the Bureau to streamline its year-end financial closing process.
- **Cross training of employees**
All Bureau employees have been cross-trained in all areas of operation to provide functional support when other employees are absent or positions are vacant.



- **Conversion and integration of general ledger, accounts payable, payroll, and cash register functions to Eden Systems and Quadrant System software.**
Conversions to advanced software programs occurred in 2002, 2003, and 2004. This allows users to have access to revenue and expenditure information on-line. The Quadrant cash register program downloads daily teller activity to the general ledger.

CHALLENGES AND GOALS

- To continue the development of a comprehensive policies and procedures manual. This manual will include written procedures, instructions and assignment of duties which will aid in the training of new employees, prevent or reduce errors, and insure that all similar transactions are treated consistently.
- To continue the integration and automation of Eden accounting systems into the general ledger. This will be followed by fixed assets, the next module to be integrated.
- To identify and record accounts receivable balances on a monthly rather than annual basis, enhancing balance sheet reporting. Such a reform would require coordination of efforts between Tax and Utility Administration, Accounting and Financial Management, and Information Systems.
- To develop a centralized internal control system for all grants accounting activity to monitor the timely reimbursement of funds, which would aide projections of revenue and cashflow.
- To streamline the processing of 9,500 annual tax certifications through inter-bureau cooperation with Information Systems.

INITIATIVES

F106. Implement Computerized Accounts Receivable System for Miscellaneous Billings

Currently, various City Bureaus bill users directly for goods and services provided. While these billings are of a miscellaneous nature, controls are not in place within the Bureau to ensure the bills are generated properly, approved for exoneration or paid, and a receivables report is often unavailable. The implementation of a computerized accounts receivable system and exoneration report would tighten controls of these billings.



Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

F107. Include Bar-Codes on Bills

In an effort to increase efficiency and streamline the billing process, the Accounting and Financial Management Bureau should consider incorporating bar-codes (or similar technology) on all bills (not all City bills are bar coded). Bar coding of bills would not only reduce teller and data entry errors, but also allow bills to be applied to the respective individual's account without the need for data entry. Such automation through bar coding would enable the City's accounting and cash management procedures to be more rapid and effective and help manage and control accounts receivable. More efficient and effective entry of receipts into the general ledger would allow information to become more readily available for financial reporting and would give the City faster access to revenues.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



Tax and Utility Administration

MISSION

To administer the taxes, utility user fees, and licensing ordinances efficiently and effectively, in order to realize the utmost return of revenue to the City in a cost-effective manner.

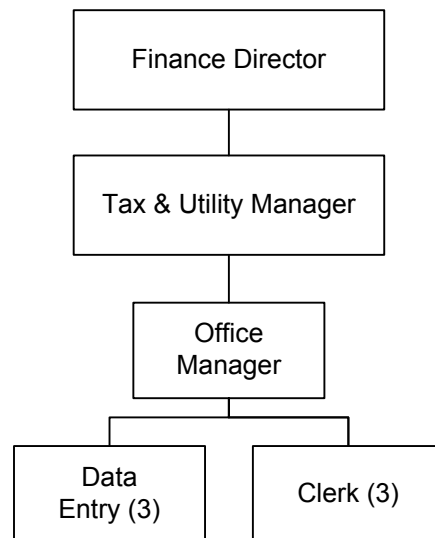
OBJECTIVES

- To expand revenue bases and prudently manage public funds in accordance with Commonwealth and Federal law.
- To collect all receivables due to the City.
- To provide for a more efficient tax and utility billing system.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The Tax & Utility Administration program administers the various taxes and utility user charges levied by the City in accordance with appropriate enabling legislation. Significant activities include billing, file maintenance, receipt reconciliation, and taxpayer assistance. The program also includes tax law research and a review of current court cases to ensure compliance with current changes in legislation.

ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2000	2001	2002	2003	2004	2005
Tax & Util Syst Mgr	1.0	1.0	1.0	1.0	1.0	1.0
Office Manager	1.0	1.0	1.0	1.0	1.0	1.0
Executive Secretary	0.2	0.2	0.2	0	0	0
Clerk 3	9.0	9.0	9.0	9.0	8.2	9.0
Data Entry Technician	3.0	3.0	3.0	3.0	2.0	2.0
Total	14.2	14.2	14.2	14.0	12.2	13.0

EXPENDITURES**Historical**

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Personnel	\$585,824	\$570,907	\$583,274	\$622,204	\$637,142
Services & Charges	\$20,797	\$88,116	\$75,001	\$90,083	\$93,818
Materials & Supplies	\$3,531	\$6,398	\$8,900	\$7,016	\$11,258
Refunds	\$168,891	\$153,806	\$172,354	\$175,000	\$175,021
Total	\$779,043	\$819,227	\$839,530	\$774,198	\$917,239

Projected (Baseline)

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$642,318	\$671,512	\$699,814	\$730,062	\$762,428
Services & Charges	\$29,034	\$29,759	\$30,503	\$31,266	\$32,048
Materials & Supplies	\$8,855	\$9,077	\$9,303	\$9,536	\$9,774
Refunds	\$176,069	\$180,454	\$184,949	\$189,556	\$194,278
Total	\$856,276	\$890,802	\$924,570	\$960,420	\$998,528

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Number of Billings Mailed Late	0	0	0	0	0
Detail EIT Distribution Completed	June 21	June 21	June 20	July 2	June 17
Number of Earned Income Tax Claims Filed	10,073	7,809	7,693	3,283	7,400
Additional Revenue Generated From Claims	\$488,393	\$435,667	\$435,000	\$363,821	\$435,000
Number of Changes to Existing Computerized Systems	1	1	3	3	3
Estimate of Manual Hours Saved	1,000	1,000	1,200	1,500	1,500



CHALLENGES AND GOALS

- To complete the integration of key database files for land, business, and personal taxes.
- To automate remaining billing and receipt functions.
- To improve inter-bureau communications in relation to computer files maintained by the Department of Finance, so as better meet the needs of all City departments.
- To complete the conversion of bills to in-house design printable on cut-sheet paper wherever possible.

INITIATIVES

FI08. Increase Tax and Utility Systems Automation

A primary objective of the Tax and Utility Administration program is to promote electronic filing and electronic recording. Automation is intended to lead to increased recording efficiency and would dramatically reduce data entry and the multiplicity of steps required in the Bureau's tasks. In order to improve information processing and eliminate time-consuming manual applications, the Department should increase the use of computers for all data and information functions. Additionally, existing computerized functions should be upgraded to meet current standards.

The conversion from manual applications to computerized processing should ensure maximum billing and collection, increasing Department efficiency and revenue. With automation freeing up part of Department personnel's time, the role of the Department's clerks will evolve to that of revenue agent, using the tools of automation, electronic filings, and case prioritization to more efficiently handle tax and utility customer accounts. Although it is expected that this change would increase revenue collections and efficiency, no specific savings are attributed to this initiative.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



Audit & Enforcement

MISSION

To ensure taxpayers are reporting and paying taxes and fees accurately, timely and in compliance with City Ordinances.

OBJECTIVES

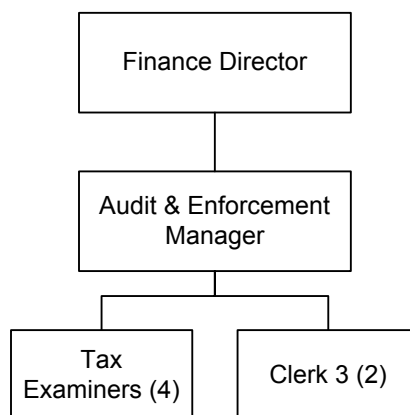
- To conduct audits of individuals and businesses to verify taxes paid and assess any additional tax due.
- To collect past due bills by enforcing City Ordinances to ultimately generate payment of City taxes and fees.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

In order to undertake the Bureau's mission, Audit and Enforcement program personnel conduct audits of individuals and businesses and collect past due taxes and charges due to the City of Allentown.

The Bureau's enforcement work includes collecting funds from checks returned to the City; reviewing all bankruptcy filings and file claims when necessary; registering unlicensed businesses operating within the City; and obtaining copies of W2 information from employers within the City. Personnel are also responsible for assisting the public by telephone and in person to resolve their disputes; posting properties with termination of service notices for unpaid water/sewer bills; and preparing and recording liens and judgments and file civil and criminal (non-traffic) citations at the District Justices' offices.

ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2000	2001	2002	2003	2004	2005
Manager	1	1	1	1	1	1
Tax Examiner	5	5	5	5	5	6
Clerk	1	1	1	2	2	2
Total	7.0	7.0	7.0	8.0	8.0	9.0

Staffing levels include positions funded by the Sewer Fund. For the period 2000 through 2004 the Sewer Fund paid one tax examiner and as of 2005 it pays two tax examiners.

EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Personnel	286,773	310,076	361,575	368,651	390,780
Services & Charges	48,454	46,290	42,610	49,494	43,974
Materials & Supplies	114	610	641	440	422
Capital Outlays	984	0	0	0	0
Total	\$336,325	\$356,976	\$404,826	\$418,585	\$435,176

Personnel charges indicated above reflect those positions paid by the General Fund, and do not include Audit & Enforcement personnel paid by the Sewer Fund.

Projected (Baseline)

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$421,651	\$439,180	\$456,274	\$474,462	\$493,839
Services & Charges	\$52,121	\$53,424	\$54,759	\$56,128	\$57,532
Materials & Supplies	\$463	\$475	\$486	\$499	\$511
Capital Outlays	\$0	\$0	\$0	\$0	\$0
Total	\$474,234	\$493,078	\$511,520	\$531,089	\$551,881

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budgeted
Number of Audit Payments	28	11	2	5	25
Amount of Audit Collections	\$84,894	\$3,649	\$196	\$475	\$25,000
Number of BPT, EIT & OPT Cases	2,229	2,581	2,654	2,700	2,750
Amount of BPT, EIT & OPT Collected	\$1,116,991	\$942,198	\$1,033,092	\$1,316,536	\$1,150,000
Number of Water/Sewer Cases	5,291	5,354	6,084	6,880	6,200



Amount of Water/Sewer Collected	\$1,686,099	\$1,771,634	2,254,637	\$2,711,589	\$2,350,000
Number of Garbage Fee Cases	2,029	1,857	1,911	1,884	2,100
Amount of Garbage Fee Collected	\$383,904	\$456,606	\$541,224	\$503,708	\$575,000
Number of Other Cases	549	704	643	772	700
Amount of Other Cases	\$170,203	\$173,649	\$251,419	\$93,929	\$100,000
Total Number of Cases	10,126	10,507	11,294	12,241	11,775
Total Amount Collected	\$3,492,091	\$3,347,736	\$4,080,568	\$4,626,237	\$4,200,000

RECENT ACCOMPLISHMENTS

- The Bureau commenced filing criminal (non-traffic) citations to seek restitution for trash fees, a measure that will generate additional revenue without incurring court costs.
- The Bureau improved the efficiency of the water/sewer shut-off program by developing a new posting notice system.
- An additional tax examiner was hired in 2005, enabling the Bureau to resolve more cases and collect additional past due revenue for the City.

GOALS

- To increase total revenue collected and resolve more cases.
- To pursue, develop, and implement new methods and programs that persuade Citizens' to pay their bills, generating additional revenue for the Department.
- To investigate, develop, and implement new methods and programs to persuade citizens to pay their bills, generating additional revenue.

CHALLENGES

- Two major challenges faced by the Department are State mandates and tax-related State court decisions. Several Business Privilege Tax-related court decisions have continued to impact and modify the Department's approach to enforcing existing and current tax liabilities. Such decisions pose a challenge to the Department as its collection efforts must be continuously monitored and adjusted to meet the requirements of judicial resolution and state statutes, and have a wide range of impacts on City revenue collections.

INITIATIVES

FI09. Casework Coordination with Solicitor's Office

In conjunction with the Solicitor's Office, the Department may wish to investigate the legality of changing the verbiage in as many fee-related City Ordinances as possible to allow the pursuit of restitution through criminal (non-traffic) citations. If fines for non-



payment can be raised (see below) and the Department could pursue restitution on additional criminal complaints, significant increases in delinquent revenues may result. Unlike civil complaints, the Department would not have to pay court costs to file such complaints.

A second source of potential coordination between the Solicitor's Office and the Audit and Enforcement Bureau could be quarterly casework meetings with the aim of increasing synchronization of collections effort. Such meetings could increase the effectiveness of collections for those cases with delinquencies in excess of \$8,000, accounts which are currently referred to the Law Office. A coordinated approach would be beneficial in monitoring progress on pending cases as well as issues requiring more extensive research.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

F110. Increased Enforcement Fines

The City should consider raising enforcement fines currently set in City Ordinances as "up to \$300." Audit and Enforcement personnel believe that an increase in such fines would be warranted, subject to statutory provisions as set out in the Home Rule Charter and other pertinent ordinances, and recommend that the Solicitor's Office review the validity of raising enforcement fines to a maximum of \$500. This amount then should be reviewed periodically to account for inflation.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

FI11. Decrease Time Lag in Pursuing Delinquent Accounts

For all types of public and private delinquencies, the 'younger' and newer the debt, the more likely it is to be paid. Efficient, quick and accurate resolution of delinquent accounts would allow the Department to collect a higher proportion of its cases. If a departmental focus on reducing the time in pursuing and resolving delinquency cases were to increase collection revenues by just 4 percent, the fiscal impact of such an initiative could generate savings as shown in the following chart in 2006 (based on total Audit and Enforcement collections in 2004 of \$4,626,237). Because this approach would have the effect of advancing otherwise delayed collections into earlier years, the benefit shown here declines each year and eventually disappears. However, it is also likely that



more aggressive early collection of delinquencies will increase the overall amount collected as well. That impact is not included in this estimate.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	25%	50%	75%	100%
Fiscal Impact	\$185,049	\$138,787	\$92,525	\$46,262	\$0



Purchasing

MISSION

To achieve excellent procurement services through technological advancements, improved procedures and outreach programs, performed with professionalism and teamwork and thereby promoting a competitive, fair and impartial environment throughout the vendor community.

OBJECTIVES

- Provide, at the time and place needed, in the proper quantity and of the proper quality all materials, supplies, tools and services required for the City's operations.
- Secure such materials, supplies, tools and services at the lowest possible cost, consistent with prevailing economic conditions, while establishing and maintaining a reputation of fairness and integrity.
- Reduce the overhead cost of buying and reduce the volume and streamline the flow of paperwork.
- Furnish management with timely information and to advise them concerning market conditions and trends which could affect the future availability and price of any needed materials, supplies, tools and services.
- Protect and preserve all materials which are being held in storage to meet future requirements.
- Provide all traffic and transportation services necessary for the accomplishment of the above duties.
- Obtain the greatest revenue from the disposal of by-products and of surplus, damaged or obsolete materials and equipment.
- Encourage the procurement and use of recycled products.
- Promote a safe work environment.
- Pursue emerging technology.
- Facilitate interaction and communications between Purchasing and our customers, both internal and external.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The Purchasing Bureau is a component unit of the Department of Finance. The bidding process undertaken by the Unit is mandated by Article VIII, Section 815 of the City's Home Rule Charter. The Charter requires that *"Whenever the estimated cost of any... project subject to the control of the City shall exceed Twenty Thousand (\$20,000) Dollars, it shall be the duty of the City to have such work performed pursuant to a contract awarded to the lowest responsible bidder, after advertisement for bids."*

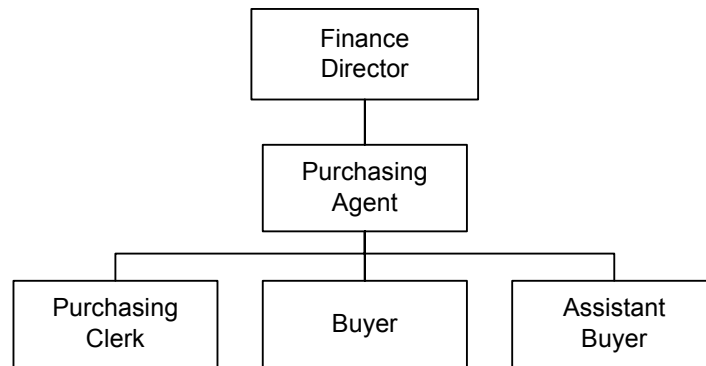
In addition, for all contracts that exceed \$4,000 but are less than the amount requiring advertisement and competitive bidding, either *"Written or telephonic price quotations from at least three (3) qualified and responsible contractors shall be requested"* or *"in*



lieu of price quotations, a memorandum shall be kept on file showing that fewer than three (3) qualified contractors exist in the market area within which it is practicable to obtain quotations."

The Bureau monitors the purchasing process for compliance with established purchasing regulations and procedures; prepares purchase orders; prepares and reviews bid specifications; encumbers City obligations; provides product testing, new product research, and purchase scheduling to maximize bulk and quantity discounts; handles surplus sales; coordinates the City-wide electronic purchasing system and works with regional public purchasing entities in consortium buying.

ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2000	2001	2002	2003	2004	2005
Purchasing Agent	1.0	1.0	1.0	1.0	1.0	1.0
Buyer	1.0	1.0	1.0	1.0	1.0	1.0
Assistant Buyer	1.0	1.0	1.0	1.0	1.0	1.0
Purchasing Clerk	1.0	1.0	1.0	1.0	1.0	1.0
Total	4.0	4.0	4.0	4.0	4.0	4.0

EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Personnel	229,098	235,790	249,029	246,834	253,633
Services & Charges	11,999	13,063	12,093	10,295	15,506
Materials & Supplies	659	422	579	1,803	1,358
Total	\$241,756	\$249,275	\$261,701	\$258,932	\$270,497



Projected (Baseline)

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$279,540	\$290,518	\$301,271	\$312,674	\$324,781
Services & Charges	\$10,827	\$11,098	\$11,375	\$11,660	\$11,951
Materials & Supplies	\$1,896	\$1,943	\$1,992	\$2,042	\$2,093
Total	\$292,263	\$303,559	\$314,638	\$326,375	\$338,824

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Requisitions processed	3,435	3,544	3,871	3,800	3,900
Written quotations prepared	551	507	546	550	575
Advertised bids prepared	105	100	91	90	90
Purchase orders issued	3,695	3,576	3,508	3,500	3,600
Number of blanket orders	249	276	251	260	250

RECENT ACCOMPLISHMENTS

- Instituted a new purchasing module, allowing users to interface with accounts payable and the general ledger in 2002.
- As of 2004, the Department lists advertisements for bids, RFPs, and bidder's applications on the City's website.
- In 2005, the Department implemented a third party regional bid notification system –Bidnet - to post all quotations, bids, RFPs, addenda and awards.
- Also in 2005, the Department entered into a contract with propertybureau.com, which will hold on-line auctions for the City's confiscated items and recovered bicycles for the Police Department. Receipts from all assets seized by the police and sold by propertybureau.com are, by ordinance, contributed to the police pension fund.

CHALLENGES AND GOALS

- Through Charter change, to increase bidding limits to at least \$25,000 when purchasing materials or contracting for services (including professional services), currently set at \$20,000.
- Through Charter change, to reestablish the process of exemption from sealed bidding procedures through the submission of a "Waiver of Sealed Bidding Requirement" to City Council. Prior to the implementation of the Home Rule Charter, these purchases consisted of items with no readily comparable substitutes



(as determined by City Council), which were patented, copyrighted, sole source goods, used, or second-hand.

- Expand advertising from generally circulated newspapers in Lehigh County to all generally acceptable forms of public advertising, especially internet posting.
- Collaborate with other public procurement units. This requires the passage of resolution by Council as per Commonwealth of Pennsylvania statutes.
- Increase the amount of training for Department staff.
- Decrease the time lag in purchasing commodities.

INITIATIVES

F111. Establish a Procurement Card System for the City

The Purchasing Department should consider using procurement cards for select City personnel. Since the mid-1990s the use of procurement cards by governments and businesses has risen dramatically, streamlining the purchasing process and providing real savings. A study performed in 2003,³ found that procurement cards boost efficiency and improve budget compliance.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

F112: Institute Joint Purchasing arrangements with other Public Procurement units

[Note: additional review needed for this initiative]

Following a City Council resolution, the Purchasing Bureau, under the guidance of and in cooperation with all city purchasing units, should spearhead the effort to bring neighboring cities, counties, townships, school districts, and other local government entities together in an effort to centralize and consolidate significant purchasing/sourcing functions.

A joint-purchasing initiative could include, but not be limited to, the procurement of major construction projects, vehicles, light and heavy equipment, commonly used supplies, Information Technology equipment, technical support, technology expertise, and high cost supplies. The initiative would benefit all interested parties in several ways. Key advantages include cost savings based upon economies of scale; and the understanding by local and national vendors that the Allentown region is a unit and must receive price concessions if the vendors wish to continue to supply area governments.

³ County News Online. June 02, 2003;
<http://www.naco.org/CountyNewsTemplate.cfm?template=/ContentManagement/ContentDisplay.cfm&ContentID=8380>



Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

FI13. Establish a Third Party On-line Auction for Surplus City Materials and Equipment

Following the approach of comparable cities both regionally and nationally, the City should establish a third-party online auction to sell surplus materials and equipment.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

FI14. Establish a Quarterly Training Schedule for Eden Classes

Training in new automation systems will allow for greater efficiency in the City's use of its newly-implemented software programs. The Eden System allows users to access revenue and expenditure information on-line, and training in its effective use would reduce the number of requests made to Finance Department personnel to retrieve budget data on behalf of City operating departments. These classes should be used both to train new employees and to re-train existing personnel on new equipment and procedures.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

FI15. Write a Procurement Manual

A procurement manual that details the City procurement process and outlines regulations and procedures would be beneficial for both current and future Department personnel. Consolidation of Departmental guidelines would increase efficiency in the Department and provide a foundation for moving forward. Many policies, procedures, processes, and standards may not have been adjusted for some time, even as technologies and proven effective practices – such as purchasing pools, and e-commerce – have changed.

Given that all City divisions are affected by the organization of purchasing, the Bureau could convene a committee to review and revise existing procedures and condense effective procedures into a user-friendly manual. For example, the application of



common standards for information technology and office furniture purchases will be especially beneficial in minimizing costs. More standard approaches defining the role of staff in divisions that consume goods and services in drafting Request for Proposal specifications should allow the Purchasing Agent to focus more on coordination and compliance, instead of drafting specifications personally.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

FI16. Update Administrative Information Manuals (AIMs)

Updating the Department's administrative information manuals will have a similar effect on Departmental efficiency as the procurement manual described above. Setting and revising City policies and procedures establishes a benchmark of performance and assists all City personnel.

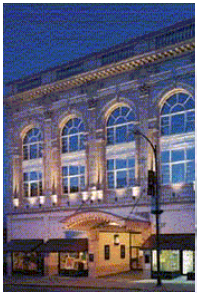
(Note: The Administrative Information Manual constitutes the policy and procedure manual for the City. AIMs are the individual policies and procedures)

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



Human Resources and Risk Management



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Human Resources Department

PERSONNEL ADMINISTRATION

MISSION

To provide the employees of the City of Allentown with a broad range of personnel services which enable these employees to perform their duties effectively in a highly supportive environment.

OBJECTIVES

- To provide the City of Allentown with a broad range of quality personnel services which will enable all employees to carry out their job responsibilities in a way that is commensurate with their skills, aspirations, and needs.
- To maximize individual and organizational performance in support of the Administration's vision, objectives and strategy.
- To create enhanced methods for recruiting and testing applicants for City positions.
- To assist in achieving the Administration's vision of being the premier Pennsylvania municipality, meet departmental goals, and to establish and build a partnership among all employees.

LABOR RELATIONS

MISSION

To provide the employees of the City of Allentown with a broad range of labor relations services which enable these employees to perform their duties effectively in a highly supportive environment.

OBJECTIVES

- To impart an attitude of concern and understanding to all labor relations activities that will improve employee morale and enhance the quality of service that City employees provide.
- To monitor construction and human resource contracts receiving Federal funds to assure EEO compliance.
- To champion a leadership mindset in the organization towards a cultural change of high performance in efforts to reinforce a sense of accountability and ownership of individual contribution to departmental results.



SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

Personnel Administration

This program is part of the Finance cluster of City services, and reports through the Deputy Finance Director and Director of Human Resources to the Finance Director. The Personnel Bureau provides the City's centralized personnel management system including:

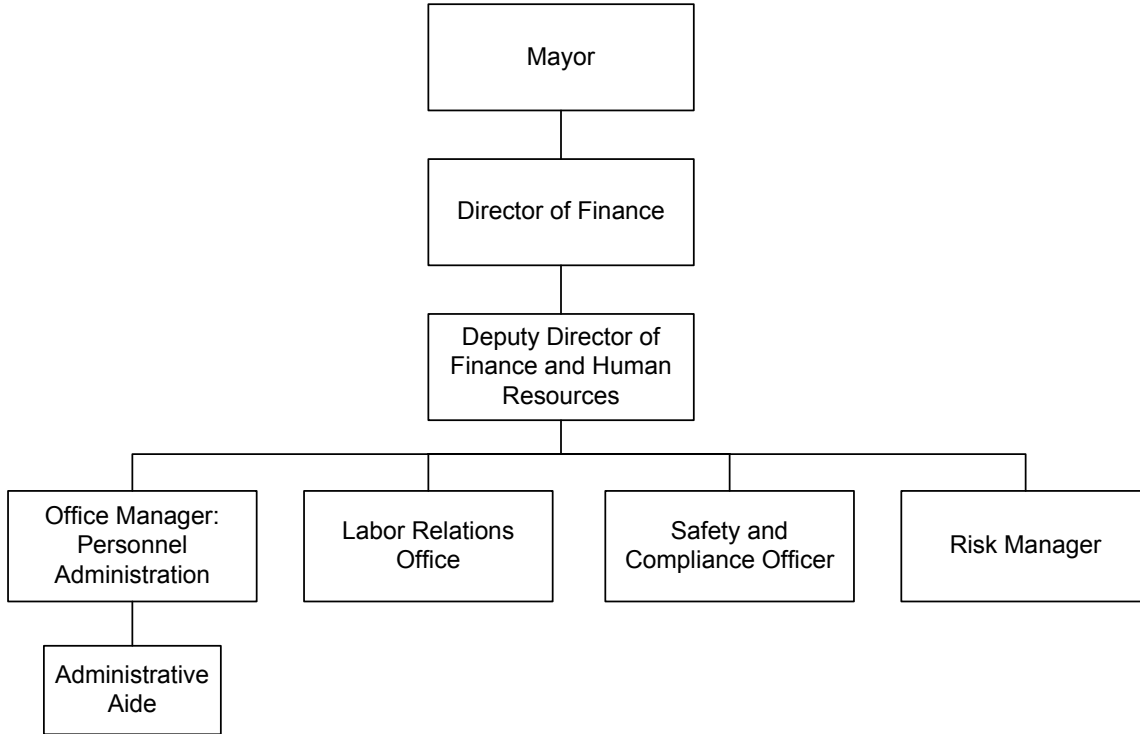
- Coordinating the recruitment, testing and selection of regular, Civil Service, and part time employees.
- Administering health, life, long-term disability and unemployment compensation insurance.
- Processing tax exempt insurance programs and flexible spending accounts.
- Administering a deferred compensation plan; developing, implementing, reviewing, revising, and administering personnel policies and procedures.
- Developing, implementing and providing training and development programs to all levels of employees in targeted areas such as employee diversity, technical competence, leadership capability, effective interactions, performance improvement, safety, health and environment and understanding the organization (including vision, values, strategy, policies, and regulations).
- Providing educational, career, personal and performance counseling to employees.
- Assuring compliance with Equal Employment Opportunity regulations.

Labor Relations

This program includes all labor relations and employee relations activities. These include negotiating and administering labor agreements; compliance with AIM Policies & Procedures including meet and discuss activities with union representatives and City supervisors; and ensuring compliance with the contractual aspects of equal employment statutes and laws.



ORGANIZATIONAL CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Human Resources Director	1	1	0	0	0
Deputy Dir. – Finance & HR	0	0	1	1	1
Office Manager	1	1	1	1	1
Labor Relations Officer	1	1	1	1	1
Admin Aide – H/R	3	3	3	3	3
Total	6	6	6	6	6

EXPENDITURES

Historical

	2001	2002	2003	2004	2005 Budget
Personnel	\$330,620	\$336,745	\$345,595	\$349,985	\$364,993
Services & Charges	\$98,033	\$98,252	\$27,695	\$49,450	\$86,294
Materials & Supplies	\$1,150	\$832	\$473	\$154	\$468
Capital Outlays	\$659	\$2,274	\$1,108	\$2,894	\$468
Sundry	-	\$75	-	\$51,035	-
Total	\$430,462	\$438,178	\$374,872	\$453,518	\$452,224



Projected

	2006	2007	2008	2009	2010
Personnel	\$386,547	\$402,157	\$417,409	\$433,614	\$450,852
Services & Charges	\$52,004	\$53,305	\$54,637	\$56,003	\$57,403
Materials & Supplies	\$162	\$166	\$170	\$175	\$179
Capital Outlays	\$3,043	\$3,120	\$3,198	\$3,277	\$3,359
Sundry	\$51,035	\$51,035	\$51,035	\$51,035	\$51,035
Total	\$492,792	\$509,782	\$526,449	\$544,104	\$562,828

PERFORMANCE MEASUREMENTS

Personnel Administration

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Provide City employee with benefits printout by April 1 st	1	1	0	0	1
Prepare Civil Service eligibility lists	3	3	1	0	0
Employee Assistance Program utilization	20	30	45	49	53
Promote employee participation in flexible benefits program	212	230	264	236	250
Provide sexual harassment training sessions for all new employees	93	74	84	30	40
Provide job related training sessions for supervisors	2	2	4	2	10
Provide training sessions for new supervisors	2	2	2	2	2

Labor Relations

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
New contracts negotiated	2	2	0	2	1
Grievances processed: SEIU	37	17	22	21	26
Grievances processed: IAFF	20	5	62	1	24
Grievances processed: FOP	7	5	22	12	15
Arbitrations processed: SEIU	1		1	1	2
Arbitrations processed: IAFF	1	2	5	3	3



Arbitrations processed: FOP	2	5	7	1	4
Unfair labor charges: SEIU	0	0	1	0	1
Unfair labor charges: IAFF	4	1	4	4	3
Unfair labor charges: FOP	1	2	3	3	2

SELECTED CHALLENGES AND GOALS

Personnel Administration

- To increase the diversity of the City workforce and assure compliance with its human relations policies.
- To focus performance management on manager/supervisor and employee partnerships, and to support those partnerships by integrating human resources programs, policies, systems and practices.
- To provide opportunities for employees to make significant contributions to the City, and to provide employees appropriate rewards and recognition on the basis of individual, team and organizational performance.
- To explore additional ways to contain employee benefit costs.
- To review unemployment compensation (U/C) claims and to represent the City at U/C hearings.
- To continually update job descriptions to ensure job worth and pay equity including ADA compliance.
- To administer a compensation policy ensuring internal equity and consistency, with fair and competitive rates commensurate with the economic requirements of the City.
- To develop effective job-related training and development programs for employees at all levels.

Labor Relations

- To complete the job study and implement appropriate study recommendations.
- To successfully negotiate labor agreements and administer the agreements with consistency, fairness, and uniformity.
- To identify opportunities where substantial agreement exists between labor and management in efforts to significantly improve labor-management relationships.
- To provide management employees with training on their responsibilities under the labor agreements.
- To ensure compliance with relevant labor-related statutory requirements (Pennsylvania Prevailing Wage Act, FLSA, Davis-Bacon Act, etc.).
- To assist with providing job related training to employees.



INITIATIVES

HR01: Implement Performance Evaluations

Under the leadership of Human Resources, the City should implement a performance management program, including performance evaluations for employees. The program should begin with management employees, and could possibly be extended to include other employees in the future, pursuant to collective bargaining agreements. At a minimum, formal reviews should be conducted annually, with ongoing communication on progress taking place between the formal reviews.

In order to have a meaningful performance evaluation process, goals and objectives for each management position need to be determined in conjunction with the Mayor and City Council. By having established documented goals, members of management could be evaluated against those goals and be held responsible and accountable for the results in their respective departments. To increase motivation in management, compensation could potentially be altered to be a direct function of performance against the developed set of goals. Training and development objectives for managers should be integrated with performance expectations.

An example of a strong performance management program is found in the District of Columbia government. The program is designed to be an objective and developmental approach to assessing employee performance, and provides a framework for supervisors and employees to communicate with each other regarding work expectations, job performance, and career development. Furthermore, the program is also designed to recognize employee accomplishments and improve employee performance through training. Employees are evaluated on specific competencies and goals through a structured performance scorecard.

While no cost savings can be associated with implementing a performance management program, City management employees will have a defined set of goals and in turn be held directly accountable for achieving or missing those goals. A structured performance management system will motivate City employees to meet established goals and will have a positive impact on overall operations and employee morale.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$0	\$0	\$0	\$0	\$0

HR02: Institute Employee Training and Development Program

PFM recommends that the City develop an Employee Training and Development Program to ensure that all employees are fully prepared to perform their duties. Currently



there is not a strong emphasis on training, and programs for leadership are particularly spotty. To address this need, the first step would be to perform a training needs assessment to identify those areas in which training programs are especially needed. Potential areas identified could be management and leadership, clerical training, and software and IT training. Looking forward, training and employee development are important to improving productivity and overall employee morale.

While training would require funding from the City, there are means to mitigate the costs involved. With several colleges near the City, training programs could potentially be delivered in conjunction with these institutions of higher education. Training partnerships with the City's professional community may also be possible, including participation in private sector training sessions.

The City does not currently have a position dedicated entirely to training and development. PFM recommends that the City hire an additional staff member to take the role of Employee Training and Development Coordinator. This position would be responsible for the identification of training needs across the City, the development of training programs, and the coordination of training programs with the civic community. The establishment of training programs should take into account the strategic priorities of the City, goals and priorities of specific departments and managers and employees, and safety and risk management priorities.

Instituting a training program in the City of Allentown would require some level of funding from the City. As discussed, there are potential means to mitigate the cost involved. There would be a further cost for hiring an additional staff member. The benefits of having a training program, however, are numerous. The City would benefit from an increasingly skilled workforce which would result in greater efficiency and smoother operations across the entire City.

HR03: Address Results of Job Study

[placeholder]



Risk Management Bureau

MISSION

To provide policy direction and effective management and financial support systems for all of the City's insurance coverage for employees, buildings, and equipment.

OBJECTIVES

- To protect the City against the financial consequences of accidental losses which are catastrophic in nature.
- To preserve City assets and public service capabilities from loss, destruction, or depletion.
- To minimize the total long-term cost to the City of all activities related to the identification, prevention and control of accidental losses and their consequences.
- To create a system of internal procedures providing a constant reassessment of fluctuating exposure to loss, loss bearing capacity and available financial resources, including insurance.
- To establish, to the extent possible, an exposure-free work and service environment in which City personnel as well as members of the public can enjoy safety and security in the course of their daily pursuits.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The City of Allentown Home Rule Charter establishes a Department of Finance and delineates that the Department must undertake the administration of "insurance." The Risk Management Bureau has been constituted to meet this departmental responsibility. The Bureau is appropriated as an internal service fund, receiving contributions from all City departments and funds appropriate to the various levels of insurance coverage that the City provides.

The Risk Management Bureau undertakes its work pursuant to the provisions of several Pennsylvania statutes:

- The Pennsylvania Workers' Compensation Act;
- The Pennsylvania Heart and Lung Act;
- Pennsylvania Department of Transportation vehicle insurance requirements;
- Liability exposure under the Political Subdivision Tort Claims.



Historical Staffing Levels by Position

Position	2000	2001	2002	2003	2004	2005
Risk Manager	1.0	1.0	1.0	1.0	1.0	1.0
Safety Compliance Officer	1.0	1.0	1.0	1.0	1.0	1.0
Total	2.0	2.0	2.0	2.0	2.0	2.0

EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Final Budget
Personnel	\$120,566	\$90,625	\$139,388	\$162,467	\$162,467
Services & Charges	\$7,359,939	\$9,129,231	\$9,669,645	\$12,476,267	\$10,357,616
Materials & Supplies	\$405	\$2,310	\$667	\$2,410	\$2,410
Sundry Expenses	\$481,301	\$974,072	\$1,603,330	\$1,768,181	\$1,768,181
Total	\$7,962,211	\$10,196,238	\$11,413,030	\$14,409,325	\$12,290,674

Projected

	2006	2007	2008	2009	2010
Personnel	\$176,496	\$183,154	\$189,692	\$196,612	\$203,947
Services & Charges	\$14,001,564	\$15,654,999	\$17,205,433	\$18,910,219	\$20,784,747
Materials & Supplies	\$2,534	\$2,598	\$2,663	\$2,729	\$2,798
Sundry Expenses	\$1,770,411	\$1,771,547	\$1,772,710	\$1,773,903	\$1,775,126
Total	\$15,951,006	\$17,612,298	\$19,170,498	\$20,883,463	\$22,766,617

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Number of Liability Claims	56	33	17	25	22
Number of Auto Physical Damage Claims	283	312	341	315	393
Number of Claims with In-House Adjustment	282	330	278	431	364
Number of Workers' Compensation Claims	164	219	210	196	239
Number of Employees in Light Duty Status	60	55	55	51	61
Indemnity and Medical Expenses (WC)	\$359,378	\$321,078	\$566,682	\$579,031	\$575,000
Total Cost of all Health Benefits	\$7,646,738	\$8,453,181	\$8,845,397	\$10,385,487	\$9,843,066



RECENT ACCOMPLISHMENTS

- The Bureau implemented a policy to minimize the financial impact of liability claims by denying liability when appropriate.

SELECTED CHALLENGES AND GOALS

- Long-range planning to identify exposures to loss.
- Managing Heart & Lung Act claims presented by Firefighters, establishing consistency in the treatment of injured Firefighters, and initiating statewide reform in the administration of Heart & Lung Act claims.
- Evaluating the causes behind increased costs and incidents of workers' compensation claims, and developing preventive strategies to avoid them.
- Developing and improving working relationships between the City and the representatives of the various health benefit providers.
- Increasing efforts at cross-training among co-workers to alleviate the City's dependence on a single knowledgeable individual for performance of specific tasks.
- Exploring opportunities to self-insure health benefits.

INITIATIVES

RM01: Establish a Worker's Compensation Case Review Committee

As part of efforts to control the costs of Worker's Compensation cases, PFM recommends that the City establish a case review committee to regularly review outstanding cases. The committee would meet at least once a month to discuss all outstanding cases and help employees return to work in an appropriate amount of time. The committee would also work to develop and enhance light duty programs and assignments for employees currently claiming benefits. Ongoing reviews of outstanding cases will provide a forum to discuss when such light duty assignments would be appropriate.

Finally, as part of preventive efforts, the committee would enhance and improve safety programs across the entire City government. The City's current Third Party Administrator (TPA) notes that while the City's collective bargaining arrangements may restrict some types of modified duty assignments, other approaches have been successfully implemented in peer cities. Lancaster, for example, assigns police officers claiming extended leave to office-based City Hall jobs including the City's 911 dispatch facility. Washington, DC's Metropolitan Police Department Telephone Response Unit is also staffed primarily by officers on light duty assignments.

In addition, the TPA believes that subject to available funds, settlement of selected long-term workers' compensation cases may allow the City to considerably reduce litigation expenses and ongoing salary liabilities incurred by older cases.



While it is premature to estimate cost savings potentially associated with this initiative, there would be a minimal cost to establishing a case review committee to perform the actions described above. The committee would furthermore set the tone in the City that any abuse of the worker's compensation system will not be tolerated and any offenses will be directly addressed.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

RM02: Establish a Third Party Claims Review Committee

Similar to the idea in the previous initiative, PFM recommends that the City form a committee responsible for performing regular reviews of third party settlements. Reviews should be done monthly, and trends in types of claims should be monitored and identified. Consequently, there should be a diagnosis of claims which can be addressed through programmatic and loss control initiatives and strategies. For example, some cities have identified a high number of claims due to suboptimal markings of roadwork, which consequently contributed to vehicle accidents. In this example and others, practices can be improved in efforts to avoid accidents. Furthermore, by improving practices, the City can also attain a better position in defending against third party claims.

The cost of establishing such a committee would be minimal and would result in improved safety practices in public areas. No cost savings have been assumed for FY2006 due to the implementation phase and potential cost of purchasing any necessary safety items, and savings estimates for out years are based on the conservative assumption that there would be a 10 percent reduction in self-insured property and casualty losses following the implementation of the review committee.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	100%	0%	0%	0%	0%
Fiscal Impact	\$0	\$54,000	\$54,000	\$54,000	\$54,000

Along with the recommendations outlined above, the following initiative impacting the Human Resources Department are detailed in the Workforce Chapter of this Multi-Year Plan:

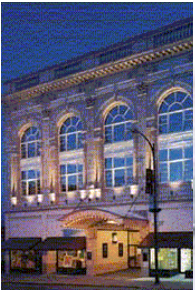


WK04: Engage a Benefits Consultant

The City should engage a benefits consultant to aide in the structuring and administration of the various benefits offered to City employees, specifically health and welfare benefits. As the cost of health benefits continues to rise significantly each year, the City would benefit from the services of a professional consultant in structuring the plan options available to employees. While the City is already making efforts to get assistance in this area by being a part of the Lehigh Valley Business Conference on Healthcare, a consultant working directly with the City would more than recover the cost of the professional service. This initiative has been described in greater detail in the Workforce Chapter.



Pension and Other Post-Employment Benefits



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Pensions

OVERVIEW

The City of Allentown maintains three pension funds and contributes to one state-run Plan through the Pennsylvania Municipal Retirement System.

1. Police Pension Fund
2. Firemen's Pension Fund
3. Officers & Employees Retirement Board
4. Pennsylvania Municipal Retirement System

The Police Pension Fund was established in 1926 and covers all contributing members of the Allentown Bureau of Police. There are approximately 178 retirement benefit recipients (including qualified survivors) and 11 disability benefit recipients. In Fiscal Year (FY) 2004, there were 209 active members contributing to the Plan.

The Firemen's Pension Fund, also established in 1926, covers Allentown City firefighters. As of the last actuarial evaluation for FY 2004, there were approximately 140 current retirement recipients (including qualified survivors) and 18 disability benefit recipients, and 145 firefighters still active in the Fire Department and eligible for this Plan.

Established in 1931, the Officers & Employees Retirement Board covers all non-uniformed officers and employees of the City of Allentown who were contributing members before June 3, 1976. As of the 2004 actuarial evaluation, there were approximately 12 active members; 278 current retirement beneficiaries (including qualified survivors) and 7 disability benefit recipients.

For municipal employees hired after June 2, 1976 who are not members of the Police and Fire Pension Plans, the City contributes to fund administered by the Pennsylvania Municipal Retirement System (PMRS).

CURRENT ACTIVE MEMBERS AND BENEFICIARIES (2003) CITY OF ALLENTOWN POLICE, FIRE AND MUNICIPAL PENSION FUNDS

	Police Pension Fund	Firemen's Pension Fund	Pre-1976 Officers & Employees	PMRS (Post-1976 Officers & Employees)
Active Members	209	145	12	584
Retirement Beneficiaries	178	140	278	TBD
Disability Recipients	11	18	7	TBD



PLAN FEATURES
CITY OF ALLENTOWN POLICE, FIRE AND MUNICIPAL PENSION FUNDS

	Police Pension Fund	Firemen's Pension Fund	Pre-1976 Officers & Employees	PMRS (Post-1976 Officers & Employees)
Normal Retirement Date	The earlier of age 50 and 20 years of service; or the completion of 20 years of service	The earlier of age 50 and 20 years of service; or the completion of 22.5 years of service	The earlier of age 55 and 20 years of service; or age 60 with 12 years of service	Age 55
Members' Contributions	5% (8% until implementation of arbitration award)	5% (8% until implementation of arbitration award)	3% for members not covered by Social Security. Members covered by FICA contribute 3.5% on the portion of pay on which FICA taxes are paid and 5% on the excess.	7.5% of compensation
Social Security Buyback Provision (if applicable)	N/A	N/A	1.5% of pay on which Social Security taxes are payable	N/A
Retirement Benefits: Basic Benefit	50.5% of compensation the member received upon retirement <u>or</u> , if higher, 50.5% of average salary of any 5 years of service.	50.5% of compensation the member received upon retirement <u>or</u> , if higher, 50.5% of average salary of any 5 years of service.	50% of the amount which would constitute the highest average compensation of any 5 years of service or the rate of pay at the time of retirement, whichever is greater.	Annual benefit is calculated by multiplying years of credited service times by final salary by the appropriate credit factor. This factor is 1.25% for all years of service before 1990; 1.75% for all years between 1990 and Jan 1, 1996; and 2.1% for all years after 1996. Benefit cannot exceed 80% of final compensation.



	Police Pension Fund	Firemen's Pension Fund	Pre-1976 Officers & Employees	PMRS (Post-1976 Officers & Employees)
Retirement Benefits: Service Increment	3.5% for the first full year of service over 20 years; plus 4% for each of the next 4 years of service over 21 years to a maximum of 70% of compensation for 25 or more years of service.	3.0% for the first full year of service over 20 years; plus 3.5% for each of the next 4 years of service over 21 years to a maximum of 67.5% of compensation for 25 or more years of service.	1/40 th of the basic benefit for each year of service in excess of 20, up to age 65.	N/A

State Aid for the City's Pension Plans under Act 205

Act 205 of 1984, known as the *Pennsylvania Municipal Pension Plan Funding Standard and Recovery Act*, was enacted in response to a severe insolvency crisis faced by many municipal pension funds. In addition to imposing actuarial funding standards on municipal pension plans and the requirement that municipalities pay down all unfunded liabilities in annual installments over time, Act 205 established the General Municipal Pension System State Aid (GMPSSA) program. The Pennsylvania Auditor General is responsible for distributing state funds for municipal pension plans for police officers, paid firefighters and non-uniformed employees. The program is funded through the Pennsylvania Municipal Pension Aid Fund, which is financed in turn by a 2 percent tax on casualty insurance and the fire insurance policies purchased from out-of-state insurance companies.

Act 205 provides an offset for the City's overall pension payment each year. For the past several years this GMPSSA amount has been in excess of \$3 million, as shown in the following table:

HISTORICAL STATE GMPSSA PENSION AID (ACT 205) POLICE, FIRE AND MUNICIPAL PENSION FUNDS AND PMRS CONTRIBUTION

	2000	2001	2002	2003	2004
State Aid for Pensions	\$3,198,984	\$3,133,726	\$3,169,093	\$3,711,704	\$3,792,770

PROJECTED STATE GMPSSA PENSION AID (ACT 205) POLICE, FIRE AND MUNICIPAL PENSION FUNDS AND PMRS CONTRIBUTION

	2005	2006	2007	2008	2009	2010
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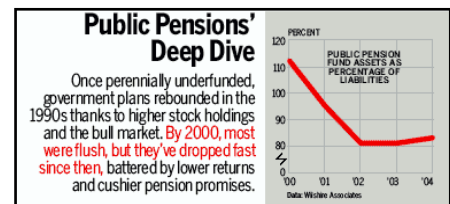


State Aid for Pensions	\$3,891,382	\$3,988,666	\$4,088,383	\$4,190,593	\$4,295,357	\$4,402,741
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The amount of the Commonwealth payment is calculated based on the number of active employees, with uniformed employees double-weighted. As such, despite the fact that revenues from State Aid for Pensions have grown at an average rate of 6.81 percent each year, because the City's employment levels have declined slightly, the growth rate of its reimbursement could also decline. The amount of the payment also turns on the amount the State has available to distribute and the number of municipalities applying for aid. With the market downturn in recent years (outlined in the following pages), more localities have applied, increasing competition for limited funds. For these reasons, despite the strong growth in pension aid revenues, outyear revenues are projected using a general inflationary factor.

Response to the Market Downturn of 2001-2003

Many Pennsylvania municipalities experienced large investment losses in 2001 and 2002 period, with corresponding requirements to dramatically increase MMO contributions to their pension funds. As Standard & Poor's reported early in 2005 regarding state pension systems: "The rapid growth and significant magnitude of these liabilities has become an increasing credit concern for many state ratings, reaching crisis proportions in some cases."



To address this issue, the General Assembly passed and the Governor signed HB 2467 in July 2004. The legislation allows public pension funds to amortize the 2001 and 2002 losses over 30 years, rather than the 15 years over which actuarial gains and losses are generally amortized. This re-amortization authority was estimated by the actuary to reduce the City's gross 2005 MMO payment for its Officers and Employees Retirement Board from \$203,608 to \$0. In addition, due to the depressed value of stocks and interest rates in 2002/03, many municipal pension funds moved from an actual fair market valuation method of determining the value of assets to an "asset smoothing" method. Asset smoothing calculates the value of plan assets based on a moving average of the prior three to five year period, rather than on a 'snapshot' of asset value on a given day. However, if the adoption of the smoothing approach allows the City to budget for a reduced upsurge in its MMO, it also reduces the annual benefit to the MMO when market performance improves.

Pension Obligation Bonds

Acts 168 and 169 of 1994 amended Act 205 of 1984 and Act 52 of 1978 ("The Debt Act") to allow Pennsylvania municipalities to issue general obligation bonds to fund unfunded pension liabilities without jeopardizing their GMPSSA state aid payments. Act 169 excludes Pension Obligation Bonds from statutory debt limits as imposed by the Debt Act, but because pension funds are considered a private use established for the benefit of individual retirees, such bonds are considered taxable for federal individual



income tax purposes. In 1996, along with many other Pennsylvania jurisdictions, Allentown issued pension obligation bonds to fund the unfunded liability of its three pension plans. The City did not have an unfunded liability with respect to its participation in PMRS. The City issued \$37.9 million of principal and committed to a stream of interest payments totaling \$31.2 million through 2014.

As a result of poor market performance in 2001 and 2002, the City's annual required pension contribution, or Minimum Municipal Obligation (MMO), has risen steadily in recent years. In the September 2003, the funds' actuary estimated that the calendar 2004 MMO payment would grow to approximately \$3.8 million in 2004, *in addition to* the \$4.013 debt service payment required for the 1996 Pension Obligation Bonds. Taking advantage of historically-low long-term interest rates, in 2004 the City undertook a significant refinancing of its 1996 taxable issue, extending the remaining maturities from 2014 to 2034 by issuing an additional \$36 million in principal.

To repay the principal and interest on the pension financing, the majority of the pension contributions made by the City and its employees are transferred to the City's Debt Service Fund to cover the semi-annual bond payments, with a smaller portion allocated to fund the City's calculated Municipal Minimum Obligation. Again, these expenditures are partly offset by the City's GMPSSA revenues from the Commonwealth.

Projecting Multi-Year Pension Expenditures, 2006-2010

As indicated previously in this chapter, any projection of the City's total pension costs over the period of this Multi Year Plan must consist of two factors: the predetermined schedule of Pension Obligation Bond payments and the projected annual Municipal Minimum Obligation to fund any unfunded liabilities. Taking the above factors into account, and using actuarial assumptions as of September 2003 and January 2005, the City's total pension cost is forecast to exceed \$4.5 million annually in 2005 and 2006.

A) Pension Obligation Bond debt service

A steady repayment of approximately \$2.35 million per year is required to service the Pension Obligation Bond refunding series of 2004, as shown in the following table:

**TAXABLE PENSION REFUNDING BONDS SERIES OF 2004
DEBT SERVICE SCHEDULE 2005-2010
(FINAL MATURITY 2034)**

Year	Principal	Interest	Total
2005	\$650,000.00	\$1,726,559.50	\$2,376,559.50
2006	\$660,000.00	\$1,715,249.50	\$2,375,249.50
2007	\$675,000.00	\$1,700,531.50	\$2,375,531.50
2008	\$695,000.00	\$1,682,104.00	\$2,377,104.00
2009	\$715,000.00	\$1,660,003.00	\$2,375,003.00
2010	\$740,000.00	\$1,635,621.50	\$2,375,621.50



B) Projected Minimum Municipal Obligation

To establish a baseline MMO for this Multi-Year Plan, several factors were taken into account. Firstly, while the Multi-Year Plan encourages elsewhere the continued exploration of headcount reductions, the MMO projection has chosen to more conservatively assume that the current headcount persists over the next five years. In addition, even with positive returns in 2003-2004, the Standard & Poor's 500 stock index as of June 2005 remains more than 20 percent below its March 2000 high. As such, turbulent market returns over the past several years mean that attaining of the City's historic pension investment returns is far from certain.

Secondly, 2005 is the first year of a four-year contract with the Fraternal Order of Police (FOP) local and the first year of an eight-year contract with the International Association of Fire Fighters (IAFF) local. Following the completion of an interest arbitration procedure under Act 111 in 2004, the collective bargaining awards were approved by Allentown City Council in July 2005. Pension enhancement provisions contained in the awards will be significant cost drivers in the later years of the multi-year projection, particularly in Fiscal Year 2008.

The projection model uses the reported number of 54 early retirements from the Fraternal Order of Police (FOP) bargaining unit during the August 1, 2005 – September 9, 2005 retirement window. In addition to the 3 I.A.F.F. members retiring prior to the Retirement Window in 2005, the Model incorporates a further 8 early retirements during the Window.

Based on actuarial assumptions provided by the Department of Finance and by Beyer-Barber Company, and based on the recent labor agreements, the multi-year projection model incorporates a \$1,493,768 anticipated increase in the City's Minimum Municipal Obligation (MMO) payment for FOP personnel in 2008 and a \$1,064,585 anticipated MMO increase for the IAFF unit in 2008. The delay to implementing the arbitration awards appears to result in the postponement of the MMO payment for the additional FOP retirement benefits, originally scheduled for 2006. In addition, based on recent accounts, PFM has added an additional \$1,500,000 for FOP pensions beginning in 2008. This increment recognizes the revised calculation of police and firefighter salaries for pension purposes included in the recent collective bargaining agreements. PFM does not have specific numbers from the City's actuary on this cost, and will modify this amount once additional data is available.

Thus, the Multi Year Plan assumes that the MMO will increase for the I.A.F.F. and F.O.P. units while remaining roughly stable for S.E.I.U. and non-represented employees.



**COMBINED PROJECTED PENSION COST
(PENSION OBLIGATION BOND REPAYMENT PLUS PROJECTED MINIMUM
MUNICIPAL OBLIGATION)**

	2005	2006	2007	2008	2009	2010
Pension: General Fund	\$6,574,750	\$6,474,945	\$6,654,400	\$10,935,922	\$11,141,132	\$11,249,366
Pension: All Other Funds	\$815,240	\$815,240	\$815,240	\$815,240	\$815,240	\$815,240
Pension: All Funds	\$7,389,990	\$7,290,185	\$7,469,640	\$11,751,162	\$11,956,372	\$12,064,606

**COMBINED PROJECTED PENSION COST
OFFSET FOR ACT 205 STATE AID PAYMENT**

	2005	2006	2007	2008	2009	2010
Net Pension Payment	\$3,498,608	\$3,301,519	\$3,381,257	\$7,560,569	\$7,661,015	\$7,661,865

PENSION-RELATED OPERATING BUDGET STRAIN

[PFM expects that this section will be adjusted with the receipt of additional updated detail on the impact of recent arbitration awards on pension costs]

In relation to standard public safety metrics, the City's pension liabilities reflect significant strain on the City's overall finances. The following are among the key indicators of the pressure generated by these obligations:

1) Funded Ratio (unfunded pension liability) at 1/1/2003

Pension Plan	Actuarial Liability	Actuarial Value of Assets	Funded Percentage
Police	\$73,777,267	\$61,509,524	83.4%
Fire	\$47,822,940	\$44,135,042	92.3%
Officers & Employees	\$30,797,310	\$31,333,904	98.3%

2) Pension Costs (including Pension Obligation Bonds) as a Percentage of the General Fund Budget

	2005	2006	2007	2008	2009	2010
Pension as a Percentage of General Fund Budget (Projected)	10%	10%	9%	14%	13%	13%



INITIATIVES

PE01: Explore Alternative Future Retirement Program

In much of the private sector and among a small but growing number of public employers, traditional defined benefit plans have been replaced by defined contribution plans that provide resources for employee retirement while fixing employer liability.

For future hires, the City should explore the development of enhanced 457(b) Plans as an alternative to the traditional defined benefit plans. Rather than contributing to employee pension funds, the City could make a match contribution to each employee's personal 457(b) Plan. Such defined compensation plans do not require significant start-up costs for public employers, and the employer is not responsible for the payroll taxes on that part of income. Such a development would require collective bargaining and as such, no savings have been attributed to this initiative. However, defined contribution plans should be considered for the long term.



Minimum Municipal Obligation Worksheet for 2004

		Police Pension Fund	Firemen's Pension Fund	Officers & Employees
1.	Total Annual Payroll (2003)	\$13,129,448	\$7,838,637	\$501,703
2.	Total Normal Cost Percentage	17.28%	13.76%	4.17%
3.	Total Normal Cost (Line 1 x Line 2)	\$2,263,517	\$1,078,596	\$20,291
4.	Total Amortization Requirement	\$1,255,843	\$413,441	\$0
5.	Total Administrative Expenses	\$195,000	\$158,000	\$263,000
6.	Total Financial Requirements (Line 3 + Line 4 + Line 5)	\$3,814,360	\$1,650,037	\$283,921
7.	Total Member Contributions	\$1,038,027	\$570,763	\$26,654
8.	Funding Adjustment	\$0	\$0	\$53,659
9.	Minimum Municipal Obligation, 2004 (Line 6 – Line 7 – Line 8)	\$2,776,333	\$1,079,274	\$203,608
10.	Special Limitation under PA Act 205 Section 302(b)(1)	N/A	N/A	\$0
11.	Minimum Municipal Obligation (Lesser of Line 9 and Line 10)	\$2,776,333	\$1,079,274	\$0
				\$

Source: Beyer-Barber Company



Other Post-Employment Benefits (OPEB)

OVERVIEW

In 2004, the Governmental Accounting Standards Board (GASB), the body responsible for determining Generally Acceptable Accounting Principles, issued Statements 43 and 45 related to “Other Post Employment Benefits” (OPEB). The issuance of these statements and its consequences has been widely publicized, because a great majority of US governments follow GASB Standards.

OPEB is focused on retiree benefits other than pensions. For most governments, this involves retiree medical benefits; although certain other retiree benefits such as life insurance and long-term care plans might be covered if offered. GASB Statements 43 and 45 instruct most governments to report this expense by requiring an actuarial determination and disclosure of the cost of post-retirement health care costs. This calculation is very complex and akin to an actuarially determined pension liability. Prior to issuance of this standard, most governments had a “pay-as-you-go” approach to liabilities and have never undertaken an actuarial valuation. For most, this actuarial calculation will exponentially increase the annual liability.

GASB 43	Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans (April 2004) <ul style="list-style-type: none">– Requires the accrual of liabilities– Describes financial reporting for OPEB plans that are pre-funded or administered through a separate trust<ul style="list-style-type: none">• The plan needs to calculate the Annual Required Contribution (ARC) <p>Sponsor must include a schedule in the financial report that shows whether or not it is receiving contributions at that level</p>
GASB 45	Accounting and Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans (June 2004) <ul style="list-style-type: none">– Requires the accrual of the expense– GASB 45 describes financial reporting for Sponsors of OPEB plans <p>The sponsor needs to report a record of the cumulative under-funding or over-funding with respect to the ARC in its financial statement</p>

Actuarial valuations will be required under new standard: biennially for 200 or more members, or triennially for fewer than 200 members. Members are defined as the total number of employees in active service; beneficiaries currently receiving benefits; terminated employees who have accumulated benefits but are not yet receiving them; and retired employees.




JUSTIFICATIONS FOR GASB 43 AND 45

In justifying this major change in accounting procedures, GASB argued that post employment health care is part of the exchange of salary and benefits for work performed and should be accounted for while the employee is performing the work. To do otherwise, according to this perspective, is to ignore a potentially significant long-term liability – and is a matter of “good government” policy. In terms of the practical impact of GASB 43 and 46, however, most governments now fund post employment health care on a pay-as-you-go basis. If a government opts to do what GASB is implying to be the right thing, it would need to “pre-fund” rather than “pay-as-you-go” its annual OPEB expense. In some cases, while there can be significant localized variability, the pre-funding annual expense is may be as much as ten times the annual pay-as-you-go annual expense.

OPEB IMPLEMENTATION IN ALLENTOWN

Implementation will be phased based on the size of the government. A government’s size is measured by total revenues from all funds in FY 2000 (from GASB 34 implementation). Implementation is scheduled for GASB 43/45 as outlined in the following graphic. For Allentown, the standard would be applicable for the fiscal year 2008 Financial Statements.

GASB 43 AND 45 IMPLEMENTATION SCHEDULE

	Phase	Total Annual Revenues	GASB 43	GASB 45
			applies for periods beginning after:	applies for periods beginning after:
	1	\$100,000,000 or more	12/15/2005	12/15/2006
	2	\$10,000,000 – \$100,000,000	12/15/2006	12/15/2007
	3	Less than \$10,000,000	12/15/2007	12/15/2008

ALLENTOWN RETIREE MEDICAL BENEFITS

Allentown retirees are generally eligible for city-sponsored medical benefits if participating in the City’s pension plans. All retiree currently receive the same health insurance benefits and are responsible for paying a portion of their health care costs. The current SEIU contract (for both O&E and PMRS plan members) stipulates that anyone with 15 or more years of service is responsible for paying 25% of their health insurance costs. Individuals with 10-14 years of service are responsible for paying 50% of their health insurance costs, and individuals with less than 10 years of service not eligible for City-funded retiree health insurance. The same provisions apply for Non-Bargaining unit members of PMRS. Beneficiaries of the Fire and Police Pension plans are responsible for paying 25 percent of their retiree medical costs.



Based on the experience of other Pennsylvania municipalities that have recently undertaken an OPEB actuarial calculation, there is a high likelihood that Allentown will face a significant unfunded liability, almost certainly multi-million dollars. Many governments who have performed calculations have seen a tenfold increase in the actuarial liability relative to the current pay-as-you-go funding approach. Should healthcare costs continue to increase at rates well in excess of inflation, this unfunded liability will continue to increase exponentially.

Given the size of the potential liability, the City may not be in a position to fund OPEB costs in 2008. However, developing a funding plan to address such commitments over time should be a priority in the early years of the Multi-Year Plan. In 2006, the City's primary tasks should be to achieve familiarity with the requirements of GASB 43 and 45 and identify the expense of performing the calculation.

The rating agencies recognize that many governments will not be in a position to fund this liability immediately. At the same time, the development of a plan to address this liability over time is considered an important financial practice.

The table below outlines Fitch Ratings' recently-released summary on the credit implications of GASB 45:

**“THE NOT-SO-GOLDEN YEARS”
CREDIT IMPLICATIONS OF GASB 45 – FITCH RATINGS**

Governmental Accounting Standards Board (GASB) Statement No. 45 will be the accepted accounting practice for governments as of its implementation dates. Failure to comply would prevent auditors from releasing a “clean” audit opinion.

- The switch to actuarial funding from a pay-as-you-go practice may have a sizable fiscal impact. However, Fitch Ratings believes that meeting actuarial funding requirements for other postemployment benefits (OPEB) will be a stabilizing factor and protective of credit over time.
- Fitch expects a wide range of unfunded liability positions to result as GASB 45 is implemented, reflecting the variability of benefits offered around the U.S. Annually required contributions are likely to place disparate burdens on the budgetary resources of state and local governments.
- Initially, Fitch's credit focus will be on understanding each issuer's liability and its plans for addressing it. Fitch also will review an entity's reasoning in developing its plan. An absence of action taken to fund OPEB liabilities or otherwise manage them will be viewed as a negative rating factor.

• For issuers choosing to ramp up annual contributions to reach full funding of actuarially determined levels, Fitch recognizes that a rising net OPEB obligation in the short term may be a by-product. Such an increase, taken in the context of a sound OPEB funding plan, will not by itself affect credit ratings.

• Fitch does not expect OPEB plan funding ratios to reach the generally high levels of pension systems for many years, but steady progress toward reaching the actuarially determined annual contribution level will be critical to sound credit quality.

• Assumptions play a crucial role in calculating plan assets and liabilities. As actuarial standards for OPEB plans become clear, Fitch will review the underlying assumptions and will view negatively any that are overly aggressive. When applicable, assumptions should be consistent with those adopted for the plan sponsor's pension system.

• Fitch will view OPEB liabilities, like pensions, as soft liabilities that fluctuate based on assumptions and actual experience. Reality dictates that an entity may opt to defer OPEB funding in times of budget stress. However, indefinite deferrals are damaging to credit quality. While not debt, pension and OPEB accumulated costs are legal or practical contractual commitments that form a portion of fixed costs. Long-term deferral of such obligations is a sign of fiscal stress that will be reflected in ratings.



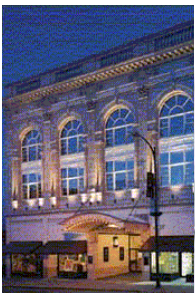
PE02: Develop an OPEB Funding Plan

With the pending implementation of new GASB standards it will be imperative for governments not only to calculate OPEB liabilities but to develop a responsible approach for this liability. Elements of a funding plan may include:

- **Funding Reserves**
In the same way that the City contributes incrementally towards its employee Pension Funds, the City may wish to establish and manage pre-funding OPEB trust funds or reserves.
- **Consideration of OPEB Obligation Bonds**
- **Reconsideration of benefit design, including**
 - **Changing Benefit level**
Following the introduction of Federal Accounting Standard (FAS) 106– the private sector corollary of GASB 45 – many private sector employers reduced or eliminated retiree medical benefits.
 - **Eligibility changes,**
Including the number of years of service required for postretirement medical eligibility
 - **Consideration of deferred contribution approach**
- **Cost Recovery through user charges, grants, and Medicare Part D Reimbursement**
(Medicare Part D subsidies are a new option under the federal prescription drug plan, but are of limited applicability in Allentown because the City does not offer retiree benefits after retirees become Medicare eligible)



Police Department



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Police Department

MISSION

Police

To serve and protect the City of Allentown by providing the highest quality police services that are responsible to the needs of the community. We will contribute to the safety and security of the community by developing partnerships with the community, while ensuring that our police services are fair, unbiased, judicious and respectful of the dignity of all individuals.

Communications

To provide courteous and efficient dispatch and support communications dedicated to the safety of the public, police, fire, EMS, the non-emergency service bureaus through comprehensive and timely interrogation. To also provide a reliable City-wide radio network for emergency and non-emergency services and to maintain technical support for all radio, telephone, and electronic equipment in a timely and cost-effective manner, and in full compliance with FCC rules and regulations.

Emergency Medical Services

To provide pre-hospital emergency medical services, delivered by specially trained state-certified paramedics. To operate Basic Life Support, Mobile Intensive Care, and ALS Squad Units as licensed by the Commonwealth of Pennsylvania.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The Allentown Department of Police consists of a Bureau of Police of over 200 police officers; a Bureau of Emergency Medical Services (EMS) with 27 paramedics; and a Communications Center providing 911 dispatch for all City emergency services.

POLICE

The Allentown Police Department provides all patrol, investigative, supervisory, and management functions involved in providing day-to-day police services in the City of Allentown. To undertake policing in the City, the Department deploys Patrol Officers in both marked and unmarked police vehicles, and in specific geographical areas of the City to provide proactive community police services to the public. The Department provides investigations of major crimes that are committed by adult and juvenile offenders, and achieves this through specialized investigatory units such as Criminal Investigations, the Warrant Unit, Vice and Intelligence, the Property and Evidence Unit, the Special Victims Unit, an Evidence Collection Unit, Youth Services and a School Resource Officers team. Augmenting departmental policing services are specialized enforcement units requiring specialized training, equipment, and tactics, including a K-9 Unit and an Emergency Response Team.



Police Academy. The Police Academy provides basic training for new police officers and mandatory in-service training for veteran police officers. All local police departments, including Allentown, use the APD Academy for basic and mandatory training. The Academy also provides non-mandatory firearms training and specialty classes in first aid, traffic, defensive tactics, and investigative subjects.

COMMUNICATIONS

The Allentown City Communications Center provides all intercept and dispatch of all public safety calls in the City, including both emergency and non-emergency communications for the Police Department, EMS Bureau, Fire Department, Animal Control and the Parking Authority. Allentown Police Department is the only department in Lehigh County which operates its own dispatch service. The Center is staffed by civilian dispatchers and also coordinates general city government requests during non-business hours

EMS

Allentown Emergency Medical Services (EMS) employs twenty-seven full-time paramedics and twenty substitute paramedics. Two advanced life support (ALS) ambulances are staffed 24-hours a day, and two additional ALS ambulance crews operate during peak call-volume times. In 2004, Allentown EMS responded to 11,738 requests for medical assistance.

EMS SHIFT SCHEDULE

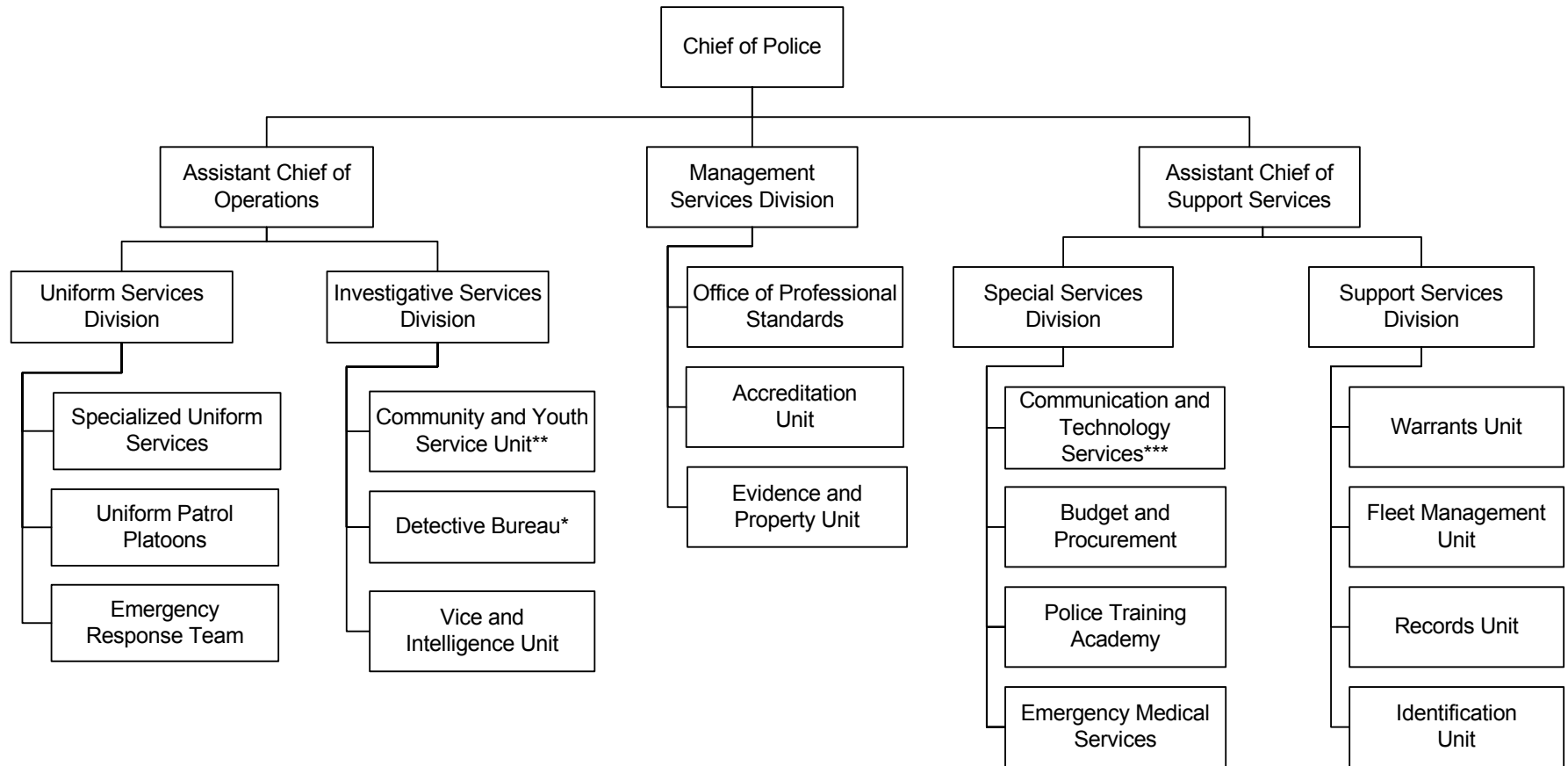
1 st Ambulance	24-hr
2 nd Ambulance	24-hr
3 rd Ambulance	8am-8pm
4 th Ambulance	11am-11pm

Allentown's Communication Center and each city ambulance are equipped with Computer-Aided Dispatching (CAD) to determine the closest ambulance to the call through automatic vehicle locators.

Two fire stations within the City house the EMS fleet. Central Fire Station is home to two ambulances and an Advanced Life Support (ALS) unit; and Mack South Fire Station houses one ambulance and an ALS equipped special operations unit. Allentown City EMS currently handles approximately 97% of all calls for emergency medical assistance in Allentown, with the remaining 3% of calls met by mutual aid agreement crews.



ORGANIZATIONAL CHART



* Detective Bureau includes Special Victims Unit.

** Community and Youth Services Unit includes School Resource Officers and Crossing Guards.

*** Communications and Technology Services includes Communications Center, Radio Services, and Telephone Services.



POLICE: Historical Staffing Levels by Position

Position	2001 Authorized	2002 Authorized	2003 Authorized	2004 Authorized	2005 Authorized
Police Chief	1.0	1.0	1.0	1.0	1.0
Assistant Chief	1.0	1.0	1.0	2.0	2.0
Inspector - Police	-	-	4.0	3.0	3.0
Captain - Police	5.0	5.0	4.5	6.5	5.5
Lieutenant - Police	13.0	13.0	9.0	8.0	7.0
Sergeant	45.0	46.0	45.0	43.0	40.0
Patrolman	150.0	157.0	174.0	176.0	169.0
Special Police	1.0	1.0	1.0	1.0	1.0
Para-Police	5.0	5.0	5.0	5.0	4.0
Police/Community Coord	1.0	1.0	1.0	1.0	1.0
Executive Secretary	1.0	1.0	1.0	1.0	1.0
Clerk 3 Confidential	1.0	1.0	4.0	5.0	3.0
Clerk 3	2.0	2.0	2.0	2.0	2.0
Clerk Stenographer 2	2.0	1.0	-	1.0	1.0
Clerk 2	11.0	12.0	13.0	11.0	11.0
Asst Police/Comm Coord	-	1.0	-	-	-
Exec. Asst. Chief	-	-	1.0	-	-
Chief Inspector	-	-	1.0	-	-
Hwy Safety Pgm Mgr	-	-	-	1.0	1.0
Community Health Spec.	-	-	-	1.0	1.0
Total	248.0	267.5	269.5	268.5	253.5

COMMUNICATIONS: Historical Staffing Levels by Position

Position	2001 Authorized	2002 Authorized	2003 Authorized	2004 Authorized	2005 Authorized
Captain - Police	-	-	0.5	0.5	0.5
Comm Superintendent	1.0	1.0	1.0	1.0	1.0
Comm Shift Supv.	6.0	6.0	6.0	6.0	6.0
911 Dispatcher	19.0	19.0	19.0	16.0	19.0
Tech Service Coord.	1.0	1.0	1.0	1.0	1.0
Telecomm Technician	3.0	3.0	3.0	3.0	3.0
Inven Control Clerk	1.0	1.0	1.0	1.0	1.0
Total	31.0	31.0	31.5	28.5	31.5

EMERGENCY MEDICAL SERVICES: Historical Staffing Levels by Position

Position	2001 Authorized	2002 Authorized	2003 Authorized	2004 Authorized	2005 Authorized
EMS Manager	1.0	1.0	1.0	-	1.0
EMS Operations Supv.	1.0	1.0	1.0	1.0	1.0
Paramedic (FT)	-	23.0	27.0	26.5	27.0
Paramedic Crew Chief	4.0	-	-	-	-
Paramedic (FT)	19.0	-	-	-	-
EMS Billing Specialist	-	-	1.0	1.0	1.0



Clerk 3	1.0	1.0	1.0	1.0	1.0
Clerk 2	1.0	1.0	1.0	0.5	1.0
Total	27.0	27.0	32.0	30.0	32.0

EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Police	\$17,256,237	\$18,623,235	\$21,717,109	\$21,622,118	\$20,670,667
EMS	\$1,577,348	\$1,845,393	\$2,088,074	\$2,071,502	\$2,399,344
Communications	\$1,851,463	\$1,981,099	\$2,225,147	\$2,052,034	\$2,386,641
Total	\$20,685,048	\$22,449,727	\$26,030,330	\$25,745,654	\$25,456,652

Projected: police

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$19,894,300	\$22,216,457	\$23,273,123	\$24,327,100	\$25,137,188
Services & Charges	\$651,191	\$667,471	\$684,158	\$701,262	\$718,793
Materials & Supplies	\$307,326	\$315,984	\$324,067	\$332,352	\$340,844
Capital Outlays	\$36,206	\$37,111	\$38,038	\$38,989	\$39,964
Refunds	\$230	\$236	\$242	\$248	\$254
Reserve for Contingencies	\$718	\$718	\$718	\$718	\$718
Total POLICE	\$20,889,971	\$23,237,976	\$24,320,346	\$25,400,669	\$26,237,761

Projected: EMS

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$2,281,913	\$2,368,700	\$2,453,666	\$2,543,803	\$2,639,546
Services & Charges	\$70,217	\$71,973	\$73,772	\$75,616	\$77,507
Materials & Supplies	\$88,375	\$90,584	\$92,849	\$95,170	\$97,549
Capital Outlays	\$22,405	\$22,966	\$23,540	\$24,128	\$24,731
Reserve for Contingencies	\$1,161	\$1,161	\$1,161	\$1,161	\$1,161
Total EMS	\$2,464,071	\$2,555,383	\$2,644,987	\$2,739,879	\$2,840,495

Projected: Communications

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$1,884,535	\$1,993,739	\$2,103,085	\$2,202,623	\$2,291,429
Services & Charges	\$403,240	\$413,321	\$423,655	\$434,246	\$445,102
Materials & Supplies	\$66,617	\$68,283	\$69,990	\$71,740	\$73,533



Reserve for Contingencies	\$8,714	\$8,714	\$8,714	\$8,714	\$8,714
Total	\$2,363,107	\$2,484,058	\$2,605,443	\$2,717,322	\$2,818,779

REVENUE

Historical

Type	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Police Extra Duty Jobs	\$333,497	\$202,685	\$83,035	\$31,556	\$90,000
Police Training	\$335,796	\$402,103	\$310,039	\$344,154	\$204,370
Police Grants/ Reimbursements	\$1,008,332	\$815,771	\$722,422	\$1,198,413	\$900,000

Projected

Type	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Police Extra Duty Jobs	\$91,218	\$92,452	\$93,703	\$94,971	\$96,256
Police Training	\$335,796	\$402,103	\$310,039	\$344,154	\$204,370
Police Grants/ Reimbursements	\$717,500	\$735,438	\$753,823	\$772,669	\$791,986



PERFORMANCE MEASUREMENTS

Police Operations

Performance Metric	2001	2002	2003	2004	2005 Budgeted
Number of Part I offenses committed (see following overview)	5,289	6,038	6,362	6,354	6,036
Number of Part II offenses committed (see following overview)	11,730	11,380	11,693	11,662	11,078
Responses to calls for service	93,385	95,049	112,202	118,714	124,000
Value of stolen property recovered	\$1,528,430	\$543,315	\$732,142	\$651,760	\$700,000
Traffic citations issued	11,105	12,533	14,232	15,000	15,500
Investigations completed	8,325	3,877	4,780	5,657	6,618
Case clearances	-	3,270	2,972	3,049	3,566
Arrests/apprehensions	2,028	409	665	475	550
Number of sexual abuse investigations	506	419	444	573	600
Total warrants cleared	3,317	5,455	9,877	9,245	9,500
Number of fingerprint services	6,585	6,432	4,896	5,000	5,100
Number of record checks	891	891	1,176	1,052	1,000
Number of photography services	8,290	8,488	12,000	10,000	10,000
No. of Emergency Response Team activations	-	67	57	40	60
Number of community meetings attended	-	-	50	300	300
Traffic citations issued by special ops. personnel	-	-	8,000	-	-
Non-traffic arrests by special operations personnel	-	-	1,200	-	-
Number of assists provided by the K-9 Unit	-	-	200	400	400
Hours of police motorcycle operation	-	-	11,000	14,000	6,500
Number of total accidents	-	6,211	6,345	6,200	6,000
Number of PennDOT reportable accidents	-	-	1,608	1,633	1,580
Number of accidents involving death	-	8	6	5	5
Number of accidents involving serious injury	-	1,413	810	65	60
Number of Juvenile Offenders arrested	1,797	1,636	1,400	1,500	1,500
Number of Repeat Juvenile Offenders arrested	-	297	272	300	300
Value of Property recovered in Juvenile cases	-	\$54,169	\$30,489	\$8,000	-
Community Meetings attended by Youth Officers	-	15	30	40	40
Youth-events attended by Youth Officers	-	8	18	15	20
Number of children attending the GREAT Camp	-	60	-	-	-
Number of children attending Camp Blue Line	-	-	134	160	-
Number of reports processed	-	341,960	389,560	436,160	500,000
Number of special events permits	-	55	73	120	130
Number of records issued for court	-	4,323	4,527	4,731	4,900
Number of traffic citations processed	-	12,486	14,225	17,540	20,346
Number of hearing notices processed	-	1,900	2,200	2,500	2,800

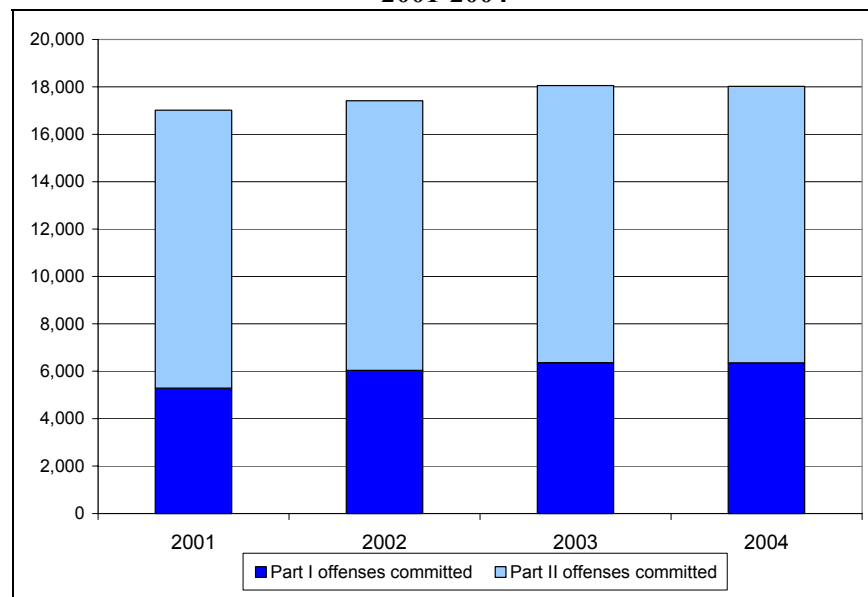


INCIDENTS OF CRIME IN ALLENTOWN

The following multi-city crime rate comparisons are drawn from Uniform Crime Data collected by the Federal Bureau of Investigation and summarize major trends in intercity comparisons. While important as indicators of demand for service and community public safety it is important to note that crime rates are influenced by multiple sociological and economic factors in addition to law enforcement performance. Comparisons of criminal activity should be used to help assess demand for services as much as the effectiveness of law enforcement.

Figure 1 illustrates the annual change in the number of Part I and Part II crimes between 2001 and 2004. Part I crimes include four violent crimes (murder, forcible rape, robbery, and aggravated assault) and three property crimes (burglary, larceny-theft, and motor vehicle theft). Part II crimes included the following: forgery, fraud, embezzlement, vandalism, weapons violations, sex offenses, drug and alcohol abuse violations, gambling, vagrancy, curfew violations, and runaways.

**Figure 1: PART I AND PART II OFFENSES COMMITTED IN ALLENTOWN
2001-2004**

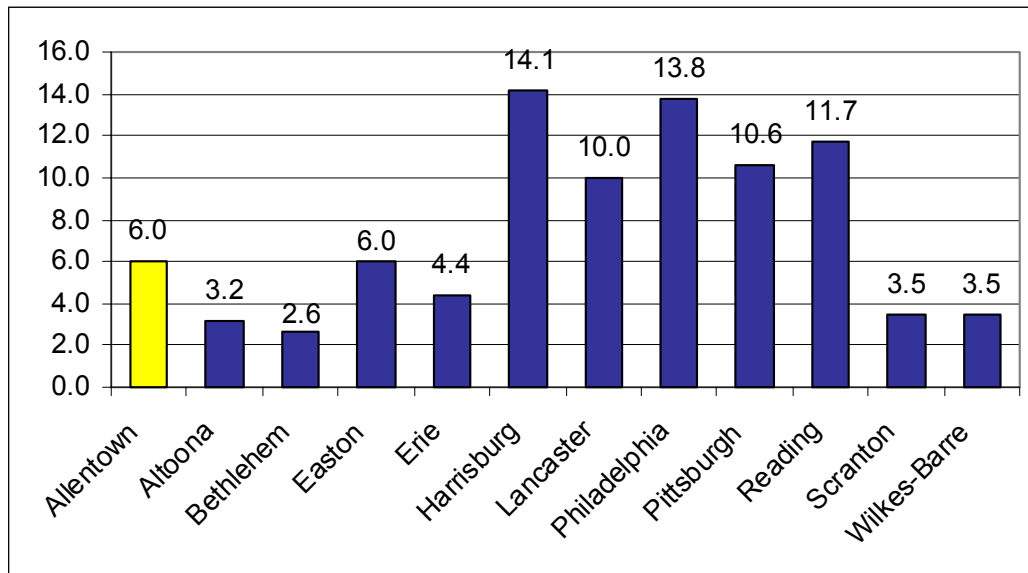


A) VIOLENT CRIME

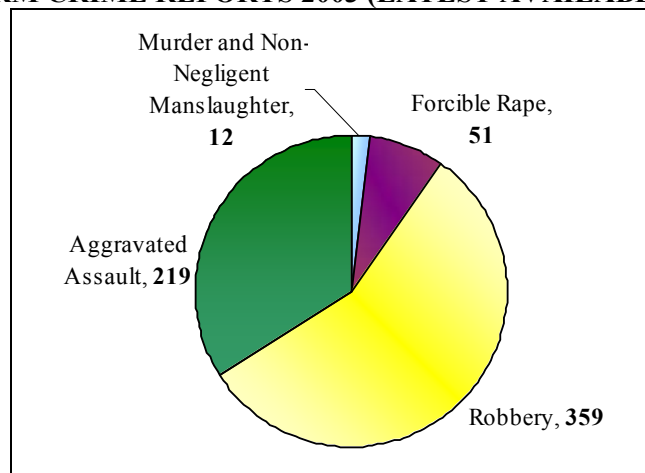
Federal Uniform Crime Data (UCR) from 2003 indicates that the rate of Violent Crime in Allentown is moderate, with the Queen City at the median of the Ten Pennsylvania Cities in the UCR Violent Crime sample. Figure 3 illustrates the breakdown of Allentown violent crimes into component offenses. Robbery and Aggravated Assault constitute over 90 percent of crimes classified as violent.



**Figure 2: VIOLENT CRIMES PER THOUSAND IN TEN PENNSYLVANIA CITIES
UNIFORM CRIME REPORTS 2003 (LATEST AVAILABLE YEAR)**



**Figure 3: VIOLENT CRIME BY TYPE REPORTED IN THE CITY OF ALLENTOWN
UNIFORM CRIME REPORTS 2003 (LATEST AVAILABLE YEAR)**

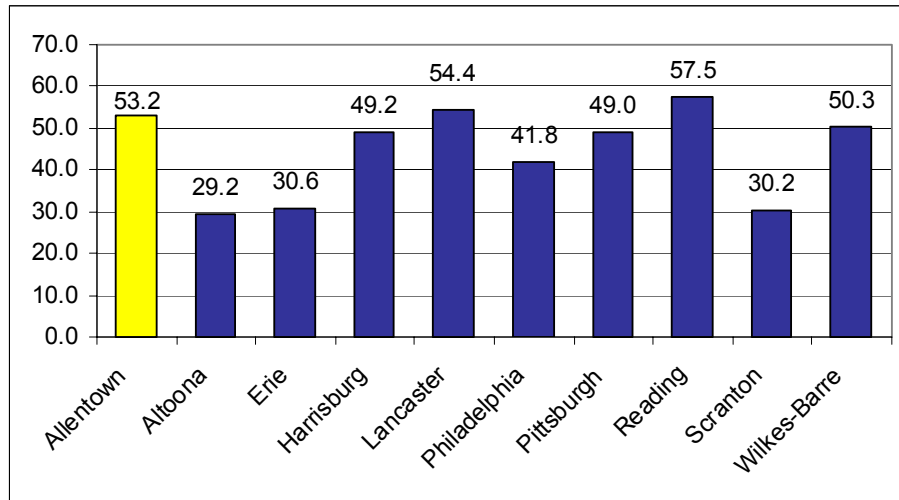


B) PROPERTY CRIME

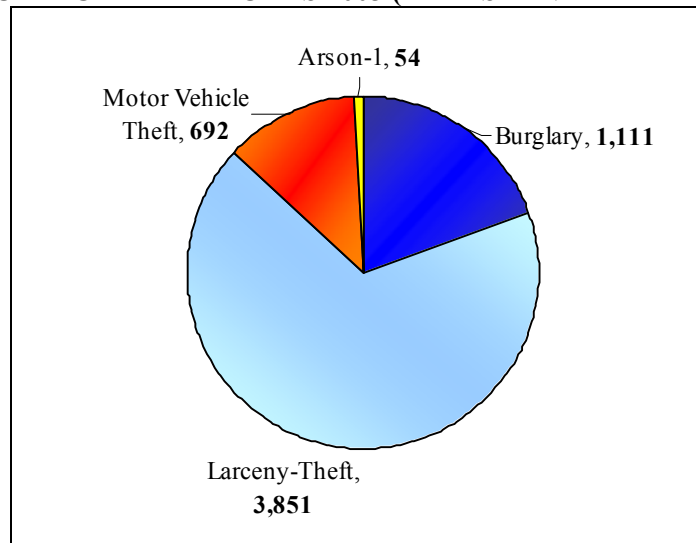
Unlike violent crime, levels and rates of property crime in Allentown were in the upper range among its peer cities in 2003. Allentown had a significantly higher total number of property crimes than moderately-sized Pennsylvania cities, and was third-highest among the ten cities sample shown in Figure 4. Figure 5 illustrates the breakdown of Allentown property crimes into component offenses. Larceny-Theft was the most frequent property crime, constituting over 68 percent of all property crimes in 2003.



**Figure 4: PROPERTY CRIMES PER THOUSAND IN TEN PENNSYLVANIA CITIES
UNIFORM CRIME REPORTS 2003 (LATEST AVAILABLE YEAR)**



**Figure 5: PROPERTY CRIME BY TYPE REPORTED IN THE CITY OF ALLENTOWN
UNIFORM CRIME REPORTS 2003 (LATEST AVAILABLE YEAR)**



COMMUNICATIONS

Performance Metric	2001	2002	2003	2004	2005 Budgeted
Training (hrs) other	1,200	1,200	1,200	1,200	1,200
Training (hrs) new hire	1,200	1,200	1,200	2,600	1,500
Number of calls for service dispatch:					
Police	93,385	95,048	112,202	115,000	119,600
Emergency Medical Services	10,814	11,323	11,867	12,341	13,000
Fire	6,036	6,175	6,112	6,356	6,500
Allentown Parking Authority	6,833	7,562	9,228	10,000	11,000
Animal Control	841	782	843	900	1,000
Number of employee staff meetings	10	10	10	10	12
Number of incoming phone calls	471,636	483,600	561,008	578,388	604,400

EMERGENCY MEDICAL SERVICES

Performance Metric	2001	2002	2003	2004	2005 Budgeted
Number of EMS responses	10,875	11,323	11,400	11,930	12,400
Advanced Life Support calls	3,951	4,473	5,009	5,100	5,250
Number of mutual aid calls	416	485	362	344	365

RECENT ACCOMPLISHMENTS

POLICE

- **Community Policing Plan – Phase I: Prioritizing and Redesigning Patrol**
Community policing is a rapidly growing alternative to the traditional “headquarters-based” policing structure. Community policing is both a philosophy and an organizational strategy. It combines the efforts and resources of the police, local government and community members to reduce neighborhood crime, fear of crime, physical and social disorder, and neighborhood decay; thereby enhancing the quality of life in the community.

Crime prevention is the main goal of Community policing. The police and community become partners to work against the factors that breed serious crimes. Working together, they identify the underlying causes of crime then modify conditions that encourage criminal behavior and expand the focus of crime-prevention activities.

Community policing seeks input from all members of the community to deal with crime. Officers cooperate with the community they serve by talking to neighborhood groups and agencies and participating in events and school programs. Community Policing integrates law enforcement into the community so that people feel comfortable going to the police for counsel and help before there is a serious



problem, not after the fact. When the officers are familiar with the day-to-day activities of the community, they are better able to identify problems and find solutions.

The City's 8 police districts, which had remained unrevised since the 1940s, were recently redrawn into 4 Police Service Areas (PSAs). The 8 districts were drawn to serve geographical areas of the city that were approximately equal in size, however, since several of the districts received a disproportionately high number of calls they were considered unsuitable for the Department's efforts to introduce Community Policing to Allentown. To replace the Police Districts, the Department established four Community Policing districts to provide an enhanced framework for community policing in the City. The four PSAs were designed to be approximately workload equal despite their geographically unequal areas. Since the revision, the APD has had to resort far less to Cross Feed Dispatch in order to transfer personnel from low-call to high-call areas. Located in each PSA are police patrol districts, within which are stationed 16 uniformed police who are specifically assigned to an individual community district

- **Accreditation**

Since 2003, the APD has pursued twin accreditation through the Pennsylvania Law Enforcement Accreditation Commission and through the Commission on Accreditation for Law Enforcement Agencies, Inc. (CALEA). The decision to seek accreditation was made in November 2003; and PA accreditation was approved by the executive board in March 2005. The on-site assessment was made on January 24th 2005. Later in 2005, the Department received recognition status from CALEA. The Department's commitment to become an accredited agency has driven multiple changes in departmental management and activities. The department has to adhere to 123 separate state standards, including 40 standards on arrest & booking; and 15-20 standards on evidence.

- **Recent Upgrades:**

Cell Blocks: As part of the accreditation drive, APD upgraded its holding cell facility. Its 8 cells have been sandblasted, and provided with a significant ventilation upgrade; video recording equipment has been installed; as has an eyewash station.

Evidence & Property Facility: Previously, APD evidence and property was stored in 6 different facilities throughout the city. The evidence was neither secure nor organized, and the tracking database was inadequate. As part of the accreditation process, Allentown's 25,000 pieces of property were consolidated into a single inventory and housed into a single warehouse facility. This warehouse has sophisticated security and lighting. APD established a temporary receiving locker, and introduced a bar-coding system in which everything is bar-coded and labeled prior to storage. New inspections have been introduced to ensure neatness & cleanliness, including 2 unannounced inspections. In the process of this, APD purged



over 1,200 firearms that were no longer needed, and instituted a structured process to return found property to its owner. The entire project cost less than \$30,000, compared with estimates of over \$100,000 just to secure the evidence warehouse.

- **Office of Professional Standards**

The Department's new Office of Professional Standards is designed to provide a firm structure in addressing citizen complaints, particularly those complaints that might potentially lead to litigation. The video-recording in the cellblocks also enables the department to more effectively deal with claims and will provide a benefit in responding to litigation.

- **Private and Non-Profit Grant Funding**

The APD has been successful in attracting private and non-profit investment in its activities. The Department received private funding from The Police Foundation for its accreditation exercise. This grant provided for the complete refurbishment of the cell block and the evidence & property room, as required for successful accreditation procedure. United Way provided the equipment and software for an early warning system on police complaints. The K-9 units are also citizen-funded: all 4 police dogs were purchased with local donations.

COMMUNICATIONS

- **Wireless Phase II Upgrade**

Pennsylvania's Act 78 of 1990 (as amended by Act 17 of 1998 and Act 56 of 2003) introduced new requirements for Communications Centers across the Commonwealth to become fully wireless technology-compliant. City and County 911 call centers were required to upgrade their facilities to enable dispatchers to identify and locate wireless 911 users at the street address level in the event of an emergency. The City of Allentown invested in additional 911 trunks and enhanced equipment to allow the pinpoint location of cell phone users within the City limits.

THREE PHASES OF WIRELESS 911 COMPLIANCE

Phase 0	No cell phone user location information is available to 911 dispatcher
Phase I	911 dispatcher receives the caller's callback number; the identity of the wireless provider and the cell phone tower transmitting the call.
Phase II	911 dispatcher receives the callback number; the name of the wireless provider and the actual location of the caller within a radius of no more than 125 meters in 67 percent of all cases.

Source: Pennsylvania Emergency Management Agency (PEMA)



In mid-2005, the Communications Center received confirmation from the Pennsylvania Emergency Management Agency (PEMA) that its recent system upgrades met Phase II compliance with the Act. As a result, the City was awarded a share of the state's wireless 911 tax revenues paid by cell phone users. This recurring stream of income is estimated at \$1.4 million per year. The City is ahead of many other call centers in the Commonwealth in achieving Phase II compliance.

CHALLENGES AND GOALS

POLICE

- **Community Policing Plan, Phase II:** Following assignment to individual police patrol districts, the next objective of the Department's Community Policing Plan is for patrol officers to attend community meetings.

COMMUNICATIONS

- **Staff Retention:** The Communications Center provides extensive personal services for city residents, because it provides the only city-wide communications number for residents to contact city government. However, it has sometimes proved difficult to keep the Center fully staffed, especially with Spanish speakers. The Center currently uses the AT&T language line to assist in the provision of City services for Spanish-speaking residents. Like many communities, retention has been a challenge because of the technical nature of the job, the need for relatively advanced IT skills, and the stress level involved.

INITIATIVES

PD01: Revise Vehicle Specifications on a Pilot Basis

Specifications in all City Departments should produce a vehicle that provides adequate functionality and efficiency, without jeopardizing safety or service delivery capacity. The general rule is that fleet operations should buy the least expensive, task-appropriate vehicle.

The Police Department typically purchases Ford Police Interceptors (package version of the Crown Victoria) as marked patrol vehicles. However, Chevrolet produces a less expensive police cruiser that achieves superior gas mileage. The Chevrolet Impala typically costs \$3,000 less and is five miles per gallon more fuel efficient than the Crown Victoria. Indeed, contract savings achieved by the Philadelphia Police Department have reached \$5,400 per vehicle purchased. If the Police Department were to purchase 7¹ Chevrolet Impalas rather than Ford Police Interceptors, it would be possible to generate initial purchase savings of up to \$3,000 per vehicle, or \$21,000 in reduced costs each year, totaling \$105,000 over the five-year period.

¹ According to the 2005 Equipment Fund inventory, the Department was allocated monies sufficient for 7 Marked Cruisers (Ford Crown Victoria) and 2 Unmarked Sedans (Ford Taurus).



Photo of New York City Police Department Impala



As shown in the following table, The Ford Crown Victoria and Chevrolet Impala are comparable with respect to a number of quantitative and qualitative measures. The Crown Victoria is only slightly larger than the Impala, offering 1.7 additional cubic feet in the front. In terms of performance, the Crown Victoria can attain slightly higher speeds (5mph more than the Impala), however, in terms of more qualitative measures of ergonomic comfort and communications accessibility, the two vehicles are nearly identical. The National Highway Traffic Safety Administration's crash test data indicates that the Impala and Crown Victoria are comparable when subjected to crash conditions.

Police Vehicle Performance and Specifications Comparison

	Chevrolet Impala	Ford Crown Victoria
Acceleration 0-60mph	8.76 secs.	8.42 secs.
Top Speed	123 mph	128 mph
Turning Circle (Curb to Curb)	38.0 ft	40.3ft
Fuel Capacity (Gallons)	17.0	19.0
Length	200.1"	212.0"
Height	57.3"	58.5"
Headroom	39.2" front, 36.8" rear	39.4" front, 38.0" rear
Legroom	42.2" front, 38.4" rear	42.5" front, 39.6" rear
Interior Volume	56.5 cu. ft front, 55.7 cu. ft rear	58.2 cu. ft front, 51.1 cu. ft rear
EPA Mileage Est. (MPG)	20 City; 29 Highway; 23 Combined	15 City; 21 Highway; 18 Combined

Source: "Police Vehicle Evaluation: Model Year 2005, Michigan State Police and National Law Enforcement and Corrections Technology Center"

While the Crown Victoria is indisputably the most widely used police vehicle, the Impala has been gaining ground and is now used (although not necessarily exclusively) by the Philadelphia Police Department, Pittsburgh Police Department, Allegheny County Sheriff's Department, New York Police Department, New York Metropolitan Transportation Authority, the New York State Police, Montreal (Quebec), the Illinois State Police, the North Carolina State Police, the North Dakota State Police, Memphis (TN) Police Department, the Virginia State Police, and the Vermont State Police, among others.



For each police patrol vehicle, if assumptions are made of an average annual mileage of 15,000; an average vehicle life of 5 years and gasoline prices of \$2.20², an Impala would be almost \$2,000 less expensive to fuel than a Crown Victoria over its five-year lifecycle. Assuming gas prices of \$2.60 per gallon, \$2,350 per unit per lifecycle could be saved in addition to the initial purchase price savings. The PACC State Contract offers fully-equipped Impalas in 2006 at a cost of \$20,794.33, compared with a 2005 purchase price for Crown Victorias of \$22,275. Purchase prices include the additional vehicle apparatus such as in-car cages and dividers, and radio and MDT mounts. However, as is current practice for the Department's Crown Victoria's, such equipment would be recycled for subsequent vehicles.

If the City began purchasing a less expensive, task appropriate police cruisers and unmarked sedans, up to \$2,000 could be saved per unit purchased and \$2,000 in additional savings over the life of the vehicle through improved fuel efficiencies.

The Police Department has expressed some reservations, particularly in relation to the costs of purchasing new in-vehicle apparatus and the interior suitability of Impalas for Allentown police officers. Recognizing these concerns, PFM recommends that the Police Department undertake a pilot purchase of Chevrolet Impalas in 2006 to test these concerns and ascertain their effectiveness as police pursuit vehicles, bearing in mind the substantial cost savings to the city over the lifespan of each vehicle. The Department could view the pilot year of Impalas as an ongoing road trial; with phase-in over the period of the Five Year Plan should the vehicles meet Department and City expectations.

Assuming that each new Police Interceptor purchased between 2006 and 2010 be replaced with a Chevrolet Impala, the savings are illustrated in the following tables.

Summary of Savings

	2006	2007	2008	2009	2010
Purchase Price Savings	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Fuel Savings	\$2,790	\$5,580	\$8,370	\$11,159	\$13,949
Total	\$16,790	\$19,580	\$22,370	\$25,159	\$27,949

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$16,790	\$19,580	\$22,370	\$25,159	\$27,949

² After discounting for Pennsylvania's Liquid Fuels tax of 30 cents per gallon which is not paid by municipalities



PD02: Civilianization

Challenge

Many Police Departments across the nation have benefited substantial cost savings and deployment flexibility in hiring non-sworn personnel to perform tasks previously performed by sworn personnel. *Civilianization* enables Police agencies to better ensure the safety of the public by deploying the optimal number of sworn officers to patrol. It does this by redeploying sworn personnel in administrative capacities to the field, and hiring civilian personnel to perform traditionally “back-office” functions such as information technology, administration, human resources, supplies, financial management and training.

Background

In 2003, the Allentown Police Department assigned a civilian to serve as the Department’s Court Liaison Officer, a position which was budgeted through the Special Police Services program. Although the position had been staffed by a sworn officer immediately prior to the appointment of the civilian Court Liaison Officer, the liaison function had been traditionally held by civilian staff members. The assignment was subsequently challenged by the Fraternal Order of Police Lodge 10 in court on the grounds that such a substitution of sworn personnel would be subject to collective bargaining provisions. The Commonwealth Court concurred with the FOP’s position and the Department has suspended additional steps to civilianize additional functions.

However, because of the material benefits provided by civilianization, the Department should begin now to identify a range of positions that could potentially undergo civilianization during the next round of collective bargaining with FOP Lodge 10 in 2008. In Allentown, civilianization could generate sizeable savings in salary and overtime expenditures (because civilian employees are compensated at a much lower rate than sworn employees), or could provide Commanders with the flexibility to redeploy sworn employees to the field, thereby increasing the number of sworn employees actively policing. Increasing patrol officer availability may provide support for the Department’s Community Policing Plan.



Case Study: Civilianization at Work in Distressed Pennsylvania Cities

Philadelphia's 1992 police arbitration award, undertaken with the goal of leading the City from fiscal distress, conferred the City the right to civilianize 179 positions in the Police Department.

Following Pittsburgh's designation as an Act 47 Distressed Municipality, the City's 2004 Act 111 Interest Arbitration Award for its sworn police officers included a civilianization provision which stated that *"the City shall be permitted to transfer any duties which do not require police officer certification and training to civilian employees outside the bargaining unit, even if currently performed by police officers."*

Fiscal Impact

Although the City's introduction of a civilianization initiative would be reliant on the agreement of the Fraternal Order of Police Lodge 10, it does not require a formal re-opening of the 2004-2008 Collective Bargaining Agreement. Given the recent depletion of the City's sworn officer count through the early retirement incentive, it is recommended that the Department and Union commence negotiations over potential Department positions currently held by sworn officers that could be civilianized. PFM recommends that such negotiations are commenced immediately, for several reasons. With an unusually large number of retirements in 2005, civilianization would allow the City to hire the optimum number of new sworn officer recruits after evaluating which positions might be best suited to civilians. In addition, redeploying certain sworn officers to the field would allow the City to forgo the substantial overtime costs that are expected in the interim months before mid-2006 when replacement sworn officers graduate from the Police Academy.

Given that such an initiative is dependent on City - F.O.P. negotiations, savings from this initiative have been discounted by 100 percent. However, civilianization has provided significant, quantifiable cost savings to a large number of police departments across the nation and should be a major priority of the City and the Police Department administration.

[AWAITING FINAL LIST OF POTENTIAL POSITIONS FOR CIVILIANIZATION FROM APD]

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	100%	100%	100%	100%	100%
Fiscal Impact	\$0	\$0	\$0	\$0	\$0



PD03: Introduce the Volunteers in Police Service Program (VIPS) to support police operations and enhance community involvement

The Volunteers in Police Service (VIPS) program was established in 2002 as part of the newly formed Citizens Corps organization. The Citizens Corps was instituted by President Bush as part of the federal government's response to September 11th, 2001; and was identified as a means to improve emergency preparedness through volunteering to support local emergency responders, disaster relief, and community safety. The goal of the VIPS program is to enhance the capability of state and local law enforcement to utilize volunteer workers in conjunction with pre-existing Police personnel.

Since the program's inception, 18 Pennsylvania police departments, including the cities of Bethlehem, Lancaster and Pittsburgh, have instituted local VIPS programs to assist local law enforcement. In Pittsburgh, volunteers assist in various Public Safety Department projects, including the Community Emergency Response Teams, the Citizens' Police Academy, disaster preparedness for neighborhood organizations, and special events assistance³. Other than local operating costs, participation in the federal VIPS program is free of charge as are all resources and services.

Volunteers allow law enforcement agencies and officers to focus on policing and enforcement functions by providing supplemental and support services, such as administrative and technical assistance, or supplemental and supervised citizen patrols. Investing in a volunteer program can help a police staff fulfill its primary functions and provide services that may not otherwise be offered. Such a program would be an ideal corollary for an Allentown Police Foundation or an Act 55 Public Service Foundation, two recommendations that are outlined elsewhere in this report.

Case Study: Volunteer Policing in Billings, Montana

The Billings, Montana Police Department employs 125 sworn officers serving a population of nearly 100,000. Volunteers in the Department provide a variety of support services including administrative assistance, neighborhood watch, victim services, and crime prevention planning. In 2002, two Police volunteers redesigned, upgraded, and streamlined the Department's pawnshop database, creating a mechanism to compare stolen items against pawnshop inventory.

Within three months of initiating the program, over 60 arrest warrants were issued on stolen goods. According to City of Billings officials, in 2004, the 103 VIPS participants undertook 10,926 hours of volunteer work on behalf of the Billings general public. Although any direct comparison of police department personnel across state and city jurisdictions is tenuous, Billings has a highly proximate population to Allentown and yet employs a Police Department staff that is 40 percent smaller. A fully-operative volunteer program in Billings' mould could generate substantial support services and/or personnel savings following implementation.

³ http://www.policevolunteers.org/programs/index.cfm?fuseaction=dis_pro_detail&id=1243



Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	100%	100%	100%	100%	100%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



PD04: City-County Consolidation of 911 dispatch services

BACKGROUND

The Allentown Communications Center

The City of Allentown currently receives and dispatches all requests for Police, Fire, and EMS assistance from City residents and visitors through their Communications Center, the operational program of the Bureau of Communications. The Communications Center provides Emergency Medical Dispatch (EMD) on all EMS requests, which is accomplished by shift supervisors and certified dispatchers using a pre-formatted guide for medical emergencies. These instructions are then relayed to the caller to provide medical assistance to the patient until medical assistance arrives on the scene. Calls are also received and dispatched for the City Animal Control Officer and the Parking Authority. The City employs 19 911 dispatchers, as well as six Communications Shift Supervisors, one part-time Communications Superintendent, and as of 2003 has budgeted half a position for the Chief of Police, a total of 25.9 full and part-time positions in FY2003. In FY2001 the Communications Center received and dispatched a total of 177,909 calls for Police, Fire, EMS, Animal Control and Parking Authority, as seen in the following chart. Police 911 calls represent the largest percentage of call volume, at 79.2 percent.

In FY2003 the Bureau of Communications was able to recoup \$1,008,431 (65.3 percent) of departmental expenditures through their 911 Phone Line Service Charge. However, this left the department with an operating deficit of \$535,486 for the fiscal year. Revenue brought in by the service charge has declined slightly, while rising expenditures costs, especially in personnel led to an increase in the operating deficit for FY2001-2003.

Allentown Communications Center Revenues and Expenditures (FY2001-2003)

	2001 Actual	2002 Actual	2003 Actual
Revenue	\$1,081,593	\$1,024,347	\$1,008,431
Expenditures	\$1,323,870	\$1,476,622	\$1,543,917
Operating Deficit	-\$242,277	-\$452,275	-\$535,486

However, in 2005, the Communications Center was upgraded to FCC/PEMA Phase II Wireless Capable, enabling dispatchers to identify the precise location of emergency callers using cell phones within the City of Allentown. The upgrade was mandated by Act 78 of 1990 as amended by Act 17 of 1998 and Act 56 of 2003. Act 78 preempted further division of the state's emergency management system by preventing any *additional* cities from operating 911 systems except where the county had chosen not to exercise such powers. The State's position, as outlined in the Act, is that "*each county is encouraged... to consider maximum integration of telecommunications facilities and capabilities within their planning in order to economize the costs, as well as to effect a more rapid response capability.*" However, any city that had established a 911 system prior to the effective date of the act can continue to exercise the powers and duties of counties. The Allentown CommCenter is the only dispatch facility in the region to have



completed the Commonwealth upgrade project to date, thus providing the City with a substantial technological advantage in the event of emergencies in the short-to-medium term. The City commenced collecting approximately \$1.4 million in locally-generated Wireless 911 fees in Fall 2005.

Lehigh County Communications Center

Lehigh County is currently in the process of developing a major Courthouse expansion and redevelopment plan. This plan calls for the relocation of the County's 911 Communications Center from its current basement facility in the County Courthouse. To this end, the County has partnered with the Lehigh Carbon Community College (LCCC), which sought to construct a regional public safety training facility and emergency instruction center with the assistance of a \$5 million grant from the Commonwealth of Pennsylvania and a \$300,000 grant from the U.S. Congress. According to the November 3rd, 2005 Morning Call, *"The \$11 million complex in North Whitehall Township would house the county's emergency management office and its 911 communications center, as well as provide classroom space for first responders and for the college's justice and public-safety courses. With \$4 million from Lehigh County and \$2 million from federal grants, the Training Center could open by late next year or early 2007, county Planning Director Robert E. Korp said."*⁴ The Schnecksville center would provide partnership and training for Police, Fire, and EMS; and will host all three services in the event of a disaster.

This closure and proposed relocation of the County dispatch center may provide the City and County with a new opportunity to look at a merger with the County.

EMERGENCY MANAGEMENT CONSOLIDATION IN PENNSYLVANIA

According to City personnel, the recent Wireless Phase II upgrade has strengthened the City Communications Center's current advantage over the county facility in terms of equipment and technology. Unlike other departments in Lehigh County, police patrol vehicles in Allentown are outfitted with GPS and MDTs; and by mid-2006 will have access to an advanced wireless records management system, enabling police officers to complete their reports in their vehicle.

However, despite the technological advantage and recent wireless 911 upgrade, PFM views the proposed relocation of the Lehigh County 911 dispatch center as a unique opportunity for City and County officials to engage in a comprehensive debate about joint service provision in emergency communications. Maintaining the City CommCenter's technical advantage will require continued capital and operational investment to meet the demands of future hi-tech innovations, and such investment will need to be mirrored by the County to maintain its own dispatch status. Moreover, the general trend in Pennsylvania emergency management has been towards regional coordination and consolidation. The Pennsylvania Emergency Management Agency

⁴ <http://www.mcall.com/news/local/allentown/all-b5-5grant-1nov03,0,2726333.story>



(PEMA) does not have the statutory authority to compel City and County mergers, but views regional consolidation as a general public safety operational objective, equipping state and local law enforcement with improved coordination and control in the event of a major disaster. Since the passage of the enhanced wireless 911 requirements (which specifically grandfathered City-owned systems in larger jurisdictions), both Pittsburgh and Punxsutawney communications centers have consolidated with regional dispatch facilities.

PFM recommends that Allentown City and Lehigh County strongly consider merging their Communications Centers within the first two years of the Five Year Plan. Discussions to that effect could begin in earnest during the development of the County's relocation plans, because the City's compelling technology and integration concerns could be best addressed during the planning stages of such a project. Joint service provision would allow the City and County to remove the duplication of 911 dispatch functions from the region while maintaining satisfactory emergency dispatch service for City residents. Consolidating the City and County's dispatch and communications functions will not decrease call volume for the joint entity, but at a minimum, both governments are likely to realize major savings from reduced personnel costs; administrative/support costs; and capital/equipment expenditures for dispatch & IT systems replacement.

MODELS OF JOINT SERVICE DELIVERY IN 911 DISPATCH SERVICES

There are several potential models for intergovernmental cooperation that could be considered by the City and County administrations:

1. Consolidation

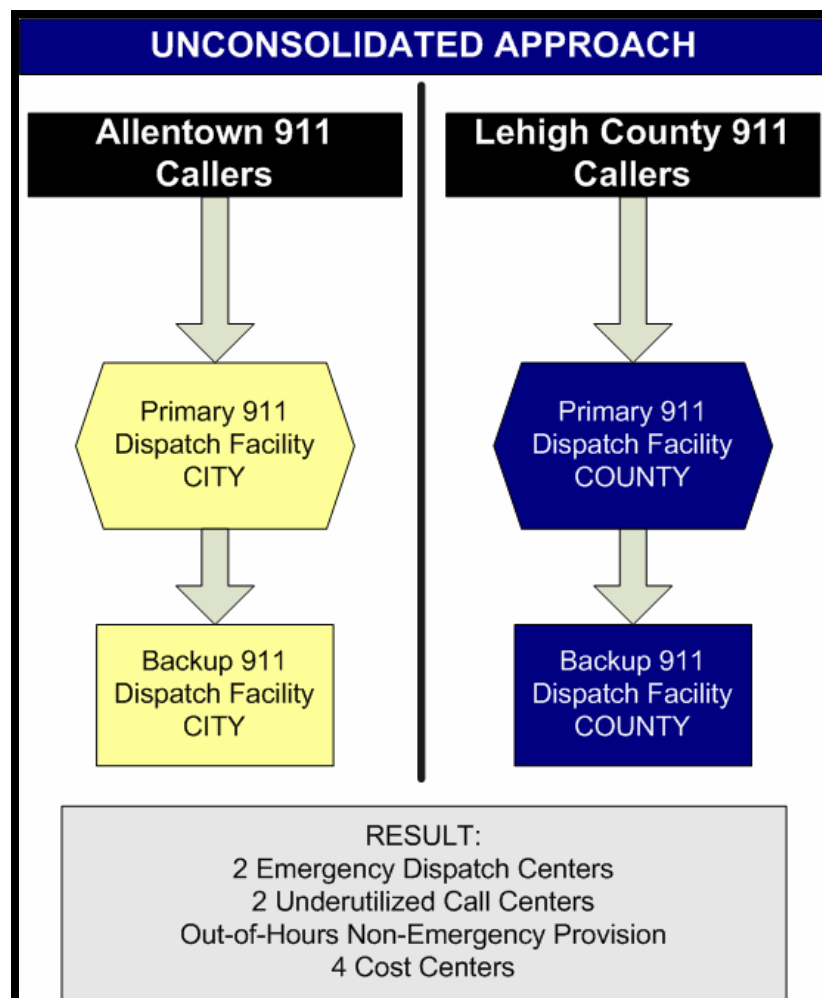
PFM recommends that the County's proposed relocation and construction of two dispatch facilities (a 911 call center and back-up facility) and the City's continual operation of its own dispatch and back-up dispatch facilities should be fully considered for the potential of consolidation and merger.

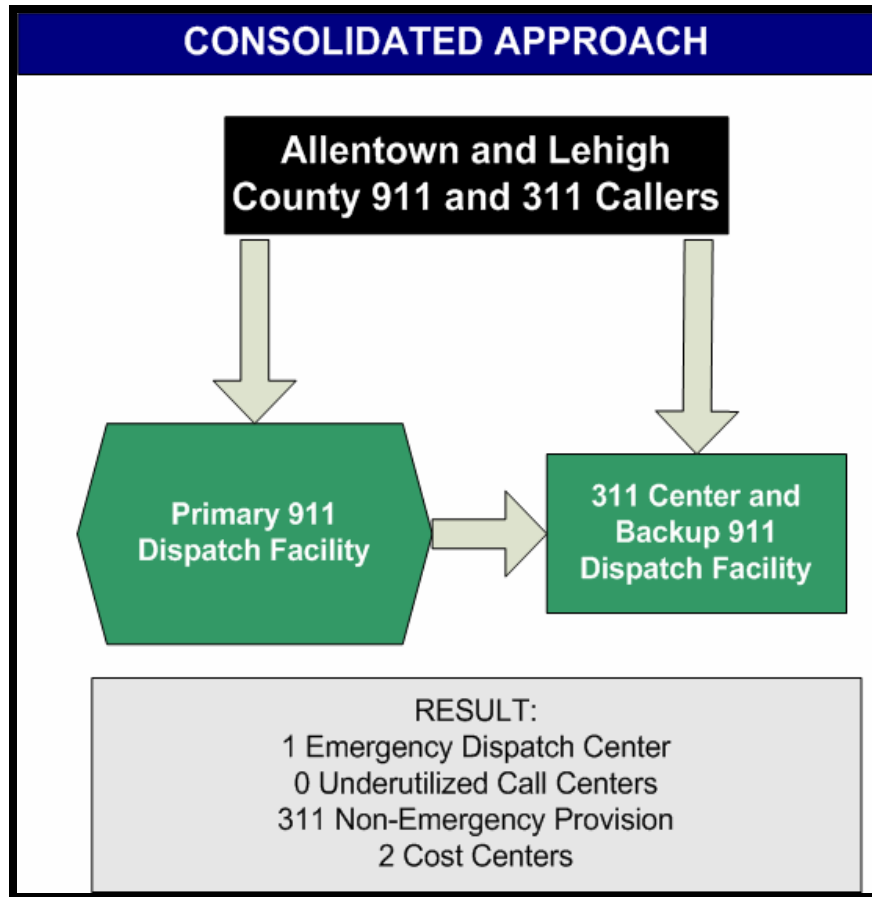
Rather than leaving two back-up dispatch facilities idle or underutilized, one approach would be for the City and County to consolidate emergency and non-emergency call center operations. City officials have raised the notion that the County's proposed 911 facility could be transformed into a regional 311 center, allowing one point of call for all public inquiries about local government services. Allentown's 911 Center, with its technological advantage and Wireless Phase II compatibility, could then function as the dispatch facility for the entire county. The City could close its backup 911 facility and enter into an agreement with the County that the 311 Center in Schnecksville provide dispatch services in the event of an operational failure at the primary facility. In the event of a major disaster in central Allentown, such an arrangement would confer public safety advantages, as the Command Center and backup Communications facility would be located approximately 12 miles from the Primary dispatch center.



311 services could be marketed and contracted to other Lehigh County municipalities and harmonized through a new-build County facility. The Allentown CommCenter already coordinates general city government requests during non-business hours, and such an arrangement could formalize this popular and cost-effective tool for enhancing community access to public services.

As an alternative approach to consolidation, following the relocation of Lehigh County 911 to the Community College site, and assuming the new-build facility reaches a satisfactory technology level, the City could consider merging its own Communications Center with that of the County. This merger option would allow the City to the Communications Center from the General Fund budget while maintaining satisfactory emergency dispatch service for City residents. The following flowcharts indicate one potential consolidation solution among the many that could be considered by City and County officials:





Case Study: City of Pittsburgh and Allegheny County

In 2004, the City of Pittsburgh and Allegheny County agreed to merge their 911 emergency call system, allowing Allegheny County to operate 911 services throughout the entire County area.⁵ Upon the merger, most City 911 personnel, their salaries and operating costs, along with most of the City's 911 fee structure, were transferred to the County. The consolidation was projected to allow the City to avoid approximately \$4.8 million in capital expenditures on its 911 system, including a \$1.9 million renovation to the Railroad Street facility, a \$2.2 million improvement to radio infrastructure, a \$375,000 upgrade to the Computer Aided Dispatch (CAD) system and a \$350,000 required reimbursement to Allegheny County for improvements it has already made to the City's 911 system. Instead, the City was required to invest only \$400,000 on CAD, radio improvements and moving expenses, for net capital expenditure savings of approximately \$4.4 million. Following consolidation, the City was projected to save over \$1.0 million in operating expenses each year.

2. Intergovernmental Contracting

A further option would involve one government contracting with the other to provide communications and emergency dispatch for both the City and County. It would allow

⁵ Act 47 Recovery Plan, City of Pittsburgh, May 2004



for one point of contact for all emergency communications but would keep the function directly under the jurisdiction of one government. This is a common form of consolidating emergency communications and has been found to produce cost savings in other jurisdictions.

Case Study: Rochester, New York – Contract

The City of Rochester's Emergency Communications Department is the sole communications center for Monroe County. They handle emergency communications and dispatch for the City, County, 11 town and village police departments, and 36 fire districts in the County. The County contracts with the City for the service.

The Emergency Communications Department is broken up into three main functions: administration, operations, and facility maintenance. The City owns all the buildings and property involved with the department while the County owns the equipment including the radios and switchboard. All department employees are City employees. The City is responsible for the staffing and funding for facilities maintenance. The County meanwhile reimburses the City for all administration and operations costs including personnel. The smaller entities involved in the system contribute through the countywide taxes which are used to fund the system.

Case Study: Springfield, Missouri – Contract

The Springfield/Greene County 9-1-1 Center handles all emergency communications for the City of Springfield, Greene County, and the City of Republic, a smaller municipality within Greene County. In early 1990s, the County passed a phone tax which was intended to fund the then separate emergency communications centers for Springfield, Republic, and Greene County. However, revenue from the tax was not enough to fully fund all three centers separately. So the three entities merged to form one regional emergency communications center in 1994. The phone tax is still in place to provide the majority of the funding. According to the director of the consolidated center, the phone tax results in approximately \$3 million in annual revenues while the center requires around \$4 million to operate. By funding approximately three quarters of the total budget for the one center, the phone tax is now able to fund a much larger majority of the total emergency communications budget, which was the original intention of the tax.

Under the interlocal agreement, the consolidated communications center is operated by the City of Springfield with all employees becoming City employees. Republic and Greene County contract with the City to provide the service. After the phone tax revenue has been deducted, the two cities and the County fund the remainder of the budget on a ratio of need basis with each community contributing the percentage of the leftover budget in the percentage of calls it puts into the system.



Case Study: Knoxville, Tennessee – Separate Entity

The Knox County Emergency Communications District (KCECD or Knox County 911) was set up as a consolidated emergency communications center in 1986 when 911 was first administered in the area. KCECD is an independent political body which was created under Tennessee state law (Chapter 86 of the TCA Codes) and passed by county referendum. Approximately 65 percent of the funding for KCECD comes from the phone tax with the City and County contributing the remaining 35 percent. Of the combined City and County contribution, the County pays 44 percent while the City pays 56 percent. The percentages are based on the original number of FTEs needed to service each district. KCECD is under the oversight of a Board of Directors which includes members appointed by the City and County mayors, a County commissioner, the Knoxville Police Chief, the Knox County Sheriff, the Knoxville Fire Chief, and four citizen representatives.

Case Study: Indianapolis, Indiana – Department of Consolidated Government

Although Indianapolis and Marion County are a consolidated government, some public safety programs such as fire and police have not been merged. Emergency communications was also originally kept as separate programs for the City, County, and the other governments within Marion County. A plane crash into a hotel in 1988 caused agencies to review the separate communications systems and coordination issues. The consolidated government decided that the emergency communications programs needed to be upgraded and they needed to be able to work together. In 1992, the Metropolitan Emergency Communications Agency (MECA) was formed as a separate UniGov agency. MECA is responsible for all emergency communications activities for all City and County public safety agencies. This allowed the County to have a consolidated emergency communications program without having consolidated fire and police services. MECA is funded in three ways: it is a separate county taxing district which entitles them to a portion of the county property taxes, it collects revenue from a countywide phone tax, and it also is entitled to the first revenue in from the county option tax. The county option tax goes to fund all public safety agencies in the county. Personnel originate from the participating agencies while remaining monetarily and legally employees of their agencies. In some cases, particularly fire, some smaller entities contract with Indianapolis to provide their MECA personnel for them.



3. Outsourcing

Governments also have the option of collectively outsourcing their emergency communications to a private contractor.

Case Study: Northampton County, Pennsylvania

The first case of contracting with emergency communications appears to have been initiated in 1995 in Northampton County. All seven emergency communications centers in the County were collectively outsourced to MCI Systemshouse. MCI then consolidated the centers under its operation. The outsourcing was projected to result in a 4 percent savings for each participating government. MCI was responsible for all technology, including upgrading or replacing existing County technology, managing the staff, and all financing which was required during the contract. MCI was able to reduce FTEs by 37 percent while employing the staff of the various County emergency communications centers. The County monitored the company by building in performance measurements into the contract including speed of dispatch. The contract was terminated early, and the County currently continues to operate the consolidated system in-house.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	100%	100%	100%	100%	100%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

PD05: Automated Traffic Light Enforcement

To improve traffic safety, red light camera technology has been authorized for use in 13 states, and more than 70 communities nationwide (including Philadelphia) have implemented programs. According to the Insurance Institute for Highway Safety, more than 900 people die and an estimated 200,000 people are injured each year as a result of crashes that involve running red lights. Further, the Institute has concluded that red light cameras not only deter red light running, but also reduce intersection crashes, including collisions involving injuries. Instituting red light cameras in Allentown would allow the City to increase traffic enforcement more consistently without having to deploy additional officers and incur overtime expenses. Re-deploying officers previously dedicated to traffic enforcement and enabling those officers to be available to respond to calls could also recoup some of the costs associated with red light camera equipment, while allowing APD officers to spend more time keeping the City safe.

A change in the Third Class City statutes would be required for the City to move forward on this initiative, as was authorized for First Class Cities (Philadelphia) in 2002 by amendment to the Motor Vehicle Code. Other cities across the nation have conducted studies to project the number of citations that would be issued under an automated traffic light enforcement program. In 2005, for example, the City of Philadelphia recorded red-light camera violations at three intersections in the City's Northeast section averaging 57



violations per day.⁶ Even higher violations figures were projected in a City of New Haven, CT study, commissioned in 2002, which quantified the level of non-compliance with traffic signals at three intersections, with results indicating an average of 145 violations per intersection. Assuming a similar incidence in Allentown as Philadelphia, a pilot program of cameras at five intersections would yield an estimated 104,025 violations annually, with reduced red light running violations once cameras are installed estimated at 40 percent based on research in other communities (providing a net of 62,415 violations).⁷ Because not all red light violations would be paid, the projected revenue from tickets issued is further discounted by 38 percent to account for unpaid violations, a factor based on data from the first 18 months of implementation in New York City's program. Discounting in this way results in a net of 38,697 additional red-light violations per year.

In Allentown, red light violations currently carry a \$25 fine (rising to more than \$100 after imposition of court fees and other non-City charges). Of the \$25 fine, which is set by state legislation and has remained unchanged for many years, the City receives half, or \$12.50. The remaining half share is transferred to the Commonwealth. Based on the projections of paid tickets detailed above, and discounting for such factors as start-up delays; vendor charges; the potential for a significant increase in ticket appeals; and violations that the City might have otherwise realized through conventional policing, a preliminary estimate of net revenues to the City from a five-camera pilot is in the range of \$485,000.

Given the expected cost-effective and positive impact of a red light camera program on Allentown safety, the City and its state legislative delegation should actively explore implementation, including necessary changes to State law.

As an alternative to a red-light program, the City's legislative delegation should move to increase the \$25 fine to reflect the current costs of imposing such a charge on traffic violators. Indeed, if the penalty is challenged in court by the recipient, the Department expends a minimum of 3 hours of court time on each appeal, with the potential to make red-light violations a loss-making endeavor for the City. The level of the fine should fully reflect the police, administrative and court time required to prosecute red-light violators in Allentown.

Because the City does not now appear to have the required legal authorization to move either approach forward, however, no revenues from this initiative are assumed in this Multi-Year Plan.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	100%	100%	100%	100%	100%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

⁶ From the *Northeast Times*, March 31, 2005. 3,452 violations recorded at the two intersections on the Roosevelt Boulevard and 1,717 at one intersection on Grant Avenue.

⁷ Insurance Institute for Highway Safety



PD06: Revise Resident Billing Policy for EMS Services

Under a City of Allentown ordinance, city residents are not responsible to pay any balance due for EMS services that is not covered by an insurance carrier. As the cost of medical services continues to increase, many communities no longer provide what amounts to free coverage. If the patient is a city resident who has insurance, the insurance company will be billed for the service rendered. However, if the patient does not have insurance, the Allentown EMS must cover the cost of the service out of their own pocket. The Allentown EMS is substantially self-funded, generating revenues in excess of direct costs for medical response and billing. The EMS budget accounts for all overhead costs including fuel, payroll, pension, insurance, lease payments on ambulance purchases, and any equipment that is purchased through a lease agreement. There are no building payments, we EMS is located in the fire stations which are City owned. The difference between revenues and expenditures is transferred directly to the General Fund.

	2001	2002	2003	2004
Revenues	\$2,103,850	\$2,226,003	\$2,628,609	\$2,633,101

Additional revenue for the city could be created by modifying the resident billing policy in the city ordinance. There are a variety of options which could be considered by the city:

- Consider billing city residents for the amount of their insurance deductible.
- Consider modifying the ordinance to state that patients 65 and older who do not have secondary insurance are not liable to pay.
- Consider implementing a hardship program where payment plans could be put into place for EMS services.

In 2004, Allentown EMS served 1,047 non-city residents and 1,972 city residents. Given that over 65 percent of patients are city residents, additional revenue could be generate should the ordinance be revised.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	100%	100%	100%	100%	100%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

PD07: Evaluate EMS Fee Structure and Billing Process

Allentown EMS currently evaluates its fee structure on a regular basis to ensure that fees are keeping up with the costs of inflation and covering the costs of the services rendered. Allentown should continue to engage in this practice and should also consider fees being assessed by comparable municipalities, which are shown below. On the whole, Allentown's fees appear to be aligned with fees charged in other Third Class Pennsylvania cities.



Type of Service	Allentown	Altoona	Bethlehem	Easton	Erie	Lancaster	Reading
ALS1 - Emergency	\$669.00	\$589.16	\$490.00	\$700.00	\$670.00	\$695.00	\$650.00
ALS2 - Emergency	\$736.00	-	\$578.00	\$750.00	\$825.00	-	\$700.00
Mileage (per loaded mile)	\$8.00	-	\$11.00	\$7.00	\$6.50	-	\$7.00
Disposable Supplies	\$58.00	-	-	-	\$20.00	-	-
Oxygen Administration	\$55.00	\$42.07	\$50.00	\$42.00	\$40.00	-	\$60.00
Special Event Stand-By (per hour)	\$100.00	-	\$75.00	-	-	-	-

While there is not much room for movement in fees at this time, there are municipalities charging higher fees for certain services. Easton charges a higher fee for both ALS1 and ALS2, and Erie's fee for ALS2 is significantly higher than Allentown's current fee. Following best practices set by other cities could potentially result in additional revenues for the EMS department.

PD08: Evaluate EMS Billing and Collection Process

The Allentown Police Department estimates that there is approximately \$1.0 million of outstanding debt from EMS services rendered. In the past, the billing function was outsourced to a third-party provider. The service was not satisfactory, and Allentown increased EMS revenues significantly by bringing the function back in house in 2000. The billing process starts at the time of service when EMS paramedics are to collect insurance details from patients. Often times, however, incorrect information is provided at the time of service and EMS then has to check with hospitals for insurance information. Many times, no insurance information is available. The department then sends a letter requesting insurance information from the party that received service. A follow up letter is mailed 30 days after the initial letter, and a third letter is sent if there is still no response, threatening a \$50 fine. Allentown EMS can take city residents to the magistrate to pursue the \$50 fine. As city residents are not liable for costs not covered by insurance carriers, the cost of taking a case to the magistrate is much greater than the \$50 fine. Therefore, many times Allentown EMS has no way to recover the cost of the fine.

Though Allentown estimates that \$1.0 million is outstanding, comparable jurisdictions also report difficulties in collecting outstanding debt. Harrisburg reports a 45-50 percent collection rate, Lancaster a 52 percent rate, and Altoona a 56 percent rate. The City uses Penn Credit Collection agency to follow up on outstanding debt, and no monies are paid to Penn Credit until outstanding fees are collected. Penn Credit then takes their fees out of the patients' payments. The collection method used varies on each account and includes telephone calls, letters and accounts being placed with the Credit Bureau. The method varies depending on whether valid addresses and social security numbers are available and how quickly the agency is able to make contact with the patient. The debt stays on the patients' records with the credit bureau for three years. The contract with Penn Credit has just expired and the City currently has the service out for bid.

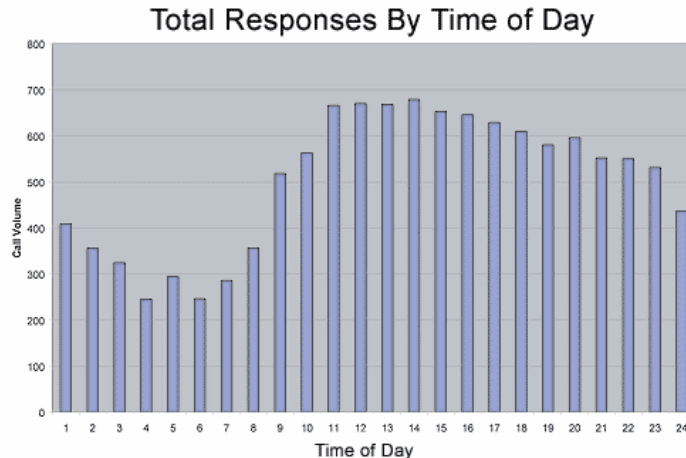


While the City's current setup appears to be working well, there is nonetheless a significant outstanding receivable. The City should do some further exploring and conduct discussions around the possible broader outsourcing of EMS billing and collections functions.

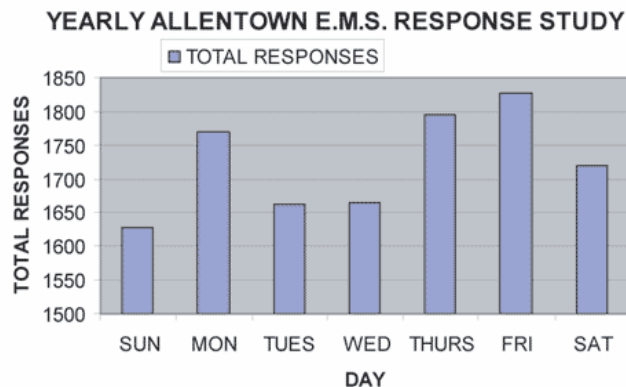
PD09: Evaluate EMS Period Scheduling

The City currently staffs two ALS ambulances around the clock and has two additional ambulances operating during peak call volume times. One ambulance is operating from 8AM-8PM and the other operates from 11AM to 11PM. Thus, at full operating capacity, four crews are staffed during the hours of 11AM and 8PM.

As shown by the chart below, the peak time for calls in 2004 occurred between 11AM and 8PM. This suggests that the City has already taken peak periods into its scheduling considerations.



While the City has taken call times into consideration, there are other factors which should be evaluated on an ongoing basis to ensure that EMS period scheduling is optimized. For example, while the times of calls have been taken into consideration, the days of the week which historically receive the most calls should also be closely monitored. As shown by the following chart, in 2004 call volumes were highest on Mondays, Thursdays, and Fridays, suggesting that peak crews should be staffed at peak times on these days.



Unlike many similar size cities which inefficiently staff EMS crews 24/7, Allentown has already taken peak call times into its scheduling considerations. However, it is possible to look at alternate staffing methods to further improve response times. For example, best practice EMS systems use a strategy called system status management (SSM). This strategy involves the use of historical data to ensure that the correct number of ambulances are in the right locations at the times which they are needed. SSM is more efficient and scientifically based than deployment approaches used by most EMS services. Cities employing SSM include Alpharetta, GA; Tulsa, OK; and Reno, NV.

The Richmond Ambulance Authority is another example where SSM is used successfully. Members of the Authority use a technologically-advanced, computer-aided system to examine the previous 20 weeks worth of call data generating a temporal demand analysis. This report predicts, with more than 95 percent accuracy, exactly where and when calls will come in. With this data, the Authority determines how many units will be needed during which hours of each day, and assigns those units to the predicted locations. Unlike the traditional, station-based system, the Authority's ambulances act as their own rolling offices, posted within the areas predicted by SSM analysis. This puts them as close as possible to the patients who need them.

Cost savings for this initiative are to be determined as efforts to monitor scheduling will be ongoing and any savings would potentially be achieved in the long term.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

PD10: Restructure False Burglar Alarm Program

As detailed in other chapters of this Multi-Year Plan, PFM recommends that the City of Allentown move towards a comprehensive approach for police and fire response to alarms. PFM recommends a more consistent centralized approach to registration of alarms, penalties, and fines across public safety areas. In conjunction with the Allentown Police Department and the Department of Community and Economic Development, the Police Department could modify its existing method and policy for handling alarm regulation and billing for false burglar alarms. The City could implement one or two initiatives to reduce false alarms:

PFM recommends that responsibility for both burglar and fire alarm registrations is transferred to the Department of Community and Economic Development in order to centralize the approach and provide more efficient service to the public. The police and fire departments would be involved to provide any technical sign-offs necessary. In addition to the initiative below, similar recommendations are found in the chapters on the Fire Department and the Department of Community and Economic Development.



Background. The Allentown Police Department is alerted when a burglar alarm is triggered within its jurisdiction. Although private companies monitor the alarms, the Department responds to these alarms and sends officers to the scene to investigate. Although the Department must respond to all of these calls, the majority of them are false, resulting from human error or alarm malfunction.

The City does not currently have the ability to identify and monitor the effectiveness of their false alarm reduction efforts because, according to Departmental personnel, the burglar alarm registration program has faced only moderate levels of enforcement and follow-through. The current registration scheme is managed through the Police Department.

False burglar alarms drain valuable resources from a Police Department's budget, and districts that charge fines typically do not generate sufficient revenues to recoup the costs of responding to calls. Such costs include:

- **Personnel:** These costs include personnel costs of police call-takers and dispatchers, training costs of responding personnel, backup personnel and costs associated with analyzing false alarms
- **Administrative:** All costs associated with hardware, software, office space and equipment for false alarm management, including notifications, permitting, billing and educational materials.
- **Lost Opportunity:** Resources are directed away from actual crime problems. Call displacement costs everyone, since responding to other 911 calls takes longer.

As described in a June 17, 2002 report of the U.S. Department of Justice, Office of Community Oriented Policing Services ("COPS"), the time and money wasted as a result of false burglar alarms challenge police departments nationwide. Of the 38 million alarm activations that police departments responded to in 1998, 94 to 98 percent were false. The September 2005 edition of *American City and County Magazine* notes that "The leading culprits of false burglar alarms, which account for the majority of false activations, are human error, faulty installation, and substandard equipment".

- Chicago, IL police respond to more than 300,000 burglar alarms each year, of which 98 percent are false, which translates into 195 full time police officers
- Salt Lake City, UT reported thousands of false alarms in 1999, and only 23, or one tenth of one percent, of the calls were for real crimes.
- Fort Worth, TX spent \$1.5 million responding to false burglar alarms in 1997
- Los Angeles, CA police received 3,000 alarm calls per week in 1998, and approximately 97 percent were false, representing the equivalent of 41 officers.



In short, while the installation of alarms is the sole responsibility of their owners, subsequent false alarms become the cost of the whole community. In addition, effectively dealing with this problem can not only conserve resources but also reduce the number of actual burglaries.

In a September 2005 report, *The American City and County Magazine* notes that the False Alarm Reduction Association (FARA) says popular approaches to false alarm control include:

- Requiring individuals and businesses to register their alarm systems with local authorities
- Instituting incrementally increasing fees for multiple false alarms
- Requiring repeat offenders to attend police-run alarm school programs
- Placing alarm owners on a no-response status if they fail to pay fines or re-register

Potential Solutions:

In conjunction with the Allentown Fire Department (see Fire Chapter), the Police Department could modify its existing method and policy for handling false burglar alarms. The City could implement one or two initiatives for reduce false alarms:

1. Enforce a fee in conjunction with the registration requirement for burglar alarm systems operating in the City
2. Enact a false alarm ordinance with incrementally increasing fees for multiple false alarms based on cost of service analysis and comparable jurisdictions.
3. Implement a visual verified response policy

These responses reflect the nature of the City's false alarm problem and methods recommended by COPS. Each phase is detailed below.

1. Enforce a fee in conjunction with the registration requirement for burglar alarm systems operating in the City.

A revised and strengthened registration program should be implemented to work in conjunction with the City's false alarm fine regulations. Such an initiative would allow the City to hold alarm-monitoring companies and their customers more accountable for false alarms and could reduce the number of unnecessary police responses. Six comparable cities in Pennsylvania were surveyed regarding burglar alarm registration permit fees. The table below shows the current fee rates:

Burglar Alarm Registration Fee Schedules: Pennsylvania Cities

Allentown	Bethlehem	Erie	Lancaster	Reading	Philadelphia	Pittsburgh
\$0	\$25	\$240	\$25	\$50	\$35	\$25 (residential) \$75 (commercial)



As shown, most comparable cities have a registration fee in the \$25 to \$50 range; the only significant outlier is the city of Erie, which has an annual registration fee of \$240. Instituting and enforcing even a modest \$25 fee would Allentown in line with the comparable cities and would allow the city to recover some of the costs of responding to false alarms. Although the registration fees provide an added benefit, the primary purpose of enforcing a registration requirement is that the Police Department would have detailed information about all registered alarms in the City, which could potentially result in improved operations and more accurate records from which to assess future false alarm violations.

2. Enact a false alarm ordinance with incrementally increasing fees for multiple false alarms based on cost of service analysis and comparable jurisdictions.

The Allentown Police Department expends many hours of police time responding to false burglar calls as a result of triggered alarm systems, and there is a significant cost associated with responding to false alarms. The International Association of Chiefs of Police (IACP) reports that in Philadelphia, the estimated cost of responding to a false alarm is \$28 (when considering displaced resources, vehicle costs, the personnel cost of responding officers, and administrative costs), costing the city an estimated \$4.2 million each year.

Currently, Allentown charges a \$75 fine for the third false burglar alarm in a 30 day period. There is no charge for the first two false alarms. Unlike false *fire* alarm rates for the Fire Department where Allentown's fee is low compared to other Third Class Pennsylvania cities, Allentown's false *burglar* alarm fines are higher than in the peer cities surveyed.

False Burglar Alarm Fee Schedules: Pennsylvania Cities

No. of False Alarms	Allentown	Bethlehem	Harrisburg	Lancaster	Reading	Scranton	Wilkes-Barre
1	No Charge	No Charge	No Charge	No Charge	No Charge	\$25	No Charge
2	No Charge	No Charge	\$10	No Charge	No Charge	\$25	\$25
3	\$75	\$35	\$25	\$50	\$50	\$25	\$25
4	\$75	\$35	\$35	\$75	\$50	\$25	\$25
5	\$75	\$50	\$35	\$100	\$50	\$25	\$50
6	\$75	\$50	\$35	\$100	\$50	\$25	\$50
7+	\$75	\$50	\$35	\$100	\$50	\$25	\$100

However, with the exceptions of Reading and Scranton, the Pennsylvania cities in the comparative sample have instituted incrementally increasing fees for multiple false alarms, an approach which has found significant support among national organizations such as FARA. In order to encourage a significant reduction in false alarm responses, and based on the estimated costs of responding to false alarms, it is recommended that



Allentown implement an incrementally-increasing fee schedule for false alarms within a 12-month period.

Proposed False Alarm Fee Schedule

Number of Alarms	Fee
1-2	No Charge
3-4	\$50 or \$75
5-6	\$100
7 or more	\$150

3. Implement a Visual Verified Response Policy.

As an alternative method in addressing the excessive costs of responding to alarms, a number of municipalities in Western states have introduced a policy known as “Verified Response”. Verified Response is a system in which either after a certain number of false alarms or at the activation of any burglar alarm, the police department will not respond unless verified by either the property owner or the alarm company. Alarm companies must visually verify the legitimacy of alarms either at the scene or via camera. This approach can significantly reduce the number of false alarm calls and allow police to focus on true break-ins.

This system is controversial, but it has been considered and implemented as a legitimate option by some jurisdictions based on the high cost of responding to false alarms. The Verified Response strategy can substantially reduce the incidence of false alarms. Again, the goal behind reducing false alarms is not only to reduce the nuisance, but also to apprehend more burglars and direct the Department’s resources towards public safety concerns.

Case Study: Restructuring Philadelphia’s False Alarm Program

In 1995, a registration requirement was enacted in Philadelphia because of a large increase in the number of police responses to burglar alarm activations and an excessively high percentage of false alarms.

The City’s new ordinance included six major features. These were a registration requirement (\$35); three free false alarms per registration year; a \$25 charge for four or more false alarms; a \$100 fine for the use of an unregistered system; the threat of revocation of the user's registration following the activation of more than seven false alarms in a registration year; and the imposition of judgments and liens (through municipal court) of up to \$300 per violation when fines go unpaid. Between 1994 and 1996, false alarm activations in Philadelphia were reduced by 11 percent.

Impact on Revenues and Reducing False Alarms

While reforming and enforcing the false alarms ordinances will help the Department realize revenues and ultimately reduce the incidence of false alarms, the Department



would also realize savings by reducing the amount of time that officers spend responding to false alarms.

Managing the Alarm Registration Program through the Department of Community and Economic Development and the Department of Finance

It is recommended that the City consolidate all permit programs within the “one-stop shop” system for Permits & Licensing established on the Fourth Floor of Allentown City Hall. The current management of the registration program within the Police Department unnecessarily bifurcates the number of procedures that residents and businesses must undertake in order to meet their obligations with respect of the City Ordinances. In addition, such that billing for all citywide “Miscellaneous” items such as burglar alarm fines can be undertaken by central billing clerks; it is recommended that the City consider transferring all responsibility for billing false alarms to the Department of Finance.

Under such an approach, although the Police Department would no longer be required to register the City’s burglar alarm systems and may not continue billing for false alarms, transferring information on response type and alarm owner to the Department of Finance clerks will become a top priority for administrative Police personnel. Ideally, the alarm registration database would have a direct interface with the police response database to mitigate potential data-entry error for accurate and timely billing for false alarms.

Without detailed statistics on how many burglar alarm systems exist in Allentown, it is difficult to estimate how much it would cost the city to administer an enhanced registration program and how much revenue such a program would generate. Usually, registration programs entail the need for relatively-advanced software to handle the additional data and to track the number of false alarm activations by each system. There is generally also a period immediately following the commencement of such a program where additional (and sometimes temporary) staff are needed to complete the data entry of all the burglar alarms in the city. A rolling twelve-month program of implementation is considered appropriate.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

PD11: Review of All Police Department Fees

As shown on the following page, the fees charged by the Allentown Police Department are generally set at or above the rates charged in comparable cities, with the exception of the burglar alarm registration fee, which has been addressed in the previous initiative. There are certain areas where the City could potentially increase fees and not be out of the range charged by other cities. For example, Allentown charges city residents \$15 for fingerprinting, whereas Altoona charges a \$30 fee. In addition, most cities do not give a discount to city residents, as Allentown does.



In general, where fees are charged to recover costs for police services, it is common to periodically review and update the fees assessed. The City of Allentown has engaged in this process and has adjusted most police fees so that rates are in line or above the rates at comparable cities. While there are minimal opportunities for near-term adjustments, it is important that fees be reviewed every year so as to account for the gradual increases in costs of service and to remain in line with comparable municipalities.



	Allentown Police Department: Comparability of Departmental Fees With Neighboring Jurisdictions								
	Allentown	Altoona	Bethlehem	Easton	Erie	Harrisburg	Lancaster	Reading	Scranton
Accident Report	\$15.00	\$15.00	\$10.00	\$15.00	\$5 (up to 3 pgs) to \$20 (10 or more pgs)	\$15.00	\$15.00	\$15.00	\$10.00
Incident Report	\$15.00		\$10.00	\$15.00		Only released by subpoena	Only released by subpoena	\$15.00	\$15.00
Property Theft/Damage Report						\$10.00			
Letter of Verification					\$5.00		\$15.00		
Fingerprinting-City Residents	\$15.00	\$30.00	\$10.00	\$20.00	\$15.00	\$10.00	\$3.00	\$10.00	
Fingerprinting-All others	\$20.00	\$30.00	\$10.00	\$20.00	\$40.00	\$10.00	\$6.00	\$10.00	
Taxicab License	\$40.00		\$25	\$25.00			\$10/\$35 (more than 7 passengers)	\$10.00	\$50.00
False Burglar Alarm	\$75.00 (3rd and thereafter)		\$35 (3rd and 4th); \$50 thereafter			\$10 (2nd alarm); \$25 (3rd); \$35 (4+); (Malfunctioning Alarms: \$5: 2nd; \$10: 3rd; \$15: 4+)	\$50.00 (3rd); \$75.00 (4th); \$100.00 (5th); \$150 (6th and thereafter)	\$35 (after 3)	\$25.00
Criminal Records Check	\$15.00	\$15.00	\$10.00	\$10.00		\$10.00		\$10.00	
Police Escort Services				\$20.00					
Burglar Alarm Registration		\$45 (called an Alarm Permit)	\$25 (additional \$25 for late registration)		\$240.00/yr	\$85	\$25	\$50.00	
Burglar Alarm Application								\$50.00	
Court Appearance									\$25.00/hr
Off Duty Services		\$25/Hr (only for school district events)	\$31.58/hr		Usually between \$25-\$35/hr, depending on the type of event		Charged hourly pay rate plus benefits	Charged hourly overtime rate. **	\$20.54/hr + 3 hour minimum
Photographs 8x10	\$10.00			\$4.00				\$10.00	
Photographs 5x7				\$3.00				\$10.00	
Police Radio User Fee								\$600	
Police Academy									
Basic Training Fee	\$4,300	N/A	N/A	N/A	N/A	N/A	N/A	\$3,169.00	N/A
Medical Test Uniform		N/A	N/A	N/A	N/A	N/A	N/A	\$88.00	N/A
Utility Uniform		N/A	N/A	N/A	N/A	N/A	N/A	\$150.00	N/A



PD12: Management of Court Overtime

City police officers making a court appearance on a day off are compensated a minimum of two hours overtime. Previously, officers were guaranteed a minimum of four hours, but the minimum was reduced to two in the new FOP contract. Officers have a critical role to play in the successful prosecution of cases. Their expense makes efficient use of their time on court-related business an important element of the department's overtime management.

Currently, officers make appearances at both the District Justice court and the County Court. Hearings at the District Justice are scheduled by appointment, thus there is no unproductive waiting time for officers scheduled to appear at these hearings. At the County Court, despite the fact that there are no scheduled times for hearings, officers are generally not waiting long periods of time before their appearances. The APD feels that the current system in place operates efficiently and that most officers are not waiting long periods of time before their hearings.

Allentown should explore the possibility of having officers on downtown patrol in close vicinity to the Courthouse on the day of their scheduled appearance in County Court. Officers could be paged or called when their appearance is required in court, thus reducing the amount of unproductive waiting time before a hearing. Further exploration would be needed to determine if this method would result in any cost savings or operational efficiencies. One potential issue stems from the fact that, given the nature of cases tried in the upper courts, most police personnel appearing in County Court are detectives and vice officers, rather than patrol officers. These officers do not currently walk patrols, but could potentially be required to perform these duties.

The primary goal of this initiative is to increase the police presence in the downtown area without any additional cost to the City. By walking patrols during periods of waiting for court appearances, this could be achieved. No cost savings are associated with this initiative.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$0	\$0	\$0	\$0	\$0

PD13: Build Civic Support through a Police Foundation

The Allentown business and civic communities have long supported the City police department. In one example, all four dogs in the APD K-9 unit were funded by private citizens. To provide a better framework to build on this past success, the City should establish a Police Foundation to receive tax-exempt donations from Allentown's private sector. The APD feels that there are entities that would be willing to donate funds for specific purposes which they would be able to designate. Entities are less likely to donate money to the City as a whole, or the department as a whole.



The APD also receives financial donations from time to time and there is currently no central account to deposit these funds or use the funds for specific projects. By having a police foundation, accounts would be set up to ensure that funds were used for specific projects as desired by the donor. The funds received through the foundation are not meant to replace the funding the department receives from the City. Rather, funds are meant to purchase items above and beyond what would be possible under the City budget.

Case Study: City of Seattle, Washington

In one example, the City of Seattle has a police foundation which champions community support for the professional men and women who fulfill the public safety mission of the Seattle Police Department. The funds raised through the foundation are not meant to displace funding for basic law enforcement or to reduce the responsibility of the City to commit the necessary funding for law enforcement. Specifically, foundation support in Seattle allows the Police Department to provide the best available programs in the areas of education, training, technology, communications, youth outreach, and community partnerships. New York City has a large police foundation which sells items such as t-shirts and hats to the public to bring in funds. Tucson, Atlanta, and numerous other cities of various sizes have similar police foundations.

Case Study: City of Lancaster, Pennsylvania

On a more local level, the city of Lancaster has a police foundation which was created in 2004. The foundation consists of 10 volunteer board members, including an attorney, who drafted the by-laws, and two accountants who handle the foundation's treasury. In the past year the Foundation has donated digital camcorders to the police department and has installed an intranet system in Police Headquarters. Future planned contributions include "Situational-Based Diversity Training" and an upgrade of in-car computer systems. The foundation operates without an office or headquarters, gathering for monthly meetings in a Police Headquarters conference room, at no additional cost to the department. The meetings are led by the foundation President, with minutes kept by their secretary. The meetings are also attended by a Police Captain appointed as a liaison by the Police Chief, who attends meetings bi-monthly.

Implementing a Police Foundation in Allentown

This initiative could potentially be enacted in conjunction with the proposed Public Service Foundation (Initiative RV 04). As described in the Revenue Chapter of this Plan, a tax exempt charitable organization could be formed with the goal of generating revenues to support City-wide operations, include operations of the Allentown Police Department. However, as there are many foundations which are police-specific, the City could choose to implement this initiative separately from the city-wide public service foundation.

There are no cost savings associated with this initiative, as funds raised through a Police Foundation are not intended to displace funds the department receives from the City. Any funds received through the Foundation are intended to be a supplement to monies already allocated in the City budget.



Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

PD14: Partnership with Lehigh Carbon Community College for Police Academy

The City of Allentown is one of only four cities in the state to own and operate its own police training academy. More commonly, academies are part of colleges or universities. There are numerous advantages of having academies at colleges; among other things, colleges give credit for the classes, allowing students to continue their education. As the Pennsylvania Municipal Police Officers Education and Training Commission is not currently approving any new police academies, the City and Lehigh Carbon Community College could form a mutually beneficial partnership to jointly run the Allentown Police Academy.

In the past, this partnership was not possible because the college would not have been eligible to receive the FTE stipend from the Department of Education because the curriculum remained under the control of the APD. The FTE stipend is no longer available from the state, and this recent development should open the door for further discussions about the partnership.

Should the city partner with the LCCC, the academy would relocate to Schnecksville, while the APD would remain in control of the curriculum. Furthermore, the APD's mandatory training would also be done at the academy. The mandatory training sessions are currently held at the academy in Allentown. Requiring officers to travel to Schnecksville for mandatory training brings some budgetary and logistical concerns which would need to be addressed and resolved.

The Police Academy is a valuable asset for the City of Allentown, and a partnership with the college could be mutually beneficial to both parties. For example, the current facility in Allentown does not have any room for expansion, while a facility in Schnecksville could provide expansion opportunities. Partnering with the college to run the Police Academy would allow the APD to share expenses for the academy and also create additional revenue.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



PD15: Increase Mobile Data Terminal (MDT) Use

As part of its ongoing improvements to increase operational efficiency, the Police Department has sought to maximize the benefits of its Mobile Data Terminals (MDTs). The strategy to expand the productivity of sworn officers has been aided by a federal COPS Technology Grant to improve Records Management mobility in 2005 and 2006, allowing the Department to increase the use of automated field reporting and Mobile Data Terminals. These tools allow officers to spend more of their shifts on preventive patrol or responding to emergency calls, and less time managing paperwork. Presently, the majority of patrol vehicles have access to MDTs, which do not allow the electronic entry and transmission of incident reports, but allow officers to use e-mail, verify information on stolen cars, perform wanted and warrant checks, and run license plates.

In the absence of MDTs and electronic Records Management systems that enable reports to be filed at the precinct directly from police vehicles, officers spend a significant proportion of their duty time writing incident reports and completing other necessary paperwork in the precinct. The same is true if officers do not maximize the effectiveness of their in-vehicle MDTs once full functionality is achieved. With the new mobility of records management anticipated during FY2006, reports can be entered directly into the laptops in police vehicles and sent electronically to the communications unit, thus allowing the Department to realize considerable productivity gains. PFM recognizes the importance and efficacy of these operational developments in Allentown. In addition to enabling police reports to be written, filed and processed off-site, part of the COPS Technology grant will be used to install MDTs in all remaining police vehicles. After a reasonable period of time for training in the use of remote records management, if all 219 sworn officers can reduce the time spent filing reports such that 30 minutes per shift are saved, this operational change could deliver substantial deployment improvements in the City. Based on 260 scheduled shifts per year per officer, this operational change could increase productive time by the equivalent of 13 full-time officers.

MDTs and remote records management may allow the Department to hire fewer officers while maintaining productivity or augment the Department's Community Policing Plan (which requires an enhanced field presence). Estimated fiscal impacts in each year are discounted by 25 percent to account for non-interchangeability of police officers (increased productivity in one PSA does not necessarily mean an officer does not need to be hired in another PSA). A discount factor of 75 percent is also applied in 2006 to allow time for implementation and training.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	75%	25%	25%	25%	25%
Fiscal Impact	\$ 196,000	\$588,000	\$588,000	\$588,000	\$588,000



PD16: Reimbursement for School Crossing Guards

In Allentown, the City government currently fully funds all school crossing guards at a cost of approximately \$300,000 per year. Although the question of cost-sharing has been introduced in the past, PFM strongly recommends that - given the severe current circumstances of City finances - the Mayor and Police Chief immediately reconvene negotiations with the Allentown City School District. Such discussions could focus on the number, location and cost of school crossing guards.

As illustrated in the table below, Allentown appears to be unique among its peer cities of the Commonwealth in terms of funding arrangements for crossing guards. The only city to previously fund crossing guards at 100 percent - Pittsburgh – discontinued this arrangement upon entry into the Municipalities Financial Recovery Act (Act 47) in 2003. Facing a \$3.9 million shortfall in 2004, the City of Wilkes-Barre negotiated full reimbursement for school crossing guards from the Wilkes-Barre Area School District in 2004. Starting in FY2006, a settlement negotiated by the City of York includes the transfer of all crossing guards from the City's payroll to the School District, in return for a small contribution towards salaries from the City. Cost-sharing negotiations have thus constituted a major element in the recovery plans of several Pennsylvania cities facing fiscal distress.

COST SHARING FOR SCHOOL CROSSING GUARDS IN COMPARABLE SECOND- AND THIRD-CLASS CITIES

City	Which Government funds School Crossing Guards?
Allentown	100% City
Altoona	50% City; 50% School District
Erie	50% City; 50% School District
Harrisburg	100% School District
Lancaster	Primarily City *
Pittsburgh	50% City; 50% District split ±
Reading	50% City; 50% School District
Scranton	50% City; 50% School District
Wilkes-Barre	100% School District
York	Primarily School District

Data from City Officials in response to PFM Comparability Survey, October 2005

* Crossing guards in Lancaster are city employees, but the cost of staffing 28 negotiated intersections is billed to the School District

± Pittsburgh City paid 100% until entry into Act 47. Since 2003, Board of Education has reimbursed 50% of the cost, but has refused to continue its contribution in 2005/06. As such, the city may lay off the Pittsburgh's school crossing guards.

In undertaking such negotiations, the City's primary objective would be to complete an agreement with the School District to reimburse the City, on an annual basis beginning with the 2006-2007 school year, at least one half the cost of such school crossing guards.



In return for the receipt of approximately \$150,000 per year from the School District from FY2006-07 through FY2010-11, the School District could secure certain rights regarding staffing levels and deployment of guards.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	40%	25%	25%	25%	25%
Fiscal Impact	\$60,000	\$150,000	\$150,000	\$150,000	\$150,000

PD17: Seek Full Reimbursement for Fringe Benefits and City Overhead from Extra Duty Jobs

Background

In calculating the reimbursement rate charged for police personnel who assist at private events and facilities, the APD charges a fixed hourly rate of \$23.65.⁸ Of this, \$17.85 is paid to the officer as an hourly salary, \$0.26 is levied for Medicare tax, \$2.97 for workers compensation, and \$2.44 is charged as administrative fees for the City. Apart from workers compensation, this rate does not include any reimbursement for the cost of premium pay or employee benefits.

Total Rate	\$23.65	
<i>City Share</i>	\$5.80	(25%)
<i>Officer Share</i>	\$17.85	(75%)

As shown in the following table, because Allentown does not charge either a time-plus-one-half overtime rate for salary or a fringe benefit addition, its current rate is below every city in the twelve-city survey. Although Scranton levies a lower hourly charge (\$20.54), the Scranton Police Department requires a 3-hour minimum commitment from private vendors per job.

REIMBURSEMENT RATES IN TWELVE U.S. CITIES

City	Reimbursement Rate
Pennsylvania Cities	
Altoona	\$25.00/hr (only for school district events)
Bethlehem	\$31.58/hr
Erie	\$25-\$35/hr, depending on the type of event
Lancaster	Hourly pay rate plus benefits
Philadelphia	\$38.90/hr per officer; \$43.80 per corporal; \$45.32 per sergeant; \$51.72 per lieutenant
Reading	Charged hourly overtime rate.
Scranton	\$20.54/hr + 3 hour minimum

⁸ Per Administrative procedure (AIM) 5-1-34



Other National Cities	
Boston, MA:	\$32.00/hr per officer
Long Beach, CA	\$55.00/hr per officer
Oakland, CA	\$54.70/hr per officer; \$65.97 per sergeant; \$76.31 per lieutenant; \$88.55 per captain.
Phoenix, AZ	\$35.00/hr per officer
San Bruno, CA	Governmental \$70.00/hr per officer; for-profit \$105.00/hr

Data correct as of February 2005

Regardless of the rate methodology used, with the 2005-2008 collective bargaining agreement reached with the Fraternal Order of Police, scheduled wage increases (as delineated in the Workforce Chapter) should be incorporated into a revised reimbursement rate charged to vendors.

1. Charge Private Vendors for the Cost of Providing Fringe Benefits

Public Safety services in Allentown would not be viable without the City's package of fringe benefits - such as health insurance, retirement benefits and paid time off - for Police officers. In other words, without fringe benefits, off-duty officers would not be on hand for private vendors seeking support from City personnel outside of regular hours. Given these circumstances, and as charged by many cities across the nation, it is reasonable for the City to seek reimbursement for such costs from private users at a pro-rated level for each hour of service requested.

2. Charge Private Vendors for the Cost of City Overhead Expenses

Even with a revised calculation to achieve a reasonable charge for officer benefits, the APD would still not achieve a reimbursement rate that represents the full cost of deployment, since private users are not fully charged for overhead. Overhead costs have long been charged by local governments to service users as part of a strategy to achieve full cost reimbursement. According to the White House Office of Management and Budget (OMB) *Circular A-87: Cost Principles for State, Local and Tribal Indian Governments*, "Examples of indirect costs may include certain State/local-wide central service costs, general administration of the grantee department or agency, accounting and personnel services performed within the grantee department or agency, depreciation or use allowances on buildings and equipment, the costs of operating and maintaining facilities, etc."

The formulation of a justifiable and reasonable rate for indirect cost reimbursement generally requires the determination of an *indirect cost rate*, which indicates the reasonable proportion of indirect costs each program (or user) should bear. Such a ratio is often developed as part of a locality's *Cost Allocation Plan*, which distributes central administrative expenditures to "cost center" departments and services. In the absence of an updated indirect cost rate, which is often in the region of 25-40 percent, a 10 percent addition represents a justifiable and reasonable levy for overhead costs.



Revised Rate Calculation

PFM used the City's estimated fringe benefit rate for 2006 (35.88%) to calculate the full fringe benefits cost per officer per hour that could be charged to private users. PFM recommends annual recalculation of the Extra Duty Job rate to ensure that the fringe benefit addition and overhead charge cover the full cost of service.

Charged Item	Calculated Rate
Hourly Salary Rate	\$47,618 per year / \$1,831 bi-weekly / \$183 daily / \$22.89 hourly
Fringe Benefit Rate	35.88% / \$8.21 hourly
Overhead and Administration Charge (10% of base salary)	\$2.29 hourly
TOTAL HOURLY RATE	\$33.40 hourly

CITY'S SHARE OF PROPOSED RATE DERIVATION

Total Rate	\$33.40	
<i>City Share</i>	\$10.50	(31.5%)
<i>Officer Share</i>	\$22.89	(68.5%)

If a fully-loaded addition for both fringe benefits *and* a 10 percent overhead rate were introduced, the current City Extra-Duty Job rate would increase from \$23.65 to \$33.40, and would rise annually (or even semi-annually) in accordance with regular increases in officer base pay. This rate remains competitive with neighboring jurisdictions such as Bethlehem (\$31.58) and Philadelphia (\$38.90). Pension/retirement costs constitute by far the largest element of the additional charge for fringe benefits.

Fiscal Impact

Since historical collections of Extra Duty job fees have varied considerably from year to year, and because the salary rate constitutes a measure of all sworn salaries and current FTE levels, which are in virtual constant flux, an element of uncertainty exists in any projections of City collections under the revised system. To control for this degree of uncertainty, a 10 percent discount has been applied to all assumed savings from reimbursement rate increases.

HISTORICAL COLLECTIONS OF EXTRA DUTY JOB FEES

	2001	2002	2003	2004	Average
Total	\$333,497	\$202,685	\$83,035	\$31,556	\$162,693
City Share (Assumed at 25%)	\$81,788	\$49,707	\$20,364	\$7,739	\$39,899



**PROJECTED COLLECTIONS OF EXTRA DUTY JOB FEES WITH INCREASED
RATE**

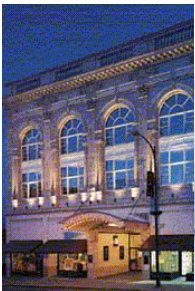
	2006	2007	2008	2009	2010
Current Methodology (\$23.65)					
Total	\$162,693	\$162,693	\$162,693	\$162,693	\$162,693
City Share (25%)	\$39,899	\$39,899	\$39,899	\$39,899	\$39,899
Proposed Methodology (\$33.40)					
Total	\$294,626	\$294,626	\$294,626	\$294,626	\$294,626
City Share (31.5%)	\$72,255	\$72,255	\$72,255	\$72,255	\$72,255

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	10%	10%	10%	10%	10%
Fiscal Impact (City Share Only)	\$32,500	\$32,500	\$32,500	\$32,500	\$32,500



Fire Department



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Fire Department

MISSION

To provide a service in which the lives of citizens and the property of individuals and business establishments are protected from harm or damage through prevention, inspections, education, and aggressive firefighting performances. To mediate all possible life-threatening incidents such as water rescues, hazardous materials responses, first responder medical care, and explosive device control.

OBJECTIVES

- Continue training in specialized areas such as building collapse rescue, water rescue, hazardous device mitigation, hazardous materials response, underwater recovery, medical responses, and terrorism readiness.
- Increase the frequency of inspections of high-rise, hazmat, and over 300-person capacity buildings.
- Continue the Joint Apprenticeship and Training Committee (JATC) as set by the National Standards to achieve Journeyman Firefighter for all personnel.
- Continue to work with the Regional Task Force and mutual aid companies in providing special equipment and training.
- Continue training for firefighter survival, rapid intervention, and “rescue the rescuer.”
- Increase the Department’s efforts in fire prevention.
- Increase development of standard operating procedures and audit compliance for firefighter safety.
- Continue daily company in-station training.
- Initiate tabletop exercises in incident command for all officers.
- Commence training for officers in newly initiated National Incident Management System (NIMS).
- Improve the Department’s wellness programs and maintain current exercise facilities.
- Develop a firefighter’s speakers group to increase awareness of the Department and its activities to the public.
- Update the Firefighting instruction and training manual (Redbook).
- Increase the Fire Department’s visibility with regards to public events.
- Continue education on safe driving techniques.
- Upgrade Fire Department records management system.
- Develop an instructional manual for instruction in use of equipment and apparatus.



SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The Fire Department's responsibilities are organized in two distinct programs: Administration/Planning/Training and Fire Suppression/Extinguishment:

Administration/Planning/Training

Office of the Fire Chief

Under the Mayor's direction, the Fire Chief serves as the Chief Executive Officer of the Fire Department and directs all activities of the Department. The Chief provides general direction, supervision, and management decision-making to all divisions and guides daily operation of the Department under the City's vision and goals. The Deputy Fire Chief is currently responsible for inspections of equipment and apparatus. The Chief's Office includes an Executive Secretary responsible for administrative support and Department payroll.

Division of Training/Fire Academy

The Assistant Chief of Training is responsible for conducting and supervising all training courses and drill programs for department personnel. The Director of Training processes and trains new fire cadets through the Fire Academy, provides instruction and qualifies candidates for promotion to the various ranks within the department, administers promotional examinations, provides training for required recertification of department members, and maintains pertinent records.

In 2005, the Allentown Fire Academy charged \$1,000 to train recruits from other fire departments (including Bethlehem and Easton). On average, seven or eight recruits originate from other fire departments each year. The Department is seeking to increase the number of Pennsylvania fire departments that make use of Allentown's facility to train recruits. In 2006, the Department will increase its recruit training fee from \$1,000 to \$2,000. However, such a fee is still substantially below that of training academies in Philadelphia and Pittsburgh, where \$5,000 is charged to other participating fire departments. According to AFD personnel, the only other City-operated Fire Training Academy in the Commonwealth, located in Harrisburg, charges \$3,600 per recruit.

Fire Suppression and Extinguishment

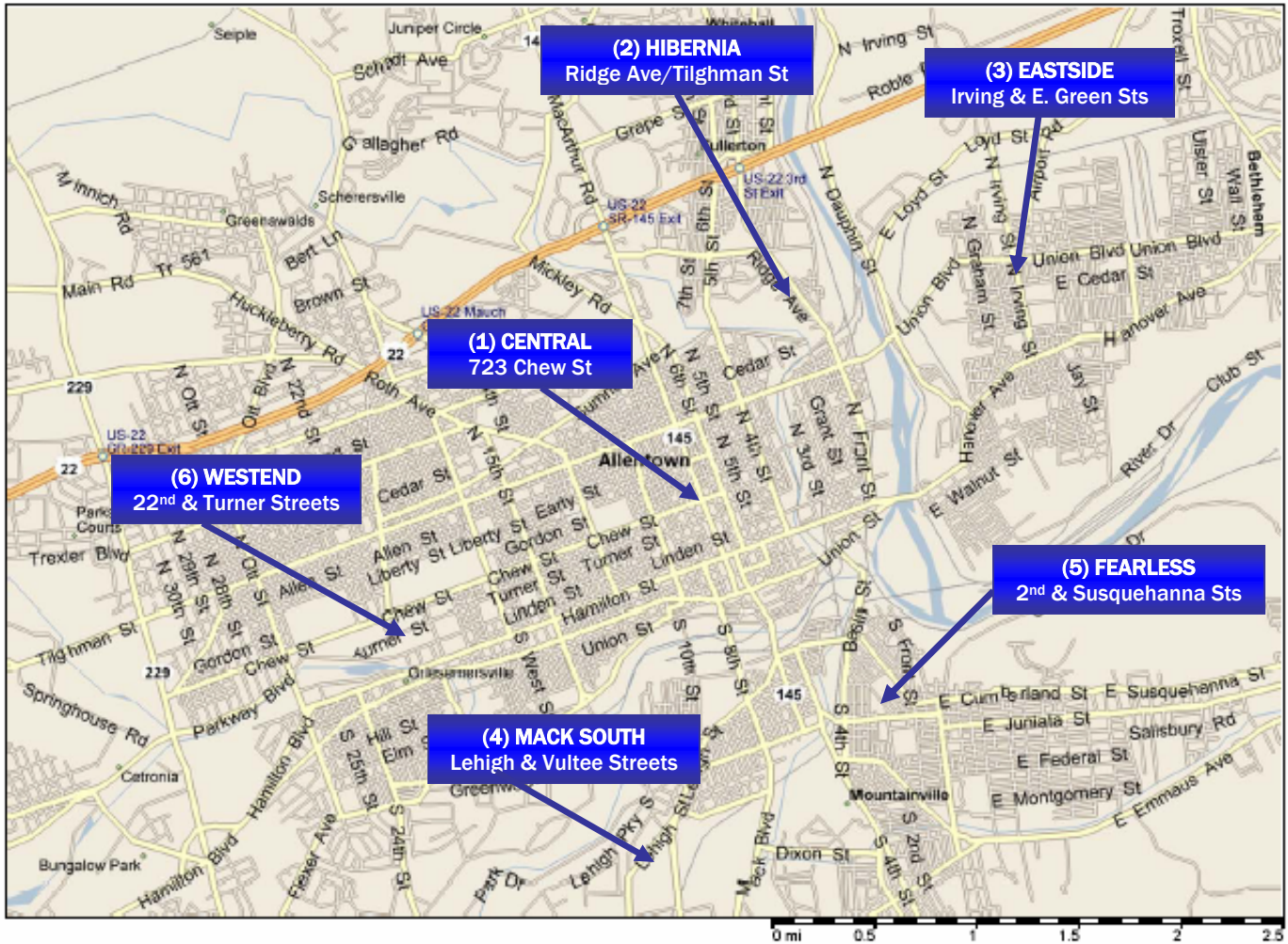
The Fire Chief, Deputy Fire Chief and four Battalion Fire Chiefs oversee the daily operation of the Department for fire suppression, the maintenance and purchase of equipment used for emergencies, and firefighter safety equipment.

Fire Suppression Force

(6 Fire Captains, 20 Lieutenants, 8 Fire Specialists, and 103 Firefighters). As shown in the following map, the Allentown Fire Department currently operates six fire stations and is currently rated at ISO level three. The Department operates seven engines (including one Quint) and two ladder trucks, and intends to replace its aerial device in 2007 to meet the ISO minimum height standard.



Fire Station Locations in Allentown



FIRE SUPPRESSION EQUIPMENT

Station	Vehicles
Central	Battalion Chief Engine 4 Engine 9 Truck 1 Fire Marshal
West End	Engine 10
Mack South	Engine 11
Fearless	Engine 14
East Side	Engine 13
Hibernia	Engine 6 Truck 2



PERSONNEL BENCHMARKS

The National Fire Protection Association (NFPA), an international non-profit organization and an authoritative source on public safety, published a United States Fire Department Profile report in 2005 which provides national staffing and apparatus averages and benchmarking data through 2003. The results of the study are based on data reported to the NFPA and do not reflect recommended rates or a defined fire protection standard. However, they provide general information about the range of staffing found in the survey, as shown in the chart below.

CAREER FIREFIGHTERS PER 1,000 POPULATION

Population	Low	Median	High	Allentown
100,000 to 249,000	0.67	1.34	2.83	1.41

The NFPA defines the number of career firefighters to include full-time (career) uniformed firefighters regardless of assignment, e.g., suppression, prevention/inspection, administrative. Using this definition, Allentown's rate of 1.41 career firefighters per 1000 residents is slightly above the median value for its population range. It should be noted that there are many variables associated with the NFPA's research. Fire departments vary greatly in their specific circumstances and policies including length of work week, unusual structural conditions, types of services provided to the community, geographical dispersion of the community, daytime versus evening population, and other factors.

Firefighters in the AFD work 10 and 14 hour shifts, resulting in a 40 to 45 hour workweek. The new contract finalized in 2005 stipulates an overall minimum of 26 personnel per shift. The NFPA study also included data on career firefighter staffing levels by length of work week, as shown here. Allentown's level of 1.41 career firefighters per 1,000 people is below the national average for fire departments with similar scheduling practices

CAREER FIREFIGHTERS PER 1,000 POPULATION BY WORK WEEK AND POPULATION PROTECTED, 2001-2003

Population	40-45 Hour Week
National Average (100,000 to 249,000)	2.15
Allentown	1.41

Based on the complexities and variables described, staffing benchmarks are included as points of reference and are not the basis for any conclusions or recommendations included in this report. Benchmarks are included as a first step to indicate areas of potential further analyses. Given the scope of the present report, no further analyses on staffing levels have been undertaken.



The following chart shows average apparatus and station rates per 1000 people by community size from 2001 to 2003. As shown, Allentown's rates are slightly below the national averages for communities of similar sizes.

AVERAGE APPARATUS AND STATION RATES PER 1,000 POPULATION

Population	Pumpers	Aerial Apparatus	Stations
National Average (100,000 to 249,000)	0.083	0.013	0.077
Allentown	0.066	0.009	0.057

Again, the national rates listed reflect averages of apparatus and station rates per one thousand population protected reported to the NFPA. They are illustrative only, and do not represent recommended rates or a defined fire protection standard. Similar to staffing levels, there are a number of variables associated with the number of apparatus and stations in communities, such that definitive conclusions based on this data cannot be drawn.¹

Specialized Units

The Allentown Fire Department currently provides four specialized emergency and rescue services. These units are staffed by regular AFD personnel who form teams on a volunteer basis and meet each month to maintain the unit's certification. The only additional personnel cost to Department is for the overtime paid to team members for the monthly training meetings.

Bomb Squad: The Department's Bomb Squad is certified by the FBI and responds to all bomb threats throughout Lehigh County. The Unit receives substantial support from the County and the FBI, and received a robot from the U.S. Department of Homeland Security in 2004. An AFD Battalion Chief commands the squad. Currently, given the financial and operational support provided by the County, the Department does not charge Lehigh County municipalities for use of the Unit's services, but non-Lehigh County jurisdictions areas are charged for the service.

Underwater Recovery: The Department's team of underwater rescue specialists is commanded by a Fire Marshal.

Technical Rescue: This unit is composed of AFD personnel trained to participate in rescue operations in trenches, collapsed buildings, high angle locations, and other nonstandard emergency situations.

Hazmat Team: Allentown's Hazardous Materials Response Unit serves multiple area jurisdictions and is commanded by an Assistant Chief.

¹ U.S. Fire Department Profile Through 2003. National Fire Protection Association. January 2005.



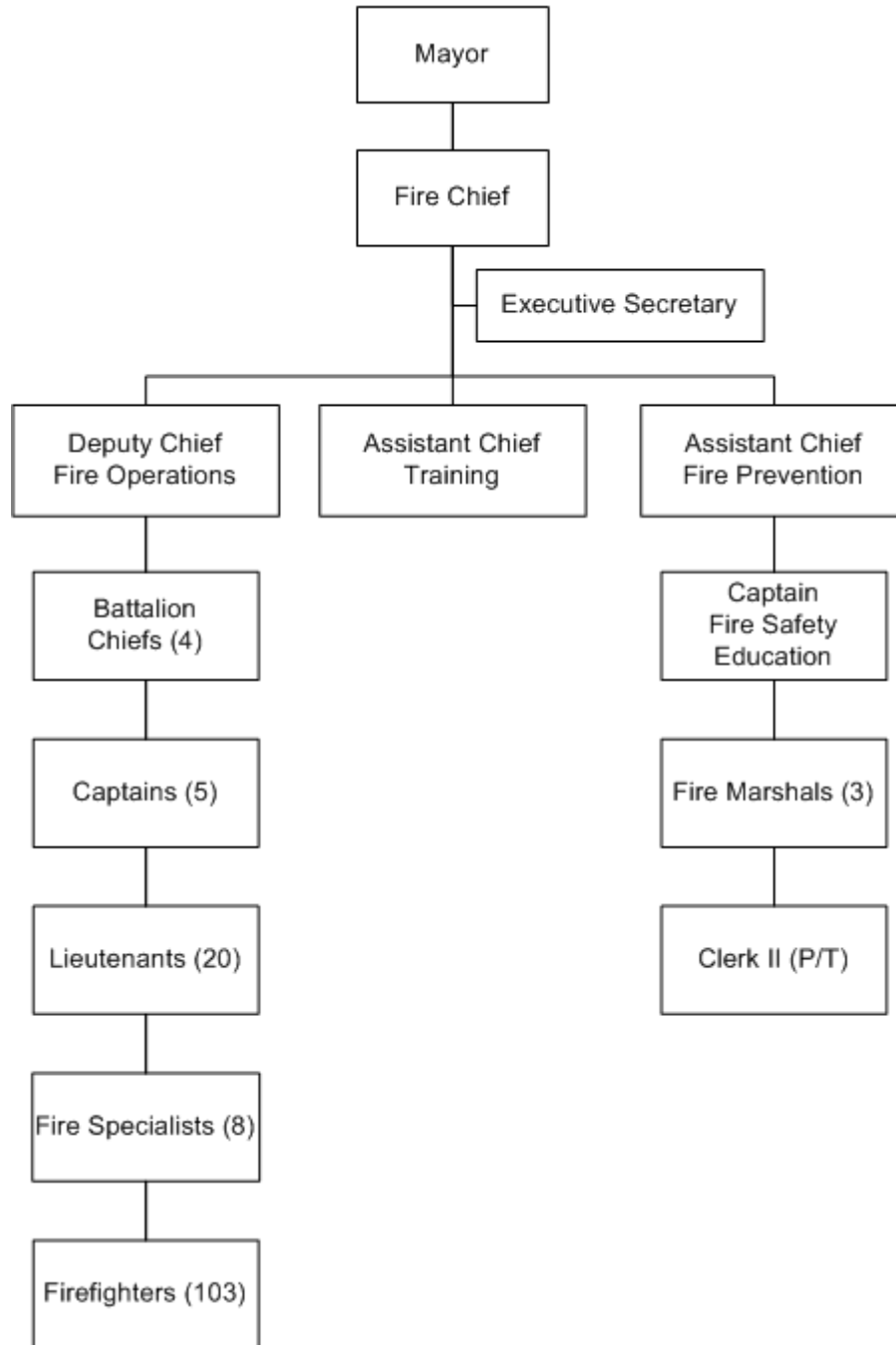
Fire Prevention Office

The Fire Prevention Office coordinates all fire prevention programs, emergency management grants, fire statistics reporting, and fire inspection activities. The Assistant Chief of Fire Prevention directs all activities of the Office in accordance with the Fire Department's goals. The office is staffed by six full-time Fire Marshals. One Marshal at the rank of Fire Captain undertakes the City's fire safety program and inspects educational facilities.

The Fire Marshal team is primarily responsible for inspecting public and commercial structures for compliance with applicable fire codes. In addition, they perform general duties in the Fire Prevention office and other duties related to fire prevention, public education, and inspection. The City's housing inspection team (part of the Department of Community and Economic Development) coordinates the majority of the residential inspections. A major component of the inspection program is the permit renewal program. On an annual or biennial basis, nonexempt businesses and locations are required to renew their fire permit(s). Such locations generally include places of assembly, day care, hazmat sites, and others as required by state and local law.



ORGANIZATIONAL CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Fire Chief	1	1	1	1	1
Fire Chief Deputy	1	1	1	1	1
Executive Secretary	1	1	1	1	1
Asst/Batt. Fire Chief	6	6	6	6	6
Captain - Fire	5	5	5	5	6
Lieutenant - Fire	20	20	20	20	20
Inspector - Fire	4	4	4	4	3
Fire Specialist	8	8	8	6	8
Firefighter	101	105	105	105	103
Totals	147	151	151	149	149

EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budget
Personnel	\$9,585,822	\$10,707,930	\$10,585,011	\$10,810,217	\$11,063,075
Services & Charges	\$119,843	\$114,658	\$118,081	\$122,590	\$120,403
Materials & Supplies	\$124,681	\$139,974	\$158,972	\$156,757	\$158,146
Capital Outlays	\$35,876	\$31,154	\$47,184	\$142,889	\$103,927
Reserve for Contingencies	\$0	\$0	\$0	\$120	\$0
Total	\$9,866,222	\$10,993,716	\$10,909,248	\$11,232,573	\$11,445,550

Projected

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$11,013,767	\$11,821,291	\$13,624,426	\$14,142,813	\$14,638,965
Services & Charges	\$133,362	\$136,696	\$140,113	\$143,616	\$147,206
Materials & Supplies	\$124,135	\$127,422	\$130,790	\$134,243	\$137,783
Capital Outlays	\$106,525	\$109,188	\$111,918	\$114,715	\$117,583
Reserve for Contingencies	\$120	\$120	\$120	\$120	\$120
Total	\$11,377,908	\$12,194,716	\$14,007,366	\$14,535,508	\$15,041,657

As with many of the City's departments, the primary driver of expenditures at the AFD is personnel. Personnel costs are largely determined by collective bargaining agreements and deployment patterns. Another large cost category is equipment. It will be important for the Department to maintain thoughtful acquisition of equipment in efforts to control costs over the Five Year Plan period in this area. Cyclical replacement of expensive and



important fire apparatus – pumpers, quints and ladders – is covered in the initiatives section below and in the Capital chapter of this Plan. The Department also must work with the Finance Department to budget for cyclical replacement of hoses, self-contained breathing apparatus, and other equipment.

REVENUE

Type	2001	2002	2003	2004	2005 Budget
Fire Dept Inspection Fees	\$53,302	\$49,775	\$52,055	\$51,047	\$50,849
Fire Training	-	-	-	\$9,650	\$9,000
Fire Dept Miscellaneous	\$17,655	\$11,785	\$20,471	\$8,759	\$26,259
Total	\$70,957	\$61,560	\$72,526	\$69,456	\$86,108

PERFORMANCE MEASUREMENTS

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Fire Code Compliances	2,865	2,800	2,800	940	940
Inspections and Investigations	4,000	4,000	4,000	2,800	2,800
Fire Safety Education – public involvement (adults)	38,000	10,000	10,773	11,000	11,000
Fire Safety Education – public involvement (children)	0	11,000	11,000	11,300	16,300
Hazmat and Company Preplans	523	600	600	400	600
Training hours – theory and practical (classroom, grounds, tower)	19,106	20,000	20,000	20,000	20,000
Fire Academy Training – Non-AFD students (hours)	3,137	3,200	3,200	3,200	3,840
Daily Scheduled Equipment Inspection & Inventory (Hours)	9,500	9,500	9,500	9,500	9,500
Fatalities due to Fire	4	0	2	0	0
Injuries due to Fire - civilians	50	72	50	30	30
Fire Responses	5,200	6,136	6,200	6,200	6,200
Fire Insurance Loss	\$1,000,000	\$1,668,000	\$2,000,000	\$2,000,000	\$2,000,000

RECENT ACCOMPLISHMENTS

- Fire Personnel certified in Emergency Vehicle Operations.
- Refurbishing begun on city wide command vehicle.
- Fire personnel trained in Incident Command System with continuance into NIMS.
- Initiatives underway to recertify HAZMAT Team at the state level
- Cooperation with Lehigh Carbon Community College to provide regional fire training



CHALLENGES AND GOALS

- **Current Goals:** Allentown Fire Department is currently undertaking an ISO rating push, a conversational Spanish training program for firefighters, and general improvements to customer service.
- **Diversity:** There are currently five Latino employees and one African-American employees of the Allentown Fire Department. The Department has made an effort to increase diversity by expanding recruitment to Hispanic radio, newspapers, and by removing the Allentown residency restriction.
- **Payments-in-Lieu-of-Taxes (PILOTs):** Lehigh Valley Hospital/Sacred Heart provides physicals for Fire Department personnel at no charge to the city. The Department believes that other nontaxable properties in the city could also provide financial or in-kind help.



INITIATIVES

FD01: Fire Alarm Regulation

The City of Allentown should move towards a comprehensive approach for police and fire response to alarms across all City departments. To achieve this, PFM recommends a more consistent, centralized process for registering alarms, implementing penalties, and assessing fines across public safety areas. In conjunction with the Allentown Police Department and the Department of Community and Economic Development, the Fire Department should modify its existing method and policy for handling false fire alarms. The City could implement one or two initiatives to reduce false alarms:

1. Enforce a registration requirement for fire alarm systems operating in the City;
2. Enact a false fire alarm ordinance with incrementally increasing fees for multiple false alarms based on cost of service analysis and comparable jurisdictions.

The Department of Community and Economic Development should be responsible for both fire alarm and burglar alarm registrations, in order to centralize the approach and provide more efficient service to the public. The Police and Fire departments would be involved to provide necessary technical approvals; they would also have full access to electronic records. In addition to the initiative below, similar recommendations are found in the chapters on the Police Department and the Department of Community and Economic Development.

FD02: Enforce a registration requirement for fire alarm systems operating in the City

According to Departmental personnel, approximately seven percent of all Allentown Fire Department responses are recorded as occurring false alarms. In order to recoup at least part of this largely unnecessary expense, false alarm reduction research emphasizes a City-wide fire alarm regulation program with annual registration permits and fines for excessive false alarm activations. Allentown City ordinances specify a \$180.00 charge for each false fire alarm in excess of two infractions per month. However, the City does not currently have the ability to identify and monitor the effectiveness of their false alarm reduction efforts because the total number of alarms in the City is unidentified. The existing approach to enforcing the false alarm ordinance is generally through handwritten notations on Fire Department activity reports.

A better-enforced fire alarm registration and permit program would work in conjunction with revised City false fire alarm regulations to better hold alarm-monitoring companies and their customers accountable for false alarms and to reduce the number of unnecessary fire responses. Through registration, the City will also gain the ability to quantify the number of active fire alarm systems, monitor how many are subject to false alarms, and accurately determine how many of those false alarms are in violation of city ordinances.



Furthermore, the alarm registration program would provide the City with a mechanism to quantify and evaluate the false alarm reduction effort.

Eight Pennsylvania cities were contacted for information relating to their current efforts in fire alarm registration. All eight have operational false fire alarm fine programs. Four of the cities surveyed do not currently levy fees for fire alarm registration (Altoona, Erie, Harrisburg and Scranton). The remaining four cities (Bethlehem, Easton, Lancaster and Reading) have some type of a permit or registration fee, which serves their fire departments' goals of keeping fire alarm users accountable and monitoring excessive false alarms.

Alarm Registration Programs in Comparable Municipalities

City	Registration Program and Fee
Bethlehem	\$25 Fire Alarm Registration Fee
Easton	\$20 Fire Prevention Permit Fee
Lancaster	\$60 Alarm System Registration Fee; \$100 Certificate of Fitness Fee for Automatic Fire Alarms
Reading	\$50 Fire Prevention Permit Fee; \$50 Automatic Fire Alarm System Fee; \$50 Automatic Fire Alarm Certificate of Fitness fee

As shown in the table, the cities' fees range from \$20 in Easton to a total of \$150 (for all three fees combined) in Reading. By enforcing the requirement that users register their fire alarms with the City and pay a reasonable fee set at the cost of providing the service, and through restructuring the false fire alarm fees as described later in this initiative, the City can begin to recoup some of the expenses incurred from dispatching fire trucks and personnel to false alarms. The primary focus of the registration program would be to begin to compile an accurate database of security and fire alarms located in the city, such that a more effective false alarm enforcement program could be implemented.

Based on research in comparably sized cities in the northeastern United States, this report assumes that there are approximately 625 fire alarms in Allentown. Assuming the fee for fire alarm registration would be \$100, the City could potentially identify over \$55,000 in revenue for the first year with the registration fee in place. The fiscal impact over the out years assumes that all fire alarm registrations would be renewed and that there would be five percent annual percent growth in the number of new fire alarms in the City as a result of recent building code requirements. The revenue projections have been discounted at 10 percent to account for any additional administrative costs which may be necessary to coordinate the registration process and an assumed collection rate of somewhat less than 100 percent.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	10%	10%	10%	10%	10%
Fiscal Impact	\$56,250	\$59,063	\$62,016	\$65,116	\$68,372



FD03: Enact a false fire alarm ordinance with incrementally increasing fees for multiple false alarms based on cost of service analysis and comparable jurisdictions.

While the actual number of malicious false alarms in the City may be low, unintentional calls from alarm system activations and malfunctions result in frequent unnecessary responses by the Allentown Fire Department. These responses impose a significant cost on the Department and reduce the amount of time available for other duties. According to the Fire Alarm Reduction Association (“FARA”), false alarms cost fire departments valuable resources and firefighter hours, including:

- **Personnel:** The cost of call-takers and dispatchers, and training associated support personnel.
- **Administrative:** Costs associated with computer hardware, software, office space and equipment for false alarm management, including notifications and billing.
- **Diversion from genuine emergencies:** Resources are directed away from actual fires or other departmental obligations. Responding to 911 calls takes longer, thereby increasing the risk of injury to firefighters and residents.

According to Departmental personnel, there are 400 false alarms per year – more than one response every day. These false alarms represent seven percent of the 6,000 calls per year received by the Fire Department.

The City’s current policy is to charge a flat \$180 fee for false alarms after three or more alarms are activated in a 30-day period. As in Allentown, many other jurisdictions that levy false alarm fees allow one or more false alarms within a specified time period (e.g., six months, one year) without imposition of the fee. However, most jurisdictions then assess increasing fees with each subsequent false alarm. Allentown’s false alarm timeframe captures only the most egregious offenders. With its current structure which resets the violations tally after just one month, it would be possible for a single establishment to cause the Fire Department to respond to more than twenty false alarms in a single year without having to pay any fee. In 2003, the Fire Department recouped expenses for only six false alarms, recovering a total of \$990.00, and in 2004 recovered \$870.00 for five false alarms.

False alarm fees are generally not based on the cost of service, as cost-based fee rates may be overly burdensome to the public. Indeed, according to the South Carolina Department of Labor, Licensing and Regulation, which recently studied and estimated the average cost to fire departments of responding to false alarms, false activations cost taxpayers approximately \$700 per response (accounting for truck usage, personnel and administrative costs). Such cost recovery would be well in excess of the fees charged in Allentown’s peer jurisdictions (see below). Fees are intended to serve as an incentive to prevent false alarms, as well as to partially offset the costs of service.



Seven cities in Pennsylvania were surveyed to determine their current approach to false alarm regulation. These jurisdictions were chosen based on their status as Cities of the Third Class (with the exception of Scranton, a City of the Second Class A).

False Alarm Fee Schedule in 2A and 3rd Class Pennsylvania Cities

No. of False Alarms	Allentown**	Bethlehem*	Easton	Erie	Lancaster	Reading	Scranton	Wilkes-Barre
1	No Charge	No Charge	No Charge	No Charge	\$100	\$50	No Charge	No Charge
2	No Charge	No Charge	No Charge	No Charge	\$200	\$50	No Charge	\$25
3	\$180	\$35	\$100	No Charge	\$300	\$50	No Charge	\$25
4	\$180	\$35	\$150	\$25	\$400	\$50	\$250	\$25
5	\$180	\$50	\$200	\$100	\$500	\$50	\$250	\$50
6	\$180	\$50	\$400	\$200	\$500	\$50	\$250	\$50
7+	\$180	\$50	\$400	\$200	\$500	\$50	\$250	\$100

*The City of Bethlehem operates on a six month schedule.

**On a thirty day cycle.

Of the seven comparable Pennsylvania cities surveyed, six (Easton, Erie, Lancaster, Reading, Scranton, and Wilkes-Barre) use a 12-month cycle for false alarm infractions, while one, Bethlehem, uses a six-month rotation. All but two cities (Scranton and Erie) fine for the third false alarm within the one year or six month period, with fees ranging from \$25.00 in Wilkes-Barre to \$300 in Lancaster. Both Lancaster and Reading recoup costs for the first false alarm activation. In comparison with the sample of peer cities, Allentown's fee schedule allows many more infractions before fines, particularly as a result of the city's 30-day reset of the false alarm violations tally.

For the purposes of demonstrating potential fiscal impact of revising the false alarm fee schedule, this report makes several assumptions. First, it will be assumed that the City's revised false alarm fee schedule will use a 12-month cycle for false alarm infractions. It will also be assumed that there will be no charge to violators for first and second false alarms. Fees will only be assessed starting with the third false alarm in a 12 month period. Assumed fee structure is as follows:

No. of False Alarms	Fee
1	\$0
2	\$0
3	\$180
4	\$200
5	\$300
6+	\$400



This initiative assumes that of the 400 false alarms the AFD receives per year on average, 15 percent of those would be billable (i.e. three or more instances of a false alarm at the same address). Furthermore, of the fire alarms which are billable, it is assumed that 75 percent would be for the third false alarm, 20 percent for the fourth false alarm, 4 percent for the fifth false alarm, and 1 percent for the sixth (or more) false alarm.

Given the large number of assumptions used to project revenue from false alarm fees, PFM recommends that the City begin keeping detailed data of false fire alarms, especially those which are billable. By having accurate records, more precise projections could be made in the future as to the expected revenue stream from false alarm fees. The City could use this data to aid in the budgeting process. To ensure emphasis is placed on this program, a performance metric should be introduced related to the ongoing monitoring and updated of false fire alarm information.

Revenue estimates listed here are based on the assumptions listed in this initiative and are considered to be conservative. Once the City is better able to track false fire alarms, more targeted estimates may become available.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	10%	10%	10%	10%	10%
Fiscal Impact	\$10,314	\$10,314	\$10,314	\$10,314	\$10,314

While reforming and enforcing the false alarms ordinances will help the Department realize revenues and ultimately reduce the incidence of false alarms, the Department would also realize expenditure savings by reducing the amount of time and effort that firefighters spend responding to false alarms, and efficiency savings by making firefighters more available to respond to actual emergencies.

FD04: Managing the Alarm Registration Program through the Department of Community and Economic Development and the Department of Finance

It is recommended that the City consolidate all permit programs within the “one-stop shop” system for Permits and Licensing established on the fourth floor of Allentown City Hall. The current management of the program within the Fire Department unnecessarily bifurcates the number of procedures that residents and businesses must undertake in order to meet their obligations with respect of the City ordinances. In addition, so that billing for “Miscellaneous” items such as false alarm fines can be undertaken by specialized billing clerks, it is recommended that billing for false alarms is transferred to the Department of Finance.

Although the Fire Department would no longer be required to register the City’s fire alarm systems or bill for false alarms, transferring information on response type and alarm owner to the Department of Finance clerks will become a top priority for administrative fire personnel. Ideally, the alarm registration database would have a direct



interface with the fire response database to mitigate potential human error in terms of accurate and timely billing for false alarms.

Without detailed statistics on how many fire alarm systems exist in Allentown, it is difficult to estimate how much it would cost the city to administer an enhanced registration program and how much revenue such a program would generate. Typically, registration programs entail the need for relatively advanced software to handle the additional data and to track the number of false alarm activations by each system. There is generally also a period immediately following the commencement of such a program where additional (and sometimes temporary) staff are needed to complete the data entry of all the fire alarms in the city. A rolling twelve-month program of implementation is considered appropriate. However, given the strong fire marshal complement and the establishment of the one-stop shop, the City has the right elements in place to successfully enact such a program.

FD05: Review of all Fire Department Fees

Fees charged by the Allentown Fire Department are generally set at or above the rates charged in comparable cities, with the exception of the fire alarm registration fee, which has been addressed in the previous initiative.

In general where fees are charged to recover costs for Fire Department services, it is common to periodically review and update the fees assessed. The City of Allentown has engaged in this process and has adjusted most fire fees so that rates are in line or above the rates at comparable cities. While there are minimal opportunities for near-term adjustments, PFM recommends that fees be reviewed annually to account for the gradual increases in costs of service and to remain in line with comparable municipalities.

FD06: Evaluate Changes to Fee Structure and Marketing of Fire Academy

The Allentown Fire Academy charges \$1,000 to train recruits from other fire departments (including Bethlehem and Easton). On average, seven or eight recruits in each training class originate from other cities. The City reports that the Harrisburg Fire Academy currently charges \$3,600 for training, while the Philadelphia and Pittsburgh Fire Academies each charge \$5,000. Given the wide disparity of costs between the three, PFM recommends that Allentown consider increasing the fee for recruits attending the Allentown Fire Academy. In 2006, the Department will increase its recruit training fee from \$1,000 to \$2,000. PFM believes that the current wide disparity of training fees across the Commonwealth offers scope for additional increases to this rate above \$2,000 in the out years of the Plan, and recommends the fee be increased to a minimum of \$3,000.

In addition to increasing the fee to a comparable level, the City could revamp marketing efforts to attract new recruits to the Allentown Fire Academy. Assuming the City's increased marketing efforts lead to the enrollment of just 2 additional students per year, the combination of increased fees and improved marketing efforts could result in the



generation of additional revenue for the City, particularly in the later years of the Plan. The Fire Department has expressed concern that too rapid an increase to its training fees above \$2,000 in FY2006 may dissuade neighboring departments from enrolling new recruits at Allentown's Fire Training Academy. As such, the 2006 discounted fiscal impact represents only the additional revenues above the baseline projection which result from the enacted increase from \$1,000 to \$2,000. For years 2007-2010, the table includes the additional resulting revenues from a further rate increase to \$3,000.

FIRE TRAINING ACADEMY REVENUES AT DIFFERENT FEE LEVELS

	2006	2007	2008	2009	2010
Baseline (\$1,000 fee)	\$9,000	\$9,000	\$9,000	\$9,000	\$9,000
Revenues at proposed \$2,000 fee	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000
Revenues at \$3,000 fee including marketing	\$27,000	\$33,000	\$39,000	\$45,000	\$51,000

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$9,000	\$24,000	\$30,000	\$36,000	\$42,000

FD07: Establish Fire Apparatus Replacement Schedule

The Allentown Fire Department is currently planning for \$800,000 in replacement equipment costs in FY2007. While forecasting specific expenses is an important step in capital planning for the AFD, an established Apparatus Replacement Schedule should be developed as a supplement to the capital budgeting process. A first step in developing such a schedule would be to take a complete inventory of the current fleet. This inventory would include such details as the age and the average life of the equipment. A condition assessment would then be done to determine the condition of each piece of equipment, and consequently, which pieces of equipment would need to be replaced sooner or later than expected. Having collected this data, a replacement schedule would be developed to show the capital needs over a 20 year period.

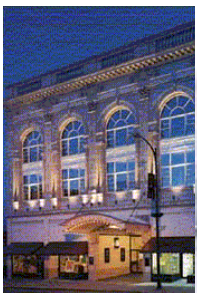
A replacement schedule would allow for improved monitoring of the condition of Fire Department equipment and aid in the City-wide budget process. This primary goal of this initiative is to increase operational efficiency and to better forecast Department needs. Cost savings are therefore listed as TBD.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



Public Works



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Department of Public Works

MISSION

The goals of the department are to provide safe drinking water for the -City and surrounding communities (130,000 population), to provide sewage services for the City and surrounding communities (195,000 population), to provide storm water management, manage refuse removal and recycling, provide roadways for the efficient and safe movement of individuals and cargo throughout the community, and to provide care and maintenance of City-owned structures. The mission is to protect the overall environmental quality of the City.

OBJECTIVES

- To provide a balanced network of various modes of transportation and a safe and efficient system of inner-city travel
- To provide safe, potable water in adequate quantities
- to provide sewage services in accordance with federal and state law
- to provide storm water management services in accordance with federal and state law
- To promote resources conservation and increased public awareness of issues facing public works
- To provide for the safe disposal and treatment of sewage and solid waste
- To promote increased efficiencies in all public works operations

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

Engineering

The Engineering Bureau provides professional design services for all infrastructure projects undertaken by the City, including, but not limited to, Roadway Improvements, Water Distribution Projects, Sanitary Sewers, Storm Drainage Facilities, Erosion and Sedimentation Control, and Stormwater & Watershed Management. All Survey work, C.A.D. and Manual Drafting, etc, required in preparation for completion of Plans and Specifications are prepared, in-house, for letting by the Purchasing Bureau. In addition, the Engineering Bureau provides Construction Inspection Services for all in-house designed projects, as well as those prepared by outside consultants. The Bureau is also responsible for coordination of work assigned to Outside Consultants, for Bridge Improvements, Bridge and Structure Design, etc. The Engineering Bureau provides services to many other Bureaus, in the Engineering review of all Subdivisions, Land Developments, as required for compliance with City Ordinances. Engineering also provides all City Bureaus with G.I.S. capabilities through its G.I.S. Division. In addition, the Bureau provides and maintains permanent records of the City's infrastructure, as required by law, under the Third Class City Code.



Bureau of Building Maintenance

The Building Maintenance Division's mission is to provide a safe and clean working environment while assuring an adequate useful life for City buildings and Facilities. The Bureau of Building Maintenance has a number of major objectives, including:

- Recording and evaluating the progress of all preventive maintenance programs and making adjustments as required;
- Making repairs and upgrading all systems to improve the effectiveness of preventive maintenance;
- Handling emergency calls in the most efficient manner possible;
- Identifying, implementing, and managing capital construction and renovation projects necessary to maintain code compliance, rehabilitation and preservation of City facilities;

Water Resources

The Allentown Bureau of Water Resources provides drinking water and water for fire protection to a population of approximately 130,000 people. In addition, the Bureau provides treatment of sanitary sewage generated by the daily activities of a population estimate of over 195,000 located in 14 municipalities throughout the Lehigh Valley.

The Allentown Bureau of Water Resources, for budget purposes is divided into two funds, water and sewer. The two funds are further separated in the budget document into numerous programs. Water fund personnel operate and maintain a 30 MGD water filtration plant, along with 3 finished water reservoirs (total capacity 50 MG), 4 elevated storage tanks and 300 miles of drinking water distribution piping. Sewer fund employees operate and maintain a 40 MGD wastewater treatment plant and 285 miles of sanitary and 165 miles of storm sewers. The delineation that separates the Bureaus forces into the two funds is strictly a paper barrier; in reality many work units are cross-trained and work in both environmental disciplines.

The Allentown Bureau of Water Resources provides all billing for water and sewer services including the 33,000 city customers and 14 suburban sewer customers and 4 water suburban customers.

The Allentown Bureau of Water Resources provides management for capital improvements, both in-house and contractor based, for water and sewage treatment plants as well as much of the capital improvements on the water and sewage conveyance systems.

The Allentown Bureau of Water Resources has:

- Two laboratories, 1 for wastewater and 1 for water testing.
- The Second largest information technology group in the City, building and maintaining the following systems:
 - CMMS- computerized maintenance manage system



- SCADA-two plant control systems and networks
 - LIMS-laboratory information system
 - Prewin- industrial compliance system
 - GIS-geographic information system
 - Several Oracle DBMS- database management systems
 - Maintenance of WR's 60 plus PCs
- Solid waste recycling and disposal for both treatment plants
 - Preventative and Predictive Maintenance on all infrastructure
 - Filtration and mechanical maintenance on all city pools and spray parks
 - Regulatory Management of the City of Allentown's Stormwater Management Permit.
 - Security system implementation and maintenance

Solid Waste/Recycling

The Bureau of Recycling and Solid Waste has 22 employees and is responsible for the following: Manage the City's solid waste and recycling collection contract for over 36,000 households and 350 small business customers. The current contract costs over \$7 million per year. The Bureau oversees the mandatory residential and commercial recycling programs that have achieved over 40% waste reduction of residential and commercial waste. Curbside residential waste has been reduced from 63,000 tons in 1988 to approximately 40,000 tons. The Bureau oversees the Solid Waste Fund (\$10 million budget) which includes the collection contract, recycling and composting programs, street cleaning, leaf collection, litter and graffiti cleanup programs. The Bureau plans and implements marketing and outreach on recycling, trash and litter prevention to adults and children and schools, institutions, businesses and community organizations. The Bureau maintains residential and commercial recycling participation rates of 94 percent and contamination rates 7 percent through active education and enforcement efforts. The Bureau operates the Recycling Drop Off Center with Lehigh County Juvenile Probation Department and also operates two yard waste drop off sites. The Bureau manages processing and transportation of yard waste materials, transport recyclables to various markets and provide bulk trash and recycling service to City facilities.

The Bureau also administers/coordinates the following programs

- *Don't Trash Allentown* programs to reduce litter and improve neighborhood pride, including the ADOPT-A-BLOCK program, neighborhood outreach, cleanups, distribution of brooms and education programs.
- Operates the Graffiti Busters program to remove and prevent graffiti.
- Cleans City sidewalks, alleys and streets, clean illegal dump sites.
- Empties and maintain over 850 litter baskets, conduct various collection/cleanup activities.
- Provides trash and recycling services to community events.
- Provides for water quality testing and site monitoring at the Dorneyville Road Landfill Superfund site.



- Institutes field enforcement of trash/littered properties through 2005 SWEEP pilot program and administer new litter ticketing program.

Streets

This program is responsible for the paving and reconstruction of streets, alleys, and the restoration of utility cuts and trenches, repair of sinkholes, frost boils and pot holes, crack-sealing, shaping unimproved streets, and minor maintenance of bridges. Coverage is also provided for a variety of civic service projects and for any emergency situations. This program incorporates all phases of salting, sanding, plowing and snow removal with 24-hour coverage during the Winter season (November to April). This program includes hand sweeping by City crews of City streets, alleys and certain posted areas that are not part of the automatic sweeping program. Weeds on all City-owned lots are cut periodically from May to September.

Traffic Planning/Control

This program provides for the development and maintenance of a safe and efficient transportation network through the following activities:

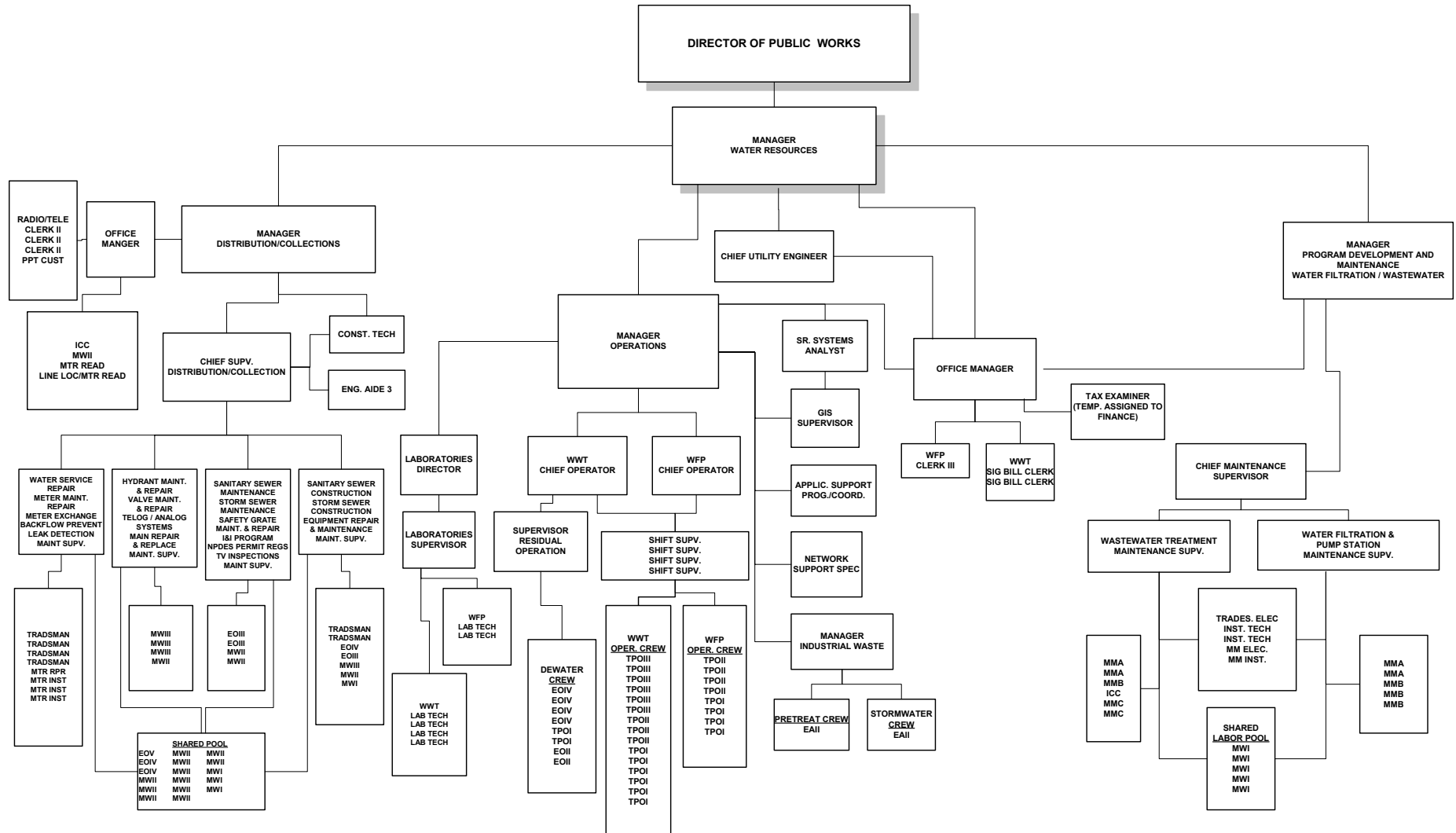
- Installation, operation, and maintenance of traffic control devices including traffic signals, traffic signs, and pavement markings.
- Investigation of complaints and requests for new and/or changes to existing traffic control devices
- Review of building permits, street vacations, subdivision, and zoning variance requests
- Development of improvement schemes for new facilities and modifications to existing facilities
- Traffic signal design
- Administration of federal aid transportation programs
- Traffic studies, including capacity analyses, traffic counts, speed surveys, parking surveys, and accident analyses.

Parks

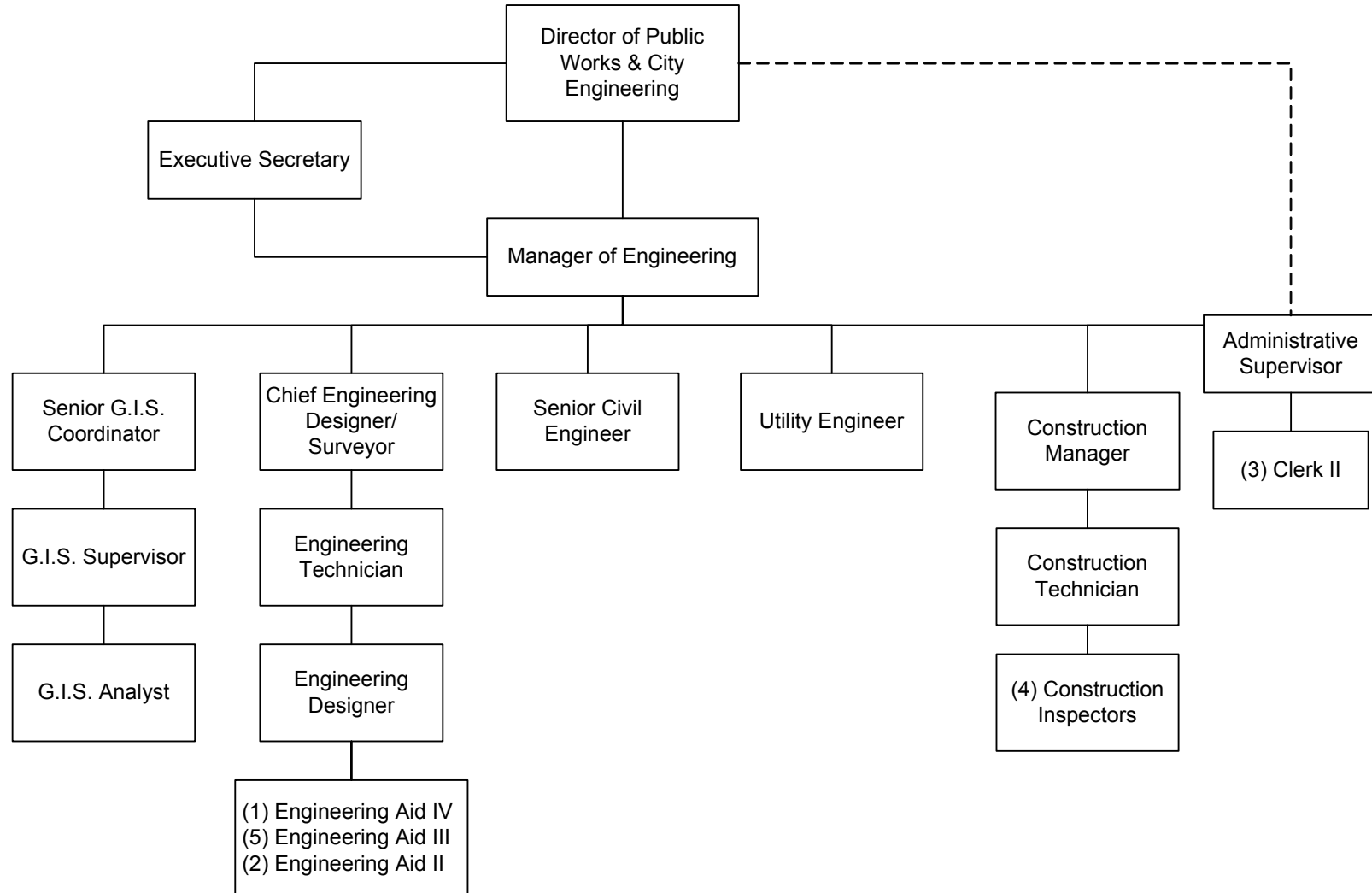
This program provides turf, tree and shrubbery care, grounds maintenance, renovation and construction of facilities within an area of approximately 1,000 acres of active, passive, and natural parkland. This program also maintains and repairs over 460 pieces of equipment and snow control on all parklands, various public streets and sidewalks. Also, the Shade Tree division of the Parks Program monitors the pruning, spraying, planting and removal of trees (over 15,000) in the public right-of-way. The City's park system is spread over 26 major parks and 14 smaller locations.



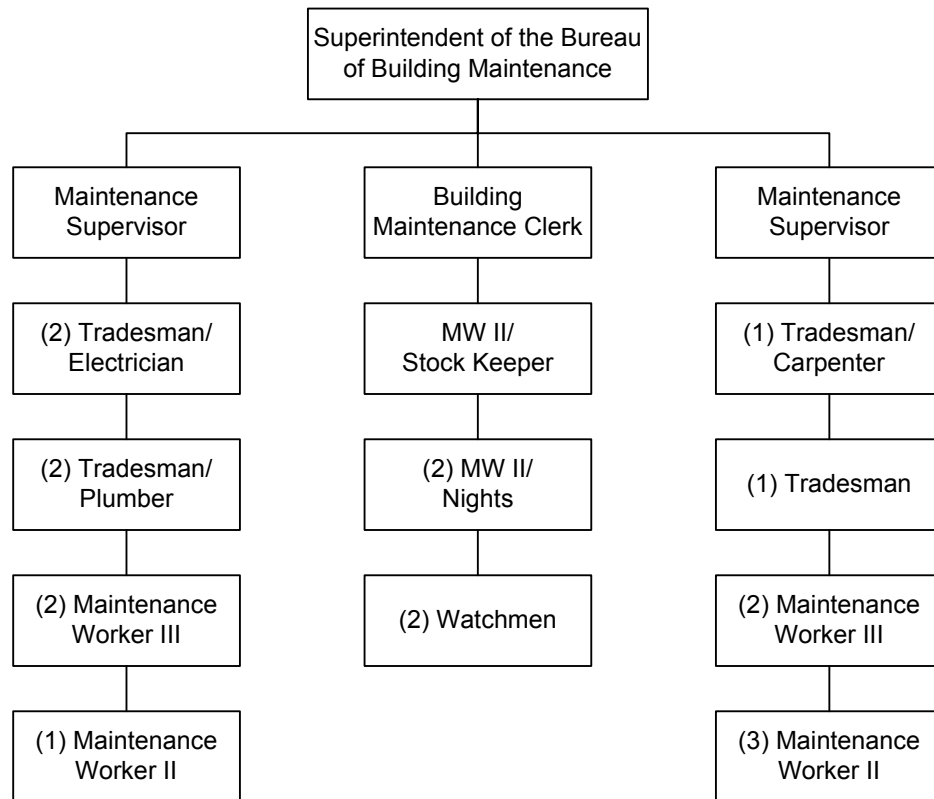
ORGANIZATION CHART – PUBLIC WORKS DEPARTMENT



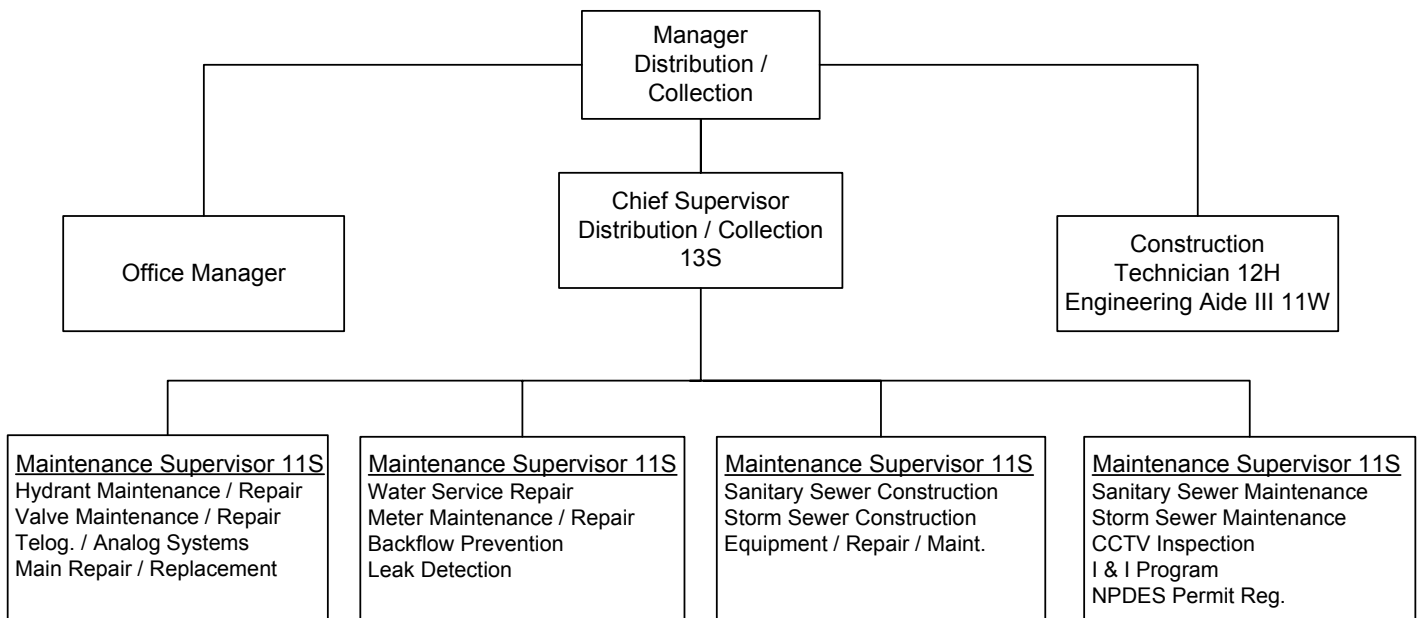
ORGANIZATION CHART - ENGINEERING



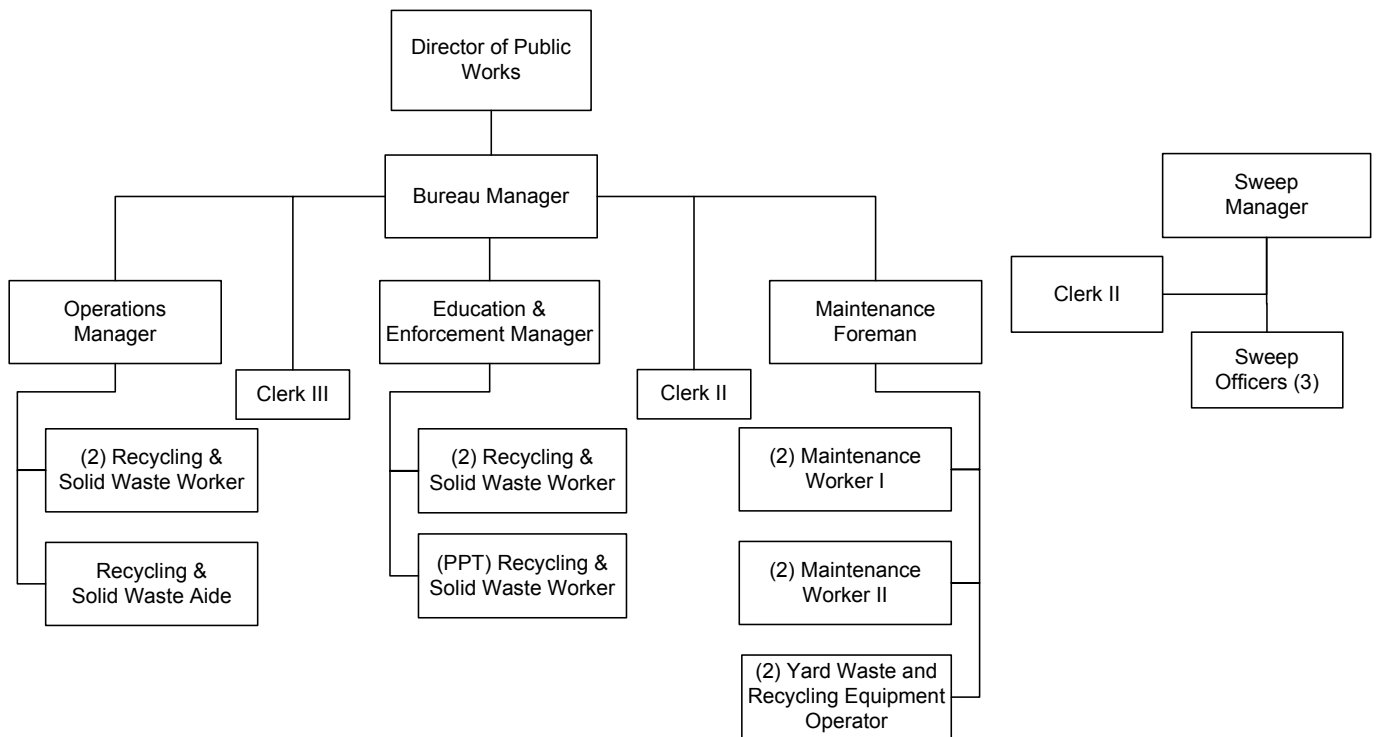
ORGANIZATION CHART – BUILDING MAINTENANCE



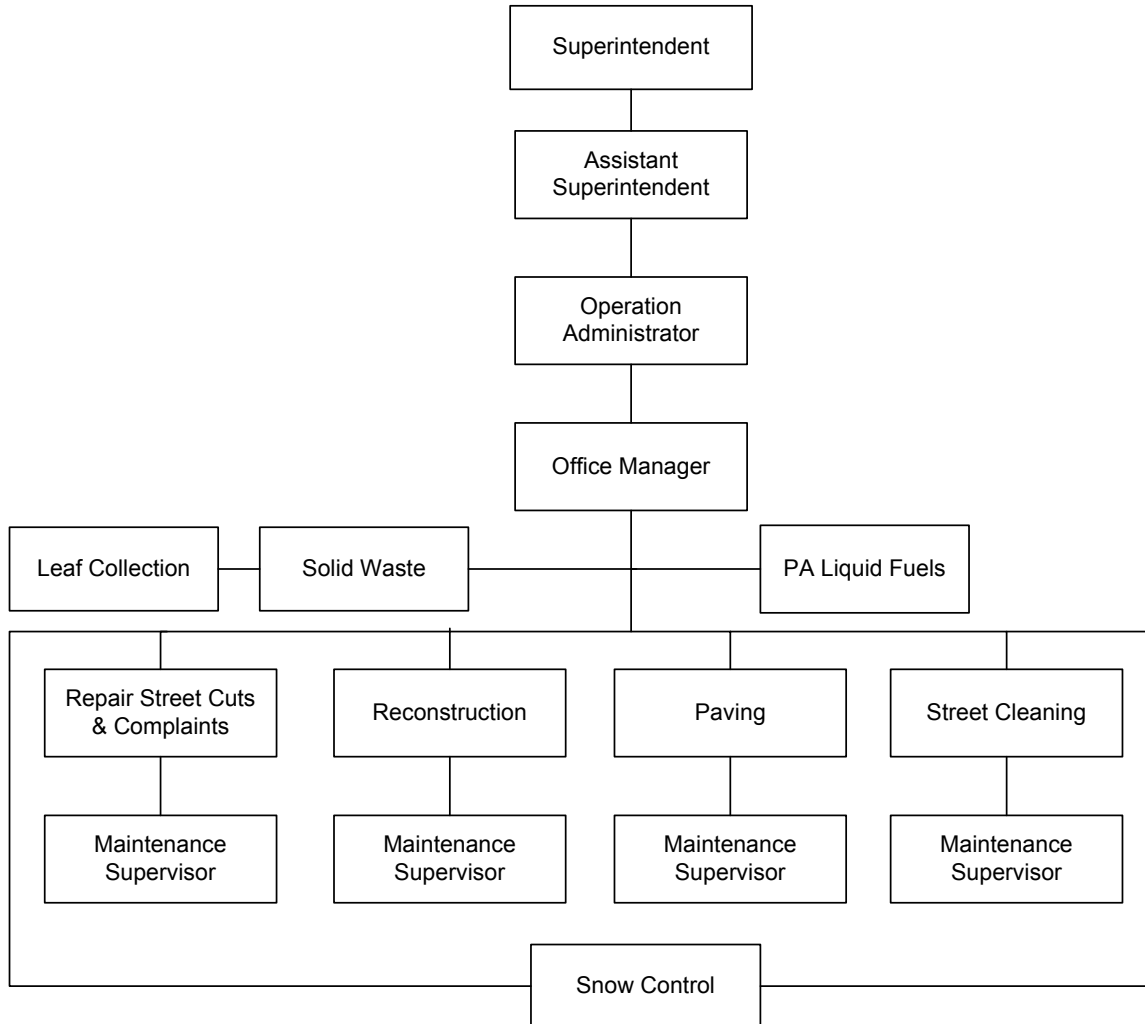
ORGANIZATION CHART – WATER DISTRIBUTION / SEWER LINE MAINTENANCE



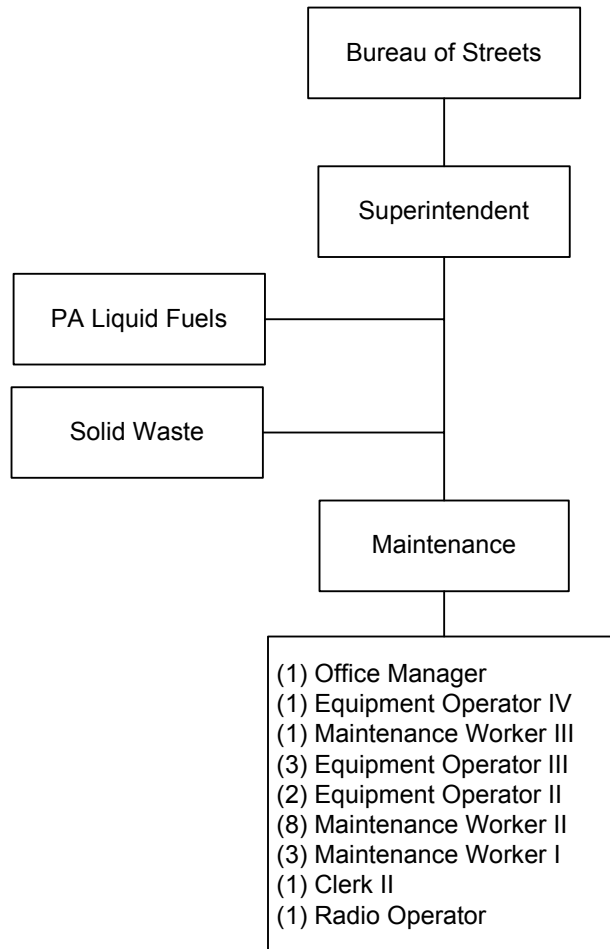
ORGANIZATION CHART – RECYCLING & SOLID WASTE



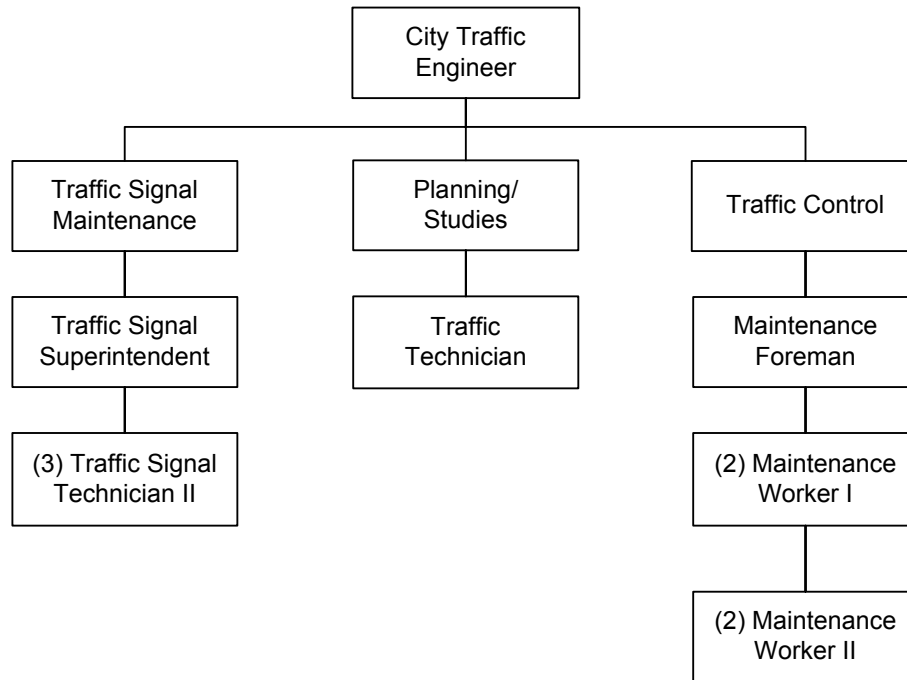
ORGANIZATION CHART - STREETS



ORGANIZATION CHART – STREETS



ORGANIZATION CHART – TRAFFIC



Historical Staffing Levels by Position

Program	2001	2002	2003	2004 Actual & Estimated	2005 Final Budget
Waste Water Treatment/Operations	55.3	34	34	34	34
Water Distribution/Construction and Maintenance	37	20	20	20	20
Water Filtration/Operations	21	17	17	17	17
Recycling and Solid Waste/Collection-Disposal	23	15	15	15	15
Park Maintenance/Grounds Maintenance	29.9	14	14	14	14
Streets	31	13	13	13	13
Sewer Line Maintenance/Construction and Maintenance	21	10	10	10	10
Sewer Administration/Engineering	16	10	10	10	10
Liquid Fuel Fund/Maintenance-Resurfacing	22	9	9	9	9
Building Maintenance	18	9	9	9	9
Traffic Planning and Control	11	7	7	7	7
Water Administration/Engineering	4	6	6	6	6
Waste Water Treatment/Pre-Treatment	3.5	6	6	6	6
Waste Water Treatment/Storm Water and Stream Surveillance	0.2	4	4	4	4
Engineering	3	3	3	3	3
Recycling and Solid Waste/SWEEP Program	0	3	3	3	3
Water Administration/Utility Admin.	2	2	2	2	2
Sewer Administration/Utility Administration	3	1	1	1	1
Administration	1	1	1	1	1
Grand Total	301.9	184	184	184	184



EXPENDITURES

2001	2002	2003	2004 Actual & Estimated	2005 Budget
\$36,289,342	\$37,838,502	\$43,109,430	\$45,787,652	\$47,056,771

PERFORMANCE MEASUREMENTS

Performance Metric	1999	2000	2001	2002	2003
Municipal waste collected and landfilled (tons) (Solid Waste)	-	-	-	40,642	41,870
Job orders processed (Building Maintenance)	-	-	1,559	1,600	1,600
Sweeping miles of streets swept	-	-	12,800	12,900	12,900
# of street name signs installed/upgraded (Traffic Planning & Control)	-	-	198	144	150
# of City-owned street lights	-	-	2,430	2,530	2,532

RECENT ACCOMPLISHMENTS

- Completed the Phase I NPDES Annual Stormwater Report
- Treated 11.43 Billion gallons of wastewater with no NPDES permit violations
- Approximately 12 years ago, DPW relamped all light fixtures in City buildings with electronic ballasts and T-8 bulbs
- When the water plant was rehabbed in 1997, all electrical devices were of the energy efficient variety, Energy Star rated, etc.
- DPW is in the process of converting all traffic signals to LED's. We are approximately 40% through with this process, doing the work with inhouse crews. All new signals are LED's
- Beginning in 1982, DPW started purchasing street lights from PP&L. By 1995, we had purchased approximately 1/3. Energy saving is approximately 50% over what we pay to PP&L when they own the lights.
- DPW is in the process of purchasing the other 2/3. As soon as the PUC approves (expected this month), we will be the owners of the others, at a similar cost savings.
- DPW did an extensive project at the WWTP, putting in microturbines to burn methane, and changing all major pumps to VFD's, with a cost savings of approximately 1/3 (around \$300,000 per year!).



CHALLENGES AND GOALS

- Achieve a minimum of 40% reduction of residential and commercial waste generated in the City through recycling, yard-waste composting, and source reduction efforts
- Sweep 13,500 lane-miles of streets and sidewalks
- Coordinate the implementation of the new Computer Aided Drafting System
- Continue to update computer generated reports to track vehicle cost per mile operation
- To continue to develop a preventative maintenance program
- Upgrade intersection street name signs
- Install new street lights where necessary

INITIATIVES

It should be noted that the DPW has – over the years – initiated many best practices that have produced significant cost savings such as privatization of the fleet, acquisition of pre-owned vehicles, privatization of the solid waste function, and outsourcing of janitorial services. Adoption of such practices by the Department of Public Works indicates their willingness to approach service delivery from an “outside the box” perspective, focusing on achievement of optimal levels of service and cost.

PW01. Reduce the Frequency of Trash Collection

In Allentown, trash is picked up twice per week, which represents a higher level of service than is typical for larger cities in the Commonwealth. Philadelphia, Pittsburgh, Scranton, Reading, and Erie, for example, provide trash pick up only once per week.

This initiative assumes that the current vendor would agree to changing the scope of the current contract; that the 50 percent reduction in refuse collection frequency would result only in 10 percent savings due to relative constancy of total trash volume and other fixed costs; and that a contract modification would take effect mid-way through FY2006 (resulting in savings discounted at 50% for that year).

Fiscal Impact

FY2006	FY2007	FY2008	FY2009	FY2010	Total
\$186,000	\$373,000	\$373,000	\$373,000	\$373,000	\$1,678,000

PW02. Transition to a Variable-Rate System

Allentown should consider modifying their flat pay-as-you-throw (“PAYT”) pricing scheme and transition to a variable rate system. According to the Commonwealth’s Department of Environmental Protection, the most common system in Pennsylvania is the per-bag fee. Under this system – adopted and then phased out in Allentown for yard waste - residents buy specially marked trash bags, or tags to attach to ordinary garbage bags or containers. Allentown should consider the following PAYT pricing systems:



- **Variable:** Residents are charged rates that correspond with the weight/volume of refuse produced;
- **Proportional:** Residents are charged a fee for each unit (i.e., trash receptacle) set out for collection, regardless of weight/volume;
- **Multi-Tiered:** Residents are charged one fee for a basic level of service, and then pay an additional fee related to the weight/volume of their MSW setout - the additional tier fees can either be proportional or variable.

A variable-rate system would provide an incentive for residents and businesses to reduce refuse production (and increase recycling) because charges would be related to the volume of waste produced.

PW03. Consider a RecycleBank System to Increase Recycling Diversion Rates

RecycleBank is a private business that has brought a groundbreaking recycling concept to neighborhoods in Philadelphia. RecycleBank provides the City of Philadelphia with carts and bar code technology that tracks a household's recycling volume; households subsequently earn points that can be redeemed for coupons at local businesses. Cities and towns around the nation are looking to Philadelphia as the laboratory for this novel approach to incentivizing household recycling. The recycling rate in Chestnut Hill neighborhoods served by RecycleBank has increased from 15.5% to 50% percent since the program began in January. Initially, 600 households were involved; the program has since doubled. The cost of the program is \$24 per household per year, however, RecycleBank will contractually guarantee that the savings generated from increased recycling (more revenue, less landfill costs) will significantly exceed the costs of program implementation and operation. As part of their work, RecycleBank will provide the recycling container, retrofit trucks with weighing technology, provide the back-end incentive based recycling program, and supply research and empirical data compilation. For more information, see their website: www.recyclebank.com. In terms of a cost projection, RecycleBank states that it is typical to realize net savings/revenue enhancement of \$10 per household per year. Below, savings/revenue enhancement of \$10 per year per household is calculated and then discounted by 50 percent over the five-year plan period.

Discounted Fiscal Impact

FY2006	FY2007	FY2008	FY2009	FY2010	Total
\$180,000	\$180,000	\$180,000	\$180,000	\$180,000	\$900,000

PW04. Develop an Intermediate-Term Strategy to Convert to Semi-Automated Collection (and a Long-Term Strategy to Adopt Full Automation where Appropriate)

Under certain circumstances, semi-automated trucks with two-person crews may not achieve a higher productivity level when compared to manual three-person crews. For example, a high incidence of parked cars and out-of-cart setouts - as may be expected in



at least some areas of Allentown - can make collection with carts more difficult than manually handling smaller bags and containers. If large volumes of out-of-cart waste remain after implementation of the semi-automated system, many of the possible benefits of implementing semi-automated collection will be lost. However, many of the potential difficulties associated with implementation of semi-automated collection have more to do with administrative logistics and enforcement than the technology.

These issues notwithstanding, the benefits of semi-automated collection can be significant. In addition to reductions in Workers' Compensation claims and crew downtime due to injury, semi-automated collection represents a first step in the transition towards fully-automated collection. A properly implemented semi-automated system will transition residents into properly using carts for all of their waste, and provide time to encourage this behavior while retaining the capacity to handle out-of-cart materials relatively easily. Fully-automated collection can offer significant improvements in collection productivity, and many cities have successfully transitioned to this technology.

Allentown should develop an intermediate-term target for moving to a semi-automated collection, at least for certain sectors within the City that can accommodate such a system. If semi-automated collection is effective, it may in the long-term be feasible to implement fully-automated collection in selected parts of the City. (note that some heavily urban areas may never be able to support semi-automated or fully-automated collection, due to lack of storage space for carts, frequent cart damage/theft/loss, and non-compliance with proper setout requirements.) Because manual and semi-automated routing are essentially the same in terms of size and configuration requirements, the aforementioned re-routing exercise will establish areas that can be configured as semi-automated routes in the intermediate-term.

In Los Angeles, the transition from a manual system to a hybrid fully and semi-automated recycling collection system had a dramatic impact on the cost of service delivery. Productivity per route increased from 400 to 800 units; consequently, staffing and the vehicle fleet were reduced (the new system facilitated a 130-vehicle reduction)¹. In Milwaukee, introduction of semi-automated technology facilitated a recycling route reduction of over 20 percent, from 45 to 35². In Austin, Texas, moving from a manual to a 40 percent semi and 60 percent fully-automated system facilitated a staffing reduction of approximately 100 employees.

¹ Shirley Plews, "LA Recycles: The Next Generation," *World Wastes Online*, July 1997.

² Michael J. Englebert and Steven D. Brachman, "Divide and Conquer Curbside Collections," *WasteAge Online*, January 1997.



**Rear Loading Compactor with two Bayne
“Thinline/Taskmaster” Lifts Installed**



**Side-Loading “DuraPack Rapid Rail”
Fully Automated Refuse Collection Vehicle Manufactured by Heil**



PW05. Reduce the Size of the Vehicle/Equipment Fleet

Fleet size is the super-variable driving overall costs. Aggregate fleet costs (“FC”) can be represented by the following equation:

$$FC = [A + R/M + F + I/O] \times \#V$$

A = acquisition expenditures;

R/M = repair/maintenance costs;

F = fuel costs;

I/O = indirect/overhead costs; and

#V = number of vehicles.

The right side of the equation is calculated for each departmental vehicle class (using averages for the four variables) and then summed to determine aggregate fleet costs. Regardless of how well costs are managed and efficiencies generated through process reengineering of the first four variables, fleet costs will be proportional to the overall fleet size. The City should consider implementing strategies including, but not limited to:

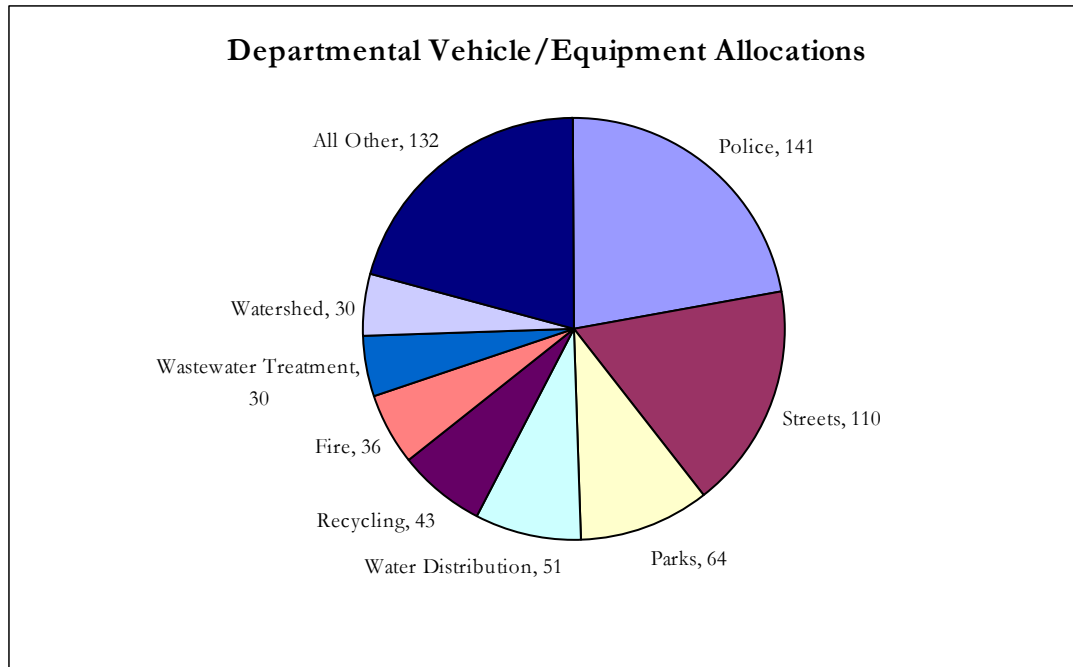
- Identifying underused and redundant vehicles and relinquishing them if appropriate; and,
- Outsourcing passenger vehicle pool management responsibilities to a vendor³ for efficiency and effectiveness.

In Philadelphia, PFM conducted a fleet size/configuration optimization project that will save approximately \$9.0 million over the next five years, attributable to the relinquishment of 330 vehicles and pieces of equipment out of approximately 6,700.

The following chart provides information on departmental vehicle (and equipment) allocations for the City’s 696 piece fleet:

³ See www.carsharing.net for more information about automated vehicle sharing.





Fleet Size and Configuration

Fleet size, configuration, and allocation are largely dependent on political and practical concerns. One method that fleet management professionals use to ensure that their fleets are being optimally used is to establish a “minimum mileage threshold.” This metric establishes a floor for vehicle usage; if a vehicle’s annual usage falls under this, it is suspect and its retention in the fleet is contingent upon a plausible explanation from the user department.

For purposes of this analysis, light-duty vehicles subjected to fewer than 8,000 miles per year are considered underutilized⁴. The level is set here given the size of the City’s geographically scope of operation and nature of functions. Further refinement of this metric by department and vehicle function can be contemplated in the future. Given operational considerations, these vehicles are not automatically assumed to be unjustified, but in divisional vehicle classes where more than two underutilized vehicles are present, consolidation opportunities (i.e., from two vehicles to one) are presumed.

⁴ Minimum usage standards are common in many government fleet operations, including New York City (NY), Multnomah County (OR), and states such as Missouri, North Carolina, Virginia, Connecticut, and New Jersey. Some standards are as high as 14,000 miles per year, with the average being around 10,000.



The following charts illustrate the methodology used:

Table 1	Approximated Annual Miles
Vehicle 1	7,500
Vehicle 2	7,500
Vehicle 3	7,500
Vehicle 4	6,500
Vehicle 5	6,500
Vehicle 6	4,500
Vehicle 7	4,500
Vehicle 8	4,500
Vehicle 9	4,500
Vehicle 10	3,000
<i>Total Aggregate Miles for Underutilized Vehicles</i>	56,500
<i>FTVE</i>	7.1

Table 2	Approximated Annual Miles
Vehicle 1	10,000
Vehicle 2	10,000
Vehicle 3	2,500
Vehicle 4	2,500
Vehicle 5	1,500
Vehicle 6	1,500
Vehicle 7	1,500
Vehicle 8	500
Vehicle 9	500
Vehicle 10	500
<i>Total Aggregate Miles for Underutilized Vehicles</i>	11,000
<i>FTVE</i>	3.4



In Table 1 on the preceding page, there are ten vehicles and all are underutilized (i.e., under the 8,000 mile threshold); however, the Full Time Vehicle Equivalent (“FTVE”) for these vehicles is 7.1. Therefore, it would be recommended that the vehicle complement within this divisional fleet be reduced from ten to seven (rounding 7.1 down to seven). In Table 2, there are ten vehicles and eight are underutilized. In this instance, it would be recommended that the divisional fleet be reduced from ten to three (1.4 FTVEs provided by the eight underutilized vehicles plus two vehicles over the mileage threshold = 3.4). Analysis of relinquishment possibilities has been informed by data provided by the Department of Public Works. The aforementioned underutilization methodology has been applied to light-duty vehicles (sedans, SUVs) and reduction potential identified. Based upon this methodology, a potential light-duty fleet reduction of 13 vehicles has been projected. Beyond light-duty vehicles, it is typical for fleet reduction efforts to achieve decreases of five to ten percent. Excluding the 44 light-duty vehicles considered above, the remaining vehicle and equipment fleet contains 594 pieces; potential reductions of 30 (5 percent) to 59 vehicles (10 percent) should be achievable⁵. Based upon the 13 light-duty vehicle reduction discussed above and a 7.5 percent fleet reduction in other vehicle classes (the average of 5 and ten percent), savings potential (\$1.2 million over five years) is illustrated below:

	FY2006	FY2007	FY2008	FY2009	FY2010
Operating Savings	\$46,008	\$46,008	\$46,008	\$46,008	\$46,008 ⁶
Acquisition Savings	-	-	-	-	\$945,000 ⁷
Total Savings	\$46,008	\$46,008	\$46,008	\$46,008	\$991,008

This initiative provides a snapshot analysis as to the extent of reduction possibilities; actual implementation should take into account other qualitative and operational variables not incorporated here. It is recommended that a Fleet Reduction and Containment Committee be convened to effectuate a reduction program and work to achieve the goals set forth in this initiative.

PW06. Implement a Personal Auto Program

Employees with infrequent emergency call-out responsibilities or basic transportation needs should be able to use personal vehicles – with business usage covered under the City’s Risk Management program – and receive a per mile reimbursement for business-related travel. Under such a program, *insurance carriers are prohibited – by the State’s Public Utility’s Commission - from increasing an employee’s private insurance rates.* Implementing such a program will facilitate more significant fleet reductions than articulated herein and will provide more economical passenger transportation than costly City-owned vehicles.

⁵ These calculations were performed at a time when the fleet stood at 638; recent relinquishments have brought the fleet down to 595.

⁶ Operating costs are averages of the per unit maintenance and fuel costs for all rolling stock vehicles in the Allentown fleet.

⁷ It is assumed that ½ of the relinquished vehicles would have been replaced during the next five years; light-duty vehicle replacement is estimated at \$20,000, all other vehicles at \$30,000 per unit.



PW07. Administer a GPS Pilot Program

GPS can be an invaluable management tool. It can detail vehicular movements with incredible specificity, making it possible to accurately assess efficacy of vehicle usage. It is typically difficult to determine the usage efficiency of vehicles that are assigned to field/maintenance functions. Frequently, dispatched vehicles are stationary for extended periods of time while a work order is completed. However, without accurate operational data, it is difficult to corroborate anecdotal accounts of what goes on in the field. With GPS data, it would be possible to compare a vehicle's operational data with the productivity level of the crew. Analyzing this data and employing it to inform management decisions will advance fleet reduction efforts, as it is presumed that low productivity (as opposed to low usage) vehicles would be identified through the use of GPS technology. Relatedly, Allentown would be able to monitor employee productivity as it relates to vehicle usage. In many instances, it will be possible to reduce/eliminate overtime or staff⁸ as workload productivity is improved through more effective vehicle usage.

Information provided through GPS can facilitate dramatic cost-savings and improvements in service delivery. For instance, gas mileage decreases precipitously when vehicles travel over 60 mph. Therefore, each 5 mph over 60 mph is equivalent to paying approximately \$.10 cents more per gallon of gas. GPS systems allow fleet managers to track excessive speeding and address driver behavior. Additionally, difficult to monetize savings could also be achieved through the avoidance of insurance or casualty losses attributable to safer traveling speeds.

In the past, GPS has been cost prohibitive. As with other developing technologies, costs have decreased significantly making it possible to acquire GPS technology at reasonable prices. Costs vary depending on the level of functionality and sophistication desired. Programs can be implemented for less than \$1,000 per unit annually, with return on investment contingent on current levels of efficiency – exposed plainly by GPS – and proportionate to management's response to same. The chart below provides an example of the component costs of implementing a pilot program in Allentown for 10 vehicles. Overall, a program of this scope would cost \$9,000 for five years. If managed properly, productivity savings should at least zero out the cost of the pilot and will likely exceed them.

GPS Cost for 10-Vehicle Pilot Program	Year 1	Year 2	Year 3	Year 4	Year 5
Hardware Fees	(\$6,000)	-	-	-	-
Setup Fees	(\$500)	-	-	-	-
Monthly Service Fees	(\$500)	(\$500)	(\$500)	(\$500)	(\$500)
Total	(\$7,000)	(\$500)	(\$500)	(\$500)	(\$500)

⁸ After implementing GPS in fleet vehicles that transport field personnel, most organizations find that overtime is cut dramatically (and immediately) and productivity improves as a result of field personnel knowing that their movements are being monitored. Overtime reductions and productivity increases can lead to a staff to task realignment that may result in personnel reductions.



PW08. Implement and Automated Vehicle Sharing Program

Automated vehicle sharing can help reduce the size of Allentown's fleet, reduce costs, and improve utilization by enabling multiple drivers to easily use the same vehicle. Available technology enables reliable, secure, and automated 24-hour a day, seven day a week access to vehicles in one or more locations. Automated scheduling and vehicle access systems process all administrative, scheduling, key management, usage tracking, and billing tasks.

How it Works

Each driver is issued a unique credit-card sized proximity card and each vehicle is outfitted with a small "black box" that facilitates entry and tracks usage. Car keys are kept tethered in the vehicle. Drivers make their own reservations via the internet in a few seconds. Reservations can be made up to a year in advance, for as little as one hour, on any vehicle in the system, depending upon predefined access parameters. The vehicle ignition is disabled until the reserving driver's proximity card is presented at the right time on the right vehicle. This technology enables secure access 24 hours a day, 7 days a week, without any administrative staff.

There are four major components of this integrated system:

- A user sign up, orientation and vehicle scheduling system;
- Tracking, billing and reporting (both for members and fleet) system;
- A wireless in-vehicle box; and,
- A full ticket (problem tracking and resolution) system.

Major Benefits

- **Improve Fleet Utilization:** Because drivers reserve the cars only for the time they need and use, several drivers can easily use the same vehicles on the same day. With no need to hand off the keys from one driver to the next, efficient scheduling results in improved fleet utilization. Depending on patterns of usage and the size of the fleet, the number of cars can be reduced significantly.
- Because access is reliable, secure, and can be tracked uniquely, different departments can share a single pool, further reducing the size of the entire fleet. By pooling single cars or smaller fleets into a larger fleet, overall vehicle availability can be improved while the total fleet size is reduced.
- **Free up personnel:** With the tasks of key management, departmental billing, and fleet scheduling completely automated, personnel managing these tasks can be re-deployed.



- Decrease the number of dedicated vehicles; increase pooled fleet vehicles: Because scheduling and reliable vehicle access guarantees vehicle availability, some drivers who have underutilized dedicated cars may be able to use pooled fleet vehicles instead.
- Eliminate paperwork: The system is completely automated with excellent real time reporting: no logs, no billing concerns, and no driver records.
- Enhance Access: The entire pooled fleet is available 24 hours a day 7 days a week. Additionally, cars can be placed in any geographic location rather than a central pool, making it more convenient and efficient for the drivers.

Suggested implementation at Allentown

While a more expansive program might evolve in the future⁹, it is recommended that 25 pool vehicles be relinquished and replaced by an automated vehicle sharing program. Further, while there is no assumption that there is not a sufficient nexus between actual mileage of these pool vehicles and bona fide business functions, there is no assumption that there is. That is, due to the nature of passenger vehicle travel and the existence of less costly accommodative options¹⁰, diminution of available resources in this discrete complement of passenger vehicles is not a zero sum proposition; a reduction in the vehicle pool does not need to be replaced by an equivalent amount of automated vehicle sharing resources. Allentown could procure automated vehicle sharing services from PhillyCarShare, the most local provider of such services¹¹.

Cost Avoidance

If 20 passenger vehicles¹² were relinquished and sold, year-one cost avoidance could be \$20,865¹³. In subsequent years, operating cost savings of \$15,865 are projected. The five-year total for operational cost avoidance is \$84,324. It is assumed that one-half of these 20 passenger vehicles would have been replaced within the next five years; therefore moving to an automated vehicle sharing program for this pool would make it possible to avoid incurrence of \$150,000¹⁴ in acquisition costs over that period. In total, it is possible to avoid \$234,624 in vehicle spending over the next four years if these pool vehicles are relinquished.

Acquiring automated vehicle sharing services will mitigate these savings somewhat; it is estimated that one semi-exclusive¹⁵ use vehicle would cost \$14,400¹⁶ annually, for a five-

⁹ An automated vehicle sharing program can be expanded beyond sedans and SUVs to other light, medium, and heavy-duty pieces. Additionally, individuals other than City employees could enroll in a downtown Allentown-based automated vehicle sharing program. In particular, the County and City could collaborate on the implementation of an automated vehicle sharing program.

¹⁰ Including the proposed automated vehicle sharing program as well as personal vehicles, mass transit, taxis, etc.

¹¹ For more information, see www.phillycarshare.org. For general information about car sharing in North America, see www.carsharing.net.

¹² In addition to the vehicles identified in the vehicle relinquishment initiative.

¹³ Assumes \$500 sale price per relinquished unit (20*\$250= \$5,000) and fuel and maintenance costs of \$793 per vehicle.

¹⁴ Assumed at \$15,000 per unit.

¹⁵ "Semi-exclusive" use would set aside vehicles solely for Allentown (or Lehigh County) personnel during the work day and open up usage to others during other times of the day. If semi-exclusivity was not needed, the program could be modified and costs would decrease. In Philadelphia, the ratio of cars relinquished to automated car sharing resources



year total of \$72,000. Therefore, net savings would be approximately \$163,000 (\$234,624 - \$72,000 = \$162,624) during this period.

<i>Cost Avoidance – Maintenance/Fuel (Year One)</i>	\$20,865
<i>Cost Avoidance – Maintenance/Fuel (Beyond Year One)</i>	\$15,865
Five-Year Cost Avoidance - Operation	\$84,624
Five-Year Cost Avoidance – Acquisitions	\$150,000
Five-Year Cost Avoidance	\$234,624
Five-Year Cost to Implement (Automated Vehicle Sharing Program)	(\$72,000)
Net Savings/Cost Avoidance for Five Years	\$162,624

PW09. Implement a Transfer Station in Allentown

Transfer Stations offer a more time and resource efficient method of waste management. The implementation of a Transfer Station can help increase the number of weekly pick-ups per household and small business. It will decrease the amount of time and money spent on movement of trash. Overall waste-management will become more productive.

How Transfer Stations Work

A transfer station is constructed, and serves as a place at which trash is discharged from community trash-trucks. The waste usually sits at a transfer station for less than a day, during which time it can be consolidated. The trash is then dumped into larger trucks that take it to the final disposal site.

Major Benefits of Transfer Stations

- **Improvement in Efficiency of Trash Pick-up:** By implementing a transfer station, community trash trucks are no longer used to transport waste to final disposal sites (which are usually located in a regional area, far from the city itself). This frees up the community trucks to do trash pick-ups on a more frequent basis.
- **Consolidation of Drop-Off Sites:** Though a transfer station cannot be built where a drop-off station currently exists, once constructed, drop-off sites can be implemented at the transfer station. Thus, Allentown would be able to get rid of the lawn-waste drop off site, as well as the recycling drop-off site, and move both to the same site as the transfer station.
- **Reduce Cost of Transporting Waste:** Community trash trucks are far from fuel efficient. By implementing a transfer station, community trash trucks can dump waste at a local facility, instead of driving it themselves to the final regional

was 30:1 and the vehicles were not semi-exclusive; a more generous complement is being suggested here as a measure of conservancy. Resources can be adjusted downward/upward as needed.

¹⁶ Approximately \$1,200 per month for a semi-exclusive use of a car share vehicle, according to estimated pricing. Actual costs may vary, as this vendor might not be used and/or other costs may be negotiated.



destination. The long-trips can then be made by more fuel-efficient trucks. With gas prices on the rise, this savings is becoming more pertinent than ever.

- **Offer More Options in Waste Disposal:** Transfer stations allow for sorting to take place prior to final waste-disposal. They also create an opportunity for decision makers to select the most environmentally friendly or cost effective disposal sites; sites which without the transfer station are prohibitively distant or high in cost. By using more efficient trucks to carry waste, transfer stations enable waste to be carried further distances in a more cost-effective manner. Thus, not only saving time and money, by not using community trucks, but also creating more final-disposal options.

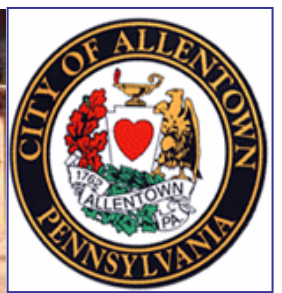
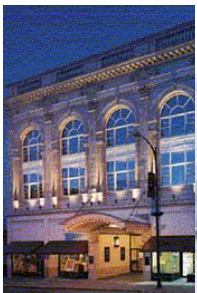
Suggested Implementation in Allentown

The City of Allentown could benefit from the construction of a Transfer Station. Despite the initial cost of building the facility, the city would be able to consolidate drop off sites for recycling and lawn-waste, re-locating both to the transfer station. Allentown would also benefit from a more efficient pick-up service from the 36,000 households and 350 small businesses, that currently only have trash pick-up twice per week. City officials dedicated to recycling and helping the environment, would be given more choices in the final destination for waste, rather than being forced to go with the closest landfill site.

Allentown is an ideal community for a Transfer Station. With its strong initiatives leaning towards cleaning up the city, a Transfer Station would aid in more-timely trash pick up, and a simplification of the waste-disposal and recycling processes. The long term economic and environmental pay-offs from a Transfer Station, prove the implementation to be a cost-effective, beneficial option for Allentown.



Community Development



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Department of Community and Economic Development

OVERVIEW

The City of Allentown's Department of Community and Economic Development (DCED) works to ensure that Allentown remains an attractive, healthy, and vibrant place to live, work, and play. The Department has over 100 employees dedicated to five Bureaus which include the Office of the Director, the Planning and Zoning Bureau, the Building Standards and Safety Bureau, the Recreation Bureau, and the Health Bureau. In past years, the Park Maintenance Bureau was a part of the DCED; however, this Bureau was recently moved to the Department of Public Works.

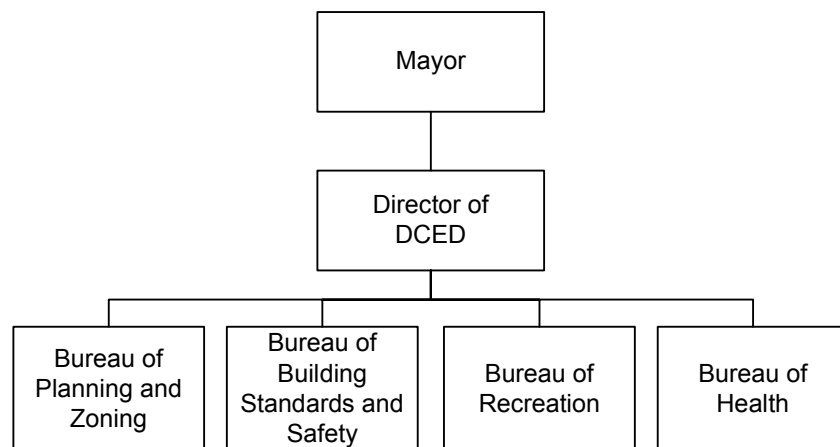
On the whole, staffing levels department-wide have remained relatively stable over the past four years, and have recently seen slight declines after reaching a peak of 110 employees in 2003.

DCED Historic Staffing Levels

	2001	2002	2003	2004	2005
Total	93	106	110	105.7	103

Trends in staffing levels are evident within each of the Bureaus in the DCED. The Recreation Bureau, which has had eight permanent positions for the last four years, remained the most stable until 2005 when the total number of positions was reduced to three. The Planning and Zoning and Health Bureaus have seen slight declines in staffing levels in the past two years, while the Building Standards and Safety Bureau has seen a significant increase over the same period. Reductions in staffing levels are the result of the City's constrained financial position.

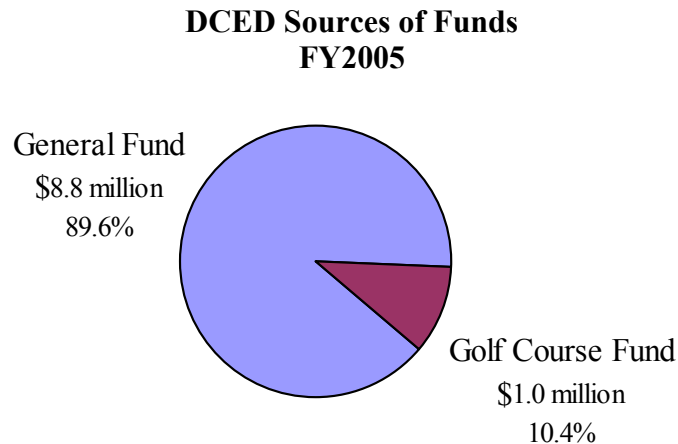
ORGANIZATION CHART



The funding for the five Bureaus of the department comes entirely from the General Fund. For FY2005, General Fund expenditures for the DCED are projected to total



approximately \$8.8 million. However, funds from the Municipal Golf Course Fund also flow into the DCED, and are estimated to be \$1.0 million in FY2005. This money is not allocated to any of the five Bureaus, but is solely used for the Municipal Golf Course programs which also fall under the DCED. The following chart shows the breakdown of funds in the DCED:



The General Fund monies are allocated to each of the five Bureaus making up the department. The historical breakdown of department wide expenditures is shown in the table below:

DCED Historical Expenditures¹

	2001 Actual	2002 Actual	2003 Actual	2004 Actual & Estimated	2005 Budget
General Fund	5,711,125	6,094,141	8,088,800	8,904,968	8,754,439
Office of Director	798,596	663,658	1,221,999	1,125,850	1,175,766
Planning and Zoning	553,318	552,744	621,422	730,037	657,218
Building Standards & Safety	1,031,011	956,252	1,375,258	2,332,988	2,399,900
Recreation	944,361	1,058,236	1,100,652	1,030,764	1,043,415
Health	2,383,839	2,863,251	3,769,468	3,685,329	3,478,140
Golf Course Fund	667,196	841,977	781,621	843,145	1,014,988
Total All Funds	6,378,321	6,936,118	8,870,420	9,748,113	9,769,427

The remainder of this chapter focuses on each of the Bureaus in the DCED, and does not include specific discussions regarding the Municipal Golf Course. As the Bureaus are fully funded by money from the General Fund, all expenditures discussed throughout this chapter are General Fund expenditures.

¹ Expenditures for the Parks Bureau have been excluded from historic actual numbers as this Bureau is no longer included in the DCED. Similarly, expenditures from the Trexler Fund and Water fund are also not included as they are part of the Parks Bureau.



Office of the Director

MISSION

To ensure efficient and effective implementation of community and economic development programming.

OBJECTIVES

- To continue the administration of federal funds for housing and economic development activity as a high performing HUD entitlement jurisdiction.
- To improve communications with federal, state, county and other local government agencies; to expand revenue through private and government grants and prudently manage these funds; and to provide technical research assistance to City administrators and policymakers.
- To promote the City by showcasing its park system and generating revenue.
- To provide for the development of cultural awareness, education, and entertainment; to support private, non-profit organizations that provide programs and facilities; and to continue to use special events to promote the central business district and the City's neighborhoods.
- To attract, recruit and facilitate the creation of new retail, commercial and industrial development within the city limits.
- To begin implementation of the City's Weed and Seed strategy in the designated target community.
- Work with developers to acquire and remediate the numerous Brownfield sites and others throughout the City in an effort to move these properties back onto the tax rolls.
- Provide administration of program, oversight of loan pool and technical assistance to companies looking to relocate or make application to the state for credits.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The Office of the Director provides for the planning, directing, supervising, and monitoring of programs and activities within the Department of Community and Economic Development including the Bureaus of Planning and Zoning, Health, Recreation, and Building Standards and Safety. In addition to the Administration program, there are eight programs within the Office of the Director:

CDBG and HOME Programs Administration

The program provides for the planning and administration of activities associated with the Community Development Block Grant Program as well as other federal and state grant programs. This program includes the development of viable neighborhoods through the provision of decent housing and a suitable living environment, and the expansion of economic opportunities, principally for low and moderate income persons.



Office of Grants Management

This program serves as a central point for communications with other units of government and municipal associations. In addition, staff monitors federal and state legislation which might impact Allentown. They also monitor grant opportunities (government and private) to determine if any are applicable to the City or non-profit organizations. Finally, this program provides assistance in grants application preparation and/or grants management.

Lights in the Parkway

This program provides for the operation, management and marketing of *Lights in the Parkway*. Expenditures include the cost of operating materials and supplies as well as promotional items and marketing.

Office of Promotions, Special Events, and Cultural Affairs

This program is responsible for the promotion of cultural, economic, and social attributes of the City. Other program activities include organization and development of cultural and educational programs, identification of funding sources for promotional uses, provision of technical assistance to individuals and organizations.

Office of Economic Development

This program provides for the development and expansion of economic opportunities that will encourage adaptive reuse strategies within the City's boundaries. Work with developers and brokers to relocate potential business and industry into the City limits.

Office of Neighborhoods

This program facilitates the coordination of resources that are focused on community safety and revitalization. Resources are coordinated within the areas of housing, human services, employment and economic development. Youth development strategies are also addressed. Additionally this program supports the growth and leadership development of residents within the Weed and Seed designated target area so that residents are engaged and equipped to sustain their community's revitalization.

Brownfields

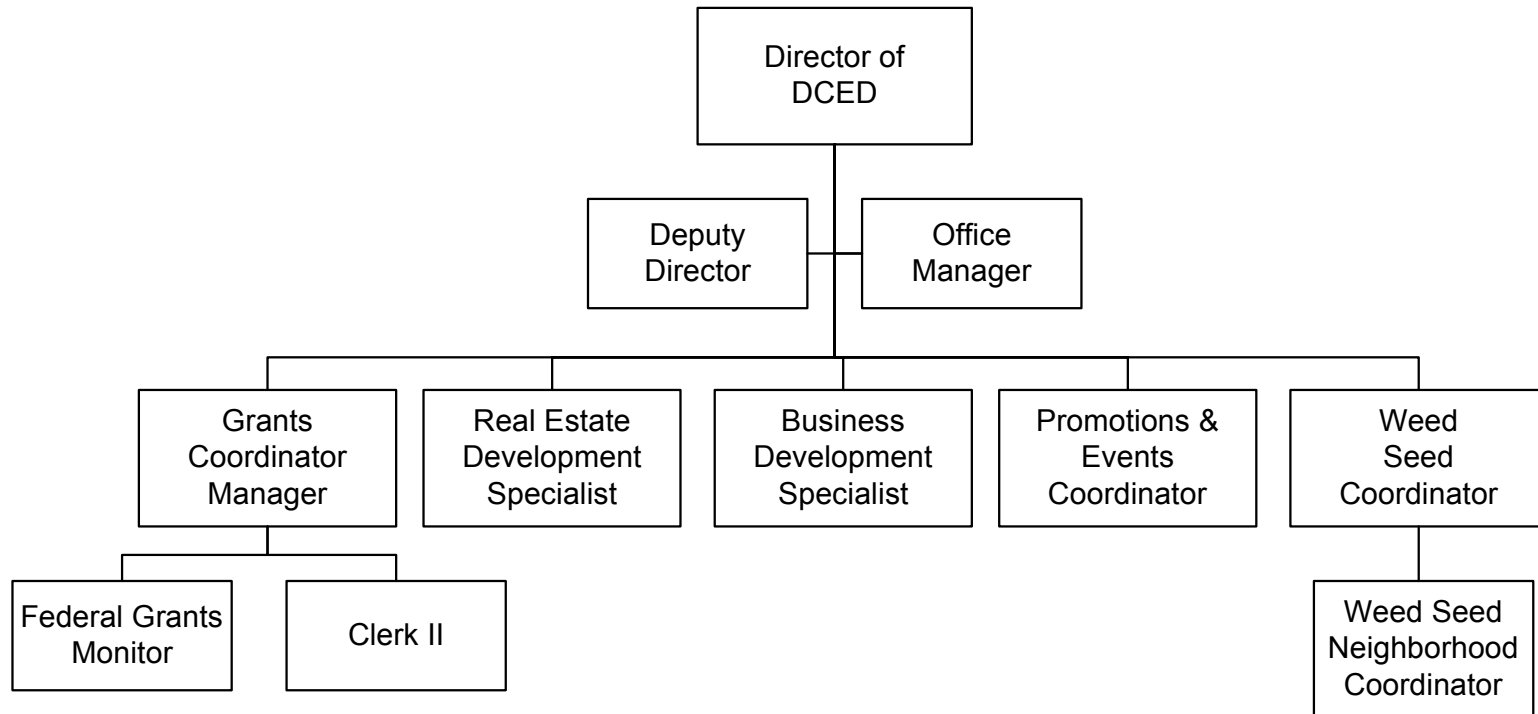
This program provides for the development and expansion of economic opportunities that will encourage adaptive reuse strategies within the City's boundaries.

Enterprise Zone

Local administration of the state Enterprise Zone Tax Credit program which provides tax credits to private companies for the rehabilitation, expansion or improvement of buildings or land in the Enterprise Zone.



ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Community Development Director	1.0	1.0	1.0	0.9	0.9
Deputy Director	-	-	1.0	1.0	1.0
Grants Coordination Manager	1.0	1.0	1.0	1.0	1.0
Real Estate Development Specialist	-	-	-	-	1.0
Intergovernmental Relations Officer	1.0	1.0	-	-	-
Promotions & Events Coordinator	1.0	1.0	1.0	1.0	1.0
Office Manager	1.0	1.0	1.0	1.0	1.0
Weed Seed Coordinator	0.0	-	1.0	1.0	1.0
Federal Grants Monitor	-	-	1.0	1.0	0.9
Business Development Coordinator	-	-	1.0	1.0	1.0
Clerk 2	1.0	1.0	1.0	1.0	1.0
Weed Seed Neighborhood Coordinator	-	-	1.0	1.0	1.0
Total	6.0	6.0	10.0	9.9	10.8

As shown in the above chart, staffing levels in the Office of the Director have increased by 80.0 percent since 2001. This significant increase, however, represents just 4.8 total positions. Many of the positions added since 2001 are funded completely or in large part through grants. For example, the two Weed Seed positions are funded through State Weed and Seed funds; the Real Estate Specialist position is funded through the Brownfield Grant and Enterprise Zone funds; and the Deputy Director position is partially funded by CDBG, Lead Grant, and Enterprise Zone Grants, and partially by the General Fund.

EXPENDITURES

Parallel to the increase in personnel from FY2001 to FY2005, personnel expenditures in the Office of the Director have increased by 98.6 percent over the same time period. As described above, however, at least four positions in this office are fully funded by a variety of grants.

HISTORICAL

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Personnel	\$353,929	\$331,604	\$634,542	\$724,153	\$703,011
Services & Charges	\$424,524	\$320,785	\$492,164	\$429,410	\$442,749
Materials & Supplies	\$20,143	\$5,451	\$10,789	\$8,276	\$26,680
Capital Outlays	\$0	\$5,818	\$3,146	\$1,398	\$3,326
Refunds	\$0	\$0	\$0	\$0	\$0
Reserve for Contingencies	\$0	\$0	\$81,358	\$867,441	\$0
Total	\$798,596	\$663,658	\$1,221,999	\$2,030,679	\$1,175,766



PROJECTED

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$796,512	\$827,677	\$858,200	\$890,571	\$924,946
Services & Charges	\$451,987	\$463,287	\$474,869	\$486,741	\$498,910
Materials & Supplies	\$8,703	\$8,921	\$9,144	\$9,372	\$9,607
Capital Outlays	\$1,470	\$1,507	\$1,544	\$1,583	\$1,622
Refunds	\$0	\$0	\$0	\$0	\$0
Reserve for Contingencies	\$867,441	\$867,441	\$867,441	\$867,441	\$867,441
Total	\$2,126,114	\$2,168,833	\$2,211,198	\$2,255,709	\$2,302,526

REVENUES

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Lights in the Parkway	\$191,598	\$205,522	\$152,081	\$158,733	\$165,000
CDBG Reimbursements	\$436,047	\$239,230	\$390,423	\$571,122	\$926,652
Recreation/Special Events	\$85,818	\$86,135	\$76,623	\$76,460	\$168,622
State Grants – Other	\$220,783	\$83,388	\$59,662	\$1,186,435	\$164,725
Total	\$934,246	\$614,276	\$678,788	\$1,991,751	\$1,424,999

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Citywide CDBG Funds Awarded	\$3,381,000	\$3,263,000	\$3,361,000	\$3,331,000	\$3,400,000
HOME Investment Partnership Funds Awarded	\$879,000	\$878,000	\$1,100,834	\$1,099,049	\$1,000,000
Emergency Shelter Grants Program Funds Awarded	\$115,000	\$115,000	\$112,000	\$122,944	\$120,000
Number of Grant Applications Assisted	20	20	20	20	24
Vehicles Traveling Through Lights in the Parkway Display	28,379	28,500	28,750	30,000	30,000
Number of Special Events Coordinated	5	8	11	13	13
Assist in Attracting and Enabling New Development Projects in the City and Increase City Tax Base	-	-	3	7	12



Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Assist Small Business in Relocating into the City of Allentown	-	-	10	18	25
Process Façade and Small Business Loans	-	-	20	20	25
Meet with Neighborhoods Regarding Weed & Seed Implementation	-	-	10	24	24

RECENT ACCOMPLISHMENTS

Administration

- Developed various loft apartment and townhouse projects.
- Developed major project for office center at Ninth and Hamilton Streets.
- Coordinated and disbursed loans and grants for central business district initiatives.
- Developed “Building a Stronger City” publications.
- Developed “Welcome to Allentown” signage and directional signage.

CDBG

- Submitted 2005-2010 Consolidated Plan.

Office of Grants Management

- Submitted successful HUD 108 loan for the development of Brew Works.

Lights in the Parkway

- 20,116 vehicles drove through the Lights In The Parkway display.
- \$106,832 in revenue was generated for the City; \$15,748 for community groups.

Office of Promotions, Special Events, and Cultural Affairs

- Assisted multiple entities with large events including the Puerto Rican Day. Parade/Festival, Da Vinci Discovery Center Grand Opening, Harry Trexler Day in the Park, Mayfair and Tastes of the Valley (formerly Great Tastes).

Office of Economic Development

- Continued development and support of a downtown business association.
- Start-up of Hamilton Street maintenance and clean-up program.
- Coordinated and supported small businesses in the central business district.

Office of Neighborhoods

- *Employment & Economic Development Committee:*
 - Micro Enterprise provided support to eight new businesses and five existing businesses, including support with business plans, equipment, façade, renovations, signage and marketing.



- Employment Counselor contacted 71 employers to gain their support in hiring residents. 52 residents visited the office, 14 of whom were hired.
- *Housing & Physical Environment Committee:*
 - As of September 2005 SWEEP had made 1124 educational contacts, gave 1369 warnings, abated 543 problems, and gave out 326 tickets.
 - The Community Garden project at 137-139 Chestnut Street recruited 13 families who are interested in establishing and maintaining a garden. This is a partnership with Penn State Extension.
 - The Bureau of Standards and Safety has made systematic inspections of all owner-occupied homes within target area, identifying and inspecting 324 owner occupied properties in the First Ward, 122 of which have complied with standards. 71 were placed on the re-inspection list, and 54 properties were found to be rentals. 356 properties in the Ninth Ward were identified as owner occupied, 18 were inspected and three have complied to date.
- *Human Services Committee:*
 - The Outreach Specialist, working collaboratively with nine agencies, has seen 37 residents and made 37 referrals, 22 of whom are employed and 10-12 of whom attend a Spanish speaking recovery group.
 - Phase I of the DEFY had 25 youth participate in a five day residential summer camp, followed by an after school program to reinforce information learned during the summer.
 - The Human Services Committee hosted two Prevention Forums, facilitated by one of the Weed and Seed partners, ALERT Partnership. Up to 15 drug and alcohol prevention providers have attended both forums.
- *Youth Development Committee:*
 - Weed and Seed partner The Salvation Army, has received \$150,000 from the State for two consecutive years. The funding is used to pay the salary of the Youth Coordinator and to provide grants to agencies involved in the Weed and Seed youth coalition.
- *Community Policing & Law Enforcement:*
 - Organized a First Ward neighborhood group and will co-organize the police/community relationship building conference.
- *Tall Team*
 - The ALERT Partnership grant distributed nine TALL Team grants totaling \$3,441.70 to TALL team members to support their community projects.
 - Tall Team members organized two clean-ups, one in 2004, and another in 2005.
 - Planned and organized three block parties, a neighborhood pool party at Jordan Park, a block party on Second Street, and a Buck Boyle dedication neighborhood jam.



Brownfields

- Completed phase one and two of the incinerator site project and are conducting a feasibility study.
- Completed phase one of the Lebanon Chemical site project, as well as completed purchase agreement and EPA funding request.
- Completed settlement agreement and a letter of support for the Queen City relocation project.
- Completed phase one and two of the Excide Battery site project, as well as completed the remediation work plan for the site and gained BEDI funding approval.
- Completed the appraisal for the State Hospital site.
- Completed phase one of Nuewieler Brewery project and documented its codes violations.

Enterprise Zone Administration

- Continued work with firms located in the Enterprise Zone.
- Work with firms outside the Enterprise Zone about possible relocation into the Enterprise Zone.

CHALLENGES AND GOALS

Administration

- To assure efficient and effective implementation of community and economic development programming.
- Continue to attract retail to downtown.
- Continue to attract funding for grant and loan programs.
- Work toward development and support of Allentown Arts District Collaborative.

CDBG and HOME Programs Administration

- To continue the administration of federal funds for community and economic development initiatives as a high performing HUD entitlement jurisdiction.
- Increased demands and cumbersome reporting requirements from HUD due to national security of HUD funding.
- Recent staff changes at HUD have required the City to adapt/change much of its previously submitted documents.

Office of Grants Management

- To improve communications with federal, state, county and other local government agencies; to expand revenue through private and government grants and prudently manage these funds; and to provide technical research assistance to City administrators and policymakers.
- To continue to meet deadlines and reporting requirements of a variety of grant programs despite the increased demands with a lack of staff.



Lights in the Parkway

- To promote the City by showcasing its park system and generating revenue.
- Maintain future Lights In The Parkway seasons as a premier Lehigh Valley event despite City budgetary constraints.

Office of Promotions Special Events & Cultural Affairs

- To provide for the development of cultural awareness, education and entertainment; to support private, non-profit organizations that provide programs and facilities.
- Maintain/increase funding level for special events/promotions despite the City's budgetary issues.

Office of Economic Development

- To attract, recruit, and facilitate the creation of new retail, commercial and industrial development within the City limits.
- Lost staff member in January, 2005 and froze position due to city-wide budgetary issues.
- Reorganize program along with Codes Coordination Specialist

Office of Neighborhoods

- To continue implementation of the City's Weed and Seed strategy in the designated target community.
- Continue to support the SWEEP initiative.
- Support the development of a resident garden.
- Contract to work with 100 residents in employment development.
- Continue the "Healthy Connection" program to assist individuals in preventing drug relapse.
- Work to develop and increase local match in state/federal grants.
- Continue supporting the Youth Coalition – which is focused on reducing teenage pregnancy and the encouragement of two parent families.
- Continue the facilitation of the Prevention Provider forums.

Brownfields

- Work with developers to acquire and remediate the numerous Brownfield sites throughout the City in an effort to move these properties back onto the tax rolls.

Enterprise Zone

- Provide administration of program, oversight of loan pool and technical assistance to companies looking to relocate or make application to the state for credits.
- Continue to visit businesses located in the Enterprise Zone.



INITIATIVES

CD01: Continue to Improve “One-Stop” Permitting System

The City of Allentown recently made a move to centralize all permit applications and fees across the different city departments. The move involved a physical reorganization of the departments resulting in one central location where citizens can visit to take care of all permitting needs. Feedback from both citizens and employees has been positive, as the centralized permitting system allows for more efficient operations and improved service to the public. The City should continue to improve and refine efforts to operate the One Stop Permitting Shop.

Computer System

PFM recommends exploring the use of a computer system for the central permitting system. The benefits of a software package are numerous and could potentially result in increased operational efficiencies. For example, a central computer system would allow for automatic mailings of applications, renewals, permits, etc. While there would be initial set up costs to consider, the improved efficiencies and service levels over time would result in long-term cost savings for the City.

Online Resources

To provide more efficient service to customers and to expedite the permitting process, the City should, at a minimum, have permits applications and information on a city website. Citizens could then have all necessary paperwork filled out upon arrival to the Allentown Permits counter. This would be efficient for customers and would decrease the amount of time spent at the city facility. While a permits software system may be costly to implement and thus not viable for the immediate future, there would be minimal cost associated with including information online.

Managing the Alarm Registration Program

It is recommended that the City consolidate all permit programs within the one-stop shop system for Permits & Licensing established on the Fourth Floor of Allentown City Hall. The current management of the registration program within the Police and Fire Departments unnecessarily bifurcates the number of procedures that residents and businesses must undertake in order to meet their obligations with respect of the City Ordinances. In addition, such that billing for “Miscellaneous” items such as burglar alarm fines can be undertaken by specialized billing clerks; it is recommended that the City consider transferring all responsibility for billing false alarms to the Department of Finance.

Types of Permits

Another potential improvement involves the engineering permits and fees. Currently, engineering permits are outside the scope of the one stop shopping permitting system. Citizens must go to a separate location to apply for these permits. The City should move to include the engineering permits into the centralized system, which would further improve the service to the general public. Additionally, having all permits in one central



location would be essential if the City were to implement a centralized computer system for permitting.

The City has already made significant process in implementing the one stop permitting shop. To further improve the system, a central computer system should be investigated, resources should be posted online, and alarm registration permits and engineering permits should be included in the central system. Additionally, a Permits Technician position should be created, as described in the following initiative. Cost savings of these structural improvements are listed as TBD, as the savings from increased operational efficiency and improved customer service cannot be measured quantitatively.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

CD02: Create Permits Technician Position

As part of ongoing efforts to improve the one-stop permitting system, the City should create a Permits Technician, Clerk III position to coordinate the system. This would be a full time position in the Bureau of Building Standards and Safety, Construction Codes Division (Building, Plumbing and Electrical Enforcement Program). The employee in this position would serve as the receptionist and facilitator for all the services available at the City's One Shop Permitting Shop.

The creation of a position equivalent to a Clerk III position at \$25,568 per year in 2005 would create an additional expense for the City; however, the efficiencies in operations achieved would outweigh the cost of the new position. There are currently several employees collectively working as the Permits Technician. A temporary Building Standards and Safety clerk works 25 hours per week at a cost of approximately \$12,000 per year, and a Planning Clerk serves as the receptionist at the one stop desk in lieu of performing specified duties in the Planning Bureau. By employing a full time Permits Technician, the temporary clerk position could be eliminated, which would remove \$12,000 from the Building Standards and Safety budget. The Planning Bureau would also regain the services of the Planning Clerk, providing additional resources to the Planning Bureau. Furthermore, the creation of the position would result in increased service levels, improved permits fees calculations, improvements in administrative procedures, and improved coordination of plans routing.



Projected Cost of Creating Permits Technician Position

	2006	2007	2008	2009	2010
Salary	\$26,207	\$26,862	\$27,534	\$28,222	\$28,928
Benefits	\$16,644	\$18,091	19446.3	20933.1	22564.5
Total	\$42,852	\$44,954	\$46,980	\$49,155	\$51,492
Offset	\$12,000	\$12,000	\$12,000	\$12,000	\$12,000
Total Net Cost	\$30,852	\$32,954	\$34,980	\$37,155	\$39,492

An immediate cost offset of \$12,000 could be realized with the creation of the new position, as the temporary Building Standards and Safety Clerk position could be eliminated. Fiscal impact for the first year has been discounted 50.0 percent to allow adequate time for the City to fill the position.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	50.0%	0.0%	0.0%	0.0%	0.0%
Fiscal Impact	(\$15,426)	(\$32,954)	(\$34,980)	(\$37,155)	(\$39,492)

CD03: Reorganization of Office of the Director

In the current organization of this office, the Director and the Deputy Director oversee eight direct reports. The City should closely evaluate this organization structure to ensure that operations are being run efficiently. It would also be useful to discuss each of the programs in this office and determine if they would be better placed in other offices or departments. For example, the Weed and Seed program in the Office of the Neighborhoods could potentially fit better with the mission and objectives of the Police Department. Likewise, the Office of Grants management would perhaps more logically belong in the Finance Department. PFM is not recommending a specific structure for the Office of the Director, but simply to have further discussions regarding the current structure to determine whether or not efficiencies could be achieved through certain reorganizations.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



CD04: Consider Costs and Benefits of Outsourcing Annual Lights in the Parkway Display

Each year, the Lights in the Parkway program generates significant revenue for the City of Allentown while showcasing the City's park system. Though the program is sufficiently self-funded, the city may want to investigate the potential costs and benefits of outsourcing the setup and maintenance functions required for this annual event. The display occurs once per year, therefore, it may be inefficient to have city staff responsible for the setup and maintenance of the display. Costs and benefits of outsourcing should be carefully analyzed to determine whether cost savings could be achieved.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

RV03: Explore Market-Based Revenue Opportunities

The Department of Community and Economic Development is well-suited to potentially benefit from market-based revenue opportunities, which can include advertising, rental agreements, and corporate sponsorships. The department oversees recreation facilities, which are ideal sites for these types of outdoor advertising programs. For more information, refer to the Revenue chapter, where this initiative has been discussed in more detail.



Planning and Zoning Bureau

MISSION

To manage a community planning program that provides direction for: the long term development and redevelopment of the City, provides input into the need for and type of community facilities and services, implements that program through the development and enforcement of land use ordinances, the preparation of the Five Year Capital Improvements Program, providing assistance in the pursuit of economic development opportunities and representing the City's interests in regional planning issues.

OBJECTIVES

- To ensure that the City's comprehensive plan remains current and relevant.
- To annually prepare the Five Year Capital Improvement Program consistent with the financial and developmental objectives of the City.
- To participate in regional planning activities.
- To provide and analyze data as needed in support of specific planning activities and to assist decision makers.
- To oversee the preparation of plans and strategies targeted toward specific geographic or topical areas.
- To administer, enforce and make revisions as necessary to land use ordinances consistent with the goals and objectives of the Comprehensive Plan and applicable city and state laws.
- To facilitate the development process through the implementation of the "one stop" permitting system.
- To encourage the protection and enhancement of the City's historic resources.
- To assist in the planning and administration of the Community Development Block Grant Program.
- To facilitate communication among neighborhood groups and assist in the preparation of neighborhood improvement plans.

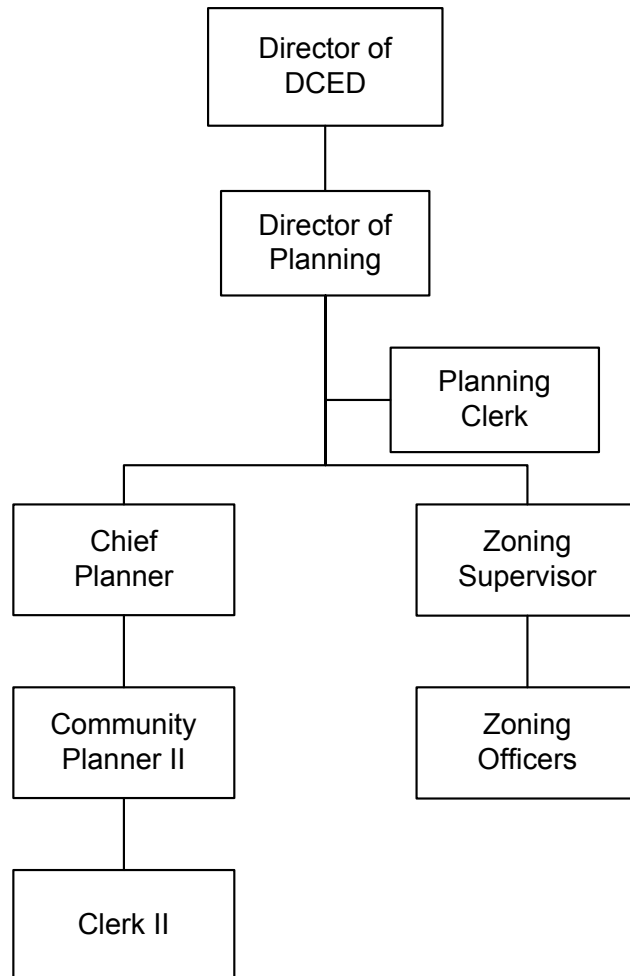
SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

In carrying out the stated mission and objectives, the staff of the Bureau of Planning and Zoning collects and analyses land use and socio-economic data; provides staff assistance to the Allentown City Planning Commission, Zoning Hearing Board, Historic Architectural Review Board and Hamilton Mall Review Board; reviews and provides comment on development proposals and requested zoning amendments and appeals; reviews and issues permits; works with the Finance Director and others in the annual update of the Five Year Capital Improvements Program; reviews and updates the City's Comprehensive Plan; prepares area and neighborhood plans and strategies; and works with existing and prospective neighborhood groups.



There are 9.0 filled positions budgeted for FY2005 for the Planning and Zoning Bureau. This is a slight decrease from FY2004, as a Community Planner I position has been eliminated.

ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Planning Director	1.0	1.0	1.0	1.0	1.0
Chief Planner	1.0	1.0	1.0	1.0	1.0
Zoning Supervisor	1.0	1.0	1.0	1.0	1.0
Community Planner 2	1.0	1.0	1.0	1.0	1.0
Community Planner 1	1.0	1.0	1.0	1.0	-
Zoning Officer	3.0	3.0	3.0	3.0	3.0
Planning Clerk	1.0	1.0	1.0	1.0	1.0
Clerk 2	1.0	1.0	1.0	1.0	1.0
Total	10.0	10.0	10.0	10.0	9.0

EXPENDITURES

Expenditures in the Planning and Zoning Bureau are funded entirely by the General Fund. The Bureau often acts as a pass through for various state grants to the City, such as the Enterprise Zone and Elm Street grants, but these grants are passed directly through to the implementing agency. For this reason, expenditure numbers can appear to fluctuate dramatically, as seen here in the Services and Charges line item.

HISTORICAL

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Personnel	\$499,963	\$483,737	\$506,339	\$525,221	\$546,122
Services & Charges	\$50,816	\$66,710	\$99,217	\$123,704	\$107,114
Materials & Supplies	\$1,718	\$1,178	\$1,825	\$1,587	\$2,764
Capital Outlays	\$405	\$0	\$3,790	\$0	\$0
Refunds	\$416	\$1,120	\$1,990	\$2,640	\$1,218
Reserve for Contingencies	\$0	\$0	\$8,260	\$13,114	\$0
Total	\$553,318	\$552,744	\$621,422	\$666,265	\$657,218

PROJECTED

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$598,873	\$623,835	\$648,173	\$674,073	\$701,668
Services & Charges	\$130,093	\$133,345	\$136,679	\$140,096	\$143,598
Materials & Supplies	\$1,669	\$1,710	\$1,753	\$1,797	\$1,842
Capital Outlays	-	-	-	-	-
Sundry	\$15,890	\$15,959	\$16,031	\$16,103	\$16,178
Total	\$746,525	\$774,850	\$802,636	\$832,069	\$863,286



REVENUES

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Zoning Permits & Fees	\$47,534	\$61,584	\$76,590	\$82,545	\$85,000
Total	\$47,534	\$61,584	\$76,590	\$82,545	\$85,000

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Estimated
Comprehensive Plan Update	-	-	-	20%	70%
Incinerator Site Development Study and Environmental Analysis	-	-	-	20%	80%
Number of Zoning Hearing Board Meetings	31	40	34	32	39
Number of Zoning Hearing Board cases	156	197	145	138	152
Number of Zoning Permits issued	653	705	818	923	761
Number of subdivisions and land developments reviewed	44	45	58	49	48
Number of zoning amendments reviewed	6	7	4	12	16
Number of Planning Commission meetings	12	12	12	12	12
Number of HARB applications	49	53	77	72	64
Estimate value of improvements in Historic Districts	291,282	287,000	398,000	479,000	428,000
Number of individual property assessments	92	98	110	89	88
Issue environmental clearances for CDBG Program	100%	100%	100%	100%	100%
Environmental Clearance for HOPE VI Project	-	-	-	-	50%
Number of neighborhood meetings and meetings with neighborhood representatives	30	22	20	22	20



RECENT ACCOMPLISHMENTS

- Completion of the Arts and Entertainment District Master Plan.
- Completion of the Parks and Recreation Master Plan.
- Development of the Old Allentown Neighborhood Improvement Plan and subsequent designation of the neighborhood as an Elm Street Community by the Commonwealth of Pennsylvania.
- Development of a strategy and grant application to designate the North Seventh Street corridor under the Commonwealth's Main Street Program.
- Design coordination for total renovation of Buck Boyle Park.
- In cooperation with several bureaus, implemented "one stop" permitting system.

CHALLENGES AND GOALS

- Preparation of an update of the Comprehensive Plan will be central focus in the next year.
- Carrying out the City's mission with limited resources and a decrease in staff.
- Reacting to changes and trends that affect land use and the quality of life in the City.
- Developing strategies to increase Allentown's competitiveness and success in a growing regional market.

INITIATIVES

PZ01: Review of All Planning and Zoning Fees

The Zoning and Subdivision fees currently charged by the Planning and Zoning Bureau were set in April 2003. In general, where fees are charged to recover costs for services, it is common to periodically review and update the fees assessed. Furthermore, the fee should cover the cost of performing the service, as well as the direct and indirect personnel costs associated with performing and administering the service. In the past, the fees assessed by the Planning and Zoning Bureau have not always taken personnel costs into account. In one example, the full cost of service has never been charged for zoning hearing board appeals.

The following table lists the fees associated with the Planning and Zoning Bureau as well as comparable fees assessed at other Third Class Pennsylvania Cities.



Planning and Zoning Fees in Comparable Pennsylvania Cities

Zoning Hearing Board Appeals	Subdivision Fees	Land Development Fees
Allentown		
Single Family Owner Occupied Dwellings- \$110	Major Subdivision Sketch Plan- \$55	Major Land Development Sketch Plan- \$55
Continuance for SFD (Owner Occupied)- \$110	Major Subdivision Preliminary Plan- \$220 + \$30/lot	Major Land Development Preliminary Plan- \$275 + \$90/acre or partial acre
Zoning Hearing Board- All Others- \$330	Major Subdivision Final Plan- \$220	Major Land Development Final Plan- \$220
Continuance for All Others- \$140	Minor Subdivision- \$110 + \$30/lot	Minor Land Development- \$250
Bethlehem		
Appeals for Dimensional Variances for Single Family Residences Occupied by the Owner--\$75	Major Subdivisions- \$200 + \$25/ dwelling unit	Residential Land Development Site Plans: 1-8 units- \$50 + \$10/unit; 9-25 units- \$75 + 8/unit; 26-50 units- \$100 +7/unit; 51-100 units- \$200 +\$6/unit; Over \$100 units- \$400 + 5/unit
Appeals for Portable Sidewalk Signs- \$50	Planned Unit Development- \$400 + \$20/dwelling unit	Non-Residential Land Development Sites- \$200 + \$15/acre
Appeals for All Other Signs- \$150	Minor Subdivisions- \$50 +\$50/lot	-
Zoning Hearing Board All Others-\$300	-	-
Pittsburgh		
Residential Variance- \$150	Subdivision of Property- \$200 +\$25 per lot	Development Review- \$400
Residential Special Exception- \$200	Conditional Use Application- \$750 + \$25/residential unit, \$40/100 sq ft of new construction, \$20/1000 sq ft of renovated space	-
Commercial Variance- \$300	-	-
Non-Residential Special Exception- \$400	-	-
Use Variance- \$750	-	-
Review- \$300	-	-



York		
Variance- \$350	Combined Preliminary & Final Subdivision- \$100 base fee plus \$25/lot	Land Development Plan-- \$100 base fee plus \$25/lot
Special Exception- \$350	Preliminary Subdivision- \$100 base fee plus \$25/lot	Land Development Plan-\$100 base fee plus \$25/lot
Determination- \$350	Final Subdivision- \$50 base fee plus \$10/lot	Land Development Plan- \$50 base fee plus \$10/lot
Combined Appeals- \$35	-	-
Each Additional Appeal	-	-
Ordinance Amendment or	-	-
Re-zoning request- \$500	-	-
Alley/public Right of Way	-	-
Vacation- \$500	-	-
Wilkes-Barre		
Residential- \$100	Major Subdivision- \$300 + \$25/unit	Major Land Development- \$300 + \$25/ principal structure
Non-residential- \$225	Minor Subdivision- \$150 + \$25/unit	-
Harrisburg		
Appeal of a Zoning Decision Made by the Zoning Administrator \$200	Combined Preliminary/ Final Plan-- \$175 + 25/lot	Combined Preliminary/Final Plan- \$175 + \$25/lot or 5000 sq ft area
Special Exception- \$200	Preliminary Plan- \$175 + \$25/lot	Preliminary Plan- \$175 + \$25/lot or 5000 sq ft area
Variance- \$250	Final Plan- \$150 + \$25/lot	Final Plan- \$150 + \$25 per lot or 5000 sq ft area
Combined Variance & Special Exception- \$275	Revised Final Plan- \$100	Revised Final Plan- \$100
-	Lot Add-on \$125	Lot Add-on \$125
-	Waiver- \$25/waiver	Waiver- \$25/waiver
Lancaster		
Special exception- \$100	-	\$250
Variance- \$200	-	-

The Bureau has recognized that certain fees need to be reviewed and updated and is currently in the process of drafting new fees which would be effective in FY2006. It is important that fees be reviewed every year so as to account for the gradual increases in



costs of service and to remain in line with comparable municipalities. At a minimum, fees should be increased by the level of inflation each year, and cost of service estimates should be developed to ensure that the City is recovering as much of the cost of the service as possible.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



Building Standards and Safety

MISSION

To provide a planned system that maximizes the development of suitable buildings within all neighborhoods, to ensure an acceptable quality of life for all citizens.

OBJECTIVES

- To provide efficient and effective application and enforcement of the State of Pennsylvania Uniform Construction Code adopted by City Council to insure and maintain the public health, safety, and welfare as affected by existing building and property conditions and by building design, construction, and renovations.
- To cause abatement of housing code violations through efficient and effective code enforcement services.
- To assure the efficient and effective implementation of the programs administered by the Bureau of Code Enforcement and Rehabilitation.
- To improve the safety and maintenance conditions of residential rental units and to improve the quality of life in neighborhoods and surrounding rental units.
- To eliminate lead-based paint hazards in residential units occupied by lead-poisoned children.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The Building Standards and Safety Bureau is comprised of four main programs and one temporary program. Summaries of each program are as follows:

Building, Plumbing, and Electrical Enforcement

This program provides for the administration and enforcement of the City's building, plumbing, and electrical codes which apply to construction, alterations, additions, repair, removal demolition, use, location, occupancy or maintenance of all buildings, structures, and service equipment. The program also includes administration of the various licensing and testing provisions of the aforementioned codes.

Housing Building Standards

This program is responsible for the safety and maintenance of existing structures through enforcement of the Allentown Property Rehabilitation and Maintenance Code, as it applies to residential properties (occupied and vacant) and the residential portion of mixed-use properties. Program activities include systematic code enforcement in conjunction with housing rehabilitation efforts in targeted areas, provision of city-wide inspection services by request, and response to city-wide complaints regarding housing and sanitation related issues. The primary purposes of these activities are to stimulate



abatement of violations and to provide support for City loan programs that allow owners to meet and exceed minimum Housing Code Standards.

CDBG Program

This program facilitates the development and maintenance of viable neighborhoods by improving the safety and quality of the housing stock, restoring public infrastructure and eliminating blighting influences. Program activities include housing rehabilitation, acquisition of deteriorated properties, code enforcement and target area public improvements.

Rental Unit Inspections

This program provides for the registration of all residential rental units in the City and the inspection and enforcement of the Property Rehabilitation and Maintenance Code. There is also a Disruptive Conduct provision designed to penalize repeated disruptive conduct by tenants.

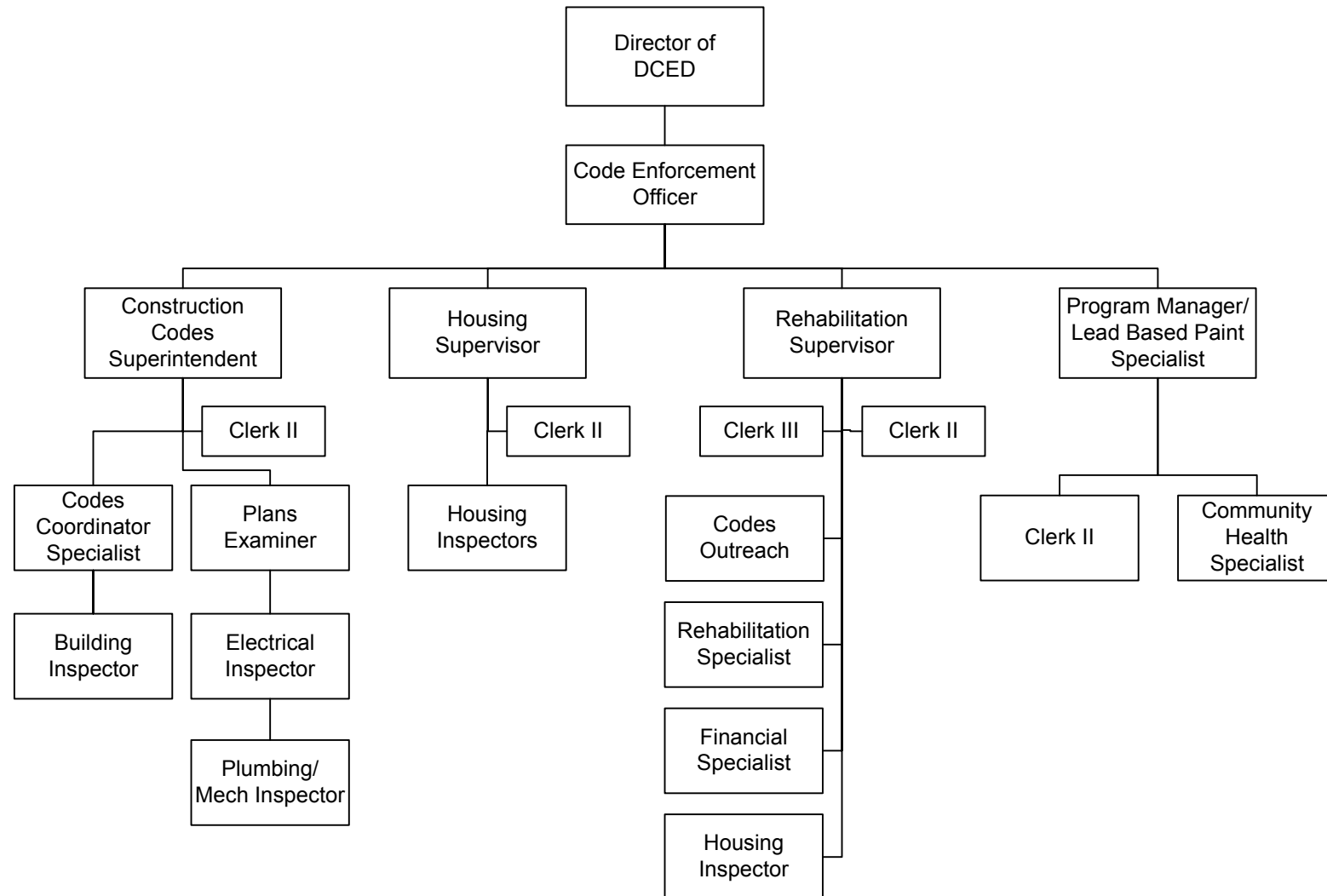
Lead-Based Paint

This program uses a Federal grant to abate lead-based paint hazards in both owner-occupied and tenant-occupied residential units. It also expands awareness among residents of the dangers of lead-based paint and provides training and licensing of contractors for the remediation of lead paint hazards.

The Bureau is budgeted to have 35.4 filled positions in FY2005, a slight increase from the 33.8 in FY2004. Since 2001, the total number of positions has increased over 31 percent, from 27 to 35.4. The FY2005 increase is due to the addition of a Clerk II position. Additionally, a Program Manager/Lead Based Paint Specialist position was added for a new 42 month federally funded program. Positions in the Building Standards and Safety Bureau are all funded through the General Fund.



ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Community Development Director	-	-	-	0.1	0.1
Code Enforcement Director	1.0	1.0	1.0	1.0	1.0
Construction Codes Superintendent	-	-	1.0	0.5	1.0
Housing Supervisor	-	-	1.0	1.0	1.0
Construction Codes Supervisor	1.0	-	-	-	-
Rehabilitation Supervisor	1.0	1.0	-	-	-
Building Superintendent	1.0	1.0	-	-	-
Plans Examiner	-	-	1.0	1.0	1.0
Rehab Supervisor	-	-	1.0	1.0	1.0
Codes Outreach Coordinator	-	-	1.0	1.0	1.0
Codes Coordination Specialist	-	-	1.0	1.0	1.0
Program Manager/Lead Based Paint Specialist	-	-	-	0.5	1.0
Electrical Inspector	2.0	2.0	2.0	2.0	2.0
Plumbing/Mechanical Inspector	-	-	1.0	1.0	1.0
Building Inspector	5.0	5.0	3.0	3.0	3.0
Rehabilitation Spec	3.0	3.0	2.0	2.0	2.0
Project Improvement Coordinator	1.0	1.0	-	-	-
Financial Specialist	3.0	3.0	2.0	2.0	2.0
Code Enforcement Inspector	-	-	1.0	1.0	-
Housing Inspector	2.0	10.0	10.0	9.5	10.0
Human Relations Officer	1.0	-	-	-	-
Clerk 3	1.0	1.0	1.0	1.0	1.0
Clerk 2	4.0	4.0	5.0	5.0	6.0
Total	26.0	32.0	34.0	33.6	35.1

EXPENDITURES

Expenditures in the Bureau have increased significantly, nearly doubling over the past five years. Specifically, two new programs, rental inspections and lead-based paint, are the major cost drivers for the Bureau. The increase in personnel expenditures from 2002 to 2003 as seen in the chart below was due to contracted pay raises for SEIU, benefit cost increases, and upgrades for the construction inspectors incorporated in the reorganization.



HISTORICAL

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Personnel	\$828,731	\$745,139	\$1,153,484	\$1,249,927	\$1,915,141
Services & Charges	\$152,899	\$168,747	\$205,223	\$301,069	\$470,144
Materials & Supplies	\$5,424	\$17,841	\$12,675	\$9,162	\$12,508
Capital Outlays	\$393	\$1,611	\$2,803	\$6,081	\$0
Refunds	\$5,676	\$1,625	\$1,074	\$1,925	\$2,108
Interfund Transfers	\$37,888	\$21,289	\$0	\$0	\$0
Total	\$1,031,011	\$956,252	\$1,375,258	\$1,568,164	\$2,399,900

PROJECTED

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$1,869,432	\$1,951,461	\$2,031,144	\$2,116,176	\$2,207,028
Services & Charges	\$319,989	\$327,989	\$336,189	\$344,593	\$353,208
Materials & Supplies	\$9,635	\$9,876	\$10,123	\$10,376	\$10,635
Capital Outlays	\$6,395	\$6,555	\$6,719	\$6,887	\$7,059
Refunds	\$2,024	\$2,075	\$2,127	\$2,180	\$2,235
Interfund Transfers	\$0	\$0	\$0	\$0	\$0
Total	\$2,207,476	\$2,297,956	\$2,386,301	\$2,480,212	\$2,580,165

REVENUES

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Building Permits & Fees	\$319,246	\$591,574	\$402,608	\$550,246	\$440,000
Plumbing Permits & Fees	\$164,212	\$146,471	\$123,696	\$153,586	\$110,000
Electrical Permits & Fees	\$140,024	\$152,263	\$142,478	\$163,674	\$137,500
Billboard Sign Permits	\$9,992	\$11,315	\$13,840	\$9,925	\$12,100
Other Permits & Licenses	\$117,548	\$80,004	\$86,458	\$134,965	\$142,452
Rental Inspection Program	\$316,360	\$339,230	\$415,561	\$503,103	\$535,000
Total	\$1,067,382	\$1,320,858	\$1,184,641	\$1,515,499	\$1,377,052

NET EXPENDITURES

Four of the programs in the Bureau are either fully funded by grants, or close to sufficiently self-funding. The goal of the Building, Plumbing, and Electrical Enforcement Program is to recover all personnel costs from permits revenue. The remaining costs for the program are paid by the General Fund. The CDBG Program is completely funded by Federal grants, as is the Lead-Based Paint Program. In the Rental Unit Inspections



Program, the goal is to have rental units revenue equal program costs. The majority of net expenditures in the Bureau for the City, therefore, are in the Housing Building Standards Program. Services in this program are provided as efficiently and cost-effectively as possible, as there are no revenues being generated by the program. In order to charge user fees in this program, changes would need to be made in Pennsylvania State law.

In 2001 and 2002, the Bureau was recovering all costs of operation through revenues brought in by permits and licenses. However, in 2005, net expenditures to the City are expected to be over \$1.0 million, as shown below.

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budget
Expenditures	\$1,031,011	\$956,252	\$1,375,258	\$1,568,164	\$2,399,900
Revenues	\$1,067,382	\$1,320,858	\$1,184,641	\$1,515,499	\$1,377,052
Net Expenditures	(\$36,371)	(\$364,606)	\$190,617	\$52,665	\$1,022,848

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
New Construction Permits Issued – Residential	144	144	131	70	65
New Construction Permits Issued – Commercial	113	46	33	26	21
New Construction Permits Issued – Miscellaneous (encroachments, sheds, garages, pools, tanks, sprinklers)	200	76	36	155	150
Alterations – Residential Permits	779	707	837	894	875
Alterations – Commercial Permits	334	296	315	500	475
Electrical Permits	1297	1220	1305	1211	1200
Plumbing & Heating Permits	1448	1355	1351	1211	1200
Complaint Inspections	2000	2000	2000	1500	1500
Re-inspections	2000	3000	3000	2000	2000
Prosecutions	160	100	100	50	50
Abandoned Car Complaints	200	350	200	110	110
Weed Complaints	750	750	700	562	575
Trash & Debris Complaints	350	400	640	418	450



Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Unsecured Building Complaints	107	125	200	98	100
Abandoned Property Cleanouts	50	30	20	20	20
Target Area Deferred Payment Loans	75	67	75	85	75
Inspections/Re-inspections of Properties in Weed & Seed	650	984	1300	1340	1500
Registration of Units	3000	75	100	75	75
Inspection of Units	4200	4400	3400	3000	1000
Re-inspection of Non-Licensed Units	n/a	n/a	n/a	n/a	9000
Inspect and Re-License Transferred Units	n/a	n/a	n/a	n/a	1000
Units Inspected/Abated	n/a	n/a	n/a	10	15
Trained/Licensed Contractors	n/a	n/a	n/a	22	10

RECENT ACCOMPLISHMENTS

CDBG Program

- Completed improvement of data and case tracking system.
- Completed training of Rehabilitation Specialists staff.

Housing Building Standards

- Managed public nuisance abatement account through nine months of this year.

CHALLENGES AND GOALS

CDBG Program

- To move housing rehabilitation program into next Weed and Seed Area.
- To seek out alternative funding sources to compensate for the loss of federal funds.
- To rehabilitate single-family and multi-family structures within target areas and City-wide.
- To refer properties to the blighted property review process.
- To conduct building standards inspections of properties located within the Weed and Seed target areas.
- To complete public improvements within the designated target areas.
- To integrate Federal lead based paint requirements into the Housing Rehabilitation Programs.



Housing Building Standards

- To keep up with the increasing demands to abate public nuisances.
- To seek out and file grants applications to supplement Bureau program activities and compensate for the loss of federal CDBG dollars.
- To complete inspections in the appropriately declared target areas when CDBG funds are utilized.
- To continue re-inspections in previously targeted areas.
- To continue to expedite neighbor complaints relative to housing code violations.
- To assist the City Planning Bureau in efforts to define future target areas; to continue research of innovative and/or alternative ways to implement property rehabilitation; and to advocate and promote the use of federal and state monies for housing rehabilitation.

Building, Plumbing, & Electrical Enforcement

- Complete reorganization of the Bureau.
- To encourage, facilitate and achieve inspector's professional certification and continuing education of inspection staff within the various code disciplines.
- Upgrade Bureau Plans Review and Code reference capabilities by integrating computerized International, ASTM, ANSI, NFPA and other related resources into these processes.
- Re-orient Allentown's construction building standard to the statewide uniform construction code.
- Enforce Pennsylvania Uniform Construction Code and Amendments.
- Continue the transition from non-certified inspectors to state licensed inspectors.
- Participate in the transition to one stop shopping for municipal inspections functions.

Rental Unit Inspections

- To complete the registration of 20,000 residential rental units, prosecuting the owners of unregistered rental units.
- To conduct inspection and compliance of the final 1,000 units of the first five-year inspections cycle.

Lead-Based Paint

- Identify and abate lead paint hazards in 12 units in the first year.
- Over the 42-month duration of the grant, identify and abate lead paint hazards in 10 owner-occupied units and 35 tenant-occupied units.

INITIATIVES

BS01: Minimize and Recover Costs of UCC Administration and Enforcement Compliance

The Allentown Building, Plumbing, and Electrical Enforcement Program is currently compliant with all provisions of the State of Pennsylvania Uniform Construction Code.



However, the City does not have sufficient capacity to perform all plan review requests. In order to address the capacity issue, the City should investigate the following options:

1. Enter into an agreement with one or more state-certified providers of construction code services to review permit requests to ensure compliance with UCC. While the City Building Code Official still retains the final authority to approve or deny permits, prior to submission to the City, applicants must have plans reviewed by a certified provider. The applicant would be responsible for the cost of plan review, thereby reducing the City's costs.
2. Add one additional Plan Examiner to enhance the City's ability to conduct plan reviews within the required timeframe.
3. Expand staff training to maintain certification. However, requiring the use of private contractors for plan review services as outlined above will decrease the number of City personnel required to be trained, thereby reducing this new obligation.

To recover the additional UCC costs outlined above, as well as associated costs for employee benefits and other direct program needs, the City shall revise its current fee structure. Already, the Bureau adjusts its fees annually to account for inflationary increases. As the new UCC program rolls out, a more significant fee increase shall be adopted to recover the additional costs concurrent with the customary annual adjustments.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

BS02: Examine Ways to Deal with Abandoned Vehicle Situation

Currently, the Building Standards Bureau is responsible for dealing with abandoned and junk vehicles in the City. The problem of junk vehicles continues to be a growing problem for the City and must be addressed. In the past, there was a uniformed police officer solely responsible for dealing with vehicle problems in the City. The responsibility was eventually shifted to the Housing Inspectors. The problem grew to its present serious level and the Housing Inspectors were not able to fully respond to housing complaints because of the full time workload of handling junk and abandoned vehicles. The Parking Authority, with the PA Motor Vehicle Enforcement Authority, has now taken some of the responsibility for addressing the problem, and deals with cars located on public property. Housing inspectors remain responsible for problems on private property. Inspectors are able to cite property owners for a public nuisance, and if the



problem is not resolved, the Parking Authority is called in to tow the vehicle, the charge for which is then billed back to Housing.

In 2004, there were 110 complaints about abandoned vehicles, and similar complaint levels are anticipated for 2005. Allentown should first review the current system for dealing with junk cars and determine if the Bureau of Building Standards and Safety is the Bureau which should be responsible for tackling this problem. The Housing Inspectors responsible for these vehicles do not have access to the state database of vehicle information, making it difficult to find ownership information for abandoned and junk vehicles. Only Police and Parking Authority personnel have access to this system. In the past, the police department has been responsible for junk and abandoned vehicle problems, and there is some argument that the function should be transferred back to the police department or another department.

The City also needs to explore new ways to tackle this issue. The City of Philadelphia is one example where a successful program has been put into place. In April of 2000, Philadelphia Mayor John Street launched a campaign intending to rid the City of the blight of abandoned cars. The City planned to remove 1,000 cars a day for 40 days, and nearly reached their goal, towing away approximately 33,000 in the six-week period. As of July 2004, the City had removed more than 190,000 abandoned cars, resulting in cleaner and safer neighborhoods throughout the City. Although the problem has not been completely eradicated, the program has achieved its primary goal, disposing of the backlog of abandoned vehicles on city streets and making the problem more manageable.

In Philadelphia, vehicle owners of record may be held liable for towing, disposal and other fees related to removing their automobile. In addition to these fees, vehicle owners receive tickets for this violation that must be paid. The City charges \$45 for towing the vehicle as well as a \$6 per day storage fee. A \$300 Vehicle Abandonment fee is charged on top of the towing costs. The City of Allentown should consider implementing similar fees for the towing and storage of abandoned vehicles.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

BS03: Improve Acquisition Procedures of Blighted or Derelict Properties

The Housing Rehabilitation program in Allentown is well-run, but in order to be more successful, the City needs to buy more properties and do so more swiftly. In order to improve the acquisition procedures for blighted or derelict properties, the City needs to enter the private real estate market.



Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

BS 04: Revise Rental Unit and Inspections Ordinance

There are approximately 20,000 rental units at present in the City of Allentown. The primary objective of the Rental Unit Inspections program within the Building Standards and Safety Bureau is to improve the safety and maintenance conditions of these residential rental units and to improve the quality of life in neighborhoods surrounding them. The program is essential for the City, although it can be challenging to administer. In fact, other municipalities in the region and the nation have developed similar programs based on the model used in Allentown.

The rental unit and inspections ordinance was developed over five years ago, and over time, has proven to include components which are outside the scope of the Rental Unit Inspections program. Two specific examples are the Moving Permit Process and the Per Capita Tax process. Given that the primary function of the program is to inspect rental units, assessing and collecting a per capita tax should not be included in the rental unit and inspections ordinance. Furthermore, there is no dedicated position in the Rental Unit Inspections program for billing and collecting the per capita tax, which results in low levels of compliance. Please refer to the Revenue chapter of this plan for the detailed initiative on eliminating the per capita tax.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



Recreation

MISSION

The mission of the Allentown Recreation Bureau is to enhance the quality of life for all citizens by providing a wide range of programs and special events that encourage health, fitness, relaxation, and cultural enrichment and by maintaining and coordinating the use of recreation facilities.

OBJECTIVES

- To provide enjoyable and educational recreation experiences for the handicapped and elderly citizens in the community.
- To offer recreation opportunities and activities for the greatest number of people possible in the community regardless of age, sex, race or economic standing using to the fullest extent existing facilities of the City and School District.
- To attract events to Allentown that have an economic or cultural impact.
- To continue a comprehensive inspection program to identify and eliminate any safety hazards that exist in conjunction with the Playground Safety Program.
- To promote sports in Allentown by offering local athletes a chance to compete and by offering spectators an opportunity to see a variety of competitive sports.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

In 2005, the Recreation Bureau was significantly downsized due to necessary budget cuts. The Bureau has consistently operated with eight full time positions for the past four years, but 2005 saw that number reduced to three. Of the Bureau's six main programs, three were discontinued in 2005: Therapeutic Recreation, Maintenance, and SportsFest. For the purpose of this report, PFM has included the programs in the baseline projections, assuming that they will be reinstated by the new administration. Summaries of the Bureau's programs follow.

Therapeutic Recreation (program discontinued in 2005)

This program provides leisure time activities for developmentally and physically handicapped youngsters and adults in the community. The program also provides physical fitness programs for Allentown's Senior Citizens. The Senior Games provided competitions ranging from golf to table tennis, horseshoes to beanbags, and billiards to basketball free throws.

Organized Sports Activities

This program provides a wide range of recreational activities year round on both a competitive and non-competitive level including: playgrounds, leagues in baseball, softball, basketball, volleyball, football, soccer, and rugby by using the facilities owned



by the City and the School District. Other activities provided by the program are picnic groves, golf, fishing, running events, music concerts, swimming, tennis, gymnasium rentals, Hiking Club, Municipal Opera Co., and Senior Citizens clubs. These programs are usually staffed by volunteers.

Special Activities

This program plans and promotes a variety of special events such as parades, tournaments, band competitions, banquets, and state and national competitions.

Maintenance (program discontinued in 2005)

This program provides daily maintenance of city sports facilities, including construction, renovation and relocation of playgrounds, tennis courts, athletic fields and other recreation sites.

SportsFest (program discontinued in 2005)

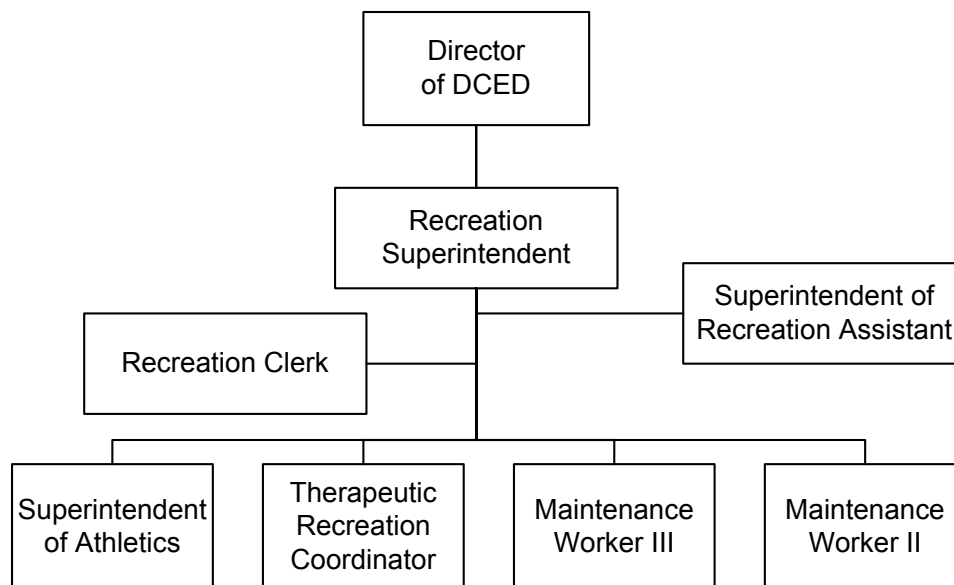
This program funds SportsFest, a three-day sports extravaganza held in Allentown's park system. SportsFest has competitions in 40 different sporting activities. SportsFest also includes the E-Mac Swim Meet at Mack Pool featuring competitors from the Mid-Atlantic States.

Swimming Pools

This program covers the operation of the municipal swimming pools from June through Labor Day. This program trains and hires qualified personnel, collects and deposits existing fees, and maintains a safe and clean pool environment.

ORGANIZATION CHART

The organization chart below depicts the structure of the Recreation Bureau from 2001 to 2004. The 2005 structure has not been shown as it is assumed to be a temporary setup.



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Recreation Superintendent	1.0	1.0	1.0	1.0	1.0
Supervisor of Recreation Assistant	1.0	1.0	1.0	1.0	-
Supervisor of Athletics	1.0	1.0	1.0	1.0	1.0
Therapeutic Recreation Coordinator	1.0	1.0	1.0	1.0	-
Maintenance Worker 3	1.0	1.0	1.0	1.0	-
Maintenance Worker 2	2.0	2.0	2.0	2.0	-
Recreation Clerk	1.0	1.0	1.0	1.0	1.0
Total	8.0	8.0	8.0	8.0	3.0

The Recreation Bureau remained stable with eight positions over the past four years. Due to budget cuts in 2005, the number of positions was reduced to three.

EXPENDITURES

HISTORICAL

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Personnel	\$638,137	\$722,050	\$768,312	\$723,795	\$741,620
Services & Charges	\$256,996	\$260,734	\$274,897	\$251,766	\$243,190
Materials & Supplies	\$41,057	\$63,476	\$53,463	\$38,713	\$44,551
Capital Outlays	\$8,066	\$11,976	\$3,980	\$14,097	\$14,054
Refunds	\$105	\$0	\$0	\$0	\$0
Reserve for Contingencies	\$0	\$0	\$0	\$1,161	\$0
TOTAL	\$944,361	\$1,058,236	\$1,100,652	\$1,029,533	\$1,043,415

PROJECTED

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$778,841	\$800,217	\$821,130	\$843,328	\$866,919
Services & Charges	\$264,905	\$271,528	\$278,316	\$285,274	\$292,405
Materials & Supplies	\$41,405	\$42,441	\$43,502	\$44,589	\$45,704
Capital Outlays	\$14,825	\$15,195	\$15,575	\$15,965	\$16,364
Sundry	\$1,161	\$1,161	\$1,161	\$1,161	\$1,161
Total	\$1,101,137	\$1,130,542	\$1,159,684	\$1,190,317	\$1,222,554



REVENUES

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Swimming Pool Fees	\$95,365	\$112,886	\$95,909	\$70,494	\$83,414
Recreation	\$52,290	\$87,465	\$71,219	\$73,513	\$86,806
Total	\$147,655	\$200,352	\$167,128	\$144,007	\$170,220

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Children Registered in Therapeutic Recreation Playground Programs	26	26	26	26	0
Senior Citizens Visits to Boys Club Program	4825	4900	5000	4950	0
Senior Games Participants	75	75	80	90	0
Children Participating in Fall, Winter, and Spring Activities	4300	4500	4550	4675	0
Playground Children Attending Programs	5550	5500	5550	5550	5700
Teams & Individuals in Competitive Leagues	235/4500	235/4500	235/4500	240/4550	240/4550
Picnic Grove Reservations & Attendance	352/30000	352/30000	359/30000	355/30500	355/30500
Revenue Derived from User Fees	\$32,800	\$33,000	\$35,000	\$36,000	\$38,000
Local Youth Coaches Certified	41	47	95	100	150
Number of Reservations for School District Buildings (Youth Groups & City Games)	838	850	870	865	870
Number of Outdoor Reservations for League or Individual Use	712	750	755	765	770
Sr. Citizens Physical Fitness Programs (Days)	280	280	280	280	0
City Tournaments	13	13	13	13	35
Regional or National Tournaments	2	2	3	3	3



Citizens Involved in City-funded Special Events	18000	18000	19000	19500	19500
Number of Maintenance Complaints	4	5	3	2	0
Existing Sites Renovated	4	5	5	6	0
Number of Facilities Maintained	71	73	74	74	0
SportsFest Program Revenue	\$109,000	\$109,000	\$110,000	\$110,000	0
Number of Sports Competitions	35	40	40	41	0
Number of Participants	9,000	9,000	10,000	12,000	0
Swimming Pools Fees Collected & Deposited	\$95,300	\$95,300	\$100,000	\$87,900	\$114,978
Swimming Pool Safety Violations Corrected	10	10	7	5	35
Number of Pool Patrons	65,000	65,000	75,000	65,000	65,000

RECENT ACCOMPLISHMENTS

Organized Sports Activities

- Completed eight week summer playground program at 19 different sites
- Boys High School Basketball League is best in area
- Lease of BC-10 Park to ECTB brings in much needed revenue as well as maintain viability of this premier facility
- Completed 35 band concert schedule despite funding cuts

Special Activities

- Brought ECTB to Allentown – several national tournaments – more than \$500,000 in economic impact

Swimming Pools

- Operated four pools without any major incidents despite lack of police coverage
- Expanded learn to swim program
- Longest operation of pools for many years

CHALLENGES AND GOALS

Therapeutic Recreation

- Program was lost in budget cuts.

Organized Sports Activities

- Increase revenue through use of new billing system and the development of new funding sources (grants, fund raisers, etc.)
- Develop skate park in Allentown



- Re-establish double-goal coaching initiative and NYSCA training programs.

Special Activities

- Re-establish this program after budget cuts
- Develop new tournaments and events to increase revenue to City.

Maintenance

- Program was lost in budget cuts.

SportsFest

- Program was lost in budget cuts.

Swimming Pools

- Implement capital improvement program
- Continuing operation of pools that are old and deteriorating

INITIATIVES

RE01: Consider Privatization of Municipal Golf Course

The City owns and operates an 18-hole golf course at Benner Fairways, 3400 Tilghman Street. The course, rated as a three star facility by Golf Digest, was recently renovated, and has received favorable reviews from area golfers. Its various amenities include a restaurant, bar, driving range, a new pro-shop, and private lessons provided by a PGA Golf Pro.

Although a majority of the City's current union contracts may prohibit privatization of functions presently performed by unionized workers, this initiative assumes the City can work with its unions on any and all issues surrounding its implementation or re-negotiation of its existing contracts upon their expiration. Allentown should continue to explore means by which to maximize income realized from golf course operations. In doing so, the City should examine privatization as a way to improve management efficiencies and enhance the income received, including a periodic review of existing fee structures. It should be noted, however, that the City currently operates a successful golf program. Any private vendor would need to significantly increase income generated from the City's golf facilities and continue to deliver the same level of service provided by the current staff. As the City has not yet solicited a request for proposals to operate the municipal golf course, no savings are attributed to this initiative. Nonetheless, the City should further review the possibility of a private company taking over the operations of the City's golf course.

Golf Course Fees

As shown below, Allentown's fees appear to be on target when compared to other similar cities' fees, and are in fact slightly higher. Allentown does not offer a Senior Citizen season pass, whereas both Pittsburgh and Bethlehem do have this pass. The City should



continue to evaluate existing fees on an annual basis as a way to increase revenue generation.

Fees	Allentown	Pittsburgh	Bethlehem
Season Pass 7 day	\$835 Resident \$1000 Non-Resident	\$575	\$600 Resident \$900 Non-Resident
Season Pass 5 day	\$625 Resident \$790 Non-Resident	\$475	\$400 Resident \$650 Non-Resident
Junior Season Pass	\$315 Resident \$415 Non-Resident	\$300	\$300 Resident \$400 Non-Resident
Senior Pass	-	\$525 (62-69) \$275 (70+)	\$550 Resident (62+)
Student Rate	\$13 Resident \$15 Non-Resident	-	\$10
Weekday Green Fare	\$20 Resident \$22 Non-resident	\$18	\$14 Resident \$20 Non-Resident
Weekend Green Fare	\$28	\$18	\$17 Resident \$27 Non-Resident
Weekday Twilight	\$13 Resident \$15 Non-Resident	\$12	\$11 Resident \$14 Non-resident
Weekend Twilight	\$17	\$12	\$12 Resident \$16 Non-resident
Specials	\$25 Golf Cart Special (2 golfers, 1 cart)	\$150 punch card for 10 rounds	\$20 Resident \$27 Non-resident Monday Special (1 Green fee & cart)
Winter Golf	\$13	-	-
Cart Rental	\$12/person (18 holes) \$6/person (9 holes)	-	\$12/person (18 holes) \$7/person (9 holes)
Club Rentals	-	\$10	\$12
Lockers (for season)	-	\$36	\$35
Lessons	\$35/ ½ hr \$60/hr	\$35/ ½ hr \$60/hr	-

Case Study: Pittsburgh

Many of the other comparable cities no longer have municipal golf facilities, or have chosen to sell them to private management. The City of Pittsburgh is one such case, which since 2001 has jointly managed their Schenley Park golf course with Carnegie Mellon University. Since this partnership began, the golf course moved from a deficit to a surplus condition, while maintaining low prices for its patrons. With this new found source of revenue strength, Schenley is beginning various community and philanthropic



programs. Schenley also has an excellent website which describes the course in detail, gives current weather conditions, and describes the course's various community initiatives, including *The First Tee Program* aimed at area youth, particularly from economically disadvantaged backgrounds.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

RE02: Determine Appropriate Organization of Parks and Recreation Maintenance

At the beginning of 2005 the City laid off workers in Parks Maintenance and Recreation Maintenance, and decided to place Parks (which is comprised of Parks Maintenance, Trexler Fund, and Water-Shed under the Water Fund) under the Public Works Director. The DCED had previously housed the three parks-related functions. The theory was that with all maintenance workers under a single supervisory authority, the City would be able to appropriately deploy staff as needed.

In addition, the three recreation maintenance positions were cut from the budget in FY2005. This resulted in complaints that recreation facilities were not being maintained on a regular basis. As a result, residents took on the tasks of grooming fields and courts themselves. The Union, having suffered layoffs, and also because of a clause in their contract which prohibits others from doing work previously performed by laid-off members, has filed grievances over the volunteered work. DCED counters that there is insufficient staff to either monitor such activities, or to do the work themselves.

While the recreation season for 2005 is nearly over, this problem will resurface in the spring of 2006. Before the transfer of personnel is finalized in the 2006 budget, the City needs to determine whether the maintenance structure is the most operationally sound option. The current situation and transition will result in further union grievances and resident dissatisfaction should the situation go unaddressed. Although further discussion needs to take place to determine the correct department to house the maintenance functions, PFM recommends that both Parks and Recreation maintenance be included under the same department.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD



RE03: Increase Use of Volunteer Workers

The City should develop a network of volunteer workers to assist with the Recreation Bureau's programs and initiatives. Many cities around the state and country rely on the generous volunteer help of citizens to assist City staff in delivering services and providing recreation programs to the public. In addition to the satisfaction of giving something back to the community, City volunteers receive other benefits, including work experience and training. Citizens can play an important role in their City by volunteering services and/or time. The volunteer's role is to compliment and supplement City staff and is not intended to substitute or replace the level of staffing or responsibilities of City employees. Volunteers can potentially be used to improve and maintain City parks and playgrounds, assist in operations of City-wide sports leagues, and assist in the organization and execution of special events.

Discounted Fiscal Impact

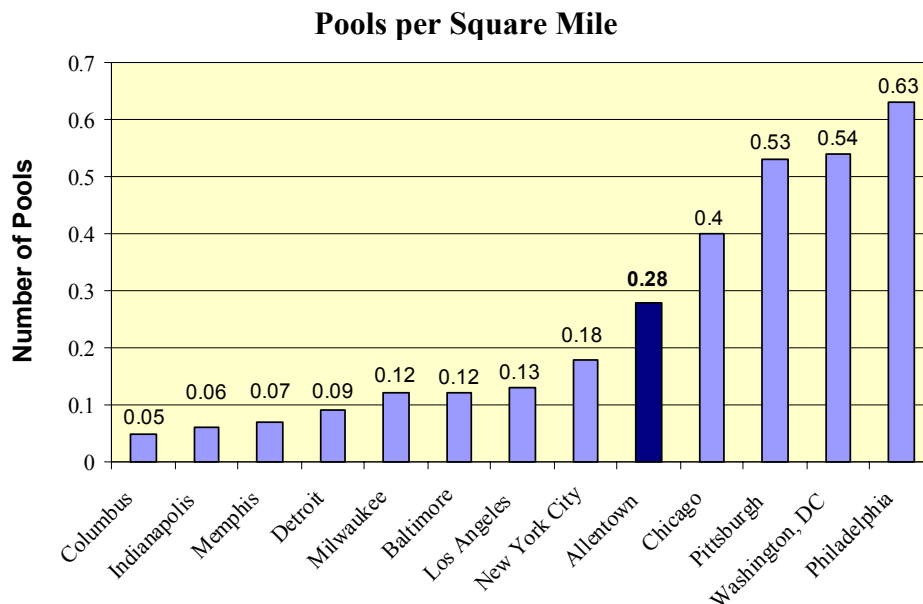
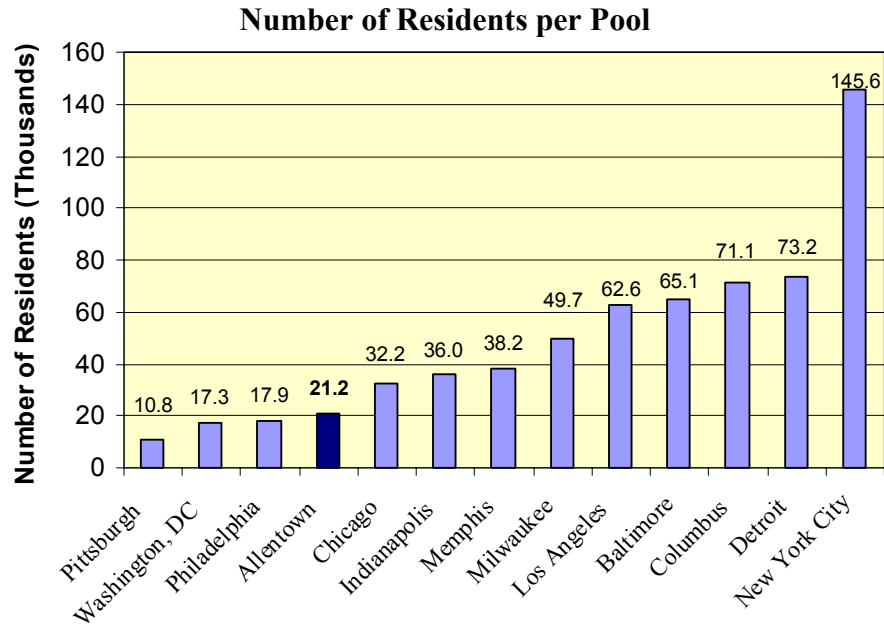
	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	TBD	TBD	TBD	TBD	TBD
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

RE04: Operate a Sustainable Number of Swimming Pools

The City owns and operates a total of five swimming pools, four of which were opened in 2005. As part of budgetary cuts efforts, the City did not fully fund outdoor swimming pools in FY2005. Only the Cedar Beach pool was fully funded by the City; the other pools were funded in part by the City. For this year only, a group of non-profit organizations, foundations and other businesses partnered to ensure that there was some level of summer recreational program – seeking to fund the operation of four outdoor swimming pools for the summer. Additionally, the City introduced fees at the one City pool which has been free in past years.

Not only does Allentown have a high number of swimming pools per capita, but as the charts below shows, in comparison to other cities it has a high ratio of pools per square mile. Because the City only encompasses approximately 18 square miles, this level of facility density is inefficient. Reducing the number of pools will optimize service and meet the demands of City residents.





Swimming Pool Fees

The City of Allentown has two fee schedules for its swimming pool rates. The first is in place for the Cedar, Jordan and Mack pools, the second for the Irving pool. In past years, no fees were charged at the Irving pool. The City increased rates for all pools last year. Below are the fees charged by Allentown and comparable cities:



Fees	Allentown	Bethlehem	Pittsburgh	York	Wilkes-Barre
Adult-Daily	\$5.50 \$3.50 (Irving)	\$3.25 Regional \$2.50 Neighborhood	\$4	\$6	\$2.50
Junior/Youth Daily	\$3.50 \$2.50 (Irving)	\$2.75 Regional \$2.25 Neighborhood	\$3	\$6	\$2
Children Under X	Under 5 \$free	-	Under 2 \$free	Under 4 Resident or YMCA Member \$free Non-resident \$40	-
Senior Citizen	-	\$2.75 Regional \$2.25 Neighborhood	-	-	-
Adult Season Pass	\$75 \$45 (Irving)	\$55 Regional \$45 Neighborhood \$75 Non-Resident	\$30 Resident \$45 Non- Resident	\$63 Resident or YMCA Member \$90 Non- Resident	\$7
Junior Season Pass	\$45 \$30 (Irving)	\$45 Regional \$40 Neighborhood \$55 Non-resident	\$15 Resident \$45 Non- Resident	\$47 Resident or YMCA Member \$75 Non- resident	\$7
Senior Citizen Season Pass	-	\$45 Regional \$40 Neighborhood \$55 Non-resident	-	-	-
Family Season Pass	\$65 \$35 (Irving)	\$100 Regional \$85 Neighborhood \$120 Non- resident	\$60 (for 4 people)	-	-
Other Fees	Children at Same Address \$35 \$20 (Irving)	-	Each Additional Family Member \$10	-	-

Fees charged by the City appear to be aligned with fees being charged by comparable cities. Some cities charge different fees for residents and non-residents. No other city



charges different rates for different pools, as does Allentown. The City should continue to monitor swimming pool fees each year and at a minimum, should increase fees by the cost of inflation each year.

Spray Pools

As a possible alternative to closing three city pools, the City should consider converting one or more of the pools to spray pools. These types of pools or “spraygrounds” feature coiled pipes and nozzles where water is sprayed from mounted structures and geysers. No water is wasted as spraygrounds are operated by motion sensors. All facilities can be made ADA accessible, and the water drains away before it accumulates, thus eliminating the need for lifeguards.

The City of Philadelphia, converted three of its 79 pools to spraygrounds in June 2005. The City estimates that the cost of maintaining a pool for the summer is \$49,000, excluding the cost of lifeguards and swim instructors. Estimates for converting a pool to a sprayground range from \$150,000 to \$200,000 with the yearly cost of operation estimated at \$16,000.

One water play systems manufacturer, Rain Drop Products, reports that sprayground systems are cost effective and can have operational costs of often less than \$1,000 per season. Operational costs are low largely because spraygrounds are controlled automatically by a computer system. Furthermore, above ground features can easily be removed in the off-season, leaving an area which could be used for other activities.

Fiscal Impact

PFM recommends that the City decrease the number of pools in operation from five to two. The remaining pools should be closed. In FY2005, estimated swimming pool expenditures for four pools were \$185,961. Assuming that the costs of operation for each pool are roughly equal, the average annual cost of operating and maintaining one pool is approximately \$45,000. Accordingly, the estimated savings for the City to fund the operation of two pools would be approximately \$90,000, before applying a discount factor, with potential variance depending on the particular facilities selected by the City to continue.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	25.0%	25.0%	25.0%	25.0%	25.0%
Fiscal Impact	\$67,500	\$69,188	\$70,918	\$72,691	\$74,508



Health

MISSION

To prevent disease and injury, and to protect the public's health.

OBJECTIVES

- Reduce the incidence and severity of intentional and unintentional preventable injuries in the community.
- To reduce the incidence and mortality of chronic disease through preventative and early detection measures.
- To prevent and reduce the incidence of physical illness and the spread of communicable disease.
- To assure that City women, children, and adolescents (families) have access to medical, specialty and dental services.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The Health Bureau has approximately fifteen programs which are directed by the staff in the Administration Program. The overarching goal of the Bureau is to provide leadership and development of public health services and activities based on the National Health Promotion and Disease Prevention Objectives: Healthy People 2010. The Health Bureau Administration ensures that all Bureau services are delivered in accordance with current public health practice standards and statutes and also oversees the personnel and fiscal management of the Bureau.

The Director of the Health Bureau estimates that \$0.75 out of every \$1.00 spent on Health Bureau programs comes from outside funding. The remaining funds come from the General Fund and are necessary to receive matching Act 315 grants. Additional money from the General Fund is used for the Animal Control program, which is the only program not partially or completely funded by outside grants. The following are descriptions of each of the programs which are offered by the Health Bureau:

AIDS Prevention

The Allentown Health Bureau AIDS Prevention Program is funded through federal, state, county and private grants to provide AIDS education, risk reduction information and HIV testing to the general community, persons at heightened risk of infection, and service providers. An important aspect of the program is the interview and counseling of patients who test positive, and the notification and testing of their partners.

Animal Control Program

The Animal Control program seeks to protect the community from animal bites and other injuries by addressing animal-related nuisances through investigation, enforcement, and



community awareness activities, in cooperation with the Lehigh County Humane Society and the Allentown Police Department.

Child/Family Health Services

The Child Health program provides services to resident women and children aged birth through 18 by individual home visits and follow-up, and group presentations. Services provided include health education assessment, identification of problems, referrals, and follow-up. The service is family-centered with emphasis on providing education and guidance for the parents, and linking families to medical services. This program is partially funded through Act 315, Pennsylvania Department of Health

Chronic Disease Control Program

The Chronic Disease Control addresses morbidity and mortality related to Cancer, Heart Disease, Diabetes and Osteoporosis. The Chronic Disease Program focuses on risk reduction, early detection and prevention through nutrition and physical activity, screenings and other community awareness activities. This program is partially funded through Act 315 and categorical grants from the Pennsylvania Department of Health.

Communicable Disease

The Health Bureau investigates all reportable diseases and conditions. Direct clinic services are provided for Tuberculosis and Sexually Transmitted Diseases. In addition, prophylactic treatment is provided to City residents who are victims of potentially rabid bites. For the past twenty years, the Bureau has also conducted flu vaccination clinics for elderly residents and for those at risk with chronic illnesses. For the past 15 years, the Health Bureau conducted pneumococcal pneumonia vaccine clinics for City residents over 65 years and those with chronic illness. This program is partially funded through Act 315, Pennsylvania Department of Health. The Health Bureau offers a fee-for-service adult immunization clinic in order to expand communicable disease prevention efforts for City residents.

Public Health Emergency Preparedness

The Allentown Health Bureau has been charged with developing a public health emergency preparedness plan. In January, 2002 the U.S. Congress enacted legislation to upgrade and enhance the emergency response capabilities of the nation's public health system. The Health Bureau is required to develop, maintain, and enhance its capabilities in preparedness planning and readiness assessment, and risk communications and health information dissemination. This program is fully funded through the PA Department of Public Health Emergency Preparedness grant.

Environmental Protection Program

The Environmental Health program serves the public through the investigation and successful abatement of community environmental health concerns such as lead paint, vector control, solid waste, noise, indoor air quality, and other health-related nuisances. The program also provides educational and consultative services to the public on a wide variety of environmental health issues, such as radon, indoor air pollution, and water quality. The program is partially funded through state grants Act 315 and Act 12.



Food Service Sanitation

The Food Service Sanitation program is designed to protect the health of the public by assuring the wholesomeness and lack of adulteration of food and beverages prepared and/or sold for public consumption. This is accomplished through inspection, licensure, worker education, and investigations of potential food-borne disease outbreaks in regulated facilities throughout the City. The program is fully funded through state grants Act 315, Act 12, and user fees.

Immunization

The Immunization Program provides services to improve immunization levels of all children, adolescents and adults, thereby reducing the incidence of vaccine-preventable diseases in the City of Allentown. This program is fully funded by the Pennsylvania Department of Health.

Injury Prevention

Injuries are a major contributing factor to excess morbidity and mortality in this community and across the nation. Nearly half of these deaths occur from motor vehicle incidents; the rest from falls, burns, poisonings and other causes. The emphasis of the program is five major areas: (1) childhood injury prevention; (2) adult injury prevention; (3) occupational safety; (4) violence prevention, and (5) mental health. The program is partially funded through State grants.

Institutional Sanitation and Safety Program

The Institutional Sanitation and Safety fulfills the program requirements of three mandated Act 315 programs: public bathing places, public schools and long term care facilities. Child care facilities are also regulated under the provisions of the City's own ordinance. These institutional communities face many of the same environmental health concerns as any other community and the potential for the spread of disease and the risk of injury is present. The program's inspection activities seek to reduce these risks. The program is partially funded through state grants Act 315 and Act 12 and user fees.

Lead Poisoning/MCH

The Childhood Lead Poisoning Prevention Program will screen approximately 850 children aged 6 months through 72 months for lead poisoning and provide comprehensive follow-up services to children who are lead-poisoned in accordance with Centers for Disease Control and Prevention guidelines. Environmental management will include investigations to determine sources of lead exposure and to facilitate administrative and legal actions to assure hazard reduction of detected sources of lead exposure. The maternal and child health component includes advocacy for and referrals of City children for medical, dental and specialty services. This program is funded through a Title V grant through the Pennsylvania Department of Health.

Nurse Family Partnership

The Nurse Family Partnership strives to improve the health of women and children in the City by improving pregnancy outcomes, increasing parenting competency, and helping families to achieve self-sufficiency. Services provided include health education and



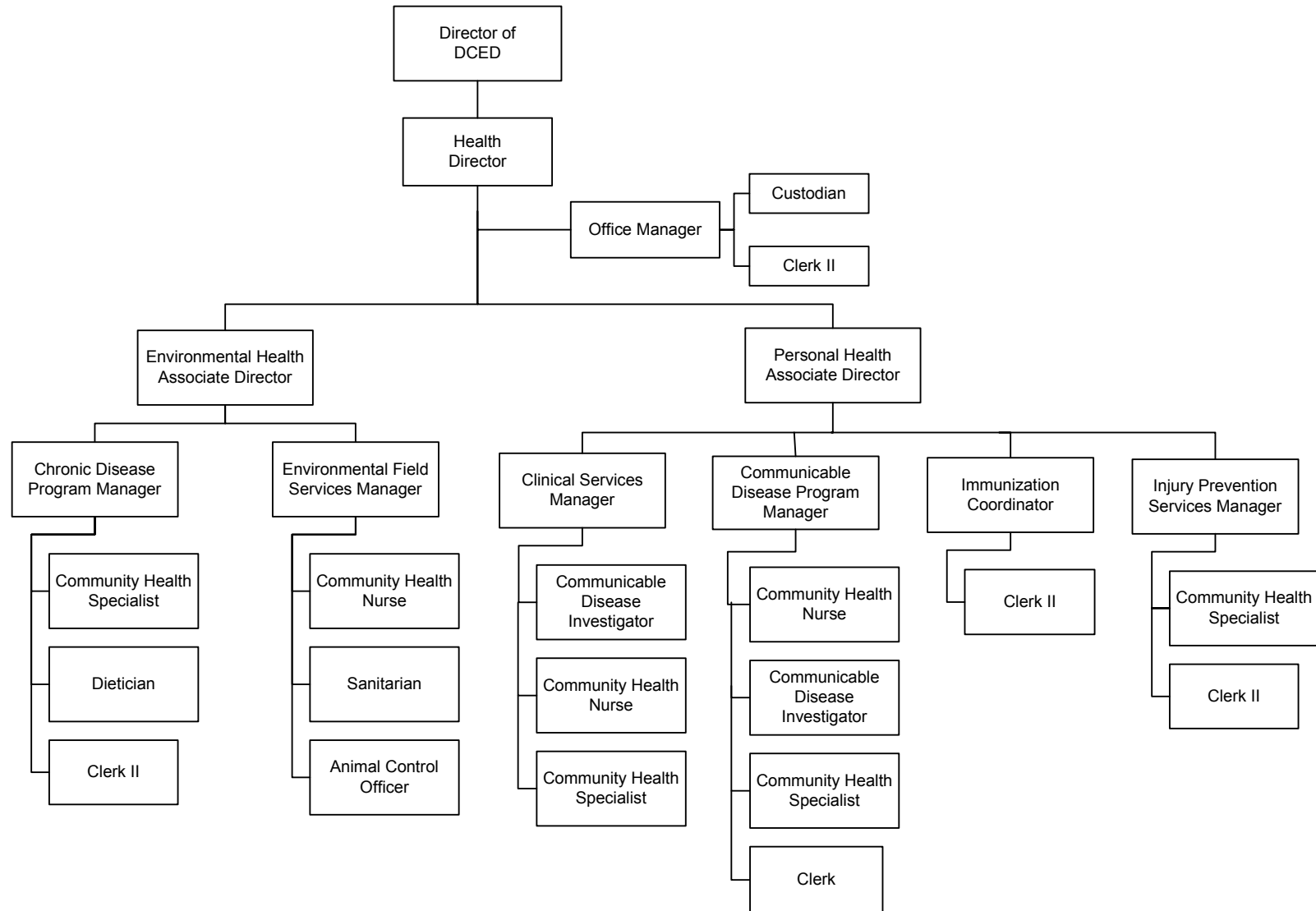
assessments for mom and baby, child development assessments, parenting education, nutrition education, health and safety education, and linking families with services in the community. Home visitation is a key element and will be provided through the child's second year of life. The program is fully grant funded.

Tobacco Prevention and Cessation Program

The Tobacco Prevention and Cessation Program is a comprehensive plan to reduce tobacco use in Lehigh County. Following the Centers for Disease Control's Best Practices, the program focuses on nine priority areas: Community Programs, Reduction of the Chronic Disease Burden, School Programs, Counter-Marketing, Cessation Programs, Surveillance and Evaluation, and Administration and Management. This program is fully funded by the Master Tobacco Settlement through a grant from the Pennsylvania Department of Health and is the only health program which serves both the County and the City.



ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Comm Health Nurse	5.0	9.0	8.0	7.0	7.5
Health Director	1.0	1.0	1.0	1.0	1.0
Environmental Health Associate Director	1.0	1.0	1.0	1.0	1.0
Personal Health Associate Director	1.0	1.0	1.0	1.0	1.0
Clinical Services Mgr	1.0	1.0	1.0	1.0	1.0
Communicable Disease Program Manager	1.0	1.0	1.0	1.0	1.0
Environmental Field Services Manager	1.0	2.0	1.0	1.0	1.0
Chronic Disease Program Manager	-	-	-	2.0	2.0
Cancer Prevention Program Manager	1.0	1.0	1.0	-	-
Heart Disease Program Manager	1.0	1.0	1.0	-	-
Injury Prevention Services Manager	1.0	1.0	1.0	1.0	1.0
Highway Safety Program Manager	1.0	1.0	1.0	-	-
Office Manager	1.0	1.0	1.0	1.0	1.0
Immunization Coordinator	1.0	1.0	1.0	1.0	1.0
Communicable Disease Investigator	1.0	1.0	1.0	2.0	2.0
Dietician	1.0	1.0	1.0	1.0	1.0
Sanitarian	5.0	5.0	5.0	5.0	5.0
Comm Health Specialist	8.0	9.0	10.0	9.0	9.0
Animal Control Officer	1.0	1.0	1.0	1.0	1.0
Clerk 2	8.0	10.0	9.0	8.3	8.0
Custodian 1	1.0	1.0	1.0	1.0	1.0
Total	42.0	50.0	48.0	45.3	45.5

EXPENDITURES

HISTORICAL

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Personnel	\$2,045,793	\$2,297,854	\$2,560,979	\$2,434,127	\$2,568,046
Services & Charges	\$198,764	\$444,154	\$1,046,554	\$884,041	\$790,517
Materials & Supplies	\$112,127	\$107,437	\$131,044	\$95,648	\$106,365
Capital Outlays	\$26,324	\$12,635	\$29,789	\$6,370	\$12,274
Refunds	\$831	\$1,172	\$1,102	\$462	\$937
Reserve for Contingencies	\$0	\$0	\$0	\$3,660	\$0
Total	\$2,383,839	\$2,863,251	\$3,769,468	\$3,424,307	\$3,478,140



PROJECTED

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$2,777,526	\$2,893,477	\$3,006,466	\$3,126,755	\$3,254,975
Services & Charges	\$932,575	\$955,889	\$979,786	\$1,004,281	\$1,029,388
Materials & Supplies	\$100,588	\$103,103	\$105,680	\$108,322	\$111,030
Capital Outlays	\$6,700	\$6,867	\$7,039	\$7,215	\$7,395
Sundry	\$4,146	\$4,158	\$4,170	\$4,183	\$4,196
Total	\$3,821,534	\$3,963,494	\$4,103,141	\$4,250,755	\$4,406,984

REVENUE

	2001 Actual	2002 Actual	2003 Actual	2004 Actual²	2005 Budget
Health Bureau Permits/Licenses	\$141,682	\$140,076	\$138,859	\$146,915	\$140,000
Health Bureau Services	\$58,583	\$44,513	\$42,606	\$8,172	\$10,000
West Nile Virus Grants	\$0	\$0	\$0	\$8,670	\$0
Health Grants 315-12	\$751,200	\$799,740	\$799,740	\$599,805	\$800,000
Health Categorical	\$884,286	\$1,126,555	\$1,800,840	\$1,842,084	\$1,806,239
Health Miscellaneous	\$867	\$50	\$22	\$0	\$0
Total	\$1,836,618	\$2,110,934	\$2,782,067	\$2,605,646	\$2,756,239

Net expenditures funded by the City increased steadily from 2001 to 2003, peaking at over \$987,000. A decrease of \$160,000 was achieved in 2004, and a further decrease is expected in 2005.

NET EXPENDITURES

	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Final Budget
Total Expenditures	\$2,383,839	\$2,863,251	\$3,769,468	\$3,424,307	\$3,478,140
Total Revenues	\$1,836,618	\$2,110,934	\$2,782,067	\$2,605,646	\$2,756,239
Net Expenditures	\$547,221	\$752,317	\$987,401	\$818,661	\$721,901

² 2004 revenue figures reflect funds which were received in 2004 and do not include revenues received in 2005 for 2004 invoices that remained outstanding at the close of the calendar/fiscal year.



PERFORMANCE MEASUREMENTS / ACTIVITIES³

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Estimated
AIDS Prevention					
Number of persons receiving HIV/AIDS education	11,000	12,121	12,200	12,429	12,200
Number of persons tested and counseled for HIV infection	2,480	2,478	2,686	2,591	2,500
Animal Control Program					
Number of animal-related complaints received	2,053	1,908	1,818	1,582	1,500
Number of notices of violation issued	141	166	116	153	150
Number of citations issued	285	263	224	346	300
Number of animals seized or trapped	855	847	734	678	700
Child/Family Health Service					
Number of visits to child care centers	45	86	86	86	86
Number of health education workshops	48	40	45	45	45
Number of MCH referrals received and consultation provided	567	631	650	650	650
MCH home visits	545	613	620	620	625
Number of families referred for specialized services including dental	1,174	949	1,000	1,000	1,000
Number of MCH Health Needs Assessments (clinic)	503	349	360	370	375
Number of people reached through MCH educational presentations	1,126	1,308	1,500	1,600	1,650
Number of pregnant women receiving prenatal education	20	54	60	60	65

³Performance Metrics listed in this table were taken from templates filled out by the Health Bureau. In some instances, these numbers differ from the numbers in the 2005 Budget.



Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Estimated
Number of pregnancy tests and counseling interventions provided	324	404	420	440	440
Chronic Disease Control Program					
Number of women screened for breast cancer	267	318	310	327	375
Number of women screened for cervical cancer	257	252	375	332	400
Number of persons screened for blood pressure, blood cholesterol, and blood glucose	55	121	80	101	100
Number of educational community events/seminars conducted	74	41	25	78	60
Number of persons provided osteoporosis risk assessment	417	339	300	291	200
Number of children enrolled in summer recreation program	288	271	273	250	345
Communicable Disease					
Number of adult City residents immunized	2,938	2,310	2,000	3,900	4,000
Number of Tuberculosis skin tests performed	1,218	1,531	1,500	1,600	1,600
Number of home visits for tuberculosis control	1,080	1,147	1,040	1,100	1,100
Number of individuals educated regarding communicable disease	6,500	8,008	7,581	7,489	7,400
Total patient visits to sexually transmitted disease clinic	2,500	2,475	2,829	2,476	2,600
Sexually transmitted diseases reported and investigated (City)	524	596	680	769	800
Communicable diseases reported and investigated (City)	350	376	250	275	275
Public Health Emergency Preparedness					
Drills involving public health staff	-	2	2	2	2



Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Estimated
Environmental Protection Program					
Number of community complaints investigated and abated	2215	2573	2425	2531	2500
Number of homes environmentally assessed and found to have lead exposure problems	20	17	6	15	10
Number of formal notices of violation issued	575	784	707	944	850
Number of citations issued	73	142	115	243	150
Food Protection Program					
Number of food service establishments licensed	740	744	763	776	800
Number of inspections of food service establishments	1259	1215	1020	1139	1000
Number of temporary food service stand inspections	292	325	321	312	325
Number of plan reviews conducted	93	78	99	101	85
Number of food service personnel training sessions	15	16	19	19	20
Number of food-related complaints investigated	48	78	77	108	100
Health Bureau Administration					
Enactment of Prevention-oriented State bills/local ordinances	1	1	1	1	1
Maintain % of non-City revenue generated to offset costs of public health services	96%	92%	74%	87%	80%
Immunization					
Number of total patient visits	1245	1729	1642	1588	1700
Number of community education sessions	10	332	376	306	300
Number of childhood	3000	3768	4063	3409	3500



Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Estimated
immunization given					
Injury Prevention					
Number of home hazard surveys conducted in homes of children	98	49	110	172	160
Number of home hazard surveys conducted in homes of adults	66	158	100	138	120
Number of playground safety surveys conducted	34	34	34	36	36
Number of people who sustain fire-related injuries	24	72	72	49	40
Number of violence prevention interventions initiated	28	36	40	41	10
Institution Sanitation & Safety Program					
Number of inspections of public and private schools	32	37	32	33	33
Number of inspections of long term care facilities	6	6	6	6	6
Number of inspections of child care facilities	76	85	85	88	90
Number of inspections of public bathing places	43	49	56	59	56
Lead Poisoning/MCH					
Number of persons receiving lead poisoning prevention education	3,729	2,887	2,500	3,152	3,175
Total lead screenings	917	836	718	951	955
Number of home visits for lead case management	122	96	100	74	75
Nurse Family Partnership					
Number of referrals received	95	196	170	152	150
Number of women and children participating in the prenatal and infancy home visitation program	45	115	125	112	130
Number of home visits	255	1,610	1,700	1,395	1,400



Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Estimated
Number of families referred to community services	45	35	35	52	60
Tobacco Prevention & Cessation Program					
Number of education presentations/events conducted	-	7	65	44	30
Percent of Lehigh County eating establishments inspected for compliance with the Clean Indoor Air Act	-	90%	100%	100%	100%
Percent of places of recreation surveyed for smoke-free policies	-	100%	100%	100%	100%
Number of persons receiving tobacco prevention and cessation messages through Health Bureau programming	-	600	2,800	3,988	3,000
Number of compliance checks conducted	-	93	900	626	700
Number of organizations funded to provide cessation	-	2	6	7	7

RECENT ACCOMPLISHMENTS

AIDS Prevention

- HIV testing was provided to 2,591 high risk individuals.
- Five sessions of the Steps Program, a program targeting at-risk youth and promoting responsible sexual behavior, were conducted for 75 teens.
- Lehigh Valley Hospital and Allentown Health Bureau co-sponsored a conference about Women and HIV; 80 participants attended.
- Patient satisfaction surveys were completed by 1,531 patients receiving STD and/or HIV services. Positive experiences were indicated on 1516 surveys for a 99% positivity rate.

Animal Control

- Continued wild and domestic animal testing for presence of rabies.
- Promoted the availability of low cost rabies clinics held locally.
- Maintain a current contract with the Lehigh County Humane Society for the sheltering of animals and provided for the collection of strays when the animal control officer is off duty.



Child/Family Health Services

- Conducted 481 MCH health needs assessments. These include referrals to health care providers, social service and health insurance.
- Provided 451 pregnancy tests. Confirmed entrance into prenatal care for 70 of 98 women.
- Provided 297 newborn home visits and 209 prenatal home visits to City women.
- Inspected 61 child care centers in conjunction with the environmental field services staff.
- Received 601 Maternal Child Health referrals for services for City women and their families.
- Participated in five City health fairs, provided health education about a variety of topics.
- Convened the Infant Health Committee to address issues related to prenatal care and poor infant outcomes.
- Participated on many community boards including the March of Dimes, Head Start Health Advisory Board, and school based health centers governance board.

Chronic Disease Prevention

- Provided cholesterol, glucose and blood pressure screenings, and follow-up nutrition counseling for 101 City of Allentown residents.
- Educated the community on chronic disease risk reduction (e.g. nutrition, exercise and other lifestyle changes), through health campaigns and educational programs in schools, worksites, and the community.
- Implemented strategies to address the problem of overweight adolescents in the City of Allentown through individual nutrition counseling program, Shape It Up fitness program for youth, summer recreation program, menu-intervention program at a local college, and participation in the Allentown School District Overweight Task Force.
- Conducted education programs and awareness campaigns to promote healthy behaviors and screening recommendations to reduce incidence and mortality of breast, cervix and gynecologic, colon-rectum, prostate and skin cancers.
- Collaborated with community partners to coordinate and promote prostate and skin cancer screenings in the community.
- Increased early detection of breast and cervical cancer in medically underserved women by providing 327 free and reduced-cost mammograms, clinical breast examinations, breast self-examination instruction and 332 free Pap tests/gynecologic exams to uninsured/underinsured women.
- Increased the public's awareness of osteoporosis prevention through 291 osteoporosis risk assessments, risk reduction messages and health campaigns.

Communicable Disease Prevention

- Health Bureau staff fostered close working relationships with local hospital infection control and laboratory staff to encourage rapid disease reporting.
- All reports of communicable disease or reportable conditions in the City of Allentown were epidemiologically investigated and appropriate control methods



and interventions were instituted in accordance with the Pennsylvania Department of Health's Communicable Disease Epidemiology Policy Manual.

- Hepatitis C screening was offered to 346 individuals who met high-risk criteria and had no means to obtain screening. Of those, 97 individuals or 28% had positive test results and were counseled on treatment availability and offered Hepatitis A & B immunization.
- Communicable Disease Education was provided to 4,132 individuals. Pre and post testing tools were utilized with patients receiving communicable disease prevention education. Test scores were analyzed for 1,156 patients who completed testing and 93% or 1,075 patients scored above 90% on post testing.

Emergency Preparedness

- Staff completed training and the Allentown Health Bureau was recognized as a Public Health Ready organization.
- Staff met repeatedly with City EMA to insure that the Allentown Health Bureau emergency response plan is compatible with the City emergency response plan.
- Staff participated in Lehigh Valley Partnership meetings designed to foster working relationships between the public and private sector in emergency response and disaster recovery.
- Allentown Health Bureau participated with partner agencies in the delivery of over 10,000 flu shots during two large scale vaccination clinics held during a national vaccine shortage.
- Participated and provided leadership to the Lehigh Valley Counter Terrorism Task Force – Health and Medical Subcommittee.

Environmental Protection

- Coordinated with Lehigh County West Nile Virus Program to reduce or eliminate potential mosquito breeding sites in the City.
- Inspected and applied larvicide where necessary to over 10,000 storm water inlets annually.
- Coordinated with PA Department of Environmental Protection to provide truck-mounted spraying of mosquito adulticide in high-risk neighborhoods.
- Coordinated with the City's HUD Lead Grant Initiative to identify properties eligible for lead hazard remediation grant funding.
- Cooperated with the PA Dept of Health to provide environmental lead hazard reporting on the state's web-based NEDSS report system.
- Developed and assured ratification of a new five-year Indoor Air Quality/Asthma plan (2006-2010) with representatives of the local community who have a vested interest in Indoor Air Quality.
- Participated with the Bureau of Recycling in the development and implementation of the new SWEEP pilot program to target solid waste problems in the City.

Food Protection

- Two sanitarians obtained the NEHA Certified Food Safety Professional credential.
- Drafted and assured passage of a new Food Service Sanitation Ordinance.



- Co-sponsored 3 Spanish-language Food Employee Certification courses.
- Implemented field use of tablet PC's for each sanitarian.
- Developed and implemented a computer-generated inspection report narrative.
- Assisted development of and implementation of the establishment of a GIS program for emergency response.
- Made electronic inspection records available for public access on a media web-site.
- Achieved ratification of a new five-year plan (2006-2010) by representatives of the local community who have a vested interest in food safety.

Health Administration

- Bureau staff prepared 16 grant applications in the following public health programs: Injury Prevention, HIV/AIDS, Tobacco Prevention/Cessation, Skin and Colorectal Cancer, Diabetes, Dental Care for children, Maternal and Child Health, Osteoporosis and Nutrition.

Immunization

- Conducted 48 health assessments in immunization clinic
- Immunized 246 Allentown School District students during AHB walk-in clinics to prevent school exclusion.
- Vaccinated 220 Allentown School District middle school students, as part of the Catch Up Program, with Hepatitis B and/or Varicella
- Vaccinated 32 college freshmen with Meningococcal Polysaccharide Vaccine this year.
- Vaccinated 680 adults through our Adult Immunization Clinic with 817 vaccines.
- Conducted six influenza clinics this year to reach 2,142 residents. Provided 41 home visits to City residents for flu shots this year. This was an especially difficult year due to the vaccine shortage, delayed shipment, and guideline changes.
- Assessed 285 immunization records during home visitation this year
- Assessed 285 immunization records at local daycares.
- Distributed 548 immunization records; patients were instructed on the importance of keeping their records, and updating them as needed.

Injury Prevention

- Performed 218 home safety surveys
- Gave 26 presentations on home safety, animal bite safety, poison prevention, falls safety, playground safety and water safety reaching approximately 600 people.
- Held four Safe Kids Meetings
- Held seven meetings of the Violence Prevention Task Force and develop a Violence Prevention Plan with 33 interventions
- Integrated gun avoidance programs at the kindergarten/first grade level in 14 elementary schools in the Allentown School District.
- Conducted 36 playground inspections.



Institution Sanitation & Safety

- Instituted swimming pool policy changes to reflect the new state public bathing place regulations.
- Promoted the “Tools for Schools” indoor air quality program to the Allentown School District.
- Conduct 17 school playground inspections annually.

Lead/MCH Program

- Dental advocate educated 481 families in the Health Bureau’s immunization clinic on proper oral hygiene.
- Educated 297 new mothers on the importance of early dental care to prevent baby bottle tooth decay.
- Educated 190 children and adults at two summer camps in the City on the importance of good oral health.
- Collaborated with the Lehigh Valley Dental Alliance, Bethlehem Partnership, Bethlehem Health Bureau, Union Station Dental Clinic, Head Start and the Dental Van to advocate for children in need of dental services.
- Valley Wide Smile applied for and received a \$20,000 grant from Two Rivers Community Foundation to provide dental care for Children in Northampton County.
- Submitted grant application to the Lehigh Valley Community Foundation on behalf of Valley Wide Smile for \$20,000 to serve children in Lehigh County.
- Worked with the City’s Lead HUD grant to screen children for lead poisoning before work is done on housing units.
- Screened 951 City children for lead poisoning.
- Completed 74 home visits for follow up, confirmation testing, education and screening.

Nurse Family Partnership

- Received 152 new referrals for the Nurse Family Partnership Program
- Provided 1,395 home visits (1,001 completed visits and 394 attempted visits) to first-time mothers and their children.
- Began the Nurse Family Partnership Competency project.
- Hosted 6 child health seminars; 60 individuals from various community agencies attended.

Tobacco Prevention & Cessation

- Conducted Clean Indoor Air Inspections and provided information about the benefits of smoke-free restaurants and local cessation resources to with 319 eating establishments in Lehigh County.
- Collaborated with 11 police departments in Lehigh County to conduct 626 compliance checks. A total of 52 sales (8.3%) sales were permitted.
- Conducted 39 community-based education programs to 488 people emphasizing prevention, the benefits of smoke-free lifestyles and the harmful effects of secondhand smoke.



- Conducted awareness and community campaigns to: provide information about the harmful effects of tobacco use and secondhand smoke, promote local tobacco cessation resources, promote Lehigh Valley smoke-free restaurants, and decrease tobacco sales to minors.
- Collaborated with the Bethlehem Health Bureau to plan and implement strategies for a coordinated, comprehensive approach for tobacco prevention and cessation programming in the Lehigh Valley. This included conducting regular meetings with 11 sub-contractors.
- Prepared and submitted a proposal to the Pennsylvania Department of Health to continue receiving tobacco prevention and cessation program funding. The Allentown Health Bureau was notified that the proposal was accepted and that the Health Bureau will continue as the primary contractor for Lehigh County through June 30, 2007.

CHALLENGES AND GOALS

AIDS Prevention

- The tightening of the City budget made it impossible to spend all grant funds, jeopardizing future funding levels.
- The new State HIV reporting mandate made surveillance and partner tracing more difficult on a local level.
- A new computerized HIV reporting system, if implemented correctly, will provide better ability to trace partners on a local level.
- To maintain the number of HIV tests offered to high-risk City residents despite national apathy regarding HIV.

Animal Control

- Assure that the community is afforded the best animal control services possible.

Child/Family Health Services

- To host a second lead conference in the City, in order to continue to educate health care professionals and contractors on lead poisoning and its effects on children's health.
- To screen children at risk who might otherwise not get screened.
- To reduce the amount of dental disease and decay in City children and adults.
- The accomplishment of program objectives, with limited resources and personnel, continues to be a challenge.

Chronic Disease Prevention

- Increase utilization of the nutrition counseling program and fitness program for overweight youth.
- Motivate youth and adults to be more physically active and choose nutritious foods.
- Maintain participation in the nutrition counseling and follow-up component of the cholesterol/glucose screening program. (Population is transient).



- Expand the cancer screening capacity to accommodate the increased number of uninsured and underinsured people who need screening for breast, cervix and gynecologic, skin and prostate cancers.
- Establish a program to screen uninsured/underinsured persons for colorectal cancers.

Communicable Disease Prevention

- Staff must remain proficient in five main computer tracking programs in the Communicable Disease program; NEDSS, HIV/AIDS Reporting System (HARS), Hepatitis B tracking program, HIV Prevention Education Program and the Hepatitis C database.
- The poor state of the health care delivery systems results in an increasing number of under-insured City residents who need assistance to patch together adequate medical care for their families.
- To continue to offer disease prevention services to reduce the number of ill City residents.
- To conduct ongoing in-service training sessions to update staff and area professionals about required disease and investigatory information, procedures, and resources.

Emergency Preparedness

- To coordinate disaster response with other City partners despite limited resources.
- To encourage citizens to fight apathy and remain prepared at home.
- Allentown Health Bureau staff will continue to participate in bioterrorism-related training, exercises, advisory committees, and Task Forces to assure enhanced competencies in public health emergency management.
- The Allentown Health Bureau will grow with, and integrate with, the state and federal public health systems' information technologies (Health Alert Network and PA National Electronic Disease Surveillance System).
- The Allentown Health Bureau will maintain a Strategic National Stockpile (SNS) plan that is integrated with the State and Federal SNS plan.

Environmental Protection

- Investigate and successfully abate community environmental health complaints regarding housing hygiene, lead paint, vector control, solid waste and other health-related nuisances.
- Promote public awareness of public health-related environmental issues such as radon, indoor air quality and West Nile Virus.

Food Protection

- Reduce infections caused by key food-borne pathogens.
- Increase the proportion of consumers implementing safe food handling practices.
- Improve food employee behaviors and food preparation practices that directly relate to food-borne illnesses in food establishments.
- Ensure appropriate inspection and enforcement of an increasing number of licensed food establishments.



Health Administration

- Update the five-year Action Plan that addresses priority public health problems in the Environmental and Personal Health divisions.
- Continue to enhance the Bureau's capacity to electronically communicate, analyze data, and generate reports.
- Continue to develop the Bureau's ability to respond to a public health emergency by planning, training, and drilling.

Immunization

- A transient population of children who lack medical homes.
- Large of number of children without medical insurance.
- Staffing issues, immunization program needs a full-time nurse to support its efforts.
- Lack of adequate funding required to support initiatives which would increase immunization awareness.

Injury Prevention

- To reduce the number of home injuries though the reduction of hazards identifies in child and home safety surveys.
- To develop injury prevention awareness campaigns and educational opportunities for the public and professions.
- To promote child injury prevention though the activities of the Safe Kids Coalition.
- To promote safe playgrounds through twice a year inspections.
- To promote gun safety in the home.
- To reduce the number of civilians who sustain fire injuries to less than 37.
- To prevent violence in the community through a partnership of agencies delivering violence prevention interventions.
- To promote good mental health and reduce suicide though a partnership of mental health providers and advocates.

Institution Sanitation & Safety

- Assure appropriate inspection and enforcement of an increasing number of child care facilities.

Lead/MCH Program

- To host a second lead conference in the City, in order to continue to educate health care professionals and contractors on lead poisoning and its effects on children's health.
- To screen children at risk who might otherwise not get screened.
- To reduce the amount of dental disease and decay in City children and adults.

Nurse Family Partnership

- Nurse recruitment has been a challenge due to the City pay scale as compared to local employers.



- NFP nurses work with mothers until the child reaches two years of age. Retention of clients for two years following the delivery of their babies is a challenge.

Tobacco Prevention & Cessation

- Increase utilization of local cessation resources to reduce tobacco use by adolescents and adults.
- Reduce illegal sales of tobacco products to minors and expand the tobacco enforcement efforts to include areas where compliance checks are not currently conducted.
- Increase the number of worksites, including bars and restaurants that have written policies that prohibit smoking.
- Reduce exposure to secondhand smoke in the home and motor vehicles.
- Enhance community efforts to strengthen tobacco control laws in Pennsylvania, which currently prohibit local control through pre-emption.

INITIATIVES

HE01: Implement a Reinspection Fee (Environmental Inspection Services)

The Health Bureau currently assesses a number of fees for the inspection of food and child care facilities across the City. The fees are evaluated periodically and raised when appropriate. The City's fees are significantly higher than neighboring jurisdictions' fees, therefore no fee increases will be instituted in 2006. While it is important to review existing fees, it is also important to review areas where the Bureau is providing a service and not recovering any of the cost of the service. Fees for inspections of food service establishments in comparable jurisdictions are shown in the table below.

Food Establishment Inspection Fees

City	Fees
Allentown	Renewal - Sit Down Facilities <75 seats- \$201 'Renewal - Sit Down Facilities>75 seats- \$301
Pittsburgh	Restaurant with bar <30seats- \$131.25; without bar - \$94.50 Restaurant with bar 31-50 seats- \$162.75; without bar- \$131.25 Restaurant with bar 51-70 seats- \$199.50; without bar \$162.75 Fees increase with every additional 20 seats on a set price schedule, with a maximum capacity fee set at \$1386
York	Base Kitchen fee: 0-25 seats- \$50 Base Kitchen fee: 26-49 seats- \$75 Base Kitchen fee: 50-75 seats- \$100 Base Kitchen fee: 76 and more- \$50 First Re-inspection- \$50 Second Re-inspection- \$100



City	Fees
Scranton	Under 15 seats- \$100 (inspected every year) Over 15 seats- \$150 (inspected every year)
Harrisburg	Public Eating/Drinking establishment 0-49 occupancy- \$75 Public Eating/Drinking establishment 50-99 occupancy- \$100 Public Eating/Drinking establishment 100+ occupancy- \$250
Lancaster	Annual Eating/Drinking license- \$100 initial inspection of new location, then based on number of employees. 1-2 employees- \$30; 3-5 employees- \$60; 6-10- \$90, etc., increasing in \$30 increments

While the City has inspection fees for food establishments, there is currently no re-inspection fee for establishments who fail to comply with regulations on the first inspection. The City of York has a re-inspection fee policy, and charges \$50 for the first re-inspection and \$100 for the second. As shown in the table below, the City of Allentown has had an average reinspection rate of 17.1 percent over the last five years.

Historic Reinspections in Allentown

	2000	2001	2002	2003	2004	Five Year Average
Number of Inspections	1,371	1,259	1,215	1,020	1,139	1,201
Number of Reinspections	274	180	201	174	198	205
Reinspection Rate	20.0%	14.3%	16.5%	17.1%	17.4%	17.1%

Given that there is an additional cost to the City to return to the establishment and perform an additional inspection, the City should implement a reinspection fee for any facility found to be in non-compliance upon a routine inspection. While most of the comparable jurisdictions surveyed did not have re-inspection fees, some cities, such as Lancaster, issue fines along with violations for establishments found to be in non-compliance. Additionally, there are large number of municipalities of varying population sizes both regionally and nationwide which have a fee for reinspections. A sampling of those fees is shown here.

Sample Restaurant Reinspection Fees

Municipality	Population	Reinspection Fee
York, PA	40,081	\$50 for first re-inspection \$100 for second re-inspection
Chatham, NJ	10,086	\$50
City of Glassboro, NJ	19,068	\$35
City of Englewood, NJ	26,203	25% of license fee
City of Danbury, CT	77,353	\$100-\$200



City of Norwalk, CT	84,170	\$60
City of Irving, TX	194,455	\$60
Kansas City, MO	442,768	\$75-\$250
Pima County, AZ	907,059	\$152
Montgomery County, MD	921,690	\$50

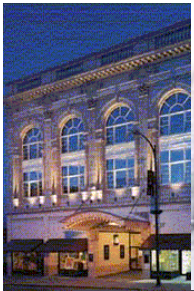
To quantify estimated revenue potential through this new fee, it will be assumed that Allentown will perform 200 reinspections in each of the five out years. This estimate is based on the historic five year average, however, it should be noted that the number of reinspections depends upon the number of routine inspections that are performed. In addition, there are other variables to take into consideration, such as the number of staff available to perform inspections and reinspections and the level of focus on food service activity. These factors and others could potentially alter this estimate. Furthermore, it is assumed that the fee for reinspection will be \$60, based on the average of the sample cities' fees shown above. Under these assumptions, potential revenue from a reinspection fee could be \$10,800 in the first year of implementation. A conservative discount factor of 10 percent has been applied to account for any variances in the number of reinspections performed. There should be no additional cost to the City as City workers are already performing these reinspections as part of their regular duties.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	10.0%	10.0%	10.0%	10.0%	10.0%
Fiscal Impact	\$10,800	\$11,070	\$11,347	\$11,631	\$11,922



Economic Development



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Economic Development

The City of Allentown, with an estimated population of 106,732 in 2004, is the third-largest city in Pennsylvania and the largest city in the Lehigh Valley (encompassing Lehigh and Northampton Counties in eastern Pennsylvania). Located about 80 miles west of New York City and 60 miles north of Philadelphia, Allentown also serves as the Lehigh County seat. A population increase of over 7 percent in the 1990s made the Lehigh Valley the fourth fastest-growing area among the state's nine metropolitan areas. As a byproduct of this regional growth, Allentown saw modest population growth of 1.5 percent during this period. While this represented better growth than other urban areas in the Commonwealth, it primarily reflected a general shift of growth to formerly rural townships. During this decade the Lehigh Valley lost more farmland than any of Pennsylvania's other large metropolitan areas.

Allentown was affected by the Lehigh Valley's historic shift from heavy manufacturing to a combination of services and technology employment, which resulted in a loss of 44 percent of the region's high-value manufacturing jobs from 1970 to 2000. Nonetheless, the City continues to host major employers such as the PPL Corporation, Mack Trucks, Inc., the Allentown School District, and Lehigh County's government. According to the Lehigh Valley Economic Development Corporation, an estimated 9,000 people work daily in downtown Allentown in government, retail, and business jobs. And while the region's growth may be partly attributable to New York metropolitan area, central New Jersey and Philadelphia-area commuters moving to lower-cost areas, the 2000 census found that nearly 78 percent of Allentown residents work in Lehigh County, and an additional 11 percent elsewhere in the Lehigh Valley.

The Allentown region has grown as a major regional center of higher education. Within the City of Allentown are two institutions of higher education, Muhlenberg College and Cedar Crest College, with combined full-time enrollments of almost 3,600 students and employment for over 2,000. The Lehigh Valley region is home to more than 10,000 additional students, centered at Lehigh University in Bethlehem (5,725 enrollments); Lehigh Carbon Community College in Schnecksville (2,145); Northampton County Area Community College, also in Bethlehem (3,128); and Lafayette College in Easton (2,218).

Health care in the City is provided by Lehigh Valley Hospital, St. Luke's Hospital, and Sacred Heart Hospital; medical institutions that together employ almost 10,000 people in the Allentown area.

As shown in the following table, Allentown's regional employment growth has outpaced statewide averages, although unemployment rates have closely reflected those of Pennsylvania since 2000.



Figure 1: RECENT TRENDS IN LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT

	2000	2001	2002	2003	2004	Average Annual
Lehigh County						
Civilian Labor Force (000)	162.4	169.0	165.4	166.6	169.0	1.60%
Employment (000)	155.6	159.3	157.8	157.3	160.2	1.32%
Unemployment (000)	6.8	9.7	7.6	9.3	8.0	5.57%
Unemployment Rate	4.2%	5.7%	4.6%	5.6%	5.2%	--
Pennsylvania						
Civilian Labor Force (000)	6,073.0	6,290.0	6,122.1	6,170.0	6,313.0	1.13%
Employment (000)	5,786.0	5,934.0	5,834.0	5,826.0	5,990.0	0.97%
Unemployment (000)	287.0	356.0	288.2	344.0	323.0	4.28%
Unemployment Rate	4.7%	5.7%	4.7%	5.6%	5.1%	--

Source: Pennsylvania State Employment Service (from Allentown School District Official Statement of May 12, 2005)

During the past several years the City and County, along with other local and regional economic development partners, have worked together to generate \$300 million in new public and private investment in Allentown. These activities have focused on downtown revitalization, the development of innovative housing, marketing the city, and expanding tourism and recreational opportunities.

Allentown's Economic Development Plan

Allentown's economic development challenge begins with the central business district, particularly along Hamilton Street from 4th to 13th Streets. Once the Lehigh Valley's commercial center, dominated by three flagship department stores, Allentown's downtown core maintained vibrant retail activity longer than many other older industrial cities. By the mid-1990s, however, the city's destination retail stores had closed or relocated to suburban areas. This loss of retail trade coincided with the flight of the business community, as a relatively new Class A office building collapsed into a sinkhole, banks merged or closed, law firms once located near the courthouse moved out, and suburban office development grew.

In neighboring Bethlehem, the downtown is surrounded by upscale housing; in Wilkes-Barre, two colleges anchor the downtown; Philadelphia also has housing – much of it occupied by higher-income residents – near its core. In contrast, Allentown's center city



features its oldest housing stock and its largest concentration of poor and minority residents, who are isolated from employment opportunities and needed services. As key downtown office projects are completed and are complemented by commercial and residential development, the City should reinforce these efforts by focusing on redevelopment of new residential, commercial and hospitality projects throughout Allentown.

Figure 2: ALLENTOWN ECONOMIC DEVELOPMENT PROJECTS

	Project	Project Cost	Private	Public	KOZ
1	PPL Plaza	\$ 60,000,000	\$ 60,000,000		\$ 60,000,000
	Keystone Nazareth Bank & Trust	\$ 1,000,000	\$ 1,000,000		\$ 1,000,000
	Johnny Mañanas	\$ 2,500,000	\$ 2,500,000		\$ 2,500,000
2	Allentown Brew Works	\$ 7,000,000	\$ 7,000,000		\$ 7,000,000
3	City Line Construction	\$ 3,000,000	\$ 3,000,000		\$ 3,000,000
	Quiznos	\$ 178,000	\$ 178,000		\$ 178,000
	City Line Creamery	\$ 62,600	\$ 62,600		\$ 62,600
	City Line Coffee	\$ 65,600	\$ 65,600		\$ 65,600
	Verizon Communications				
4	Alvin H. Butz, Inc.	\$ 15,000,000	\$ 15,000,000		\$ 15,000,000
5	Penrose Properties	\$ 10,800,000	\$ 10,800,000		\$ 10,800,000
6	Woodmont Properties - Schoen's Furnitu	\$ 4,800,000	\$ 4,800,000		\$ 4,800,000
7	Metropolis - Farr's Shoe Store	\$ 3,100,000	\$ 3,100,000		
8	Lehigh County Courthouse	\$ 73,000,000		\$ 73,000,000	
9	Lehigh Valley Baseball Stadium	\$ 34,300,000		\$ 34,300,000	
10	Zawarski Townhouses	\$ 12,000,000	\$ 12,000,000		\$ 12,000,000
11	PennDOT - Van Scivers	\$ 2,400,000		\$ 2,400,000	
12	Musselman Arts Development Center	\$ 675,000		\$ 675,000	
13	Allentown Transportation Center	\$ 13,000,000		\$ 13,000,000	
14	Lehigh Landing - America on Wheels	\$ 15,600,000	\$ 15,600,000		\$ 15,600,000
15	Art Museum Expansion	\$ 20,000,000	\$ 20,000,000		
16	Symphony Hall Expansion	\$ 7,700,000	\$ 7,700,000		
17	Crowne Plaza Renovation	\$ 2,000,000	\$ 2,000,000		
18	Lehigh Valley Heritage Museum	\$ 8,500,000	\$ 8,500,000		
19	645 Hamilton - Monument	\$ 4,000,000	\$ 4,000,000		
20	St. Luke's - Allentown	\$ 50,000,000	\$ 50,000,000		
	TOTAL INVESTMENT	\$ 350,681,200	\$ 227,306,200	\$ 123,375,000	\$ 132,006,200
	%	100.00%	64.82%	35.18%	37.64%

Source: City of Allentown.

The plan presented below details some of the ongoing and planned initiatives for economic development. The three focus areas of the plan are as follows:

- 1. Revitalizing Commercial Areas**
- 2. Developing New Residential Opportunities**
- 3. Enhancing Recreational and Entertainment Options**

These components are detailed in the following sections.

1. Revitalizing Commercial Areas



The Plaza and The Tower at PPL Center: A new \$60 million, nine-story structure on the former site of Hess' department store was completed in 2003. The Plaza at PPL Center includes approximately 215,000-square-feet of Class A office space for PPL, including a state of the art 35,000-square-foot energy marketing and trading floor; approximately 32,000-square-feet of speculative Class A office space; and approximately 18,000-square-feet of Class A retail. A new 1,100-space parking deck serves the building. The Plaza houses PPL's Energy Plus Division, which buys and sells energy in competitive wholesale and deregulated retail markets. In 2004, the U.S. Green Building Council awarded the building a "gold" rating, making it the first privately owned building in Pennsylvania to achieve this status. PPL has now been joined at this location by a 6,000 square foot Keystone Nazareth Bank & Trust branch, the first new bank in center city in over 20 years. A \$1.5 million, 6,500 square foot Mexican-themed restaurant will also be opening on the site. At its adjacent historic 1928 headquarters tower, PPL completed a major renovation of that building's public spaces, including interior and exterior work on the 9th Street entrance, renovation of the lobby area, a relocated Hamilton Street entrance, and updates to the building's elevators, escalators and mechanical systems.

Allentown Brew Works: The owners of the popular Bethlehem Brew Works purchased the former Harold's Furniture Store at 814-816 Hamilton Street, a neighboring structure at 816 Hamilton Street and an Allentown Parking Authority (APA) lot at 16-20 S. Eighth Street. They plan to create a 50,000 square foot, 700-seat restaurant and banquet facility to open in summer 2006; 4,000 square feet of commercial office space; and ten loft-style apartments on the upper floors. The completed project is expected to generate about 160 jobs. The total renovation cost will be \$7.2 million, assisted by \$1 million in state grants and \$3.4 million in low interest loans from the U.S. Department of Housing and Urban Development (HUD) for environmental remediation and construction. Lehigh Valley Economic Development Corporation (LVEDC) also provided a \$1.8 million loan through its regional loan pool, which consists of ten financial institutions and Lehigh University.

City Line Construction: This former Salisbury Township firm moved its headquarters and more than 50 jobs to 818-822 Hamilton Street, spending \$3 million to convert three formerly vacant buildings into retail and office space, with four luxury loft apartments. A Quiznos franchise, City Line Coffee Shop and City Line Creamery have opened on the first floor, with a Verizon Communications store planned for the remaining space. The second floor has been leased to an insurance company.

Alvin H. Butz Inc.: In another notable public-private partnership, this South Whitehall Township construction management firm, founded in 1920, is scheduled to complete a new, \$15 million Class A office building at 840 Hamilton Street by the end of summer 2005, moving its headquarters and more than 80 jobs downtown. The first phase of the project will be a modern-design, six-story, 76,000 square foot building, of which Butz will occupy 20,000 square feet. The Allentown Economic Development Corporation (AEDC), which with the City helped secure \$2 million in state grants towards constructing the new facility, will handle the disposition of another 20,000 square feet of office and retail space. The first floor of the building will be leased primarily for retail



uses, and there will be an FAA-approved heliport on the roof. Planning for a future-phase, multi-story, 48,000 square foot Class A office building is underway.

Crowne Plaza Hotel: Downtown's major hotel reopened in February 2004 after extensive renovations, with 224 guest rooms, eight suites, and 12,000 square feet of flexible meeting space.

City of Allentown Economic Stimulus Package: In June 2003, City Council approved a proposal to use \$847,500 from the sale of sewage treatment services to fund six grant and loan programs intended to attract new investors, businesses, and residential housing to the Central Business District. The loan review committee has approved 22 grants and loans totaling over \$542,000. These programs include:

- Facade Grants and Loans: serve to enhance the physical appearance of the Hamilton Street business corridor by creating consistency in design, materials and architectural character; programs are complemented by City's updating of building renovation guidelines and design review at City expense by a local architectural firm.
- Business Recruitment Incentive Grant: supports the recruitment of new retail and office tenants by offering incentives to real estate brokers and landlords.
- Upper Floor Housing Rehabilitation Loan: provides funding for the rehabilitation of vacant upper story space to create new living environments on Hamilton Street.
- Neighborhood Business Revitalization Loan: assists with updating the appearance, safety, and efficiency of commercial properties and interior improvements.
- Design Assistance Grant: offers professional design assistance in the rehabilitation of commercial properties.

Complementing these programs, in April 2004 the City began contracting directly with Reach Home Community Services to provide sidewalk cleaning, snow removal, assistance with special events, and general ambassador services in the central business district.

Brownfields Clean-Up: As part of its commercial revitalization activities, the City obtained a \$1 million Revolving Loan Fund Grant from the EPA, which was the highest funding award in the agency's Mid-Atlantic service region. The City has hired a Brownfields Coordinator to prioritize sites for redevelopment and assist potential developers with environmental characterization and remediation. This new program has facilitated the demolition and remediation of the 15-story UGI Utilities, Inc. tank off American Parkway and the former Lebanon Chemical Corporation plant on Martin Luther King Jr. Drive, as well as the redevelopment of the former Exide Technologies battery plant on Lehigh Street into a new Wal-Mart store.



Streamlining City Services: To facilitate the provision of permits and economic development assistance, the city implemented new “one-stop shop” facilities on the 3rd and 4th floors of City Hall. In the first major renovation of City Hall since its construction in 1964, the Environmental Services division of the Health Bureau and the Inspections division of the Allentown Fire Department have joined Building Inspections and Zoning on the 4th floor. One floor down, the office of the Director of Community and Economic Development and the Housing Rehabilitation division of the Bureau of Building Standards and Safety share space with the Redevelopment Authority and the AECD, offering a single point of contact for financial and development services.

Marketing the City: The City has developed a new marketing logo, “ReDiscover the City,” to advertise Allentown to potential new residents and businesses. This new logo appears on all City letterhead and business cards, and a distinctive new design based on the logo was developed for all City brochures. The City also created a contemporary marketing brochure and took other steps to publicize Allentown’s renewal, such as a direct mail postcard offering restaurant discounts and a new media campaign called “City Excitement” to publicize City events. Finally, the City’s Traffic Engineering Bureau created a new, consistent, signage system that follows the guidelines of the Pennsylvania Department of Transportation’s Tourist Signage program, to better define entry points into Allentown.

2. Developing New Residential Opportunities

Allentown Center Square: Just north of Center Square at 11-17 North 7th Street, Penrose Properties of Philadelphia is renovating two blighted, historic commercial buildings into 63 units of independent living, senior apartments at a cost of \$11.6 million, for December, 2005 occupancy. Financing assistance for this project includes \$8 million in tax credits and a \$1.5 million loan from the Pennsylvania Housing Finance Agency, an \$800,000 HUD HOME Investment Partnerships Program and \$200,000 U.S. Environmental Protection Agency (EPA) Brownfields Program loan from the City, and a \$428,250 Industrial Reuse Program loan from the Redevelopment Authority.

Loft Apartments and Townhouse Construction: Responding to the increased demand from young professionals looking for unique living spaces located close to the entertainment and commercial opportunities offered by the urban centers, developers have started at least nine loft apartment projects in Allentown over the past two years. The loft developments include:

- 35 units in a century-old mill on Auburn Street, just south of center city;
- 30 units and 2,000 square feet of street level commercial space in the former Schoen’s Furniture building at 612 Hamilton Street, under a contract between the AEDC and New Jersey’s Woodmont Development Corporation; the City helped Woodmont apply for a \$400,000 no-interest loan from the Pennsylvania Housing Finance Agency for renovation costs;



- 20 units and a new street level restaurant in the former Farr's shoe store at 739 Hamilton Street;
- 17 units to be sold or rented in a five-story former Mayflower Moving Company warehouse at 128-132 North 8th Street;
- 12 units in a rehabilitated shoe factory at 1228 Gordon Street;
- five units, along with a restaurant, office space and a custom furniture store in the former Dime Savings Building at 12 North 7th Street in Center Square;
- five units in a vacant warehouse at 951 Chew Street, in the Old Allentown Historic District.

In addition to the proliferation of new loft housing options, Bethlehem suburban homebuilder Nic Zawarski and Sons won a bid to develop several former parking lots in the 800 blocks of Walnut and Jackson Streets into 64 units of upscale townhouses to sell for \$180,000 to \$200,000. This project represented the first new residential construction in the center city area in almost 20 years. Because these parcels are designated Keystone Opportunity Zones, homeowners will be exempt from many state and local taxes until 2010.

3. Enhancing Recreational and Entertainment Options

City Centre: City Centre is a new nonprofit partnership between Grace Montessori School, the Theatre Outlet, and the APA to create an arts and education complex in the ground floor space of the former parking deck of Hess' department store at the southeast corner of 9th and Linden Streets. This new 30,000 square foot space features the Theatre Outlet Art Lobby for display and sale of works by area artists; a flexible 200-seat theatre venue; the 72-seat "TO2 Lab" performance space for staged readings, multidisciplinary arts and education programs, workshops, and rehearsals; an urban green space for outdoor recreation and environmental instruction; and multi-purpose classrooms for Montessori early childhood education and childcare during weekdays and after-school, evening, and summer usage by the community. The project benefited from a \$500,000 state grant for completion of the school.

Creating an Arts District: The City retained the architectural and planning firm known for its work on Philadelphia's "Avenue of the Arts" to assist in preparing a Master Plan for Allentown's Cultural, Arts and Entertainment District. The objectives of the plan included increasing awareness of the district and cooperation among facilities; attracting additional arts and cultural organizations and new night and weekend activity; and identifying additional revenue and resources. The completed plan addresses marketing, events planning and collaboration, land use and redevelopment, financing and urban design. The following projects are already completed or underway:

- With the retirement of the owners of Musselman Advertising, that company's former building at 601 Hamilton Street has been converted into an Arts Development Center with a \$400,000 Communities of Opportunity Grant from the state Department of Community and Economic Development to purchase and renovate the building. The center's first tenant is Youth Education in the Arts, a



- non-profit youth performing arts organization from New Jersey already active in Allentown through their youth band competitions.
- In April 2004, Governor Edward G. Rendell presented \$1 million to the City for the completion of the Allentown Arts Walk, a brick walkway connecting the major arts institutions in the district, which include the Allentown Art Museum, Baum School of Art, the new Arts Park, Symphony Hall, and the Liberty Bell Shrine Museum at Zion Reformed Church. The first phase of the walkway, running west of North 6th Street down Hamilton Street, was constructed in 2003 with the assistance of the APA.

Marketing the City: In May, 2004, the City launched a new website, <http://www.visitallentownpa.com>, distinct from the official city government site, to promote tourism and travel to Allentown. Focusing on the exciting things to do in the city, the site includes sections on accommodations, dining, nightlife, arts and culture, sports and leisure, shopping, history, photos, directions, and events.

Keystone Opportunity Zones

One of the major statutory tools that Allentown has used to encourage business investment has been the designation of 18 properties as part of Pennsylvania's Keystone Opportunity Zone (KOZ) program. Fourteen of these sites are currently under agreement for development or are already renovated. The KOZ sites are illustrated in Figure 3.

Keystone Opportunity Zones are strategic areas for potential development which are subject to lowered, or in some cases, eliminated state and local taxes. These well-defined sections of land are selected by local communities and approved by the State, representing a unique partnership between Pennsylvania's regional and state systems. KOZs are typically areas which have historically had unfavorable socioeconomic conditions, including high rates of unemployment and underutilized property resources. Areas selected as KOZs are intended to attract development where previously little incentive for growth had existed. Projects implemented in the KOZs will receive priority for State assistance in terms of economic and community development programs. The length of the tax relief can vary for each KOZ, but local governments can anticipate future tax revenue and potential spin-off taxable activity from each KOZ site. In Allentown, the state and local tax incentives available to all 18 KOZ sites will expire on December 31, 2010.



Figure 3: ALLENTOWN KEYSTONE OPPORTUNITY ZONES

Allentown Keystone Opportunity Zones			
Site Name	Address	Best Use	Acreage
Former Incinerator Site	South 3rd Street	Not Available	23.00
Bridgeworks Land Site	Bridgeworks Land Site	Not Available	7.70
Neuweiler Brewery	Front & Gordon Streets	Industrial / Manufacturing	1.90
6th & Walnut	13-47 S. 6th Street	Not Available	1.75
912-926 Jackson Street	912-926 Jackson Street	Not Available	1.50
108-126 S. 7th Street	108-126 S. 7th Street	Not Available	1.10
112-128 N. 7th Street	112-128 N. 7th Street	Not Available	0.90
718-738 Quincy Street	718-738 Quincy Street	Industrial / Manufacturing	0.81
18-22 North 8th Street	18-22 North 8th Street	Not Available	0.40
Bridgeworks Business Incubator	Harrison Street and South 10th Street	Industrial / Manufacturing	0.00
Cata Garment Building	728 Linden Street	Commercial / Office	0.00
11-31 North 7th Street	11-31 North 7th Street	Commercial / Office	0.00
Albright Steel Building	115 North Front Street	Industrial / Manufacturing	0.00
815-821 Hamilton Street	815-821 Hamilton Street	Not Available	0.00
Schoen's Building	612 Hamilton Street	Commercial / Office	0.00
PPL Plaza	835 Hamilton Street	Commercial / Office	0.00
Kline Building	Front & Hamilton Streets at Lehigh Landing	Industrial / Manufacturing	0.00
832-844 Hamilton Mall	832-844 Hamilton Mall	Commercial / Office	0.00

Source: TeamPA Foundation.

Property Tax Impact of KOZ Expiration

The City has no current estimates of the increase in property tax revenues which might result from the expiration of Keystone Opportunity Zone (KOZ) tax abatements on December 31, 2010. Developing such a projection is largely speculative because construction on tax-exempt sites is incomplete; hence the rudiments of projecting the assessed value of taxable KOZ land and properties in 2011 are largely unknown. For the purposes of developing a basic range of potential tax impacts, two simplified projection methods were used and are illustrated in the following charts.

The first method, “KOZ Project Cost/Values Approach”, uses the currently-known KOZ project costs (as outlined in Figure 2) to construct an estimated assessed value for KOZ sites in 2011. Reflecting Lehigh County’s 50 percent predetermined ratio, the KOZ project cost (and assumed appraised value) of \$132 million is netted out to \$66 million. This increase is then applied to the City’s 2005 taxable assessed values, which are inflated to estimated 2011 levels using the annual average increase observed from 2001 through 2005 (0.54 percent). Taxable KOZ assessed values represent 3.79 percent of Citywide taxable values. Finally, this percentage increase is applied to forecast 2011 property tax collections. To limit the variables for the purposes of this analysis, no change in 2005 millage rates is assumed. Using this method, the property tax value of the KOZ exemption would be \$1,133,075



KOZ PROJECT COST/VALUES PROJECTION APPROACH

Total Projected Appraised Values (2011)	3,485,626,611
Assessed Values (50%)	1,742,813,306
KOZ Project Cost (Value)	132,006,200
Assessed KOZ Values (50%)	66,003,100
KOZ Values as a Percentage of Citywide Taxable Values	3.79%
Projected Property Tax Collections in 2011 (no change to 2005 millage)	29,918,881
Property Tax Collections with KOZs	31,051,956
Net Impact of KOZ tax exemption	\$1,133,075

The second method, the “KOZ Acreage/Values Projection Approach”, reflects the high degree of uncertainty about 2011 assessed values relative to the current KOZ development sites and instead uses their acreage. As KOZ sites are not generally subject to change following their incorporation, their acreage represents a known quantity in the property tax forecast. Allentown’s acreage is converted from the City’s Census 2000 land area of 17.7 square miles using a multiplication factor of 640. Assuming the City’s percentage of tax-exempt value (20 percent) is also applicable to land area; 11,328 acres are discounted by 20 percent. 43 KOZ acres represent 0.48 percent of 9,062 citywide taxable acres. Assuming the commercial value of KOZ land will be assessed at approximately 2.5 times the rate for the average (residential) acre of land in the City, the addition of KOZ land will represent and further 1.19 percent on 2011 taxable value. Again using forecast property tax collections in 2011 of \$29,918,881 (see prior projection method); the tax value of this percentage addition would be \$355,977.

KOZ ACREAGE/VALES PROJECTION APPROACH

Total City Acreage	11,328
Tax Exempt Properties as a Percentage of Assessed Value	20%
Assumed Citywide Taxable Acreage	9,062
KOZ Acreage	43
KOZ Acreage as a Percentage of Citywide Taxable Acreage	0.48%
Assumed ratio of KOZ (commercial) acre over residential acre	2.5
Values as a Percentage of Existing Taxable Value including Ratio	1.19%
Projected Property Tax Collections in 2011 (no change to 2005 millage)	29,918,881
Property Tax Collections with KOZs	30,274,858
Net Impact of KOZ tax exemption	\$355,977



Since both methods are dependent on unknown or uncertain variables, and lie several years in the future, these projections should be used in future fiscal planning only as a guide to the range of potential tax impacts which may result from the expiration of KOZ tax abatements in December 2010. It is notable that while the range of these likely future increases in property tax revenue – \$355,977 to \$1.133 million – is significant, they are not enough on their own to allow the City to relax its other efforts at expenditure reduction and revenue enhancement in the intervening five years.

Other Statewide Economic Development Initiatives

Other programs through which the City is eligible to receive state development aid include:

Main Street: Pennsylvania's Main Street program provides grants to municipalities to foster downtown development in a local community. The Main Street program looks to strengthen existing city centers, to serve as a catalyst for local business development, and to make downtowns more attractive places to live and work. The Main Street grant provides an eligible community \$115,000 over a five year period to accomplish these goals.

Elm Street: Pennsylvania's Elm Street program is a revitalization effort that focuses on the residential areas surrounding downtown commercial districts in the State's cities and towns. The Elm Street initiative allows for the integration of downtown revitalization efforts and neighborhood development, improving the historically older neighborhoods of Pennsylvania's communities.

[More on need to move development beyond Hamilton Strip]

Potential Major Expansion Prospects for the City's Economy:

Triple-A Baseball

In July 2005, the General Assembly passed and Governor Rendell signed House Bill 157, authorizing Lehigh and Northampton counties to impose an additional half-percent hotel room rental tax to be used for promoting and enhancing tourism throughout the region. In Lehigh County, the revenue from the tax would be earmarked for the construction of a minor league baseball stadium at the former Agere site on Union Boulevard in east Allentown. In August 2005, the Lehigh County Commissioners voted to increase the Hotel Tax Levy from 3.5 percent to 4.0 percent, raising \$210,000 in additional recurring revenues.

The stadium project is estimated to cost \$35 million, \$19 million of which would be met by state and federal development grants. The proposed owners' partnership intends to relocate the Ottawa Lynx AAA baseball team - a franchise of the Baltimore Orioles - to



Allentown by 2008. Such a venture would provide Triple-A baseball for the first time in the Lehigh Valley.

Potential Establishment of a Licensed Gaming Facility in Allentown

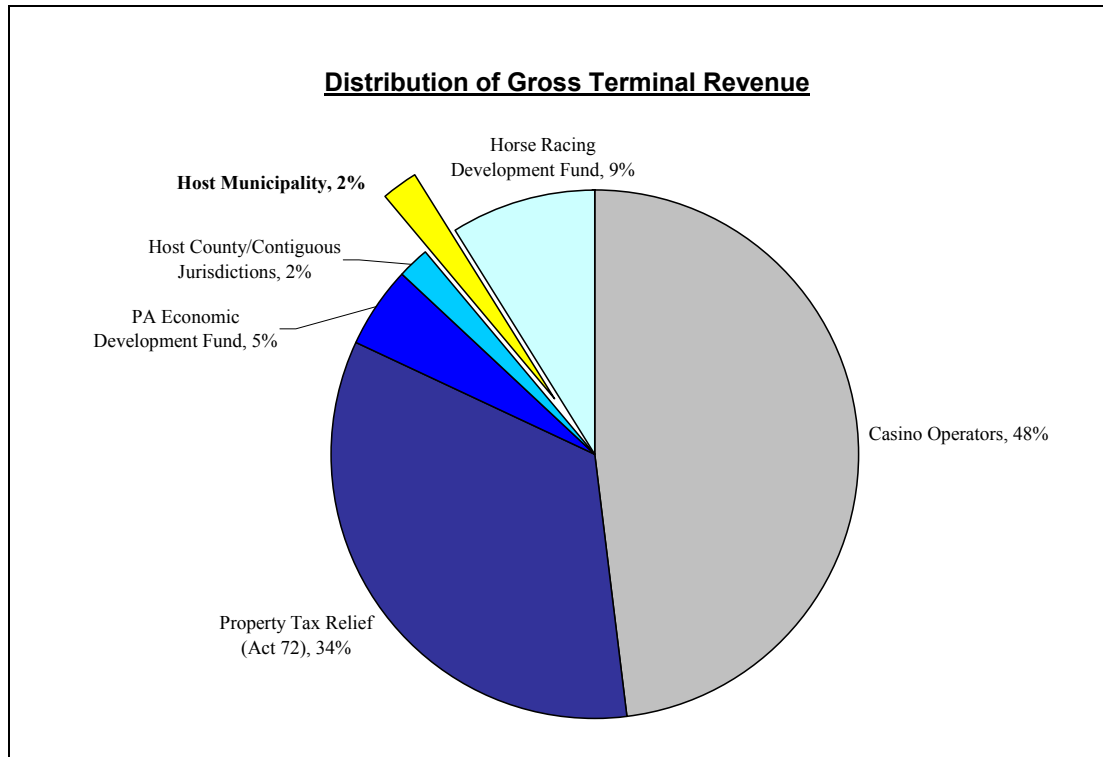
Background: Act 71 and Pennsylvania's Gaming Expansion

Pennsylvania's gaming expansion was enacted in July 2004 by Act 71, the Pennsylvania Race Horse Development and Gaming Act. The Act legalized up to 3,000 slot machines at up to 14 locations across the state.

Under the new legislation, seven or eight venues will be at race tracks (*Category 1* "racinos"), only four of which are currently operating. Category 1 locations in eastern Pennsylvania include Philadelphia Park in Bucks County, Pocono Downs in Luzerne County and Penn National in Dauphin County. Four or five "stand-alone", *Category 2* slots venues will also be authorized – two of which are guaranteed for Philadelphia, with Pittsburgh guaranteed one. Two *Category 3* resort-hotel licenses will also be granted with 500 slots each. The proposed 61,000 machines total more than the combined number in Connecticut, New Jersey and New York, and place Pennsylvania second in industry size, behind only Nevada. Once the industry is fully operational in 2007, expected gaming revenues in Pennsylvania are \$3 billion per year.

Licenses for the Category 1 and 2 venues will cost \$50 million each, and Category 3 \$5 million each, with the funds primarily dedicated to property tax relief. As shown in the chart below, after the venues are up and running, 48 percent of gross revenues will be returned to the operators with the remaining 52 percent allocated to four separate purposes (note that in typical parlance for this industry, the term "gross revenues" describes what is left after the gambling has taken place – actually gross retainage):





Projected Distribution of Pennsylvania's Slot Machine Tax

Property Tax Relief – 34 Percent

The primary goal of the gaming reform was to provide property tax relief to homeowners wherever they live in the state, regardless of where slot parlors are located. The \$610 million raised in the initial sale of licenses, as well as 34 percent of ongoing total gross casino receipts (estimated at \$3 billion annually) will be dedicated to tax relief. Following the decision of the Allentown School District to opt out of Act 72 in May 2005, assuming no change to state legislation on School District participation, most Allentown homeowners will not be eligible for property tax relief under Act 72.

Economic Development & Tourism Fund (House Bill 2330, Section 1407) – 5 Percent

The state will use anticipated revenues from the Economic Development & Tourism Fund to secure financing for economic development programs. One-half of the proceeds will go to the two largest cities, with \$600 million granted to Philadelphia for the Convention Center expansion, and \$400 million to the Pittsburgh region (primarily for the airport and the Sports & Exhibition Authority). The other half of the fund, \$1 billion, will be dedicated to economic development and tourism projects across the rest of the state.

Local Share (Host Municipality 2 Percent; County/Contiguous Jurisdictions 2 Percent)

Scenario A) Slots Parlor Located within the City of Allentown (Allentown receives a Host Municipality Share of 2 Percent or \$10 million):



Should a Category 3 “stand alone” slots parlor be located within Allentown, as a City of the Third Class hosting a licensed facility, the City would receive 2 percent of the gross revenues of the gaming facility or \$10,000,000 annually, whichever is greater. This amount must not exceed 50 percent of the City’s 2003-04 budget, adjusted in subsequent years by CPI-U inflation increases. This threshold would almost certainly not be reached in relation to Allentown.

Scenario B) Slots Parlor Located in A Neighboring Municipality but within Lehigh County: (Allentown receives a percentage of the contiguous municipalities share through DCED):

If a gaming facility is located in a Lehigh County municipality other than Allentown City, since Lehigh County is a County of the Third Class, according to Act 71, “2 percent of the gross terminal revenue from each such licensed facility shall be deposited into a restricted account established in the Department of Community and Economic Development to be used exclusively for grants for health, safety and economic development projects to municipalities within the county where the licensed facility is located. Municipalities that are contiguous to the municipality hosting such a licensed facility shall be given priority by the Department of Community and Economic Development in the award of such grants”. As such, should a stand-alone facility be located elsewhere in Lehigh County, the City of Allentown should expect to receive certain DCED monies for its health, safety and economic development projects after the facility is operational.

Scenario C) Slots Parlor Located in a Northampton County Municipality (e.g. City of Bethlehem). (Allentown receives no financial support unless the City enters into an intergovernmental cooperation agreement)

Distributions of local share revenues under Act 71 are restricted amongst municipalities within host counties, but the legislation is generally silent on regional revenue sharing. Exceptions to this are passages in which the legislation states that facilities located in two or more municipalities or two or more counties (i.e. across jurisdictional lines), “the amount available shall be distributed on a pro rata basis determined by the percentage of acreage located in each municipality to the total acreage of all municipalities occupied by the licensed facility”. In addition, the legislation states that “Nothing... shall prevent any of the... [counties or municipalities] from entering into intergovernmental cooperative agreements with other jurisdictions for sharing this money”. As such, in order to receive financial benefit from a facility located in a neighboring county, the City or County would have to undertake an intergovernmental agreement with other Lehigh Valley communities.

Given recent action by the City of Bethlehem to allow a facility in its jurisdiction, and the substantial uncertainty surrounding slots gaming revenue generally, it is not recommended that Allentown assume any positive revenue from this source during the term of this Plan.



PROJECTED FISCAL IMPACT FOR ALLENTOWN UNDER THREE LOCATION SCENARIOS

	MUNICIPAL RECEIPTS	ECONOMIC DEVELOPMENT
Scenario A: <i>Slots Parlor in Allentown</i>	2% of the gross revenues of the slots facility or \$10,000,000 annually, whichever is greater. Transfer is capped at the level of 50% of the 2003-2004 City Budget.	Negligible share of \$1 billion with rest of State
Scenario B: <i>Slots Parlor in a Lehigh County municipality other than Allentown</i>	No Property Tax relief (subject to Allentown School District opt out of Act 72); no direct revenue.	Share of \$1 bn with rest of state DCED health, safety and economic development grants: \$1-\$2 million for City projects
Scenario C: <i>Slots Parlor in Northampton County</i>	No Property Tax relief (subject to ASD opt out of Act 72); no direct revenue.	Share of \$1 bn with rest of state. No additional grants unless City/County enter an intergovernmental cooperation agreement with host municipality/County

DISCOUNTED FISCAL IMPACT

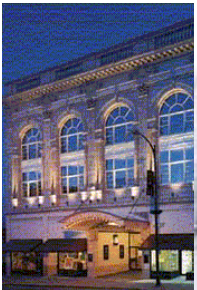
	FY2006	FY2007	FY2008	FY2009	FY2010
Discount	100%	0%	0%	0%	0%
Fiscal Impact Scenario A	\$0	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000
Fiscal Impact Scenario B	\$0	\$500,000*	\$500,000*	\$500,000*	\$500,000*
Fiscal Impact Scenario C	\$0 ±	\$0 ±	\$0 ±	\$0 ±	\$0 ±

* An estimated share of the 2 percent County/Contiguous jurisdictional assessment. Projected impact is based on the relative population of Allentown compared with other eligible Lehigh County municipalities and the current statewide estimate of \$2 billion in annual Gross Terminal Revenues after 2007. Neighboring municipality revenues are restricted to “health, safety and economic development” projects.

± Zero dollars are projected in the absence of an intergovernmental agreement with Northampton County or the host municipality.



Elected Officials



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City Council

MISSION

To provide a legislative system through which the goals and objectives of the other City service areas can be achieved.

OBJECTIVES

- To ensure that public funds are used to deliver quality services in the most cost-effective way.
- To foster citizen awareness, understanding and participation in government.
- To improve communication with other local government agencies representing the City's interest.
- To develop, update and review the records retention system—keeping it cost-effective, efficient, space saving, accessible to the public, and in compliance with Commonwealth laws.

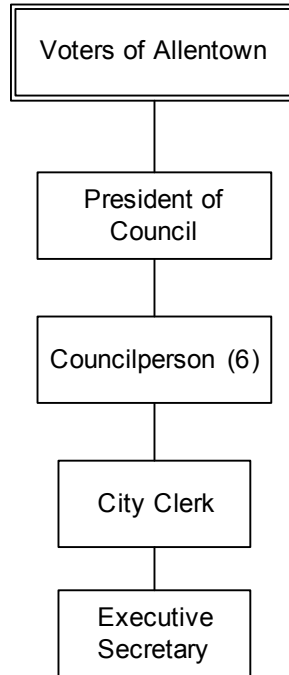
SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

City Council carries out the legislative function of Allentown City government and performs activities related to record keeping. Legislative functions include maintaining lines of communication with citizens, representing the City's interest before other political bodies, developing policy, and providing legislative oversight. Records Management includes record keeping, as mandated by law, including keeping of minutes, preparing and retaining legislation, meeting advertising requirements and maintaining the City's Code. City Council consists of the President of Council, six members of Council, and two professional staff (the Clerk of Council and an Executive Secretary). While this complement has been stable recently, some years ago Council had four professional staff.

The seven members of Council are elected to four-year terms by the voters at large. Four are elected the same year as the Mayor (2005 cycle) and three are elected in the odd-numbered year between Mayoral elections (2007 cycle). Members of Council are paid \$6,149 annually and are considered part-time employees. The professional staff are full-time employees.



ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
President of Council	1	1	1	1	1
Councilperson	6	6	6	6	6
City Clerk	1	1	1	1	1
Executive Secretary	1	1	1	1	1
Total	9	9	9	9	9

EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Final Budget
Personnel	\$175,878	\$242,233	\$190,326	\$197,181	\$191,703
Services & Charges	\$30,782	\$32,056	\$32,643	\$56,480	\$313,763
Materials & Supplies	\$487	\$1,436	\$695	\$785	\$1,405
Capital Outlays	\$5,920	\$3,457	\$3,425	\$0	\$0
Total	\$213,067	\$279,381	\$227,089	\$254,446	506,871



Projected

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$215,500	\$222,745	\$229,922	\$237,469	\$245,414
Services & Charges	\$55,169	\$56,548	\$57,962	\$59,411	\$60,896
Materials & Supplies	\$588	\$602	\$617	\$633	\$649
Capital Outlays	\$257	\$264	\$270	\$277	\$284
Total	\$271,514	\$280,159	\$288,772	\$297,790	\$307,243

PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Attendance at Public Meetings	120	120	120	120	120
Ordinances and Resolutions Approved	200	174	174	175	175
Ordinances, Resolutions, Minutes Filed	280	208	215	200	200

CHALLENGES AND GOALS

- To maintain open lines of communication with citizens in the establishment of public meetings and attending neighborhood meetings
- To conduct and give oversight to City business in the review and adoption of ordinances and resolutions
- To update and refine the Code
- To compile action minutes of Council meetings

DISCUSSION

With the completion and approval of this Plan and the concomitant election of a new Mayor and at least one new member of City Council, there is an opportunity to restate the mission of the City's legislature. PFM recommends that Council maintain its role as the legislative and oversight arm of City government. Given its limited time and resources, Council should concentrate on annual budget approval and implementation throughout the year. Council may wish to take on selected detailed investigations of issues critical to the City, holding hearings and gathering information to better understand City policy, policy options and to consider appropriate legislation. Of course, like any local legislature, Council will inquire about individual issues raised by its constituents, whether residents, businesses or others. Council should carefully avoid managerial and administrative work best performed by the executive branch.

In order to fulfill this role, Council must receive regular, reliable financial reports, meaningful performance data and other information as needed. It is intended that as a



result of the recommendations in the Finance section of this report, the Administration will compile and issue regular reports on City revenues, expenditures, and overall fiscal condition. In addition, it is recommended that the Administration invite Council to participate in cyclical budget monitoring meetings, either by sending staff or designating a Councilmember to do so. In this manner, Council will have sufficient information on City operations to fulfill its review, oversight and approval function.

INITIATIVES

EL01: Provide Limited Policy Support for City Council

Given the acute fiscal gap facing the City of Allentown, City Council should generally rely on the information and research provided by City departments in carrying out their legislative work. In turn, the Executive Branch should promptly respond to reasonable Council requests for information and analysis. It may be useful for Council and the Mayor to agree informally on a policy for certain types of requests (for example, a commitment by the Administration to answer all questions raised in Council budget hearings before final passage of the annual budget).

Considering the practices of other legislative bodies across the Commonwealth and elsewhere, however, and given the separation of powers and responsibilities as outlined in Allentown's Home Rule Charter, City Council should not fund extensive independent analytical capability. This Plan recommends that City Council set the Services & Charges portion of its budget at \$125,000, thereby allowing approximately \$50,000 for the annual audit and \$75,000 for investigations, studies, and research. Council may wish to have part-time policy research capability to provide it with an independent source of analytical expertise. It is recommended that this service be obtained by contract so as to limit extraneous costs such as benefits. While issue-specific studies may be undertaken by consultant experts, Council should consider providing any needed recurring capacity by using a faculty member or research associate from a local college or university.

In the baseline budget, PFM had set Council's Services & Charges funding at 2004 levels (fiscal year 2005 included a large increase to pay for a portion of Council's legal intervention on the Police and Fire arbitration awards). Therefore, this initiative requires an increase to the baseline of approximately \$75,000 in 2006, although the category will decline from the \$313,763 appropriated in 2005.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	(\$75,000)	(\$76,875)	(\$78,797)	(\$80,767)	(\$82,786)



Office of the Mayor

MISSION

To promote community vitality through open, creative, and effective executive leadership. To provide for the highest level of services which are responsive to the health, safety, and general welfare needs of the community. The Office of the Mayor will maintain the highest level of commitment to moral and ethical conduct while striving to improve the quality of life of all citizens.

OBJECTIVES

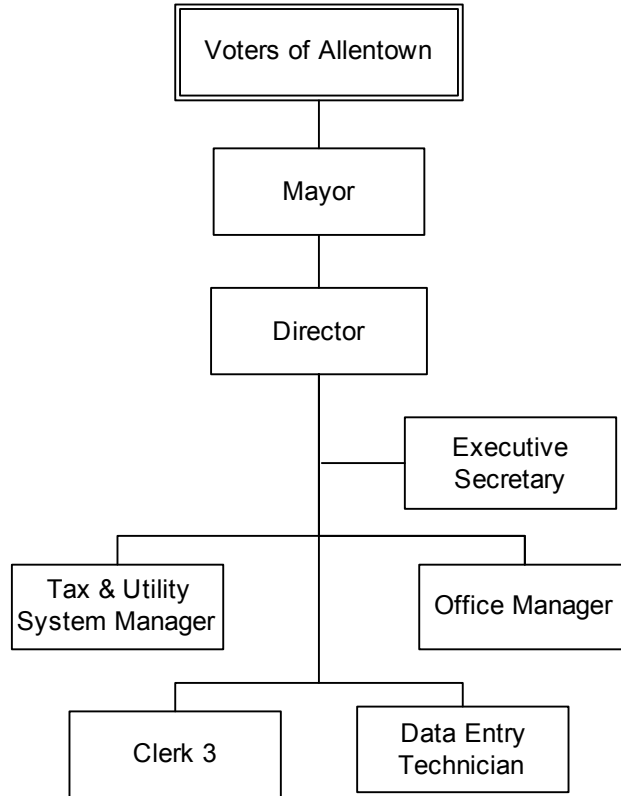
- To provide high quality executive management of the government by providing direction for program administration and delivery of services.
- To represent the City's interests at the City, County, State and Federal levels of government.
- To improve services, especially public safety, as well as foster economic development.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

Pursuant to the City's Home Rule Charter, the executive, administrative and law enforcement powers of the City are vested in Allentown's Mayor. The Mayor is elected to a four year term, with the next election occurring in November 2005. The powers and duties of the office include the supervision of all departments dealing with the health, safety, and the general welfare of the citizens of the community. Other responsibilities comprise the consideration of legislation and co-execution of all bonds, notes, contracts, and written obligations with the City Council and the City Controller. The Public Information Officer serves as a news media source for Administration policy and informational services and Right-to-Know requests. The Human Relations Officer fosters communication among various groups and handles the processing of Disruptive Conduct Reports and landlord/tenant relations. The Mayor's Office consists of the Mayor and six administrative staff.



ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Mayor	1	1	1	1	1
Assistant to the Mayor	1	1	1	1	1
Human Relations Officer	0	1	1	1	1
Executive Secretary to Mayor	1	1	1	1	1
Public Info Officer	0	1	1	1	1
Executive Secretary	1	1	1	1	1
Clerk 3 Confidential	1	1	1	1	1
Total	5	7	7	7	7



EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Final Budget
Personnel	\$242,173	\$382,147	\$374,731	\$434,351	\$427,256
Services & Charges	\$4,646	\$14,555	\$41,584	\$117,547	\$66,055
Materials & Supplies	\$383	\$567	\$1,743	\$2,112	\$1,873
Capital Outlays	\$1,653	0	0	0	0
Total	\$248,855	\$397,269	\$418,059	\$554,010	\$495,184

Projected

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$477,153	\$495,019	\$512,583	\$531,157	\$550,824
Services & Charges	\$105,445	\$108,081	\$110,783	\$113,553	\$116,392
Materials & Supplies	\$601	\$616	\$631	\$647	\$663
Capital Outlays	\$1,524	\$1,563	\$1,602	\$1,642	\$1,683
Total	\$584,723	\$605,278	\$625,599	\$646,998	\$669,562



PERFORMANCE MEASUREMENTS / ACTIVITIES

Performance Metric	2001 Actual	2002 Actual	2003 Actual	2004 Estimated	2005 Budgeted
Number of AIM Regulations Completed	15	N/A	N/A	N/A	N/A
Number of Meetings in Attendance: General Public	1,300	1,300	1,700	3,000	3,000
Number of Meetings in Attendance: Business, Industry & Labor	125	150	300	400	400
Number of Meetings in Attendance: Federal & State	200	200	300	400	450
Number of Meetings in Attendance: Other Local	320	320	500	500	500
Number of Meetings in Attendance: Elected Officials	48	48	150	150	200
Number of Meetings in Attendance: Staff	450	450	600	875	900
Meetings to: Coordinate Expansion of City's Web Page on the Internet	N/A	N/A	24	50	75
Meetings to: Increase Local, Regional, and National Awareness of Allentown	N/A	N/A	30	30	50
Meetings to: Implement Positive Marketing Strategies	N/A	N/A	36	50	75
Meetings to: Develop & Place Advertisements and Literature	N/A	N/A	18	18	20
Human Relations Activities: Disruptive Conduct Reports	N/A	N/A	350	750	750
Human Relations Activities: Code Enforcement Violations/Landlord Tenant	N/A	N/A	180	360	320
Human Relations Activities: Human Relations Commission Activities	N/A	N/A	820	150	150
Website Inquiries	N/A	70	300	400	500
City-Serve CSR Requests	N/A	N/A	N/A	4,900	10,000



RECENT ACCOMPLISHMENTS

- Police Patrol Service Areas have been realigned to reflect demographic changes.
- Even with recent staff reductions, the City has 50 percent more patrol officers on the street than three years ago.
- Received a finding of full compliance with the Pennsylvania Law Enforcement Accreditation Commission's 123 required standards in 2005.
- Successfully conducted a national search for a Fire Chief to lead the Fire Department through restructuring and modernization, who in 2004 boosted the grant and in-kind contributions to the Allentown Fire Department to \$200,000.
- Completed revision of City Emergency Management Plan.
- Moved Emergency Medical Services to Police Department while expanding services and staff training, which continues to be self-funded through direct insurance billing and collections.
- Launched more public-private community and economic development partnerships than at any other time in the City's history, revitalizing downtown, developing innovative housing, marketing the City, attracting visitors, creating an Arts District, enhancing neighborhoods, promoting health and safety, and streamlining city services.

CHALLENGES AND GOALS

- To maintain open lines of communication with the general public as well as the business, industrial, labor, cultural and education sectors, and social service agencies of the community and other levels of government, in order to facilitate identification of needs and delivery of services to meet these needs.
- To foster a closer relationship with Federal, State, and other local governmental entities and elected officials as well as civic and social organizations in efforts to coordinate and strengthen delivery of services.
- To maintain and improve City services for all citizens while emphasizing responsible fiscal management.
- To analyze the storage of City records and make recommendations for improvement.
- To coordinate web page, promotional, educational and informational guides and brochures and City services.
- Project management for City-Serve CSR system.
- Coordination of web-site development and budgeting.

COMPARABILITY

A benchmarking survey indicates that staffing levels in the Allentown Mayor's Office are currently above the levels of its peer cities. It is important to note that while some of the peer cities do not have the same population as Allentown, many of the functions of the Mayor's Office functions do not scale directly with size. For comparison with a larger city also facing financial pressure, consideration should be given to Pittsburgh, which has cut the size of the Mayor's Office budget by 25 percent. Pittsburgh's proposed net funding for the Mayor's Office in 2006 is less than twice that of Allentown's projected

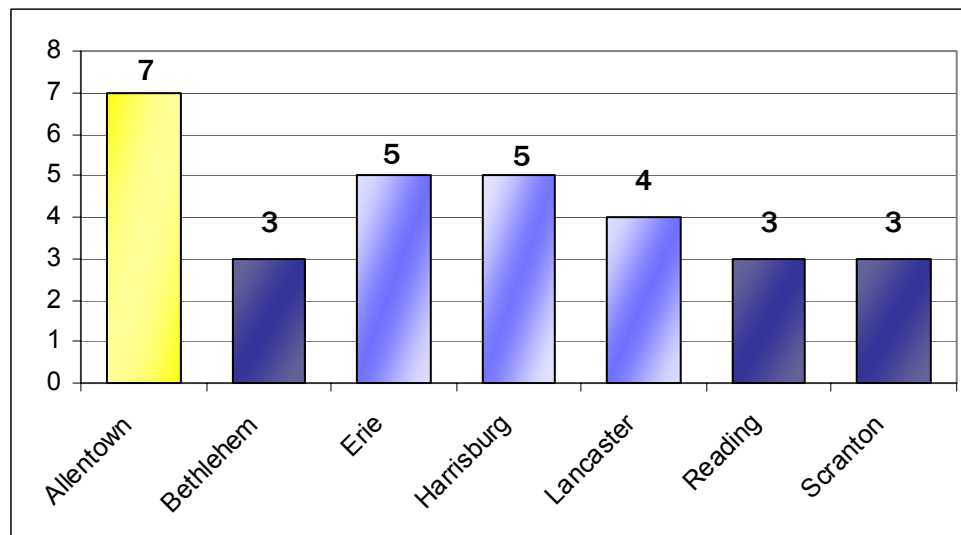


appropriation, although Pittsburgh has three times the residents and a much higher daily commuter population.

Mayor's Office	Population (2003 Estimate)	Personnel
Allentown	106,732	7
Bethlehem	72,441	3
Erie	103,925	5
Harrisburg	47,635	5
Lancaster	55,182	4
Reading	80,727	3
Scranton	73,928	3
Mean Average	77,224	4.29
Median Average	73,928	4

Source: PFM

OFFICE OF THE MAYOR IN 7 PENNSYLVANIA CITIES: TOTAL PERSONNEL (SEPTEMBER 2005)



Source: PFM

Comparing the FY2005 Mayor's Office budget to actual expenditures in FY2001, personnel expenditures have risen by 76 percent and total expenditures have risen by 99 percent. While it is not uncommon for senior executives to centralize staff resources in their own office, and performance measures for the Allentown Mayor's Office reflect the presence of increased personnel in recent years, the City will not be able to afford this level of expenditure in the future.



INITIATIVES

EL02: Reduce Mayor's Office Staffing Levels

Given the City's current financial quandary and the initiatives outlined in this Multi-Year Plan to control costs and rightsize Allentown's government, it is essential that the Mayor's Office share – and in fact provide leadership – in the sacrifices being made throughout government. To accomplish a expenditure reduction commensurate with the significant size of Allentown's fiscal gap, it is recommended that the Mayor rely on the services provided by operating department personnel to avoid duplication of functions, and that three positions in the Mayor's Office be eliminated. Four office staff will allow the continual effective operation of the Mayor's Office, assuming such a staffing total includes at least one senior aide.

The City administration has suggested that the Public Information Officer and Human Relations Officer positions be retained in the future. The City argues that the Public Information Officer is considered the central point of communications between the City and the public, and that should the duties of the position be dispersed among the various line departments, cohesive control of the dissemination of city policy would deteriorate significantly. In addition, the Human Relations Officer position is considered the central point of contact for all Human Relations activity in Lehigh County. The position leads the Human Relations Commission for both the City and County. Without a local Human Relations Officer, all complaints subject to the Commission's purview would have to be adjudicated in Harrisburg. As the Commonwealth's third largest municipality, the City believes that making this service available locally is vital for Allentown's residents.

While PFM agrees that these functions are important and should be managed at the local level, these duties could be absorbed by remaining office personnel and/or provided in part by other city personnel. For example, the Public Information function might be provided alternately by the Mayor's Chief of Staff, Executive Secretary to the Mayor and by operating department managers as needed. Other locally-derived combinations to divide Mayor's Office functions could be developed as part of implementing the Five Year Plan.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$170,502	\$177,383	\$184,106	\$191,249	\$198,848



City Controller

MISSION

To provide internal auditing services to City Council and to the Administration.

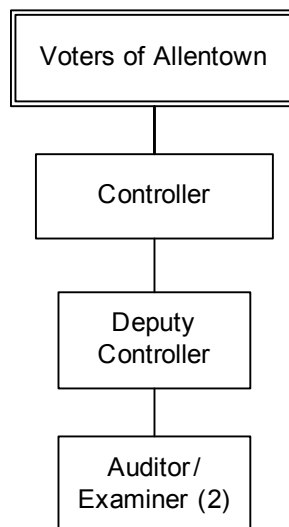
OBJECTIVES

- To provide an internal audit function to ensure the adequacy of internal controls to safeguard the City's assets and the integrity of financial statements.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

The City's Home Rule Charter mandates the Office of Controller who is elected for a four-year term. The Controller's powers and duties include providing auditing services, both financial and performance-based, for City Council and the Administration. The City's 2005 Operating Budget includes \$166,669 in salaries and four positions in the Controller's Office. These positions include the City Controller, Deputy Controller, and two Auditors/Examiners.

ORGANIZATION CHART



Historical Staffing Levels by Position

Position	2001	2002	2003	2004	2005
Controller	1	1	1	1	1
Deputy Controller	1	1	1	1	1
Assistant to Controller	0	0	0	0	0
Auditor/Examiner	1	2	2	2	2
Total	3	4	4	4	4



EXPENDITURES

Historical

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Final Budget
Personnel	\$196,621	\$200,039	\$232,654	\$237,730	\$233,916
Services & Charges	\$13,284	\$14,405	\$12,223	\$8,800	\$9,744
Materials & Supplies	\$458	\$324	\$197	\$350	\$328
Capital Outlays	\$967	\$0	\$0	\$1,000	\$937
Total	\$211,330	\$214,768	\$245,074	\$247,880	\$244,925

Projected

	2006 Projected	2007 Projected	2008 Projected	2009 Projected	2010 Projected
Personnel	\$255,762	\$266,130	\$276,259	\$287,023	\$298,474
Services & Charges	\$8,246	\$8,452	\$8,664	\$8,880	\$9,102
Materials & Supplies	\$136	\$139	\$143	\$146	\$150
Total	\$264,144	\$274,722	\$285,066	\$296,049	\$307,726

CHALLENGES AND GOALS

- Review all expenditures of City funds.
- Initiate audits, both financial and performance, of selected City departments, bureaus, programs and functions.
- Respond to requests from the Mayor, the President of City Council, or by Resolution of City Council as a whole, to audit specific City departments, bureaus, programs or functions.
- Review annual budget before approval by City Council.
- Attend all meetings of City Council.
- Attend meetings of various committees.
- Provide assistance as requested by Independent Auditors selected by City Council and report on follow-up of annual independent audit.
- Act as Secretary to Pension Fund Boards.
- Act as custodian for all contracts and agreements.
- Respond to concerns of residents regarding finances/revenues.
- Improve the audit reporting and upgrade staff by continuing education.

COMPARABILITY

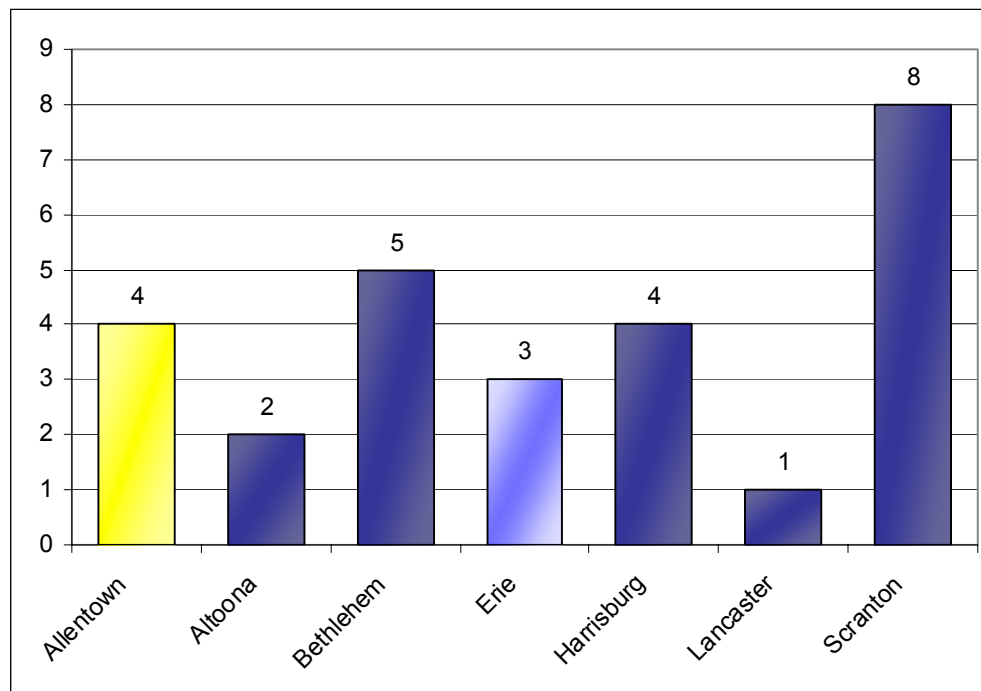
A benchmarking survey indicates that staffing levels in the Allentown Controller's Office are currently at the mean and median average of its peer cities. However, because the functions of the Controller vary dramatically from one jurisdiction to another, a comparison based solely on staffing can only provide general guidance in this area. For example, although Scranton's personnel total is comparatively high in the following



table, that City's Home Rule Charter requires the Controller to examine all contracts, purchase orders, bills, invoices and payrolls before payment and authorizes approval of payment only if examination determines that there is outstanding unexpended balance from the requesting department's appropriation. An analogous contract approval function is not required of the Controller's Office by Allentown's Home Rule Charter.

Controller's Office	Population (2003 Estimate)	Personnel
Allentown	106,732	4
Altoona	47,832	2
Bethlehem	72,441	5
Erie	103,925	3
Harrisburg	47,635	4
Lancaster	55,182	1
Scranton	73,928	8
Mean Average	75,416	4
Median Average	73,185	4

**OFFICE OF THE CONTROLLER IN 6 PENNSYLVANIA CITIES:
TOTAL PERSONNEL (SEPTEMBER 2005)**



Source: PFM



INITIATIVES

EL03: Reduce Controller's Office Staffing Levels

In the same way that this Five-Year Plan recommends position reductions in the Mayor's Office and across the government, given the City's financial circumstances it is also recommended that the Controller's Office rely more heavily on the services provided by other City department personnel, and that the Controller's staffing levels are reduced by one. This is particularly true since one of the key Home Rule Charter roles of the Controller – to perform specific audits as requested by the Mayor or City Council¹ – appears to be little-used.

Three office staff will allow the continual effective operation of the Controller's important auditing functions, assuming such a staffing total includes at least one senior staff member in addition to the Controller. The fiscal impact of this recommendation is illustrated in the following chart and incorporates both the salary and benefit cost foregone.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$56,596	\$59,033	\$61,404	\$63,931	\$66,629

¹ City of Allentown Home Rule Charter, Article IV, Section 403(D).



Structure of City Government

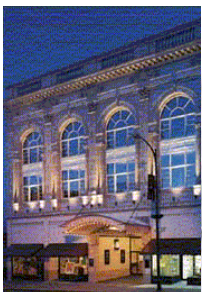
PFM has observed that there is intense discussion in Allentown of potentially changing the City's governance structure from a "strong Mayor" model to a "Council-manager" model. Because the most significant change would likely affect the job description for the Mayor and Council members, this issue is briefly noted in this chapter of the Plan.

While PFM believes that periodic reassessment of the structure of governance is desirable, it makes the following observations:

- While there is widespread debate on what form of government is "best," PFM has seen highly successful local governments in Pennsylvania and across the country using both of these structures.
- In both cases, the key to a successful government is the quality and effectiveness of senior leadership, whether that leader is called "Mayor" or "Manager."
- Allentown's new Mayor and Council should consider whether the appointment of a strong, experienced day-to-day manager for City operations – whatever her or his title might be – would address some of the issues raised in the governance debate in the short term. This is particularly important since it may take some time to complete and debate any examination of governance.
- Any review of governance should also consider the overall performance of the 1996 Allentown Home Rule Charter, especially the effect of its revenue establishment limitations on the City's flexibility in adapting to changes such as the EMST and the success of the land value tax.
- The City should consider how frequently it wishes to engage in comprehensive review and overhaul of its governance system, since it did so just a decade ago.



Capital



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Capital

MISSION

To provide for the infrastructure needs of the City to help promote economic and community development.

OBJECTIVES

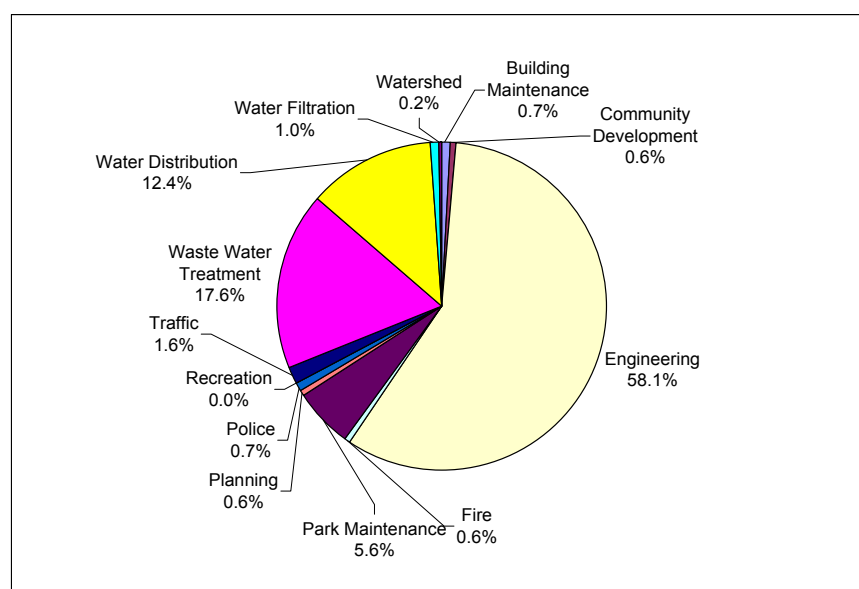
- To effectively plan for the City's infrastructure needs.
- To maximize the use of non-City funding sources.
- To implement projects on budget and schedule.

THE 2006-10 CAPITAL PROGRAM

Over the five-year period from 2006-10, Allentown anticipates spending \$127.3 million on capital projects. Each of these projects enhances the City's physical infrastructure and helps to meet the needs of City residents.

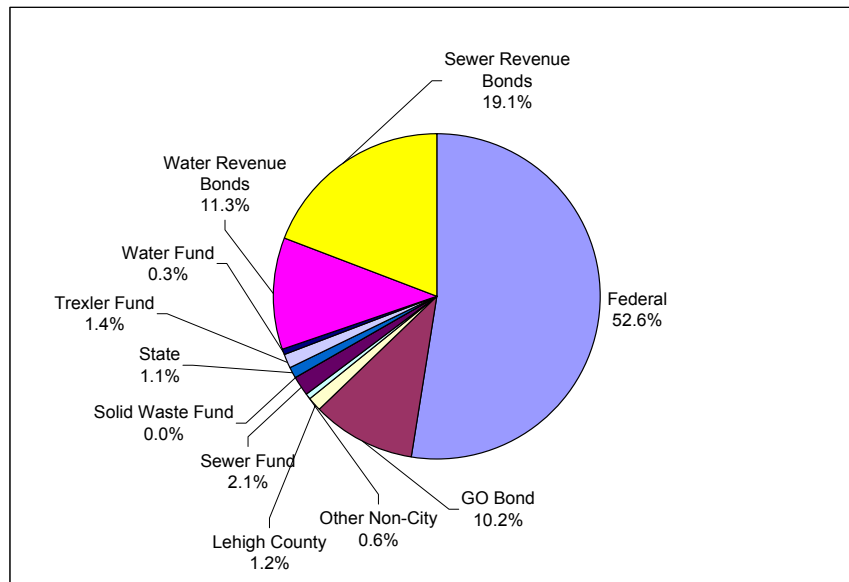
Engineering projects comprise 58.1 percent (\$74 million) of the total and include road and bridge reconstruction and drainage initiatives. Waste Water treatment projects makes up 16.6 percent and include \$19.5 million for improvements to the solids handling system and \$1.2 million for mechanical renovations. Approximately \$7.1 million is included for Park Maintenance projects, including funds for bike trails (\$0.6 million), pool renovations (\$1.4 million), and the Towpath rehabilitation and bike path (\$1.3 million).

2006-10 USES OF FUNDS



To finance this capital program, Allentown anticipates that over 52 percent of these funds will come from the federal government with a majority (\$60.2 million) for the American Parkway project. General obligation (GO) bonds represent only 10.2 percent of the total. Water and revenue bonds represent 30.4 percent.

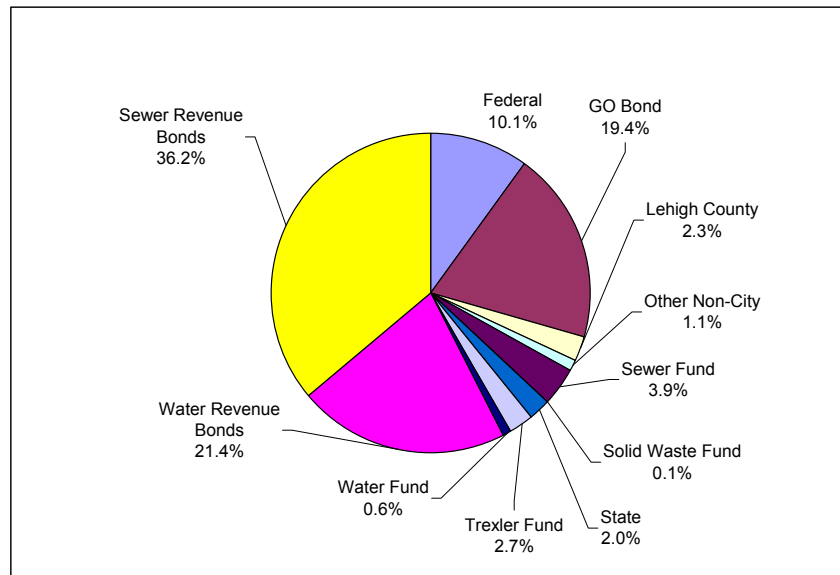
2006-10 SOURCES OF FUNDS



The size of the capital plan is distorted to some extent because of the large relative size of the American Parkway project. With that project excluded, federal dollars comprise 31.8 percent of funds for the capital plan. City borrowing, including GO, sewer revenue, and water revenue bonds make up 77.0 percent of total funding sources.



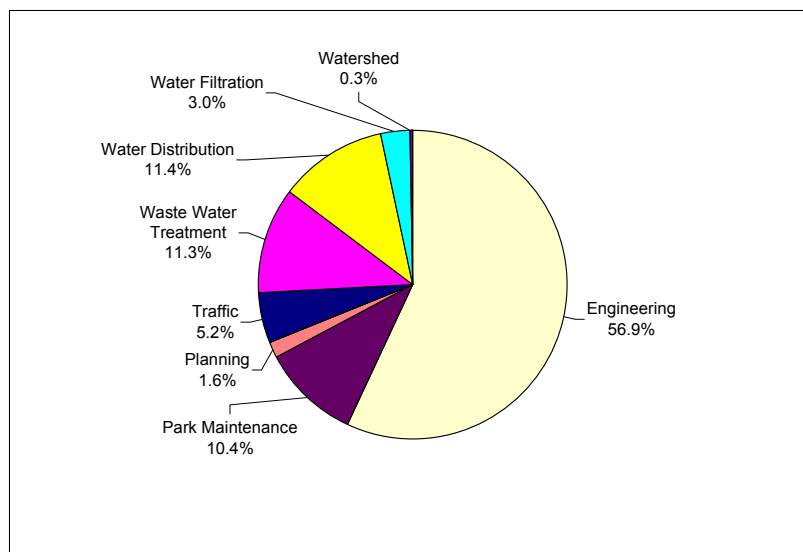
2006-10 SOURCES OF FUNDS EXCLUDING THE AMERICAN PARKWAY PROJECT



THE 2006 CAPITAL BUDGET

The capital budget for 2006 is \$19.3 million. This is the amount that is expected to be spent in the first year of the capital plan on infrastructure improvements. Approximately \$11.0 million will go towards engineering projects, including the American Parkway construction that will provide a direct link from the Lehigh Valley Thruway to Center City Allentown. Also included is \$4.2 million for the replacement of the bridge on the 15th Street Corridor. Water distribution and filtration projects total \$2.8 million. Park maintenance projects represent \$2.0 million, or 10.4 percent of the 2006 Budget.

2006 USES OF FUNDS



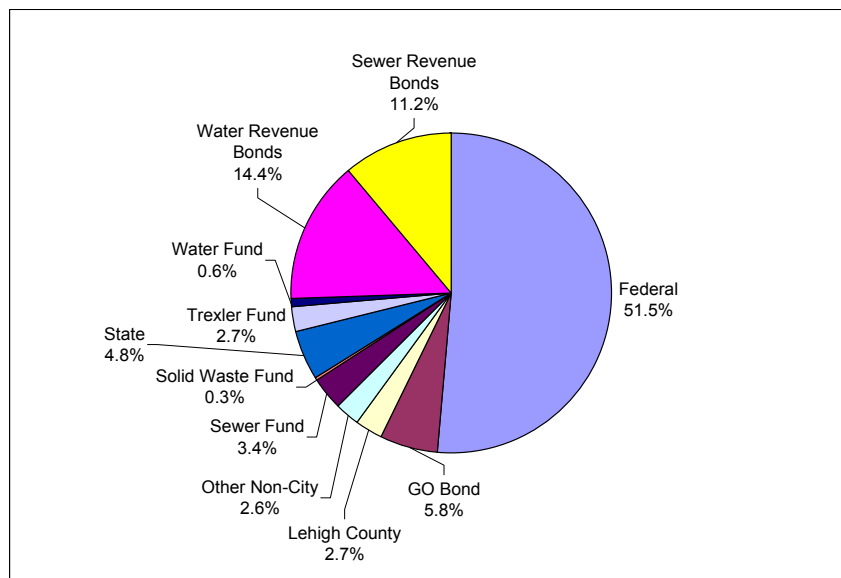
These 2006 capital projects will be funded through a variety of City and non-City sources. City funds include general obligation bonds, water and sewer revenue bonds, and water and sewer operating funds. Non-City sources include federal and state aid, the Trexler Fund, and Lehigh County.

2006 PROJECTS – GO BOND FUNDS

Project	2006 Amount
15th Street Corridor	210,500
American Parkway, NE	400,000
Keck & Roosevelt Park Improvements	150,000
Traffic Signal Modernization	90,000
Traffic Signals-Hamilton Street	115,000
Traffic Signals-Upgrade Various Intersections	150,000
TOTAL	1,115,500

Federal funds make up 51.5 percent of the 2006 Capital Budget, or \$10.0 million. The majority of these funds are dedicated to the \$60.2 million American Parkway project. Another major source of revenue are City water revenue bonds, which go towards water infrastructure projects. In 2006, \$2.9 million in water revenue bonds will be used for projects such as cast iron pipe replacement and work at the water treatment plant.

2006 SOURCES OF FUNDS



The Capital Budget Process

Allentown adopts a capital budget and plan annually, in accordance with the Home Rule Charter. The capital plan contains all of the capital projects that the City anticipates to undertake in the next five years, and includes information on the anticipated project cost,



schedule, method of financing, and the estimated impact that each project will have on the operating budget. The capital budget is the first year of the capital plan.

On an annual basis, the City's Planning Department coordinates a process whereby proposed projects are reviewed to determine if they should be placed in the capital plan. The process begins with the submission of a Project Request Form by department heads. Information required includes:

- Detailed project description;
- Project location;
- Purpose and needs to be met by the project;
- The project's anticipated useful life;
- The geographic extent of the project and the identification of project impacts;
- Time estimates for project phases;
- Cost estimates;
- An estimate of the project's impact on the General Fund budget.

Section 811 of the Home Rule Charter requires proposed capital projects to be reviewed by the Finance Director, City Controller, and the person who proposed the project. In practice, the City meets this requirement and has enhanced the process by including a member of the City Council and a member of the Mayor's staff.

Projects are evaluated using set project criteria as follows:

- **Establishment of urgent need** – Determining whether a project would impair work efficiency or cause a major inconvenience to the public or the economy;
- **Public health and safety** – Including those projects needed to eliminate municipal liability and hazards to human life and property;
- **Financial impacts** – Projects that reduce operating costs or future capital expenditures;
- **Legally required or necessary** – For example, projects that result from Federal requirements regarding water quality, or the need to comply with the Americans with Disabilities Act;
- **Completes or compliments another project** – Projects that are part of larger projects, or need to be completed to realize the benefits of other projects;
- **Relationship to Department/Bureau plans and policies/Bureau budget goals and objectives** – Including projects that meet various Department or Bureau objectives;
- **Distributional effects** – Projects that impact the maximum number of residents, as well as low-income neighborhoods and minority or handicapped residents;



- **Economic development** – These projects attract and retain businesses, jobs and employment that will add to the City’s fiscal base.

SOURCES OF FUNDS

The City uses a variety of City and non-City funds to advance its capital program. They include the following:

- **General Obligation (GO) Bonds** – GO bonds are used to finance general capital construction projects; debt payments are made from the general fund;
- **Water Revenue Bonds** – These bonds finance improvements to the City’s water supply and treatment systems; revenues from the Water Fund, including user charges, are used to make debt service payments;
- **Sewer Revenue Bonds** – Revenues from Sewer Revenue Bonds are used to finance improvements to the sewer collection and wastewater treatment system; debt service payments are made from the Sewer Fund;
- **Sewer Fund** – Some capital expenditures are made directly from the Sewer Fund; the main source of revenues is sewer user chargers, but other grants and fees may also be included;
- **Water Fund** – The main source of revenue for the Water Fund is metered water sales; some capital expenditures come directly from the Water Fund;
- **Federal Aid** – A majority of the federal funds that are received by the City are for engineering projects;
- **State Aid** – State aid is used to implement engineering and sewer projects, such as wastewater treatment capacity improvements;
- **Trexler Fund** – Funds come from a trust started by General Harry C. Trexler to maintain the City’s parkland.

THE 2006-10 CAPITAL PLAN – SOURCES OF FUNDS

Funding Source	2006	2007	2008	2009	2010	Grand Total
Federal	4,368,000	2,100,000	0	0	320,000	6,788,000
GO Bond	1,115,500	5,247,000	2,963,800	2,035,000	1,670,700	13,032,000
Lehigh County	521,000	521,000	521,000	0	0	1,563,000
Other Non-City	500,000	250,000	0	0	0	750,000
Sewer Fund	650,000	660,000	625,000	450,000	250,000	2,635,000
Solid Waste Fund	55,000	0	0	0	0	55,000
State	931,500	375,000	0	0	60,000	1,366,500
Trexler Fund	525,000	467,000	410,000	220,000	215,000	1,837,000
Water Fund	125,000	75,000	75,000	75,000	75,000	425,000
Water Revenue Bonds	2,785,000	5,010,000	2,150,000	2,195,000	2,245,000	14,385,000
Sewer Revenue Bonds	2,170,000	11,050,000	6,485,000	4,400,000	160,000	24,265,000
Grand Total	13,746,000	25,755,000	13,229,800	9,375,000	4,995,700	67,101,500



USES OF FUNDS

The City uses capital funds for a variety of infrastructure improvements including road reconstruction, building maintenance, and traffic planning and control. Broad categories of capital spending are comprised of individual projects. All project spending – such as design and construction contracts – are “charged” to individual projects. For example, the design contract costs for a particular bridge rehabilitation or construction project would be charged in the financial system to the individual bridge project. Using this methodology, the City is able to determine the total cost of each project less staff time. Staff time for capital projects is currently not charged to the capital budget.

The following are the categories of capital projects:

- **Engineering** – These projects include drainage improvements, bridge work, and road reconstruction;
- **Building Maintenance** – Projects that preserve the life of City buildings are included in this category;
- **Park Maintenance** – This category includes improvements to recreation centers and parks;
- **Police** – This is for projects for the Police Department, including an addition to the Police Academy;
- **Fire** – Facilities and equipment for the Fire Department are included in this category;
- **Traffic Planning and Control** – This includes replacements and upgrades for the City’s traffic signals;
- **Community Development** – A project to remediate a Brownfield site is in this category;
- **Planning** – Projects that enhance the community are included here;
- **Recreation** – This includes work on the Bicentennial Park;
- **Water Shed** – The project in this category in 2006 will address erosion concerns in the Park system;
- **Water Filtration** – Projects that improve the water filtration system are included in this category;
- **Water Distribution** – Improvements to water pipes and other enhancements to the water system are included here;
- **Waste Water Treatment** – Upgrades to the wastewater system are in this category;
- **Trexler Memorial Park** – This category is comprised of projects that make improvements to the Trexler Memorial Park.



THE 2006-10 CAPITAL PLAN – USES OF FUNDS

Project Category	2006	2007	2008	2009	2010	Grand Total
Building Maintenance	0	685,000	85,000	85,000	75,000	930,000
Community Development	0	200,000	200,000	200,000	200,000	800,000
Engineering	5,410,000	4,330,000	1,430,000	1,190,000	1,475,000	13,835,000
Fire	0	800,000	0	0	0	800,000
Park Maintenance	2,016,000	2,353,000	1,459,800	755,000	545,700	7,129,500
Planning	300,000	400,000	100,000	0	0	800,000
Police	0	77,000	865,000	0	0	942,000
Recreation	0	20,000	15,000	25,000	0	60,000
Traffic	1,010,000	490,000	275,000	270,000	0	2,045,000
Waste Water Treatment	2,185,000	8,650,000	6,600,000	4,600,000	400,000	22,435,000
Water Distribution	2,200,000	7,500,000	1,950,000	2,050,000	2,100,000	15,800,000
Water Filtration	575,000	200,000	200,000	150,000	150,000	1,275,000
Watershed	50,000	50,000	50,000	50,000	50,000	250,000
Grand Total	13,746,000	25,755,000	13,229,800	9,375,000	4,995,700	67,101,500

Historical Expenditures

In 2004, the City expended \$10.6 million on its capital program. The largest category of expenditures was Engineering, where \$3.2 million was used to improve drainage, traffic signals, City Hall, and streets. The next largest category of expenditures was Park Maintenance, where almost \$1.7 million was spent to renovate various parks.

2004 CAPITAL EXPENDITURES BY MAJOR CATEGORY

Category	2004 Amount
Building Maintenance	869,143
Community Development	1,302,602
Engineering	3,162,262
Fire	2,522
Park Maintenance	1,679,537
Planning	0
Police	15,229
Police (9-1-1 Center)	13,117
Recreation	8,394
Safety (Finance)	30,000
Traffic	905,828
Trexler Memorial Park	82,914
Waste Water Treatment	1,358,781
Water Distribution	970,472
Water Filtration	68,404
Watershed	180,429
Total	10,649,635

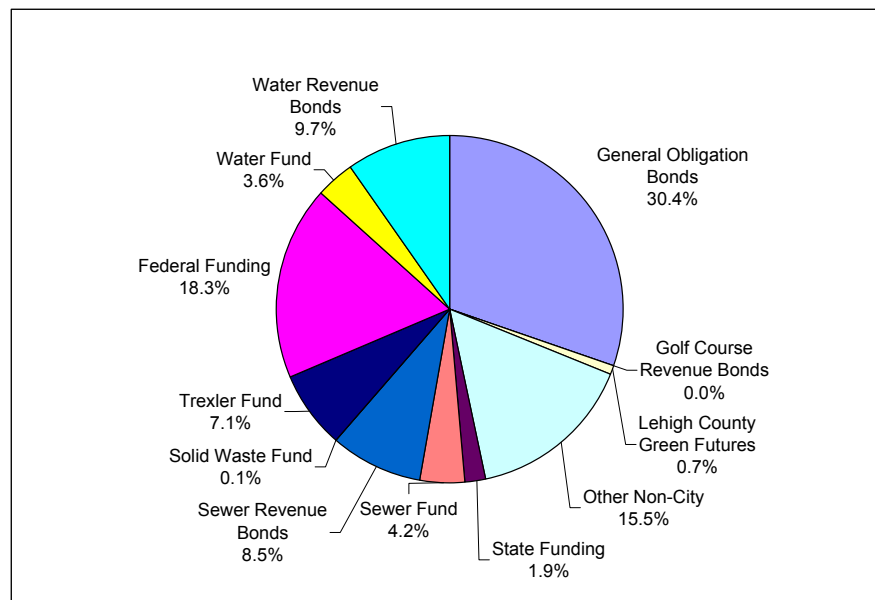


The City's capital program relies on a wide variety of funding sources, including general obligation debt, federal and state dollars, and the water and sewer funds. The largest source of funds in 2004 was General Obligation bonds (\$3.2 million). Other significant sources include Federal dollars (\$1.9 million), and Water Revenue Bonds (\$1.0 million).

2004 CAPITAL EXPENDITURES BY FUNDING SOURCE

Funding Source	2004 Amount
General Obligation Bonds	3,235,106
Golf Course Revenue Bonds	1,840
Lehigh County Green Futures	75,000
Other Non-City	1,650,361
State Funding	205,719
Sewer Fund	451,888
Sewer Revenue Bonds	907,225
Solid Waste Fund	13,653
Trexler Fund	752,852
Federal Funding	1,946,401
Water Fund	379,776
Water Revenue Bonds	1,029,813
Total	10,649,635

2004 CAPITAL EXPENDITURES BY FUNDING SOURCE



Carryforwards

The City carries forward unexpended capital appropriations into the next budget year. In 2004, \$22.0 million in unexpended funds were carried forward to 2005. All of these funds are dedicated to specific projects and are expected to be necessary to complete



those projects. The largest category of funds carried forward were general obligation bonds (\$8.7 million). The majority of the GO bond funds that were carried over are associated with the City's one-time cost of purchasing street lights. Approximately \$177,000 in general road reconstruction funds "rolled" from 2004 to 2005.

2004 FUNDS CARRIED FORWARD TO 2005

Funding Source	Carryforward
General Obligation Bonds	8,654,465
Golf Course Revenue Bonds	34,616
Lehigh County Green Futures	0
Other Non-City	935,115
State Funding	3,146,177
Sewer Fund	136,322
Sewer Revenue Bonds	1,950,082
Solid Waste Fund	41,893
Trexler Fund	685,075
Federal Funding	4,688,252
Water Fund	578,250
Water Revenue Bonds	1,166,689
Total	22,016,936

As noted, the majority of the GO bond funds that were carried over are for the street light purchase (\$4.8 million). Other projects with large carryforwards include the American Parkway (\$312,000), 800 MHX Trunked Radio System (\$409,000), and Hamilton Street Reconstruction (\$433,000).

Project Monitoring

To monitor the progress of its capital program, the City produces quarterly status reports. These reports show detailed project information including the project's appropriation and anticipated spending over various periods. Information regarding individual projects is provided by Project Managers to the City's Finance Department where it is aggregated into the status report. These reports are used by the City to monitor the status of projects and to plan for cash flow needs.

EXCERPT FROM THE CAPITAL PROJECT STATUS REPORT

CITY OF ALLENTOWN - FIVE-YEAR CAPITAL IMPROVEMENTS PROGRAM									
CAPITAL PROJECT STATUS REPORT									
Balances as of 1 January 2005									
Project	Project Manager	Anticipated Expenditures						FUNDING SOURCE	ANTICIPATED PROJECT COMPLETION DATE
		Current Appropriation	Next 90 Days	Next 180 Days	Next 270 Days	Next 360 Days	Total 1-Year		
03-1200 - East Side Drainage Improv.	Rasch	251,072	50,000	150,000	50,000	1,072	251,072	G/S	Under design
03-1201 - Center City Drainage Improv.	Rasch	240,235	45,000	-	-	150,000	195,000	G	Ongoing
03-1202 - North End Drainage Improv.	Rasch	13,999	-	6,000	6,000	-	12,000	E	Ongoing
03-1203 - South Side Drainage Improv.	Rasch	311,586	5,708	50,000	100,000	50,000	205,708	E	Ongoing
03-1206 - WWTP SCADA System Exp.	McMahon	1,234,210	40,000	120,000	120,000	100,000	380,000	E	6/06
03-1210 - Sewage Relief Interceptor	McMahon	1,394,785	300,000	300,000	300,000	-	900,000	E	9/05
03-1211 - Centrifically Spun Cast Iron Pipe	Rasch	1,135,614	100,000	288,000	400,000	200,000	988,000	R	Ongoing
03-1219 - Vehicle Exhaust System	Duncan	1,672	1,147	-	-	-	1,147	G	Close Project



CHALLENGES AND GOALS

In 2006, it is anticipated that the City will advance projects valued at \$19.3 million. Of this, only 5.8 percent (\$1.1 million) is anticipated to be funded with GO bonds. This is a significant decrease from the share of capital expenditures that GO bonds supported in 2004. Last year, GO bond proceeds financed 30.4 percent (\$3.2 million) of project expenditures. Because of its inability to fund additional debt service, the City has curtailed the GO bond portion of its capital program and is trying to maximize other funding sources.

Allentown is working to address its infrastructure needs through its capital budget and plan. Through its planning process, proposed projects are evaluated and a capital plan is developed based on identified needs and affordability. With limited resources, not all projects can be advanced and the capital process helps to ensure that those proposed projects that meet set criteria can be implemented.

In 2006, it is anticipated that there will be no funds from general obligation bond issues to fund street reconstruction projects and the only work that will move forward will be financed through Commonwealth liquid fuels tax receipts. While liquid fuels dollars pay for activities such as resurfacing, crack-sealing, and snow operations, major road reconstruction is financed through the capital budget. Historically, the City has maintained a strong street maintenance and reconstruction program. While it is not preferable to do so, the City could curtail its street reconstruction program in 2006. In 2004, almost \$624,000 in GO funding was used for street reconstruction. GO Bond funds have been included in 2007 and beyond, however, for this work.

INITIATIVES

CP01: Plan for GO Debt Service Costs

The City annually should determine the level of debt service that it can afford to meet its capital needs. This information should be used to plan GO bond issues over the planning period, taking into account the projected cash flow needs of planned capital projects and the availability of all sources of funding.

Spending is constrained in Allentown's capital budget for 2006 and does not include funds for road reconstruction. Therefore, the only spending for this purpose in 2006 will be from funds already allocated to projects and carried forward from the current year. The City has already included funds in the capital plan for 2007 and beyond for road reconstruction. While not allocating any new funds for road reconstruction project in a given year is not desirable, in the past the City's reconstruction and maintenance program has been strong. Not allocating new dollars in 2006 will likely not result in negative consequences for the City.



To finance its capital program, the City should borrow approximately \$1.1 million in 2006 and \$6 million in both 2007 and 2009. The fiscal impact of this initiative is the additional annual debt service associated with new City GO bond issues.

[Final debt service costs recommended in this plan will be determined to some degree by affordability once other costs are firmly established]

DISCOUNTED FISCAL IMPACT

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$0	(\$250,000)	(\$350,000)	(\$500,000)	(\$650,000)

CP02: Better Coordinate Capital Planning and Capital Financing

The City should work to better integrate its capital financing and capital project planning activities. The City's Planning Office is tasked with gathering and coordinating the evaluation of capital requests. The City's Finance Department works to ensure that there will be adequate financing in place to support the planned expenditures. However, the City's Finance Department is not involved in selecting projects. There is communication between the two offices, especially with regard to the amount and timing of general obligation bonds that must be issued to support the capital program. However, a project evaluation process that includes direct involvement by the Finance Department could help to better coordinate debt issues with planned expenditures and could ensure that the operating budget impacts of capital projects are fully considered and included in multi-year operating budget estimates (see CP05, Integrate the Operational Impacts of Projects into Long-Range Planning Efforts).

Although there is significant potential benefit to this enhanced approach, no immediate fiscal impact is estimated for this initiative.

DISCOUNTED FISCAL IMPACT

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$0	\$0	\$0	\$0	0

CP03: Anticipate State and Federal Funding in the Plan

The City should ensure that the Plan includes all anticipated state and federal dollars. These funds are typically received by the City for infrastructure projects such as roads. In 2006 state and federal funding accounts for 38.6 percent of the total sources of funds, excluding the American Parkway project. Over the entire 2006-10 Plan, however, state and federal funding makes up only 12.2 percent. Therefore, this outside funding is likely understated in the capital plan.



The City should continue to work to maximize the use of outside funding in its capital program, and part of this effort is identifying and matching outside funding with capital projects as early as possible. This can help ensure that those projects that have financial support from the state and federal governments proceed. Additionally, this helps encourage the City to continue to seek outside funding for projects. Finally, in many cases a City match is needed to leverage funding from other governments. Identifying these amounts as early as possible allows more effective planning for other projects competing for the remaining amount of City GO funding.

There is no fiscal impact from this initiative. However, more aggressively pursuing outside dollars to support the capital program can lower the City's contribution to capital projects.

DISCOUNTED FISCAL IMPACT

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$0	\$0	\$0	\$0	\$0

CP04: Enhance Project Reporting

The goal of capital program management is to complete projects on schedule and on budget, meet program objectives, and reduce the frequency and financial impact of change orders. So that the City may accomplish this, project status reports should be enhanced to better report on the status of individual capital projects and the overall capital program.

The current status reports should be expanded to include summary information regarding the entire capital program, such as the total amount of spending anticipated for each of the funding sources, as well as information regarding significant variances between planned and current expectations regarding expenditures. The reports should include information on the status of each project with specific information that describes how project actuals and expenditure projections compare with the budget. The report should also indicate which project milestones have been met and how this compares with the planned schedule.

Status reports will have a number of different audiences, including City staff, elected officials, and the public. While City staff may want to have a report that shows the status of each individual project, elected officials might request a summary of the capital program with detailed information on high profile projects. The public might want a web-based tool to understand the capital programs that will impact their neighborhoods.

As the City develops status reports, it should customize them for the audience. At a minimum, the reports should be produced quarterly and presented to City Council.



There is no fiscal impact from this initiative. However, more thorough reporting will help ensure that projects remain on schedule and within budget, and can help the City to better plan its cash flow needs and reduce borrowing costs.

DISCOUNTED FISCAL IMPACT

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$0	\$0	\$0	\$0	\$0

CP05: Integrate the Operational Impacts of Projects into Long-Range Planning Efforts

The City considers the impact that projects will have on the City's operating budget before they are approved. Those projects that are anticipated to generate operating savings are given preference over those that do not. Additionally, the City's annual budget document provides information on the impact that projects will have on the operating budget.

The City should enhance this information so that it better understands the impact by year. With this information, the City can better plan for the additional costs and savings. For example, if a project is anticipated to reduce energy costs, the City should understand the impact that the initiative will have each year and know what year the savings will begin. With this information, the City could plan to use the savings to offset projected increases for overall energy costs, allocate those funds to debt service, or use the recurring savings for another purpose.

As a first step, the City should include the annual impact of operating budget impacts by year and include a summary table which shows this information. The City will then have a useful tool to plan for the impact that projects will have.

No specific fiscal impact has been identified for this initiative, but it will help to better plan for the effect that capital expenditures have on the City.

DISCOUNTED FISCAL IMPACT

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	\$0	\$0	\$0	\$0	\$0



CP06: Implement a Pay-As-You-Go Program

Debt is a major component of capital program financing. This is appropriate because, since the use of debt provides for “intergenerational equity” – i.e., today’s taxpayers will not foot the entire cost of assets that will be used for years to come. Debt is also used because capital expenditures tend to be large and “lumpy,” i.e., irregular relative to the incremental growth of the operating budget.

However, a “pay-as-you-go” component – funding some capital improvements from the operating budget – is also important. It not only reduces the cost of debt service, but also could provide a dedicated funding stream for certain projects that do not meet traditional capital eligibility criteria because of their shorter useful lives. Examples include furniture, technology, and vehicles – important, fairly expensive items for which the issuance of debt would be inappropriate.

Best Financial Management Practices for Governmental Issuers

- Fund balance reserve policy/working capital reserves
- Multiyear financial forecasting
- Monthly or quarterly financial reporting and monitoring
- Contingency planning policies
- Policies regarding nonrecurring revenue
- Debt affordability reviews and policies
- Superior debt disclosure practices
- Pay-as-you-go capital funding policies
- Rapid debt retirement policies (greater than 65% in 10 years)
- Five-year capital improvement plan integrating operating costs of new facilities
- Financial reporting awards
- Budgeting awards

Source: FitchRatings, “The 12 Habits of Highly Successful Financial Officers” (November 21, 2002)

FitchRatings has listed pay-as-you-go capital funding policies as one of the top best financial management practices of governmental issuers. Not only does this practice help keep debt service costs low, but it “improve[s] an issuer’s financial flexibility in the event of a sudden revenue shortfall or emergency spending.”

As a local example, the City of Easton has set aside funds from sewer capacity sales and other one-time revenues to support its capital program, currently about \$1.7 million.¹ Easton is also considering dedicating a portion of its General Fund budget to pay for expenditures in the capital budget.

In light of the City of Allentown’s current financial pressures, this plan does not assume pay-as-you-go capital contributions. However, the City should identify such contributions as a key financial goal and work to create a dedicated annual pay-as-you-go appropriation as its finances recover.

DISCOUNTED FISCAL IMPACT

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	0%	0%
Fiscal Impact	TBD	TBD	TBD	TBD	TBD

¹ A specific recommendation on policy changes for the proceeds of capital asset sales in Allentown may be found in initiative FI05 in the Finance Department chapter of this plan.



CP07: Charge Staff Time to the Capital Budget

The City should consider charging directly related staff time to the capital budget. Staff time can be included in the capital budget based on the rationale that employee administrative and managerial time required to implement capital projects (i.e. in-house design, selecting and managing design consultants, writing specifications, or inspecting construction) can be appropriately counted as direct costs of the project.

Currently, the City's annual operating budget bears the costs of implementing projects that will last 5, 10, 20, and even 50 years because staff time is only charged to that year's budget. Therefore, projects costs spending shown in the capital budget are low because staff charges are not included. PFM recommends that only very specific categories of staff time be charged in order to limit the long-term interest premium associated with this practice and to ensure that the true costs of capital projects are more fully allocated without allowing for undue charges to the capital budget.

Implementing a system to track and charge staff time associated with capital projects does not need to be an onerous task. The most effective way of capturing these costs is through a timesheet system that requires project managers to "charge" their time to individual capital projects. The City should determine if it is feasible to track staff time through its payroll system as this is the most efficient way to track staff time worked on capital projects because it prevents double entry. Even if this cannot be accomplished through the payroll system, this initiative should be considered in light of the appropriateness of the charges, the impact on the operating budget, and because charging this time would more appropriately reflect the true costs of capital projects.

In addition to staff time, fringe benefits should be included in the charges to the capital budget. In 2004, the fringe benefit rate was 26.58 percent. In 2005 they are estimated at 31.76 percent and the current estimate for 2006 is 35.88 percent. The financial impact of this initiative will be calculated using an estimate of the staff charges to capital over the five years of the plan, inflated by anticipated salary growth of 2.5 percent. Additionally, a 35.88 percent fringe benefit rate will be used in each of the years.

DISCOUNTED FISCAL IMPACT

	2006	2007	2008	2009	2010
Total Salary	\$459,417	\$470,902	\$482,675	\$494,741	\$507,110
Fringe Benefits @ 35.88%	\$164,839	\$168,960	\$173,184	\$177,513	\$181,951
Total Salary	\$624,255	\$639,862	\$655,858	\$672,255	\$689,061

The fiscal impact of this initiative is discounted by 70 percent in 2006, 60 percent in 2007, 50 percent in 2008, and 40 percent in 2009 and beyond.

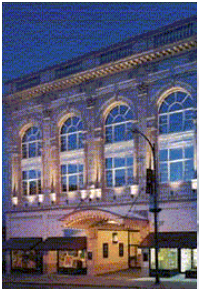


DISCOUNTED FISCAL IMPACT

	2006	2007	2008	2009	2010
Discount %	70%	60%	50%	40%	40%
Fiscal Impact	\$187,000	\$256,000	\$328,000	\$403,000	\$413,000



Debt Management



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Debt Management

This chapter describes Allentown's outstanding debt and its features, and identifies areas where changes may provide budget relief or improve overall financial management. This chapter also suggests strategies to contain the cost of new debt service generated by the issue of general obligation bonds to fund City capital needs from 2006 through 2010.

The strategies described here will position the City to achieve its several important debt management goals:

- **Maintain Fiscal and Managerial Capacity to Continue Debt Issuance:** Since most City capital projects are funded with long-term debt, debt structuring affects both today's operating budgets and budgets decades from now. During the term of this multi-year plan, the City must create budget capacity to pay for the new debt service related to the capital improvement plan (see the Capital chapter of this plan).
- **Reduce the Cost of the City's Debt Burden:** By monitoring market conditions for refunding opportunities and gaining the flexibility to issue variable rate debt, the City can achieve savings and reduce its current debt costs.
- **Improve the City's Credit Rating:** The City's bond rating was downgraded to BBB+ by Standard & Poor's (S&P) in September 2005. S&P cited "the city's growing accumulated general fund balance deficit, continued weak financial performance, and limited flexibility and success in addressing structural budgetary imbalances." The City's outstanding debt also has a Baa2 rating from Moody's Investor Service ("Moody's). Over the next several years, the City should work to improve its ratings in order to lower its cost of capital and to send a clear signal of financial health and managerial competence to those who may chose to invest private sector capital in Allentown.

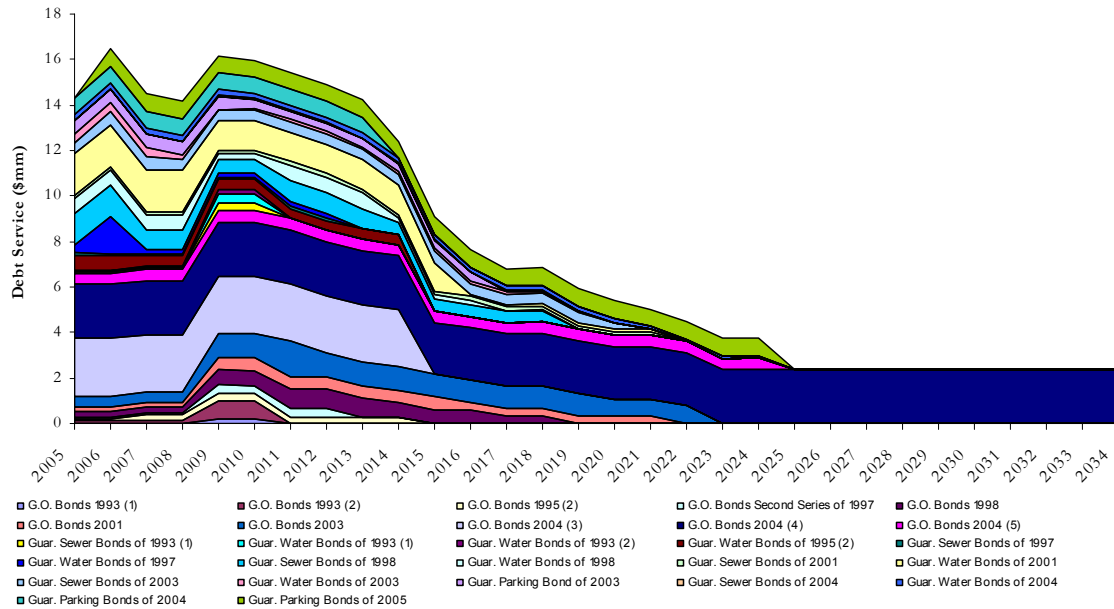
OUTSTANDING DEBT SERVICE

Allentown has two types of debt outstanding: general obligation (GO) debt and guaranteed revenue debt (sometimes called "revenue bonds"). GO debt is secured by the pledge of the City's full faith, credit and taxing power, whereas the holders of revenue bonds have recourse only to the funds generated by the City's water and sewer system and parking garage.

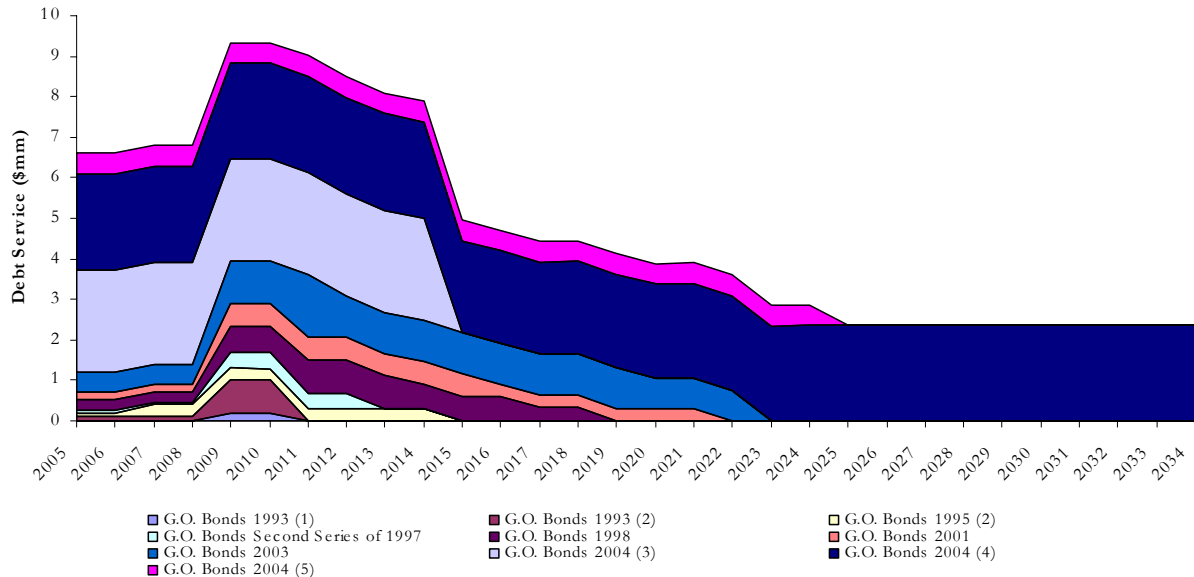
Presently, the principal amount of Allentown's outstanding GO debt is approximately \$87.8 million. The City also has about \$70.3 million in principal amount of revenue bonds outstanding. The annual debt service associated with this principal amount is illustrated in the graphs on the next two pages.



CITY OF ALLENTOWN OUTSTANDING ANNUAL DEBT SERVICE



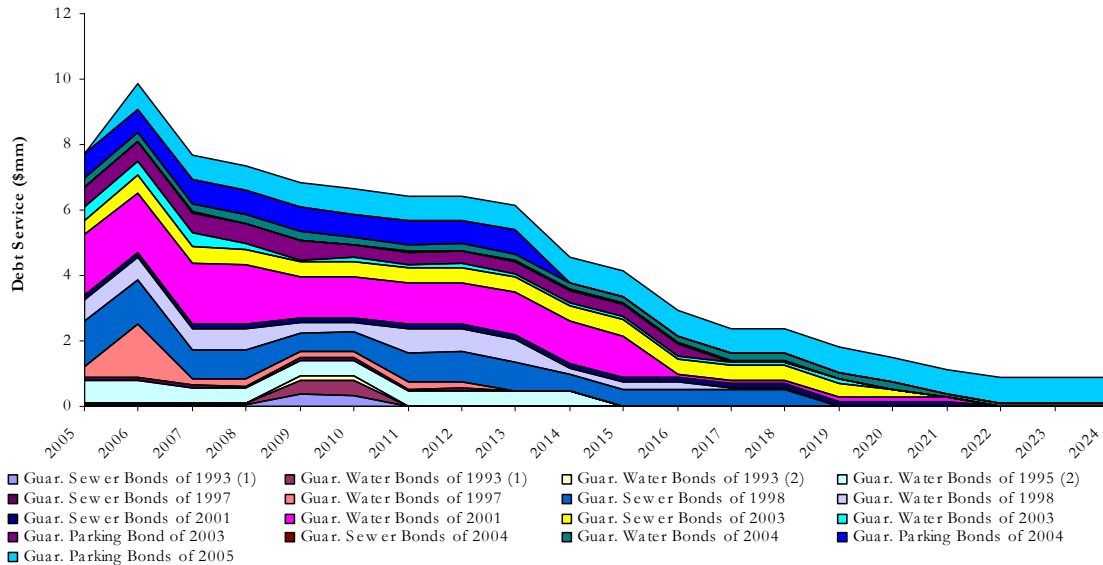
CITY OF ALLENTOWN OUTSTANDING GENERAL OBLIGATION DEBT SERVICE



- (1) General Obligation Improvement Bonds
 (2) General Obligation Refunding Bonds
 (3) Taxable Refunding Bonds
 (4) Taxable Pension Refunding Bonds
 (5) Tax-Exempt General Obligation Bonds



CITY OF ALLENTOWN OUTSTANDING GUARANTEED DEBT SERVICE



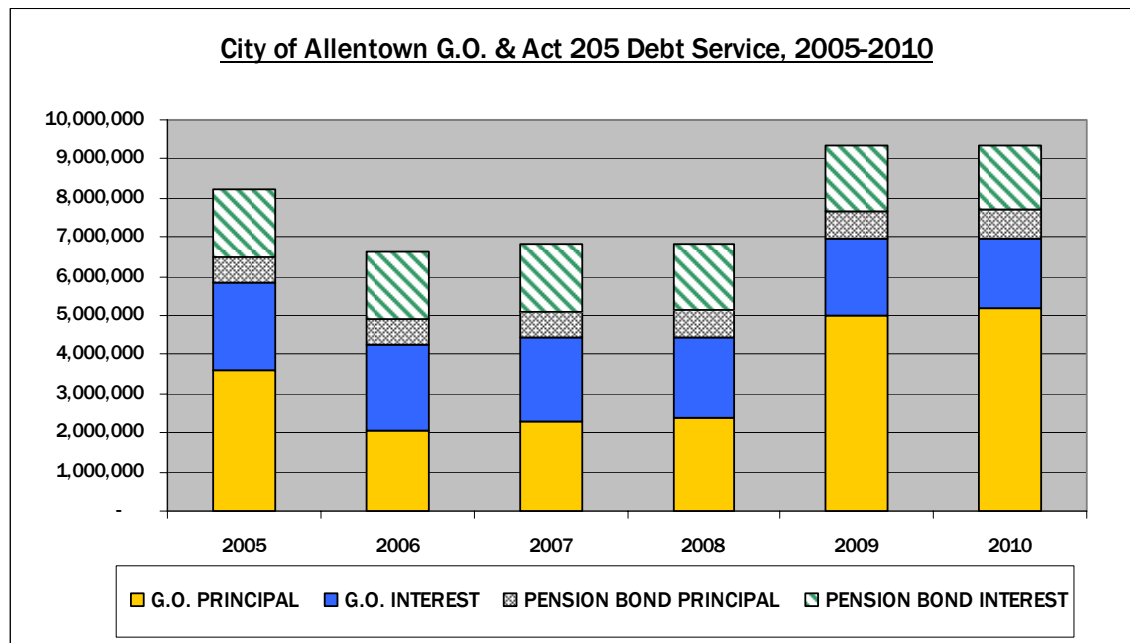
- (1) General Obligation Improvement Bonds
 (2) General Obligation Refunding Bonds
 (3) Taxable Refunding Bonds
 (4) Taxable Pension Refunding Bonds
 (5) Tax-Exempt General Obligation Bonds

Allentown's GO debt has recently been restructured to lower annual debt service through and including 2008, creating near-term budget relief. However, GO debt service then increases over 37 percent, to 9.34 million, in 2009 and 2010. The higher amount then declines annually, reaching its 2008 level again in approximately 2014. The table below shows Allentown's debt service over the next five years if no additional debt is issued.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
City debt:					
GO and Pension Bond	\$6,615,858	\$6,805,931	\$6,806,963	\$9,335,656	\$9,334,418
Guaranteed	9,879,521	7,684,129	7,351,629	6,838,295	6,632,730
TOTAL	\$16,495,379	\$14,490,060	\$14,158,592	\$16,173,951	\$15,967,148



The graph below shows this in different presentation, breaking out the GO and pension obligation bond principal and interest from 2005 through 2010. This clearly shows the impact of increased GO principal payments on the City's budget beginning in 2009.



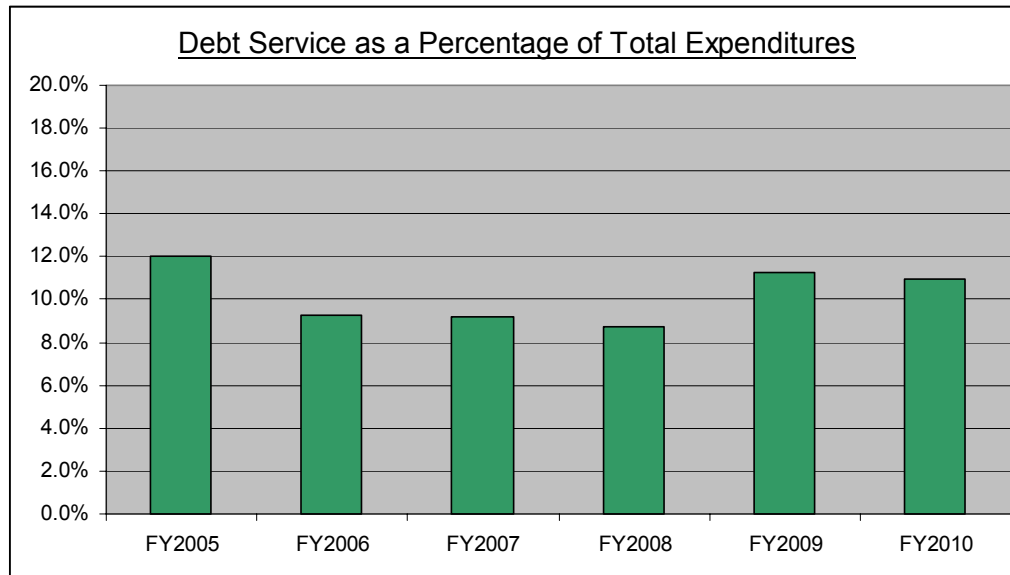
This structure creates a challenge for the City, as the debt service increase will arrive at the same time as new, higher pension payments. Strategies for addressing this issue are presented later in the chapter.

It is also important to note under its current debt service structure, the City will retire approximately 48.2 percent of its existing GO debt in the next 10 years. This is average performance according to S&P, which states in a 2004 review of public finance criteria for GO debt that "An average maturity schedule for capital projects is one in which 50 percent is retired in 10 years." Because the rating agencies consider this ratio when analyzing municipal credits, the City should consider it when structuring future bond issues. For example, Moody's rates the City of Boston Aa2 and cites its as a positive criteria the City's amortization of 71 percent of its debt within 10 years. In contrast, S&P rates the City of Bethlehem A- and cites its average debt position with 57 percent of their debt being retired within 10 years (Moody's rates Bethlehem two notches lower at Baa2).

Another criterion reviewed by bond rating agencies is the percentage of General Fund expenditures allocated to principal and interest payments for outstanding debt. Public sector finance experts and bond rating agencies generally opine that City debt service set at 10 percent of revenues or less is acceptable. Excessive debt, perhaps as much of 15-20



percent of annual revenues, is seen as risky and as a precursor to financial difficulty (especially in cities where the tax base is declining or stable). S&P's 1999 report on "Benchmark General Obligation Ratios" identified "moderate" ratios of debt service to operating expenditures to be around 10 percent, while categorizing ratios over 15 percent as "high". As shown in the graph below, using the S&P's criteria, Allentown's debt service ratio would be considered moderate to high in all years of the Plan.



Although the City's net tax supported debt is less than 10 percent of General Fund expenditures from 2006 through 2008, the percentage jumps up again with the debt service increase in 2009. These figures will increase further when new debt is issued.

It is important to note that the rating agencies pay close attention to this figure; Moody's cites Boston's ability to hold debt service to approximately 7 percent of annual expenditures as another reason for its excellent investment grade rating, and S&P cites the City of Bethlehem as moderate with their percentage at 8 percent of annual expenditures. Recently, S&P stated the City of Allentown consistently maintains above average debt service of 10 percent of annual expenditures.

ADDITIONAL DEBT CAPACITY

Although Allentown's current debt outstanding and projected debt service are moderately high and increasing, the City will need to issue debt over the next several years to maintain City infrastructure. In the capital section of this Plan, these needs are described in some detail. The Plan assumes that that City will need to spend approximately \$3.0 million per year for capital improvements in each of the next five years, and strategies for financing this amount are covered below.

Allentown's future debt capacity is determined not only by its ability to afford current and potential future debt service payments, however, but also by state law. In



Pennsylvania, a municipality is empowered to incur debt pursuant to the Pennsylvania Local Government Unit Debt Act. Before a City can issue new debt, the Act requires the calculation of the City's borrowing base, which is the average over the preceding three years of revenues, adjusted for certain nonrecurring and excludable items. The Act limits the City's net nonelectoral direct debt (direct debt is debt that is not self liquidating) incurred without electoral approval to 250 percent of the City's borrowing base. For Allentown, this is equal to over \$75 million in total capacity while the City currently has about \$52 million outstanding. In addition, aggregate nonelectoral direct debt and lease rental debt are limited to 350 percent of the City's borrowing base. For Allentown, this is equal to over \$125 million in capacity.

As a result, in the short term it appears that the ability to afford additional debt will be a more significant break on the City's capital expenditures than the need to stay within Commonwealth debt limits.

ADDITIONAL DEBT REQUIREMENTS

As noted above, based on projects identified and discussed in the Capital chapter of this plan, it is estimated that the City will require approximately \$3.0 million per year for capital projects over the next several years. Many larger cities borrow annually in order to closely tie debt service costs to the actual construction and delivery of large projects. However, multiple small issues are costly in terms of transaction costs – the fees associated with bond issuance. This is particularly true given the relatively small size of the borrowings anticipated for Allentown.

As in the Capital chapter, the Plan assumes that the City will forgo a GO borrowing in 2006, using commercial paper or its equivalent to borrow \$1.1 million for urgent projects. The City would reenter the capital market in 2007. At that time, it is assumed that the City would refund the \$1.1 million and borrow an additional \$6.0 million, representing two years of years of capital expenditures, to help save on issuance costs. Note that some of the other strategies described below also may be applied to help structure existing debt and issue new debt in a manner that is most cost-efficient for the City.

STRATEGIES FOR POTENTIAL SAVINGS AND BUDGET RELIEF

This section of the chapter covers possible methods for reducing the cost of the City's existing debt burden. As noted above, even without issuing any new debt and excluding the City's sizable Pension Bond obligations, principal and interest payments on the City's existing debt will constitute a significant portion of General Fund expenditures from 2006 to 2010. Of particular concern is a large increase in existing debt service that begins in 2009 and continues through 2014 – from 2008 to 2009, existing debt service payments will jump by 37 percent, from \$6.81 million to \$9.34 million.

Allentown may seek savings and budget relief by refinancing existing debt and issuing new debt at lower interest rates or with new interest rate structures. Where possible, refinancing existing debt is a good strategy in the current economic environment, where



despite rising interest rates, overall rates remain low compared to the recent historical past. As a result, there are often opportunities to enter into new debt service agreements that will be cheaper than those prevailing when the original debt was issued. These possible strategies are discussed in further detail in the following sections, while the chart on the next page illustrates possible refinancing opportunities to the City.

Series	Call Date	Principal Outstanding	Advance Refundable	Current Refundable	Swap Opportunity
<i>G.O. Debt</i>					
1993 (1)	Non Callable	325,000			
1993 (2)	Non Callable	1,525,000			
1995 (2)	10/15/2005	1,850,000		X	
Second Series of 1997	10/15/2007	1,360,000	X	X	
1998	7/15/2008	5,050,000	X	X	
2001	10/15/2011	4,360,000	X	X	
2003	10/1/2013	10,020,000	X	X	
2004 (3)	Non Callable	20,510,000			
2004 (4)	10/1/2014	35,985,000		X	X
2004 (5)	10/1/2014	6,795,000	X	X	
<i>Guaranteed Debt</i>					
Sewer 1993 (1)	Non Callable	645,000			
Water 1993 (1)	Non Callable	775,000			
Water 1993 (2)	Non Callable	645,000			
Water 1995 (2)	10/15/2005	3,840,000		X	
Sewer 1997	10/15/2007	530,000		X	
Water 1997	10/15/2007	2,765,000	X	X	
Sewer 1998	7/15/2008	8,310,000	X	X	
Water 1998	7/15/2008	4,720,000	X	X	
Sewer 2001	10/15/2011	1,645,000	X		
Water 2001	10/15/2011	13,160,000	X	X	
Sewer 2003	10/1/2013	5,445,000		X	
Water 2003	10/1/2013	2,140,000		X	
Parking 2003	11/15/2008	4,595,000		X	
Sewer 2004	10/1/2014	385,000	X		
Water 2004	10/1/2014	2,945,000	X	X	
Parking 2004	10/1/2009	5,565,000		X	
Parking 2005	11/15/2015	12,265,000	X		

- (1) General Obligation Improvement Bonds
- (2) General Obligation Refunding Bonds
- (3) Taxable Refunding Bonds
- (4) Taxable Pension Refunding Bonds
- (5) Tax-Exempt General Obligation Bonds

Fixed Rate Refundings

Refinancings of public debt are called refundings. In essence, they involve the same mechanics as refinancing a personal home mortgage: the proceeds from the sale of a new bond issue are used to retire and replace an outstanding bond issue. Refundings are done to reduce interest costs, extend the maturity of the debt, or relax existing restrictive covenants. There are two types of refundings, current and advanced. A current refunding occurs when new bonds are issued within 90 days of the call date of the



existing bonds. In contrast, an advance refunding occurs when new bonds are issued to repay an outstanding bond issue before its first call date. Since tax regulations changed in 1986, bonds can only be advanced refunded once whereas the number of current refundings is unlimited. The call date of the existing bonds is the day on which the existing bonds can be redeemed and determines whether a refunding is current or advanced.

All of the City's debt has been reviewed for both current and advanced refunding opportunities. In addition to fixed rate refundings, synthetic refunding opportunities have also been explored. Synthetic refunding opportunities will be discussed further in the variable rate section.

Tax-Exempt Debt. Some of the City's debt has already been advance refunded. For example, the Series 1995 Refunding Bonds advance refunded the Series 1986 and 1994 Bonds. As such, the Series 1995 Refunding Bonds can only be taken out as a current refunding.

Taxable Debt. Allentown has two series of taxable bonds, Series 2004 Refunding Bonds and Series 2004 Pension Refunding Bonds. Both series of taxable bonds refunded prior bond issues. Some of the original projects may have been tax-exempt in nature; however, as the bonds were issued as taxable debt, the City is now paying coupons as high as 5.25 percent, as compared to tax-exempt coupons as low as 3.0 percent. Since bondholders do not receive tax exemptions from municipal taxable bonds, taxable bonds have coupons significantly higher than tax-exempt debt.

In addition, the Series 2004 Pension Refunding Bonds were structured with a term of 30 years. Typically, if cities need to issue taxable debt, taxable bonds are structured to mature in not longer than 10 years; this longer maturity schedule has resulted in the City paying debt service on high coupons for a much longer period than normal.

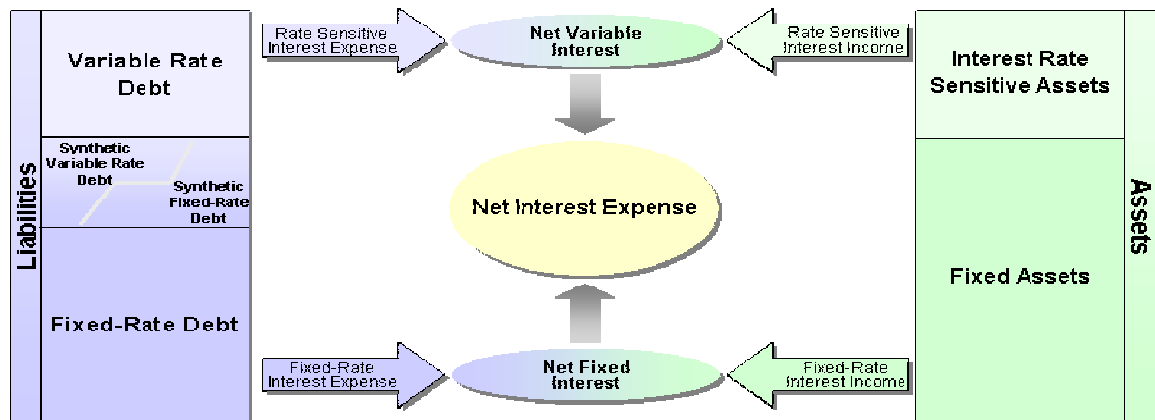
Redemption Provisions. Redemption provisions should be included in the basic structural requirements of every transaction. For example, the current market allows for a 5-year call with no premium required for issues \$10 million or under and a 10-year call with no premium for issues over \$10 million. Without call options, issuers cannot take advantage of fixed rate refunding opportunities when interest rate declines such as in today's low interest rate environment.

Variable Rate Debt

In contrast to fixed rate debt where the coupons are set, variable rate coupons reset at pre-determined intervals. Currently, all of the City's outstanding debt is fixed rate debt. If the City would issue variable rate debt, the City could increase diversity in its debt portfolio, which is generally favorable from the rating agency perspective. One other important aspect of variable rate debt is that it helps achieve more of an asset liability match (as illustrated below) since most the assets of the City are invested in variable rate instruments. Therefore, debt service costs would fluctuate in rough approximation to the



City's investments used to pay for them. Furthermore, as variable rate debt traditionally produces a lower cost of funds when compared to fixed rate bonds, the City can reduce overall debt service costs.



Created in 1981, Variable Rate Demand Bonds (“VRDBs”) require that the interest rate on the securities be reset periodically to reflect prevailing market short-term tax-exempt yields. As such, VRDBs have several different interest rate reset periods, including daily, weekly, quarterly, semi-annually, annually and multi-annually. VRDBs require a remarketing agent, typically a bank who is responsible for re-pricing the bonds at the pre-set intervals. In addition, since VRDBs have a feature that allows investors to demand purchase of their bonds at par, or ‘put’ them to the issuer, VRDBs require some form of liquidity or credit support, such as a line or letter of credit issued by a bank. Today’s market is dominated by credit and liquidity enhanced issues. The advantages and disadvantage of variable rate debt are indicated in the table on the next page.

ADVANTAGES AND DISADVANTAGES OF VARIABLE RATE DEBT

Advantages	Disadvantages
Historically low cost to issuing debt	Interest rate risk
Lower sales fees by underwriters	Fluctuating rates complicate future budget/liability planning
Diversification of buyers and issuer’s capital structure	Requires ongoing availability and participation of various parties: remarketing agent, liquidity facility provider, credit enhancer and tender agent
Financial management flexibility: ability to switch interest rate modes with 30 days notice	
Enhance potential use of active asset/liability management techniques	
Bonds are callable at par upon 30 days notice	



Interest Rate Swaps

In addition to increasing the City's variable debt exposure through issuing natural variable demand obligations, Allentown can also consider introducing variable rate debt via the interest rate swap market. An interest rate swap is a contract between two parties, referred to as "counter-parties" to exchange interest rate payments at specified dates in the future. The interest rate payments for a given counterparty equal the product of an interest rate (swap rate) and a principal amount. Usually, one counterparty pays a fixed rate while receiving a variable rate, and vice versa for the other counterparty. Interest rate swaps are used to manage interest rate risk and to exploit attractive synthetic financing opportunities, as discussed further in the sections below.

Interest rate swaps offer many benefits including usually being cheaper than issuing traditional fixed rate bonds. However, interest rate swaps should not be entered into without an assessment of the risks. The most important risk is basis risk; should there be a shortfall between the variable rate received on a swap and the rate paid on its bonds, the issuer bears the risk of any mismatch. In addition to basis risk, the benefits and risks of interest rate swaps are listed in the table below.

BENEFITS AND RISKS OF INTEREST RATE SWAPS

Benefits	Risks
Locks in fixed rate for term of financing	Credit exposure to the swap counterparty
Can be cheaper alternative to fixed-rate bond market	Exposure to lower floating rates
Ability to terminate swap for gain if interest rates rise	Potential cost if swap is terminated early
Ability to assume (transfer) tax risk	Letter of Credit (LOC) renewal risk/increased credit support costs
Customized structures	Basis risk between variable-rate bond cost and variable rate received on swap (percentage of LIBOR swap)

As variable rate debt can be part of a prudent overall approach to asset and liability management, both public and private sector entities have used swaps. Some examples of Pennsylvania municipalities and authorities that have used swaps include: Chester County, Dauphin County, Pennridge School District, University Area Joint Authority, City of Reading, and Pocono Mountain School District.

Basis Swaps

There are many types of swaps but the one that has the most application to the City is called a basis swap. A basis swap is an agreement to exchange variable rate payments with a large bank or financial institution (called a "counterparty"). The payments are



based on two different indices that are used in financial markets to represent variable borrowing rates. One party agrees to pay the Bond Market Association (BMA) index, while the other agrees to pay a percentage of the 1-month London Interbank Offered Rate (LIBOR) index. The BMA index represents a sample of tax-exempt variable rate bonds. LIBOR represents a taxable borrowing rate which is adjusted to reflect the value of tax-exemption. Historically, BMA has equaled 67 percent of LIBOR. While interest rate swaps are new to the City and not without risk, they have been successfully implemented by many local governments of Allentown's size. The main exposure to the City by entering into a basis swap is tax risk, the possibility that a federal tax law change would cause a reduction in the benefit of using tax-exempt bonds.

Specifically, the bond issue that a basis swap would produce the most benefit with is the Taxable Series of 2004 Pension Refunding Bonds. Because of the taxable status of these bonds, the interest rates are higher than tax-exempt bonds. A basis swap can effectively provide the City with the economic benefits associated with the ability to issue tax-exempt bonds. Although there are many ways basis swaps can be set up, one method the City could enter would yield an upfront premium over the next several years that totals over \$1.0 million. This money could be used to apply to lowering debt service. The transaction could even be structured so the payment to be received occurs in 2009 or 2010 when the total annual debt service payments are expected to increase. The second part of this transaction is that the City would enter into an agreement with the counterparty to exchange variable rate payment streams. The City would need to pay the BMA index, and in exchange receive 67 percent of LIBOR + 0.10 percent per year. If the two indices replicate the past twenty years, the indices should match and the City would be the "net receiver" of the residual 10 basis points each year until the swap and the bonds mature.

DM01: Interest Rate Basis Swap

Assuming a January 15, 2006 transaction date and 10 basis point dealer profit, a basis swap in which the City would pay BMA in return for 67 percent of LIBOR+10 basis points would generate payments to the City on in October 2009 and October 2010 as shown in the table below. This initiative is calculated at \$1,080,000 per year but has been conservatively discounted by 25 percent to mitigate against unpredictable market conditions.

Discounted Fiscal Impact

	2006	2007	2008	2009	2010
Discount %	0%	0%	0%	25%	25%
Fiscal Impact	\$0	\$0	\$0	\$810,000	\$810,000

CITY'S CREDIT RATING

Credit ratings directly affect the cost of issuing debt; the higher the credit rating, the lower the cost of issuance. For example, entities rated a natural Aaa/AAA will typically trade on top of or through the high-grade scale, whereas a municipality rated Baa/BBB may trade 80 basis points on top of the high-grade scale. With higher yields, the



municipality will incur costly debt service payments for the term of the bonds. As such, it is important to not only maintain one's rating, but also to seeking ways to improve the current rating. The three major rating agencies are Moody's Investor Service ("Moody's"), Standard and Poor's Rating Service ("S&P") and Fitch Ratings ("Fitch").

City's Current Rating and Comparables

The City is currently rated Baa2 by Moody's and BBB+ by S&P. A sample of credit ratings of other cities across the state are listed below.

	Allentown PA	Bethlehem PA	Reading PA	Scranton PA	Wilkes-Barre PA	Easton PA
Moody's	Baa2	Baa2	Not Rated	Not Rated	Not Rated	Not Rated
S&P	BBB+	A-	Not Rated	BBB	Not Rated	A-

Key Ratings Criteria

In determining a municipality's credit rating, the key factors ratings agencies consider cover four primary areas: economy, debt, finances and administration/management strategies. While probably the least controllable of the four credit factors, a city's economy is critical to credit analysis because the economic base ultimately generates the resources that repay municipal debt. Indicators of economic growth include retail sales, building permits and employment data. Allentown is situated in the Lehigh Valley, which is outpacing other metro areas statewide in population and economic growth. Also, there is over \$300,000,000 of public and private investments focused in downtown Allentown. In addition to measures of the economic base, rating agencies also analyze demographic data such as the socioeconomic characteristics of the resident population.

With every new issuance of debt, credit agencies reevaluate the municipality's debt position through key ratios such as debt burden and debt per capita. Allentown's debt burden, which is the overall net debt divided by the estimated full value of taxable property, is above average at 5.2 percent. However, Allentown's debt per capita – a ratio of overall net debt to population – is considered moderate at \$1,368. The table below illustrates several of the key debt and economic ratios.

KEY DEBT AND ECONOMIC RATIOS

Key Statistics	
Overall Net Debt	87,800,000
Population	106,632
Taxable Property	1,681,170,950
General Fund Balance	(2,687,575)



Key Ratios	
Overall Net Debt per Capita	1,368.16
Overall Net Debt Burden	5.2%
Debt Service as % of Expenditures	15.4%
General Fund Balance as % of Revenues	(4.3%)

Source: Fiscal Year Ending 2004 Financial Statement; Fiscal Year Ending 2003 Approved Budget, and 2000 Census

In addition to these ratios, rating agencies also focus on debt structure. Characteristics of debt structure include the amount of short-term debt outstanding, the extent of reliance on variable rate debt obligations and the overall structure of debt service payments. Another key calculation is the rate of debt payment. The rate of principal retirement within 10 years can be indicative of the municipality's willingness to pay. Allentown retires 48.2 percent of its general obligation debt over 10 years.

When rating agencies review financial factors, they look at more than the year-end financial statements. Rather, they examine trends in financial performance and control. As such, budgetary planning and projecting, as well as a municipality's policies on spending growth, use of surplus and shortfall contingency plans all affect a city's credit rating. An important financial statistic that is usually analyzed is the General Fund balance as percent of revenues. This ratio helps measure the potential reserves available to fund unforeseen circumstances.

Finally, while perhaps the most difficult to assess, rating agencies also account for administrative factors such as issuer's organization, division of responsibilities and professional qualification. These organizational characteristics are measured whether a municipality has adopted sound financial and debt policies such as a renewed focus on multi-year planning and improved financial reporting and management. Debt management policies and strategies are discussed in further detail in the next section.

FISCAL AND DEBT MANAGEMENT POLICIES

This Report establishes the City's next steps in improving its financial management. Many of these were discussed earlier in this chapter in the context of overall financial management; this section discusses policies and practices that are closely related to debt.

Fiscal Policies

The City presently lacks formal policies guiding some of its financial practices. Financial policies for the City should include:

- **Developing guidelines for the General Fund.** Annual total debt service should not exceed 10 percent of General Fund expenditures. As of 2003, the City's debt service was approximately 15.4 percent of General Fund Expenditures which was decreased to under 10% from the restructuring. The City should monitor this ratio with the focus on keeping this percentage close to 10 percent.



- **Monitoring the City's net debt ratio.** The City's net debt ratio is currently 5.2 percent. A policy addressing the net debt should remain within the 3 percent to 4 percent range of full valuation.
- **Setting guidelines for the fund balance.** Lastly, the level of the fund balance as a percentage of General Fund revenues is currently (4.3) percent. Fund balances should be maintained at a level of 3 percent to 5 percent of General Fund revenues.
- **Increasing rate of retirement of principal.** When issuing and structuring debt, the City should take into account its rate of retirement of principal. Currently, the City retires 48.2 percent of its general obligation debt within 10 years. As Fitch recommends a retirement rate of 65 percent, the City's policy should be at least 50 percent of overall debt should be repaid within 10 years, with the focus on increasing the rate to more in-line with 65 percent.
- **Creating a fixed/variable rate ratio.** If the City pursues issuing variable rate debt, it needs to assess what would be a comfortable fixed versus variable rate ratio. A conservative rule of thumb is to not have variable rate debt exceed 20 percent of total debt.

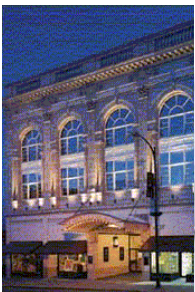
Debt Management Policies

In addition to adopting formal financial policies, the City should also institute formal debt issuance and management policies. In general, if a debt issuance can be transacted competitively, it will result in lower costs. Beginning with the assembly of a team for the transaction, all parties to the transaction should be selected competitively, such as underwriter, financial advisor and bond counsel. Specifically, the City should ensure that parties do not have competing interests; for example, the City's financial advisor should not be allowed to underwrite the City's debt. Furthermore, unless the unusual circumstances warrant a negotiated sale, more and more municipalities are issuing their debt competitively to capture lower costs of issuance and yields. Typically, General Obligation debt is the easiest to issue competitively, as it has the full faith and credit of the issuer backing the bonds. When the bonds are sold, all investments related to bond proceeds should also be bid competitively.

When issuing refundings, there are several additional policies cities should apply. One is having a policy that refunding candidates should produce a minimum net present value of savings of 2-3 percent of the bonds being refunded. Without a threshold, cities could rush into refunding bond series that would have yielded higher savings in the future. However, refundings undertaken for special restructuring or covenant changes could be exempt from the threshold. Along with competitively bidding the sale, all refunding escrows should be bid competitively on a maturity-by-maturity basis.



Technology Information Services



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Bureau of Technology Information Services

MISSION

To administer the City's computer and communications networks in a way that provides employees with the tools and information that they need to work effectively and efficiently.

OBJECTIVES

- Provide access to the computer network
- Operate and provide support for the data center
- Provide desktop assistance
- Provide efficient/effective central support services for aspects of office management including data and word processing.

SUMMARY OF DEPARTMENTAL UNITS AND SERVICES

- **Systems Management:** The ongoing effort to provide an efficient, effective, computing environment in which computer system resources are programmed and configured to match system performance and availability with application requirements; maintaining properly functioning systems that demonstrate a high level of system performance is achieved by monitoring, evaluating, and modifying software and hardware to ensure the long-term operation and reliability of information systems; security and backup procedures are also established and maintained to provide a secure environment, preserving the integrity of stored data.
- **Applications Development:** The formulation of computer applications involves the initial analysis, design and programming of new tasks along with ongoing evaluations that lead to further development through enhancements; coordinate, systemically prioritize and develop new applications or enhancements within the various City departments.
- **Planning, Coordination & Control:** Effective management and administration of computer resources and support personnel is support by good planning, coordination and control. General management functions, as well as ongoing planning and training efforts include personnel, formulating general development strategies and standards, conducting in-house training seminars and documenting system specifications and procedures.
- **Applications Maintenance:** Computer applications require maintenance due to program failure, programming errors or requirement changes; corrective measures including isolating and diagnosing the failure before re-programming the faulty module; program changes are tested before being put back online. As the number



of applications and their complexity continue to increase, corresponding increases in required applications are anticipated.

ORGANIZATIONAL CHART

Historical Staffing Levels by Position

Position	2001	2002	2003	2004 Estimated	2005 Budget
Director of Technology	-	-	-	-	1
TIS Operations Manager	1	1	1	.6	1
Senior Systems Analyst	1	1	1	1	1
Systems Manager	1	1	1	1	1
Systems Analyst	4	4	4	3.9	4
Network Administrator	1	1	1	1	1
Office Automation Special ¹	1	1	2	1	1
Network Support Specialist	2	2	2	1	2
Total	11	11	12	9.5	12

EXPENDITURES

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Budget
Operating	\$656,195	\$740,457	\$896,784	\$1,190,856	\$1,323,639
Capital	\$231,596	\$342,370	\$619,575	\$200,523	\$420,752
Total	\$887,791	\$1,082,827	\$1,516,359	\$1,391,379	\$1,744,391

¹ This position will be eliminated in the 2006 budget.



PERFORMANCE MEASUREMENTS

Performance Metric	2002	2003	2004 Estimated	2005 Projected
Backup Data Capacity/Number of Backups	140/260	280/260	320/260	640/260
Number of Multi-user Systems Maintained	2	3	4	-
Number of Servers Maintained	10	11	12	16
Number of Existing Instruction Files	3,500	3,000	3,500	4,000
Staff Days at Conferences, Seminars & Training ²	200	260	200	300
Personal Computers Installed ³	440	460	480	505
Number of Help Desk Calls Received	-	5,400	5,800	6,000
Number of Buildings Connected to Network (>10Mbps<10Mbps)	20/7	21/8	21/9	21/9
Network-Wide Avg. Response Time	-	-	2ms	2ms
Network-Wide Availability	-	-	99.976%	99.988%

RECENT ACCOMPLISHMENTS

- **Process Evaluation/Reengineering:** The department is creating a detailed flowchart for finance and human resources information management protocols. This exercise will facilitate evaluation of strengths/weaknesses in such protocols and promises to reveal opportunities that will save money and/or improve service levels.
- **311 Pilot:** The department is piloting a Customer Service Request/311 system. Allentown follows the lead of other cities – such as Washington, DC, Rochester, New York and Baltimore – that have implemented this service enhancing tool.
- **Pursuit of Interoperability Grant:** The department is working with the City's public safety agencies - Fire, Police, and Emergency – to pursue an interoperability grant from the Department of Justice. Funding of up to \$6 million is possible.
- **RMS Project:** This project has commenced and vendor selection is being advanced.
- **Weed & Seed:** The department has been collaborating with Community and Economic Development on a number of initiatives related to the administration of the City's grant-funded Weed & Seed program.

² This metric covers all City employees, not just this department.

³ This number indicates the total number of PCs installed and operating Citywide.



CHALLENGES AND GOALS

- Fragmentation of intra-City IT operations and the resulting systemic lack of coordination. For instance, the Water Resource Bureau, Engineering/GIS, and the Communications Center all have IT staff that could be more effectively/efficiently deployed if the reporting structure were streamlined.
- Identifying funding for important IT initiatives that will – in the longer term – produce productivity and service enhancements.
- The Bureau strives to maintain a twenty generation backup of all data on a daily and monthly basis; installation and management of local area network infrastructure, data center peripherals, file and application servers; administer installation and maintenance agreement contracts relating to hardware, software, and cabling vendors; maintain system and network security to prevent unauthorized access to computer resources; design, specify, and document network infrastructure projects; configure and maintain common system disks for open VMS systems; provide for automatic safety users; install, configure, and place PCs in the City's network.
- The Bureau will work to expand data and word processing capabilities; accomplish new developments and enhancements to computer systems; use microcomputers and packaged software to a greater degree throughout the City.
- The Bureau will work to ensure the efficient, long-term operation and reliability of information systems; formulate effective development and design strategies through planning sessions with City Administrators, system users and suppliers; establish, revise, and maintain operational, design and documentation standards necessary to ensure consistent delivery of services; increase staff productivity by continuing education; research new technologies and techniques to increase efficiency and lower operating costs.
- The Bureau will ensure efficient, long-term operation and reliability of applications software; provide immediate action on reported problems. Coordinate and communicate downtime with users and administrators.



INITIATIVES

IT01. Consider Elevating the IT Director to Cabinet Status

Nationwide, municipal governments have begun to appoint Chief Information Officers (CIOs) who report directly to the chief executive. This structure recognizes the critical role that information technology plays in every local government service – from public safety to public works – and allows greater coordination of technology used in tools ranging from mobile data terminals in police cars to geographical information systems.

In Allentown, multiple recommendations of this Plan depend on more efficient and effective IT services. Changes to the City's IT infrastructure and/or new services are critical to many of the City's more general long-term goals. In addition, the current structure of the Finance Department has multiple direct reports to the Finance Director; these could reasonably be reduced.

IT02. Create Loaned Executive Program for IT

The City of Allentown's senior executive corps includes experienced and talented managers. However, in some cases daily management responsibilities limit their ability to undertake key transformation initiatives. At the same time, businesses and non-profit institutions in Allentown and throughout the Lehigh Valley have a wealth of professional talent that could make positive contributions to City governance. PFM's preliminary discussions with stakeholders outside the government indicate great willingness to help.

The services of loaned outside executives would provide Allentown with targeted resources to complete important projects, and to structure further efforts. In this model, private sector entities or other governments would provide senior managers with relevant skills on a no-cost or nominal cost basis. Loaned executives could serve for a specific period of time (a minimum of three months and a maximum of two years in most cases) or for the period necessary to complete a specific project. In particular, the information technology area could benefit by providing the director with highly skilled project managers to implement new software systems, upgrade existing systems, and integrate systems where necessary.

PFM suggests that the City begin with a targeted program to prioritize and define specific information technology projects, and seek donated project managers to implement those changes. During the subsequent portion of this multi-year planning effort, additional opportunities for voluntary help would be identified.

IT03. Create a Mechanism to Foster Joint Working Between the City's Information Technology Resources

In addition to the Information Technology Bureau, major staff and financial resources are dedicated to IT by Water Resource Bureau, Engineering/GIS, and the Communications Center. A formal joint working structure – whether a monthly meeting, council of IT



professionals, or Mayoral commission – should be established under the IT director to coordinate these resources. In the long run, the City should seek opportunities to combine and streamline its IT organization while recognizing the distinct departmental requirements and skills.

IT04. Explore the Possibility of Combining City and County Information Technology Resources

During the term of this Plan, PFM recommends that the City join with Lehigh County to investigate the viability of a consolidated City/County IT delivery system. Other Lehigh County governments and agencies could join the project or purchase services from it on a contract basis. Numerous other governments have entered into joint service agreements or set up non-profits or authorities separate and distinct from the County and City, but jointly administered by both. Use of a non-traditional structure allows the creation of a new system of rules governing IT procurement and IT personnel, as traditional government regulations in these areas are particularly burdensome on the fast paced Information Technology function.

The main benefits of IT consolidation would be twofold: (1) a City/County collaboration would combine significant regional resources that will dramatically enhance the collective functional IT capacity; and (2) economies of scale will be realized in a number of areas – most prominently in procurement and personnel – that will result in system-wide cost savings. In terms of a projection, current aggregate County/City expenditures are approximately \$4.0 million. In places where cities and counties have combined their IT operations, savings averaging 20 percent have been realized. Applying this to Allentown/Lehigh, total annual savings of \$800,000 could be achieved. Discounting as a measure of conservatism by 50%, total annual savings of \$400,000 and \$2.0 million over a five-year period are projected for both the County/City combined. If this 20 percent figure is applied to just Allentown's IT spending (operating and capital)⁴, nearly \$1 million could be saved over five years.

The following case studies provide examples of how similarly-situated governments have managed this type of collaboration.

⁴ Average of last four years.



Omaha and Douglas County, Nebraska

In 2003, the City of Omaha, Nebraska and Douglas County merged their information technology departments by creating a nonprofit organization, the Douglas-Omaha Technology Commission (DOT.Comm). DOT.Comm is led by a CEO/CIO and governed by a board of directors made up of two government officials and three citizens. DOT.Comm installs, operates, and maintains IT equipment at police precincts, fire stations, the Department of Motor Vehicles, libraries, parks and recreation offices, and other City and County offices throughout Douglas County.

According to DOT.Comm's 2004 Annual Report, the two governments realized a cost savings of just under \$2 million in 2004 or roughly 20 percent. With the consolidation of the network resources, DOT.Comm was able to achieve economies of scale when purchasing equipment. Also, the County and City share IT personnel and equipment. Finally, DOT.Comm was able to create a standard acquisition process which created a multi-vendor score selection template that further reduced IT costs.

Helena and Lewis & Clark County, Montana

In the 1990s, the City of Helena and Lewis & Clark County decided that they should have one Information Technology Strategic Plan which both governments would use to steer their IT policies. A consultant hired to form the Plan recommended that the two IT divisions merge. However, neither party wanted to cede power over its IT to the point that it would contract with the other to wholly provide the service.

This was solved in 1999 when the City and County signed a memorandum of understanding to form an Information Technology and Services Department structured as an entity separate from both the City and County. Organizationally, the Department is headed by a Board of Directors which consists of the City Manager, the County Administrative Officer, a City Commissioner, a County Commissioner, and one community member who has IT expertise. The Department also has a steering committee which consists of five City department heads and five County department heads who have a vested interest in City/County IT. The Committee makes recommendations to the Board on the budget and possible projects for the IT Department. For ease of administration, the IT employees are technically County employees.

Although the total amount of efficiencies have yet to be calculated, individual projects by the Department have resulted in over \$1 million in one-time cost savings and over \$0.5 million in recurring annual cost savings.



Indianapolis and Marion County, Indiana

The City of Indianapolis and Marion County merged their information technology function through the regional UniGov structure into the Information Services Agency ("ISA"). In 1995, the consolidated government contracted out the ISA and all its functions to a private vendor. The first contract was for a period of seven years and had an estimated savings of \$26 million over the life of the contract. STC, the company which was awarded the bid, was responsible for network management, LAN/desktop/server management, disaster recovery and security, training, management of the ISA data center, and maintenance of an on-site help desk which was open all hours on all days. Under the terms of the agreement, STC was also required to hire all City/County IT employees at an equal or higher pay than their previous government compensation.

The City went through the RFP process again in 2004. Ultimately, the City decided to contract with Northrop Grumman. The new contract has a term of five years and will cost the City \$46 million. A main benefit over its competitors was that this contract is less dependent on proprietary hardware and software. The City wanted a vendor that relied mainly on commercial applications so that it would be able to perform critical functions in the future without paying a large fee after the contract expires.

Albany and Dougherty County, Georgia

Under the provisions of a state law requiring that local governments should not double tax citizens for services which can be provided jointly, the City of Albany and Dougherty County entered into an indefinite inter-local agreement to jointly provide information technology services. The City of Albany provides the service using city employees. At the end of each month, the City produces a bill for the County which costs out the level of service the County required for that month; currently, the County pays roughly 48 percent of the costs while the City pays 52 percent. Under the agreement, all infrastructure is co-owned by the City and County. If the agreement were to be terminated, either one entity would be required to purchase the other half of the technology or the two would divide the systems. The policies and procedures for the department are set by a joint City and County Computer Committee which has representation from both parties.

Discounted Fiscal Impact

	FY2006	FY2007	FY2008	FY2009	FY2010
Discount %	70%	50%	30%	10%	0%
Fiscal Impact	\$79,473	\$132,455	\$185,437	\$238,419	\$264,910



IT05. Explore Cooperative Purchasing/Service Agreements (i.e., State contract, government purchasing alliance)

A number of programs exist to enable local governments to leverage IT purchasing power. The City of Allentown should continue to avail itself of these purchasing mechanisms – both for hardware and service agreements – to achieve savings. In particular, the City should explore the potential of outsourcing help desk service call response through the State contract (which has recently been improved) or other purchasing service.

IT06. Work Cooperatively with Area Jurisdictions that have GIS Operations to Realize Economies of Scale, Improve Effectiveness, and Avoid Duplication of Efforts

Currently, in addition to the City of Allentown, four separate GIS operations exist in the Lehigh Valley, including Bethlehem, Easton, Northampton County, and Lehigh/Northampton Joint Planning Commission. As part of or in advance of the City/County consolidation initiative, Allentown should coordinate with regional GIS practitioners so that efforts are not duplicated.

IT07. Implement a Hardware Tracking System and Desktop Replacement Cycle

The City should implement a hardware tracking system with the location and age of each desktop computer and printer. It is critical that the City have information about its technology investment. Further, the City should implement a replacement cycle for desktop computers and printers. This will help the City plan for purchases and develop a financing strategy.

IT08. Aggressively Pursue Outside Funding Sources

The Department should work to obtain grants for IT-related purchases in specific areas of the government. Possible sources of grant funds include the Pennsylvania Commission on Crime and Delinquency, the Pennsylvania League of Cities, and through state legislators.

IT09. Implement a Software Tracking System

The City should manage its licensing of software on a centralized basis, and overcome its current inability to monitor what software is actually running on various City equipment. The City has recently purchased software that can be run on the network and will provide information on the software that is running on each desktop on the network, how frequently this software is used, and its licensing status. This software should be



implemented as soon as possible so that the City can ensure that all of the software that is in use in the City is licensed properly and can remove unused software from desktops. Bulk discounts and enterprise-wide licensing arrangements may be utilized to obtain discounts on software licenses.



Appendix

Governor's Center for Local Government Services: Financial Condition Assessment

Allentown Financial Condition Assessment Summary

The Governor's Center for Local Government Services ("LGS") of the Pennsylvania Department of Community and Economic Development has created a 26-factor financial monitoring program that assesses key trends that impact overall fiscal health. As part of the city's multiyear financial plan development, PFM evaluated Allentown's General Fund pursuant to these factors through the end of 2003. Findings are summarized below and detail is provided in the pages that follow. When available, 2004 data has been included and is based on year-end estimates. All figures adjusted to constant dollars are indicated as such and were translated based on the U.S. Department of Labor's Consumer Price Index for Eastern Pennsylvania. This analysis originally appeared in PFM's Baseline Assessment and Short-Term Plan in August 2005.

Population data were retrieved from the Pennsylvania State Data Center, Pennsylvania's official source for demographic and economic data as well as the state's official liaison to the U.S. Census Bureau. It was established by executive order and is housed at Penn State-Harrisburg.

It is important to note that the Financial Condition Assessment is constructed as a "tripwire" benchmark to alert local officials to areas of concern. As such, the evaluation terms are slightly negative in tone, referring to "warning signals" and "unfavorable" status. The temptation to use the Assessment judgmentally should be avoided in favor of its benefit as a tool to identify areas for action. This is particularly the case since some indicators may vary for reasons that are positive or negative – understanding the underlying factors is a key process step.

Factor	Description	Allentown Status	Notes
Factor 1	Revenue per Capita	Inconclusive	Allentown has experienced revenue gains per capita, but this appears to be partly a function of declining population shouldering a greater burden rather than genuine revenue growth.
Factor 2	Intergovernmental Revenue	Inconclusive	Intergovernmental revenue has remained fairly static over the recent five-year period.
Factor 3	Property Tax Resources	Unfavorable	Millage rate increases over the past five years spell decreases in remaining available property tax resources.
Factor 4	Expenditures per Capita	Unfavorable	Expenditures per capita are slowly increasing. While partially attributable to population decline, this trend is of concern given health care cost growth and recent labor awards.
Factor 5a	Employee Benefits Cost	Inconclusive	Costs are close 30 percent; a decrease was seen from 2002-2003 after an increase from 2001 to 2002.
Factor 5b	Hours Worked per Employee	-	Not currently available.
Factor 6	Cash Position	Favorable	This metric indicates that the city has consistently been able to cover its short-term liabilities.
Factor 7	Debt Service	Inconclusive	The debt ratio remained above the acceptable threshold of 10 percent, then dipped below it in 2004. With debt service increases projected in 2009 and 2010, this remains an area of concern.
Factor 8	Long-Term Debt	Unfavorable	Long-term debt is increasing as a percent of assessed valuation. The unfavorable trend in this metric is related to the increase in indebtedness.
Factor 9	Debt per Capita	Unfavorable	Increasing as population decreases and indebtedness increases.
Factor 10	Operating Position	Unfavorable	Allentown has operated on an extremely tight basis with operating deficits in 2002, 2003 and 2004.
Factor 11	Unfunded Pensions/ARC Payment	Unfavorable	Reflecting the impact of the 2000-2002 market downturn, 2003 posted the first unfunded pension liability in five years. New pension valuations to be



			issued this year should show more positive results.
Factor 12	Revenue Shortfalls	Unfavorable	While these data fail to show a consistent trend, Allentown's actual received revenues have fallen short of budget expectations twice in last five years. Adjusted tax revenues are relatively flat.
Factor 13	Budget Overruns	Inconclusive	This metric describes whether actual expenditures exceed budgeted expenditures; the data indicate that while actuals have exceeded budgeted figures, this should be monitored.
Factor 14	Uncollected Property Tax	Inconclusive	A delinquency rate of more than 5 percent is considered a negative sign, and while Allentown has shown improvement, it has breached that indicator twice in the past five years. The City has reengaged outside tax collectors and expects improved performance in 2005.
Factor 15	User Charges/Cost of Service	-	Not currently available.
Factor 16	Employees per Capita	Unfavorable	Growing rate is partially attributable to decreases in population and employees supported by user fees. 2005 results may be different when measured.
Factor 17	Property Value	Favorable	Small but steady increases are promising.
Factor 18	Fiscal Capacity	Inconclusive	Slight increases appear to be function of decreasing population..
Factor 19	Community Jobs	Inconclusive	Recent plant closings have resulted in loss of several thousand Allentown jobs.
Factor 20	Employment Base	Inconclusive	Slight increase in number and percentage of people in community employed; possibly attributable to population loss.
Factor 21	Construction Activity	Inconclusive	Construction activity has been inconsistent; after a steady decline in the number of building permits issued from 1999 through 2002, 2003 showed a substantial increase.
Factors 22 & 23	Population & Personal Income	Inconclusive	Although generally stable in recent decades, recent estimates show that the City's population has marginally declined; and personal income has remained static and well below state averages.
Factor 24	Population over 65	-	Not available.
Factor 25	Capital Outlay	Inconclusive	Fluctuates from year to year between 1.5 percent and 30 percent.
Factor 26	Fund Balance	Unfavorable	Continues to rely on previous year's balance to fund current year's operating expenses.



Allentown Financial Condition Assessment Discussion

Factor 1: Revenue Per Capita

Warning Signal: Decreasing Operating Revenue Per Capita

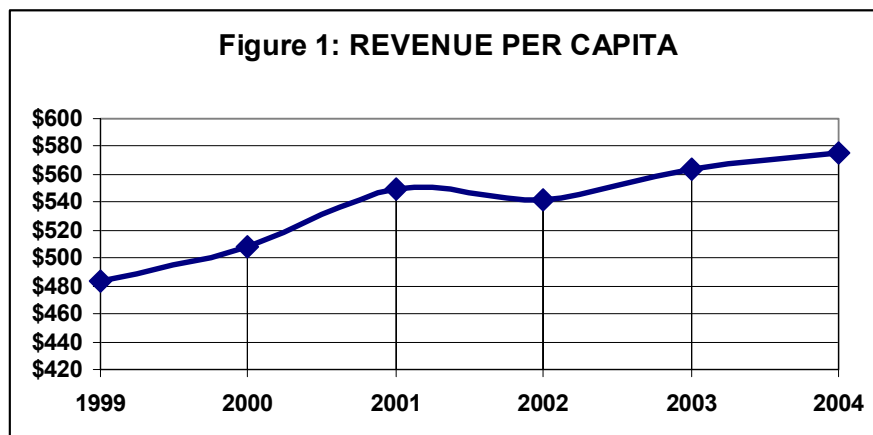
Discussion: Calculation of revenue per capita facilitates analysis of resource availability and the capacity for further growth in resources. Comparing city revenues over changes in population for the past five years can yield one of three scenarios: increasing, decreasing, or static revenue per capita.

Table 1 shows revenue per capita calculations for 1999-2003. Figure 1 indicates revenue per capita in Allentown is increasing; however, this is not necessarily a sign of enhanced fiscal health. Given the slight population decline this indicator most likely reflects an slightly smaller group of residents shouldering the burden of financing city government operations. Also included is property tax revenue per capita, which helps illuminate the overall increases by showing how changes in the millage rate (from 12.22 in 1999 to its current level of 14.72) contribute to rising total revenue per capita (property tax revenue accounted for \$184 per capita in 1999 and rose to \$212 in 2004).

Table 1: Revenue Per Capita Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Total Operating Revenues*	\$51,662,537	\$54,130,817	\$58,543,062	\$57,518,299	\$59,707,271	\$60,872,764
Population	106,857	106,632	106,450	106,105	105,958	105,733
Property Tax Revenue Per Capita	\$184	\$194	\$193	\$188	\$211	\$212
Other Revenue Per Capita	\$300	\$314	\$357	\$354	\$353	\$362
Total Revenue Per Capita	\$483	\$508	\$550	\$542	\$563	\$576

*Translated to 2001 constant dollars.

Sources: City of Allentown, Official Statements, 1999, 2001, 2003, 2004; The Pennsylvania State Data Center (1999 & 2004 population estimates based on 2000-2003 trends).



Factor 2: Intergovernmental Revenue

Warning Signal: Increasing Intergovernmental Operating Revenue as Percent of Total Operating Revenue

Discussion: By comparing the percentage of intergovernmental operating revenue to total operating revenues, Factor 2 reveals whether the municipality has become heavily dependent on revenue from other levels of government or may potentially become so. Increasing dependence on outside funding sources can create funding vulnerability, as disbursement is beyond the city's control.

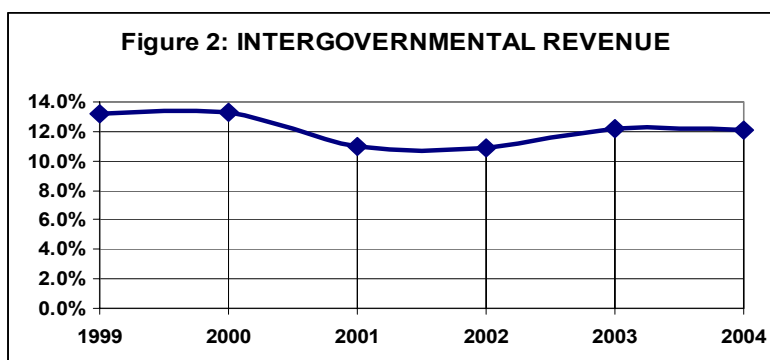
Liquid fuels/highway aid, general municipal pension state aid, and public utility tax rebates typically comprise intergovernmental revenues received by most Pennsylvania governments. Revenues collected from such sources fluctuate annually. The potential changes in these funds should be considered against the city's service commitments.

Grant funds are often dedicated to emergency recovery or capital infrastructure projects. The city should gauge its own capacity to fund such expenditures in the event that such special funds fail to materialize.

Table 2 below shows intergovernmental operating revenues and total operating revenues from 1999 to 2004. The percent of total revenues from intergovernmental funds is also calculated. Figure 2 appears to show that the city's reliance on intergovernmental revenue fluctuates between about 11 percent and 13 percent, but also demonstrates an increase from 2002 to 2003. Future reliance on intergovernmental revenue should be closely monitored to ensure that the municipality does not grow heavily dependent.

Table 2: Intergovernmental Revenue Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Intergovernmental Revenue	\$6,922,759	\$6,983,860	\$6,427,129	\$6,396,650	\$7,580,187	\$7,950,032
Total Operating Revenue	\$52,632,000	\$52,702,000	\$58,543,062	\$58,660,418	\$62,176,939	\$65,976,008
Intergovernmental Revenue as % of Total Revenue	13.2%	13.3%	11.0%	10.9%	12.2%	12%

Source: City of Allentown, Official Statements, 1999, 2001, 2003, 2004



Factor 3: Property Tax Issues

Warning Signal: Decreasing Property Tax Resources

Discussion: Factor 3 analyzes the city's ability to raise additional revenue from property taxes. LGS recommends using this factor to determine how much more revenue can be generated using a formula based on current millage rates and maximum millage rates to see if a city is close to exhausting its available property tax resources. Third class cities in Pennsylvania have a state-mandated maximum of 25 mills, but given Allentown's Home Rule charter, it does not have to adhere to this restriction. This factor has thus been altered to give a more accurate depiction of Allentown's specific property tax situation.

In 1997, Allentown began the Property Development Incentive Taxation System, which established a ratio of the land tax rate to the building tax rate, increasing over a 5 year period to be capped at 4.70 in 2001. The value of one mill has decreased along with the change in the ratio of the tax, and the increase in total revenue generated by the levy is partially due to the improvement of property tax collection rates.

**Table 3: Property Tax Resources
Allentown, 1999-2004**

	1999	2000	2001	2002	2003	2004
Millage Rate	12.22	13.22	13.22	12.72	14.72	14.72
Total Levy*	\$19,652,120	\$20,695,792	\$20,545,834	\$19,986,259	\$22,733,248	\$22,388,229
Land/Buildings Tax Ratio**	2.76	3.62	4.70	4.70	4.70	4.70
Land/Buildings Cash Ratio	\$14,425,492/ \$5,226,627	\$16,216,183/ \$4,479,608	\$16,941,301/ \$3,604,532	\$16,479,897/ \$3,505,361	\$18,744,958/ \$3,988,289	\$18,460,496/ \$3,927,759
Value of One Mill***	\$1,728,268	\$1,565,491	\$1,553,388	\$1,511,819	\$1,515,970	\$1,540,727

*Adjusted to 2001 Constant Dollars

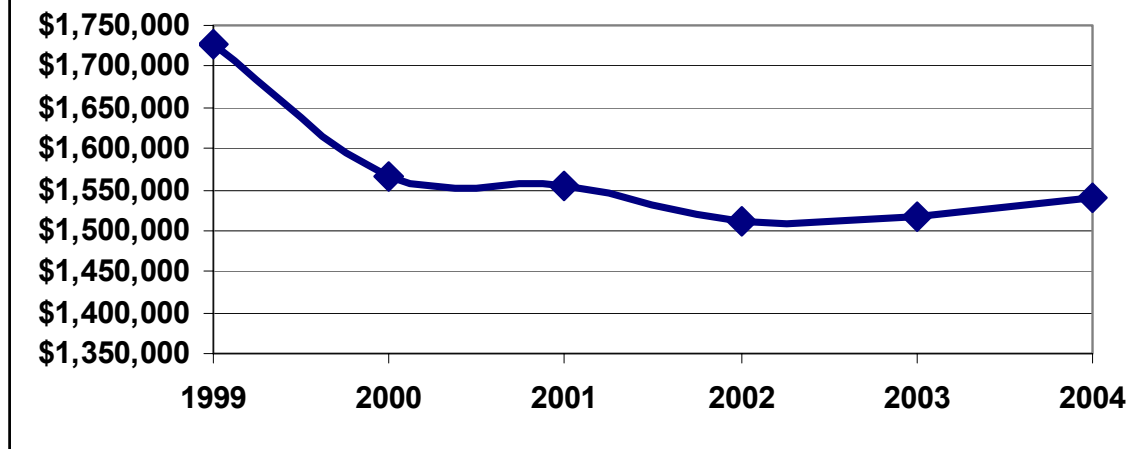
** Ratio based on City Charter's specifications

***The total property tax revenue for that year divided by the number of mills levied for general purposes. Values are adjusted to 2001 constant dollars.

Sources: City of Allentown Official Statements, 1999, 2001, 2003, 2004; Taxation Manual, Department of Community and Economic Development; Allentown City Charter



Figure 3: VALUE OF ONE MILL



Factor 4: Expenditures Per Capita

Warning Signal: Increasing Operating Expenditures Per Capita

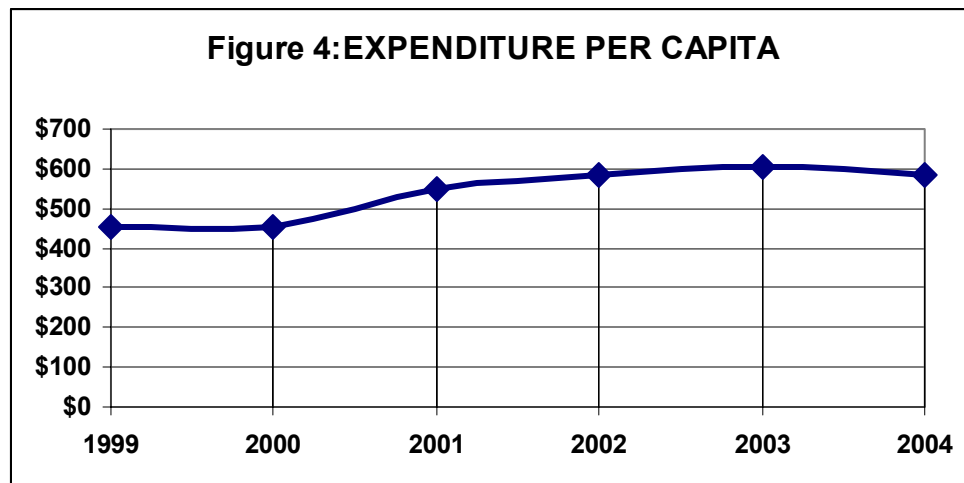
Discussion: Similar to Factor 1, Factor 4 considers the cost of operating the city government on a per capita basis. Increasing operating expenditures per capita should be of concern especially in light of stable (or decreasing) revenue per capita and should result in an examination of major expenditures.

A review of expenditures per capita illustrates the potential effects of adding, deleting, or modifying services. Table 4 below presents the operating expenditures and population in Allentown from 1999 to 2004. As Figure 4 shows, expenditures per capita are slowly increasing. While partially attributable to the small but steady population decline as well as expenditure growth, this trend is also of concern.

Table 4: Expenditures Per Capita Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Operating Expenditures*	\$45,946,897	\$46,939,503	\$58,433,398	\$63,389,687	\$66,662,803	\$66,814,966
Total Population	106,857	106,632	106,450	106,105	105,958	105,733
Expenditures Per Capita	\$453	\$452	\$549	\$586	\$604	\$583
Percent Change	N/A	-0.30%	21.41%	6.72%	3.13%	-3.49%

*Adjusted to 2001 constant dollars

Sources: City of Allentown Official Statements, 1999,2001,2003,2004; The Pennsylvania State Data Center (1999 & 2004 population estimates based on 2000-2003 trends).



Factor 5a: Employee Benefit Cost

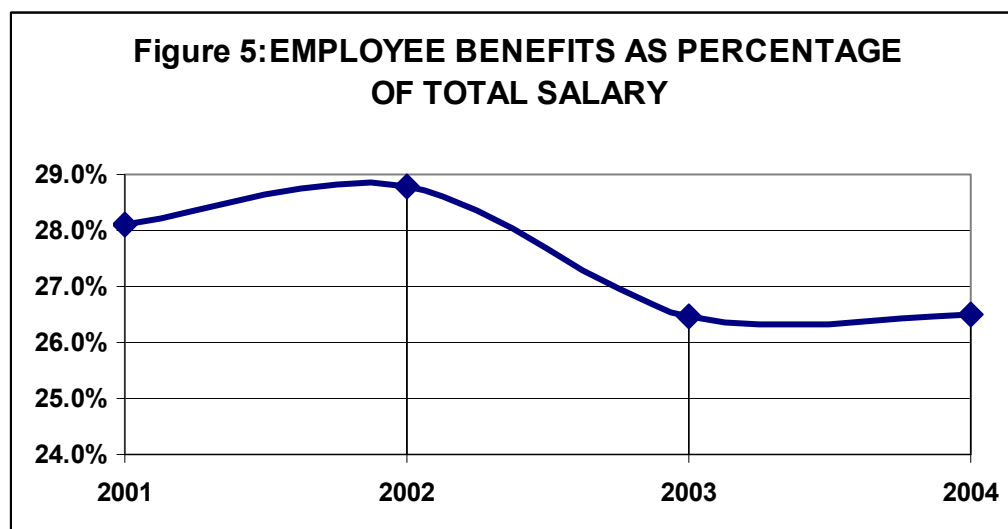
Warning Signal: Increases in Employee Fringe Benefit Costs Are Proportionately Higher When Compared to Increases in Total Salary and Wages

Discussion: This factor demonstrates the impact that employee benefit costs have on a municipality's finances. Benefits include such things as pension, health care, social security, vacation, and holidays, and is one of the fastest growing costs for local governments. Two decades ago, employee benefits accounted for about 10 percent-15 percent of the total wage and salary cost, but today it can account for 30 percent or more.

Table 5 displays the percentage of fringe benefits in relations to the total cost of wages and salaries. This factor includes both the general fund and the enterprise funds, and the only readily available data is from 2001 to 2004. This number has remained fairly static over the four year period, but represents a fairly high percentage of total salaries and wages.

Table 5: Employee Benefit Cost Allentown, 2001-2004						
	1999	2000	2001	2002	2003	2004
Total Fringe Benefits and Costs	N/A	N/A	\$14,992,522	\$16,364,587	\$16,074,318	\$16,648,382
Total Salaries and Wages	N/A	N/A	\$53,307,601	\$56,837,542	\$60,762,364	\$62,817,562
Fringe Benefits as % of Salaries and Wages	N/A	N/A	28.1%	28.8%	26.5%	26.5%

Source: City of Allentown, Official Statements, 1999, 2001, 2003, 2004.



Factor 6: Cash Position

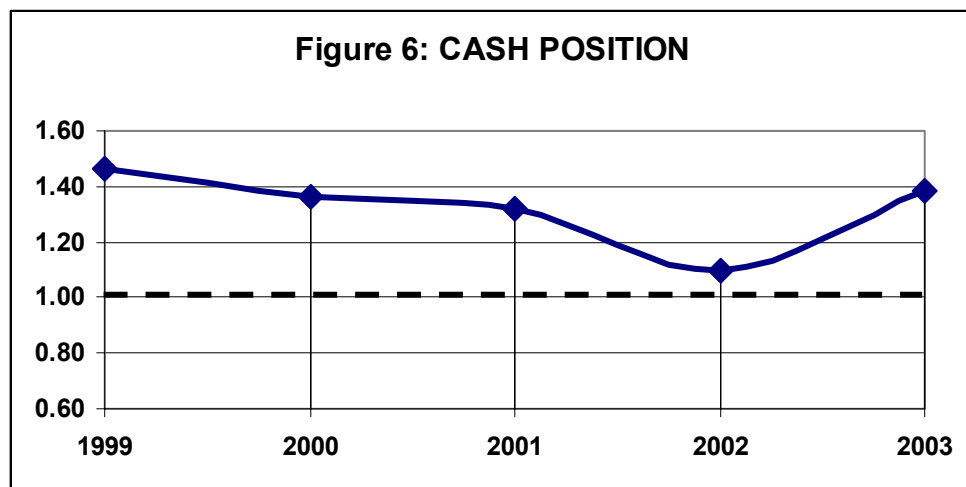
Warning Signal: Decreasing Cash and Short-term Investments as a Percentage of Current Liabilities

Discussion: The cash position factor examines available cash (bank accounts and short-term investments) with current liabilities and demonstrates the City's ability to meet its current obligations. An unfavorable trend in this factor would show current liabilities increasing relative to available cash, representing a clear potential for a deficit. Cash and Short Term investments include cash and cash equivalents, as well as tax, accounts, and grants receivable. Current Liabilities include total liabilities less bonds payable (but includes that year's portion of long term liabilities). This metric also includes the enterprise funds.

Table 6 displays Allentown's total cash and short-term investments from 1999-2003, as well as its current liabilities. In the years 1999-2003, Allentown's cash position indicates that it was able to meet its current obligations.

Table 6: Cash Position Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Cash and Short-term Investments	\$51,417,764	\$56,678,643	\$49,947,773	\$49,373,260	\$36,293,028
Current Liabilities	\$35,088,277	\$41,680,600	\$37,928,554	\$44,959,484	\$26,206,445
Ratio of Cash to Current Liabilities	1.47	1.36	1.32	1.10	1.38

Source: City of Allentown, Comprehensive Annual Financial Reports, 2000-2004



Factor 7: Debt Service

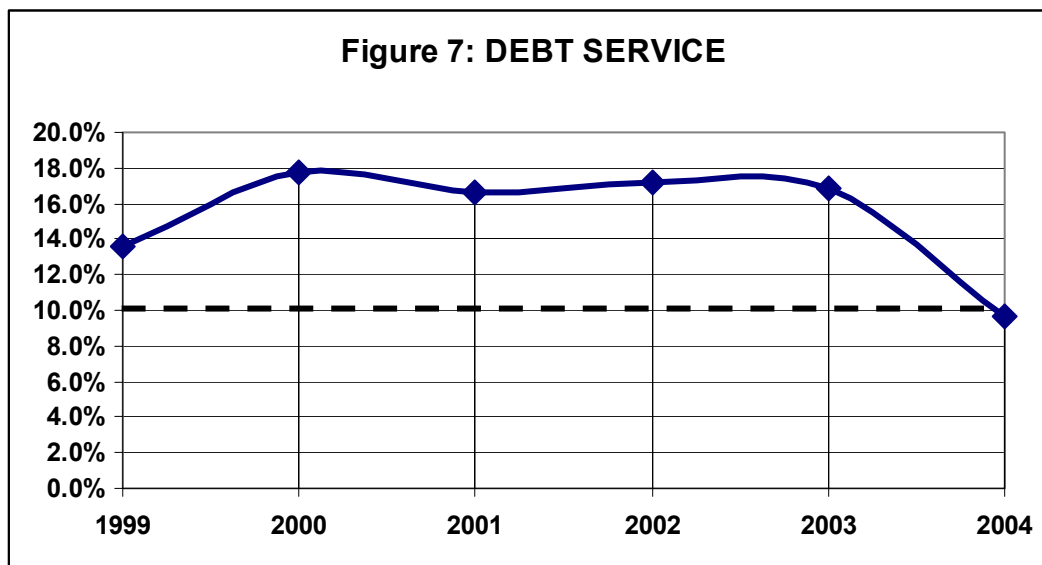
Warning Signal: Increasing Debt as Percentage of Total Operating Revenues

Discussion: Factor 7 reviews the proportion of total annual operating revenues devoted to paying off outstanding debt. Generally, a ratio of up to 10 percent (marked on Figure 7) is acceptable; excessive debt, perhaps as much of 15-20 percent of annual revenues, can lead to problems in cities where the tax base is declining or stable.

The city's total debt service and total operating revenues are shown in Table 7 below. Figure 7 illustrates the trend from 1999-2004 of debt service as a percent of total operating revenues. According to the analysis, Allentown's debt service as a proportion of its general revenue has been relatively static in the 16 percent-17 percent range after increasing from 13.5 percent in 1999. Such percentages above the 10 percent benchmark indicate excessive debt, which, when coupled with a stable or declining tax base, can lead to problems. 2004 level demonstrates improvement, but these data exhibit an unfavorable trend and are of concern.

Table 7: Debt Service Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Debt Service	\$9,022,356	\$9,328,519	\$9,725,143	\$10,051,516	\$10,498,325	\$6,353,942
Total Operating Revenues	\$66,586,260	\$52,702,834	\$58,543,062	\$58,660,418	\$62,176,939	\$65,976,008
Debt Service as Percent of Total Operating Revenue	13.5%	17.7%	16.6%	17.1%	16.9%	9.6%

Source: City of Allentown, Official Statements, 1999, 2001, 2003, 2004



Factor 8: Long-Term Debt

Warning Signal: Increasing Long-term Debt as a Percentage of Assessed Valuation

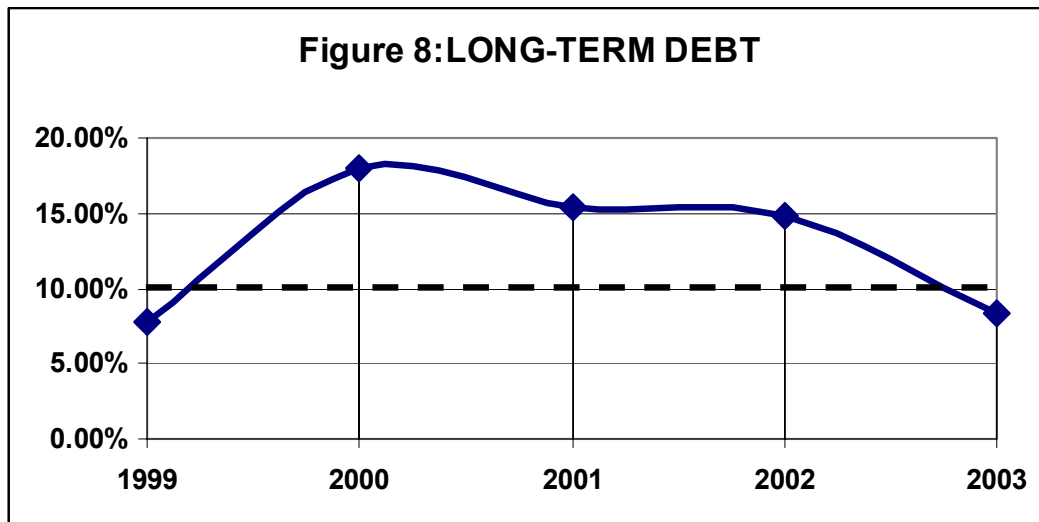
Discussion: An extension of the debt service analysis in Factor 7 is a review of the City's long-term debt. Factor 8 compares the City's long-term debt as a percentage of its assessed valuation. This analysis determines whether the growth of any underlying assets (real property) is keeping up with the accumulation of long-term debt. Credit rating agencies consider, among other things, two warning signs regarding long term debt: (1) long-term debt exceeds 10 percent of assessed valuation and (2) long-term debts exceed 90 percent of the total borrowing capacity under state law.

Table 8 below shows the city's total long-term debt and assessed valuations from 1999-2003. The graph shown in Figure 8 plots long-term debt as a percentage of assessed value. This analysis finds that long-term debt is fluctuating as a percent of assessed valuation, but has been well over the 10 percent benchmark. While the ratio dropped below 10 percent in 2003, this factor indicates problems with the burden of long-term debt.

Table 8: Long-term Debt Allentown, 1999-2003					
	1999	2000	2001	2002	2003*
Long-term Debt	\$126,497,993	\$293,287,563	\$253,564,875	\$245,117,236	\$140,293,043
Assessed Valuation	\$1,626,659,600	\$1,632,649,200	\$1,642,578,150	\$1,653,682,750	\$1,681,170,950
Long-term Debt as Percent of Assessed Value	7.78%	17.96%	15.44%	14.82%	8.34%

*As of March 17, 2004

Source: City of Allentown, Official Statements, 1999, 2001, 2003, 2004



Factor 9: Debt Per Capita

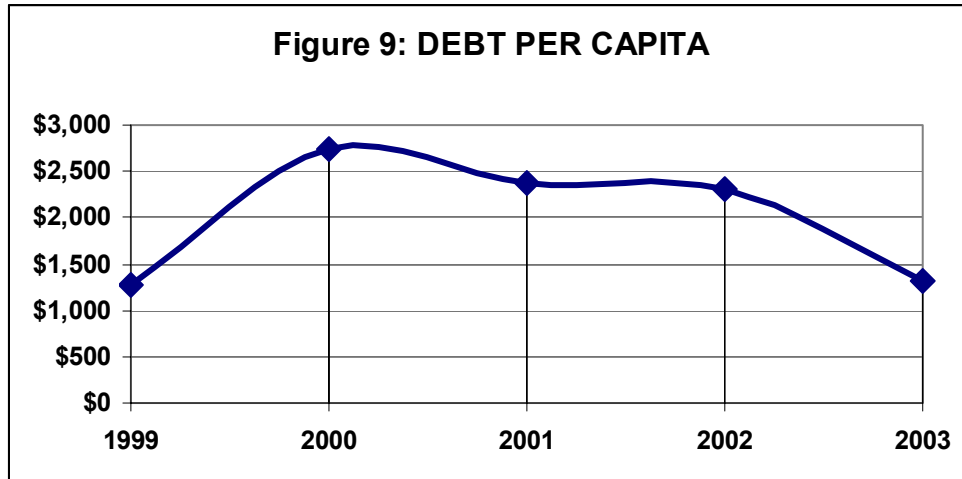
Warning Signal: Increasing Long-Term Debt Per Capita

Discussion: Another measure of the impact of long-term debt is debt per capita. Factor 9 assesses the amount of long-term debt associated with each City resident, thus illustrating the ability of the citizens – rather than the underlying value of the collateral pledged (as indicated in Factor 8) – to repay loans.

The City's long-term debt and population from 1999-2003 are shown in Table 9 below. The City's per capita debt for the same time period is illustrated in Figure 9. The graph shows an increasing burden on City residents. The City's debt per capita should be reviewed with Factors 7 and 8 for a complete picture of debt-related trends.

Table 9: Debt Per Capita Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Long-term Debt	\$126,497,993	\$293,287,563	\$253,564,875	\$245,117,236	\$140,293,043
Population	100,160	106,632	106,450	106,105	105,958
Per Capita Debt	\$1,263	\$2,750	\$2,382	\$2,310	\$1,324

Source: City of Allentown, Official Statements, 1999, 2001, 2003, 2004



Factor 10: Operating Position

Warning Signal: Increasing General Fund Operating Deficit as a Percentage of Total Operating Revenues

Discussion: Factor 10 analyzes the city's operating position and determines whether the city is operating on a break-even basis or is spending down fund balances from previous years to fund current operations.

Operating position is defined as the city's ability to (1) balance its budget annually; (2) maintain reserves to cover emergency situations, including natural disasters and unexpected infrastructure repairs; and (3) have sufficient cash available for timely payment of bills, especially when cash flow is not even.

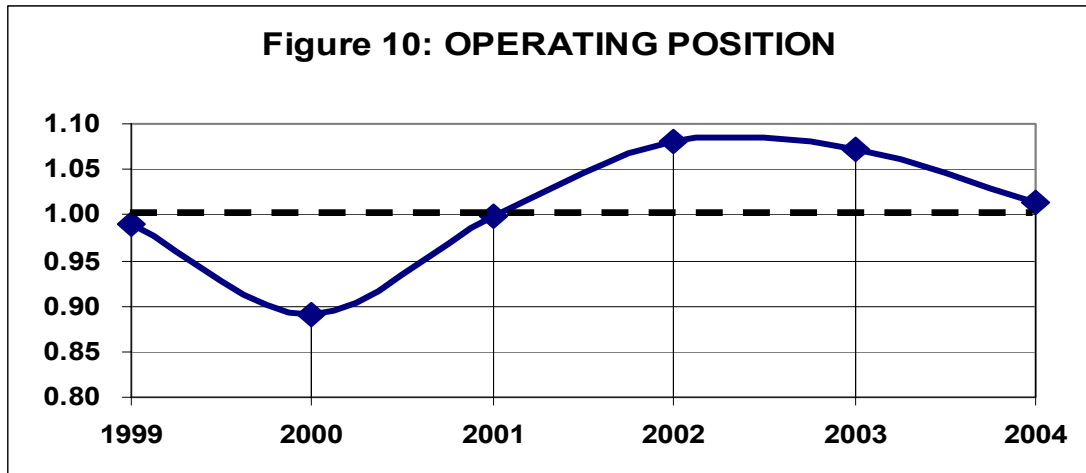
The city's operating expenditures and operating revenue for 1999-2004 are shown below in Table 10. Figure 10 illustrates the operating position of each year. Results greater than 1.0 indicate that the city operated during the year at a deficit. Breaking even is signified with a result of 1.0. Where the factor's value is less than 1.0, the city's revenues exceeded its expenditures, resulting in an operating surplus.

The analysis reveals that Allentown has operated on an extremely tight basis, breaking even in 2000, but running notable operating deficits in 2002 and 2003, as well as a smaller deficit in 2004. This indicates that Allentown is spending down fund balances from prior years to fund the current year's operating budget, a trend of concern.

Table 10: Operating Position Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Operating Expenditures	\$52,151,000	\$46,939,000	\$58,433,398	\$63,389,687	\$66,662,803	\$66,814,966
Operating Revenue	\$52,632,000	\$52,702,000	\$58,543,062	\$58,660,418	\$62,176,939	\$65,976,008
Net Operating Balance	\$481,000	\$5,763,000	\$109,664	(\$4,729,270)	(\$4,485,864)	(\$838,958)
Operating Position	0.99	0.89	1.00	1.08	1.07	1.01

Source: City of Allentown, Official Statements, 1999, 2001, 2003, 2004





Factor 11: Unfunded Pensions

Warning Signal: Increasing Unfunded Pension Liabilities as a Percentage of Assessed Valuation

Discussion: Unfunded employee pension liabilities represent a significant problem for many Pennsylvania local governments. Factor 11 determines the ratio of unfunded pension liabilities to assessed valuation as an indication of the city's ability to raise money to meet outstanding obligations.

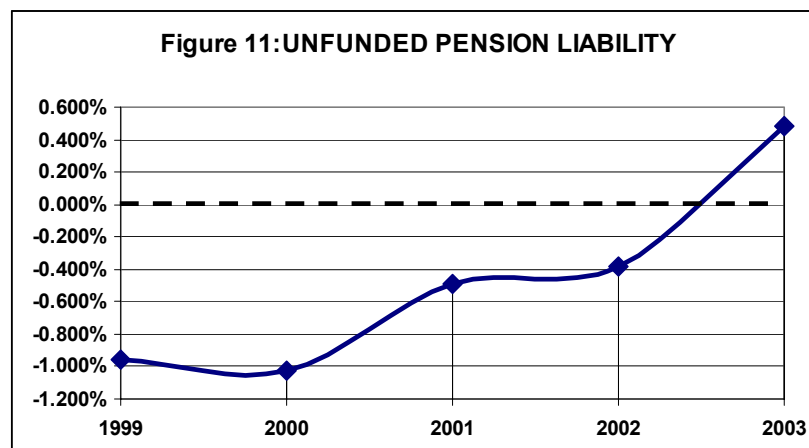
Unfunded pension liabilities tend to mount over time as a government fails to make employer contributions or when benefit increases are granted without providing additional funding to cover their cost. The Pennsylvania legislature enacted Act 205 of 1984, the Municipal Pension Plan Funding Standard and Recovery Act, to combat a potential pension liability crisis. Local governments must now determine their employee pension liabilities on an annual or biennial basis, depending on the amount of their unfunded liability, and make annual contributions to retire the unfunded amount. Furthermore, prior to implementing benefit changes, governments must identify how the costs will be funded.

The city of Allentown pays into three separate pension funds for its employees: general officers and employees, police officers, and for firefighters. Until 2003, Allentown funded its three pension plans in excess of its requirement. In 2003, Allentown's unfunded pension liability was \$8,043,251. This number, which is increasing and has crossed into the positive category, should be closely monitored.

Table 11: Annual Pension Obligation Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Unfunded Pension Liabilities*	(\$15,599,564)	(\$16,659,159)	(\$8,060,335)	(\$6,399,320)	\$8,043,251
Assessed Valuation	\$1,626,659,600	\$1,632,649,200	\$1,642,578,150	\$1,653,682,750	\$1,681,170,950
Percent Unfunded	(0.959%)	(1.020%)	(0.491%)	(0.387%)	0.478%

*Negative numbers indicate overfunding

Source: City of Allentown, Comprehensive Annual Financial Report, 2003



Factor 12: Revenue Shortfalls

Warning Signal: Increasing and/or Consecutive Revenue Shortfalls

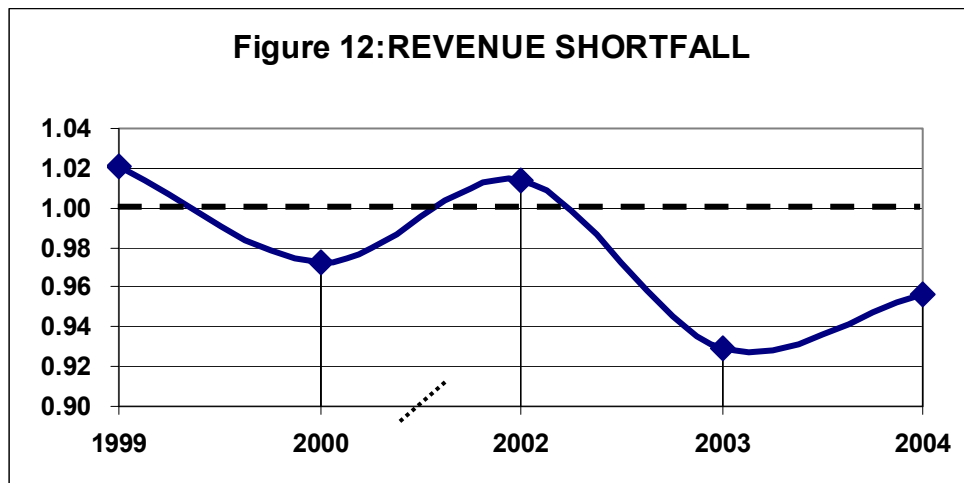
Discussion: Factor 12 compares estimated/budgeted revenue with actual year-end revenue. This measure is helpful in examining not only the city's fiscal condition, but also the performance of city's officials in controlling budgets. Generally, it is considered healthy when actual revenue received exceeds budgeted revenue by 2 percent-5 percent.

A revenue shortfall of less than 1.0 indicates that revenues were budgeted in excess of actual revenues received, while a ratio of greater than 1.0 indicates that budgeted revenues were in excess of actual revenues received. Table 12 shows that in 1999 and 2002, budgeted revenues exceeded actual year end figures, while in 2000 and 2003, actual revenue exceeded budgeted revenue. While these data fail to show a conclusive trend, this factor should be monitored, as Allentown's actual received revenues have fallen short of budget expectations.

Table 12: Revenue Shortfalls Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Actual Year-End Revenues	\$52,632,000	\$52,702,000	\$58,543,062	\$58,660,418	\$62,176,939	\$65,976,008
Budgeted Revenues	\$51,533,000	\$54,170,000	N/A*	\$57,841,088	\$66,912,763	\$68,985,552
Revenue Shortfall	1.02	0.97	N/A*	1.01	0.93	0.96

*Budgeted revenues not readily available for 2001

Source: City of Allentown Official Statements, 1999, 2001, 2003, 2004



Factor 13: Budget Overruns

Warning Signal: Consecutive Budget Overruns

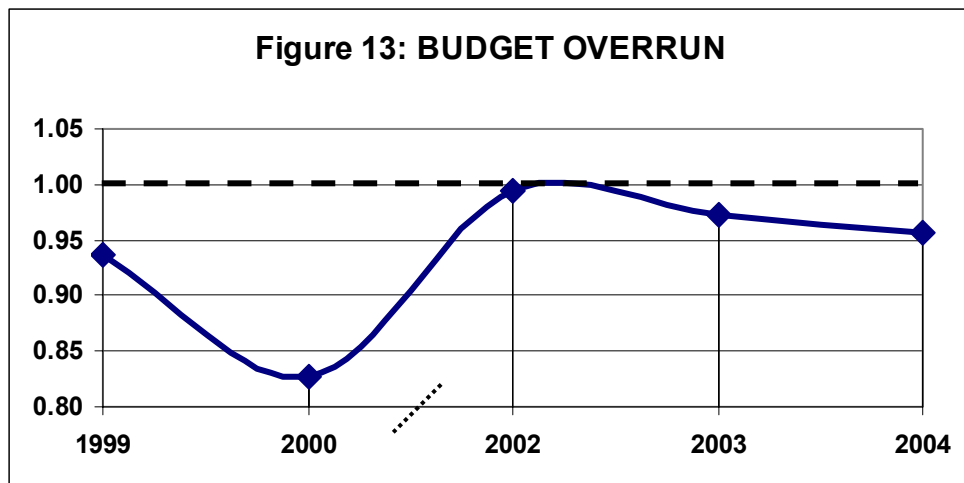
Discussion: Similar to the analysis in Factor 12, Factor 13 provides a window on (1) how accurately anticipated expenditures were estimated and (2) how well budgeted versus actual expenses were monitored throughout the year. Reviewed together, Factors 12 and 13 illustrate how well the budget is managed overall. Like factor 12, it is generally considered prudent if actual year-end expenditures are 2 percent-5 percent less than budgeted appropriations.

A result of less than 1.0 indicates that actual expenditures were below the amount budgeted, while a ratio of greater than 1.0 indicates that actual expenditures exceeded the amount budgeted. Table 13 and the accompanying graph indicate that Allentown's actual expenditures have been less than budgeted expenditures, usually within close range of the accepted 2 percent-5 percent benchmark. Though this value has been increasing, the 2002 number approaches the 1.0 mark; this metric should be monitored closely.

Table 13: Budget Overruns Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Actual Year-End Expenditures	\$52,151,000	\$46,939,000	\$58,433,398	\$63,389,687	\$66,662,803	\$65,976,008
Budgeted Expenditures	\$55,674,000	\$56,797,000	NA*	\$63,710,135	\$68,562,841	\$68,985,552
Budget Overrun	0.94	0.83	NA*	0.99	0.97	0.96

*Budgeted expenditures not readily available for 2001

Source: City of Allentown Official Statements, 1999, 2001, 2003, 2004



Factor 14: Uncollected Property Tax

Warning Signal: Increasing Uncollected Property Tax

Discussion: The annual percentage of uncollected property taxes, as measured in Factor 14, is a good indicator of fiscal health considering the importance of property taxes as a revenue source in Pennsylvania.

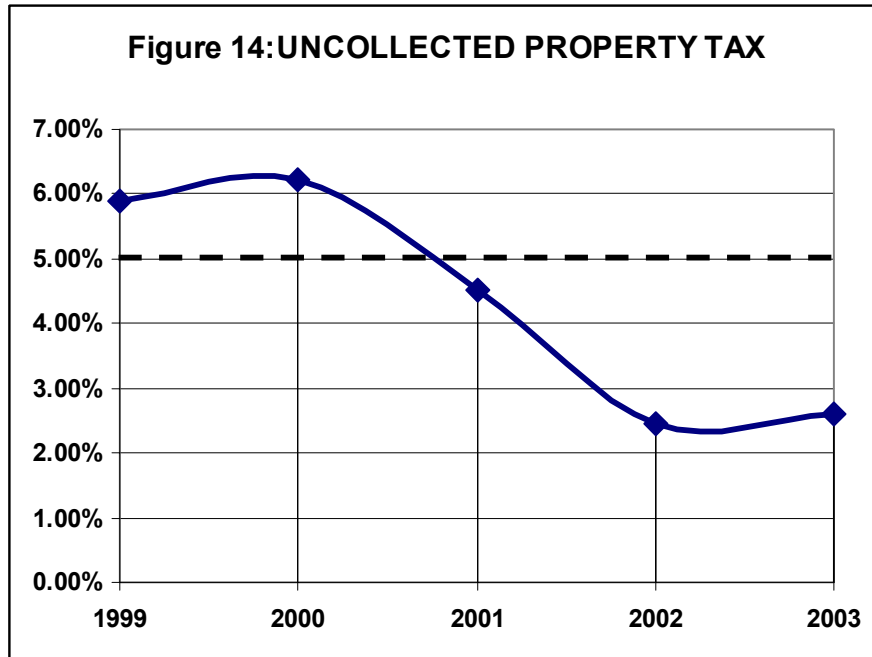
As property taxes carry the lowest rate of delinquency, a government is considered “typical” by financial institutions if it collects 97-98 percent of the real estate taxes levied. A delinquency rate of more than 5 percent is considered a negative sign, and before 2001, Allentown’s performance had consistently been weaker than this level. Starting in 2001, the rate of uncollected property taxes dropped below this standard, as indicated in Table 14 and Figure 14. While this trend demonstrates an improvement, this metric should be monitored to ensure an acceptable rate of collection.

Table 14 and Figure 14 illustrate the City’s uncollected property tax as a percentage of net property tax levies from 1999-2003.

Table 14: Uncollected Property Taxes Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Uncollected Property Tax	\$1,164,377	\$1,335,879	\$970,012	\$511,520	\$633,906
Net Property Tax Levy	\$19,797,578	\$21,485,711	\$21,515,846	\$20,894,638	\$24,307,468
Percent of Uncollected Property Tax	5.88%	6.22%	4.51%	2.45%	2.61%

Source: City of Allentown Official Statements, 1999, 2001, 2003, 2004





Factor 16: Employees Per Capita

Warning Signal: Increasing Number of Employees Per 1,000 Population

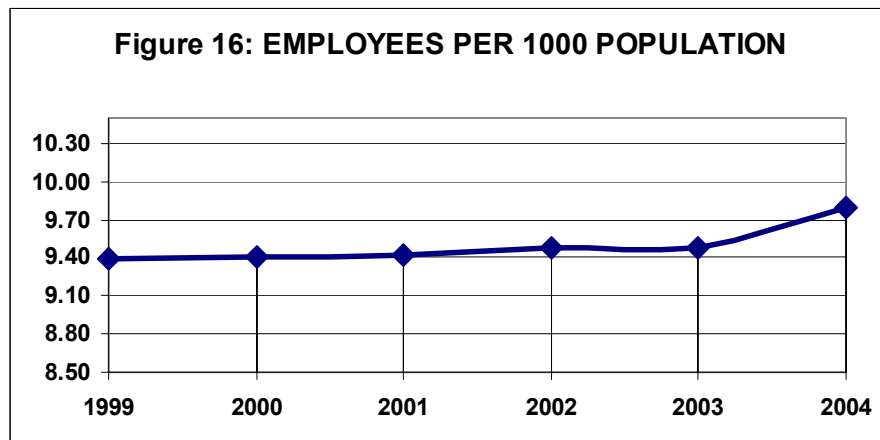
Discussion: Productivity is a difficult factor to measure with a simple formula. Nevertheless, a community must have some indication of whether the workforce is increasing in relationship to some standard.

One of the measures is to look at the trend of city employees per capita; that is, the number of employees per resident. The trend produced by this formula should only be the beginning of an examination of governmental expenditures. Ultimately, each function within the government may have to be examined separately to determine where the areas of growth are occurring and why. While the whole number of city employees has increased very slightly over the five year period, Figure 16 demonstrates that the number of employees per capita has experienced small but steady increases each year. This is partially attributable to the fact the population has decreased, but this is nevertheless of concern, since the number of employees has risen while the number of inhabitants has declined. The number of those employed by the city increased marginally in almost all departments, and the number employed through the enterprise funds increased from 236 to 252 between 2001 and 2004. Given these increases, this factor requires more comprehensive examination so that each function of the government can be observed to determine where such growth has occurred, and if that growth is due to an increase in the labor intensity of a function or decreased employee productivity.

Table 16: City Employees Per Capita Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Full-Time Employees	1,003	1,003	1,003	1,005	1,005	1,035
Population	106,857	106,632	106,450	106,105	105,958	105,733
Enterprise Fund Employees*	N/A	N/A	236	243	248	252
Employees per 1,000 Population	9.39	9.41	9.42	9.47	9.48	9.79

Source: City of Allentown Official Statements, 1999, 2001, 2003, 2004

*This includes employees counted in the Trexler, Golf, Liquid Fuels, Water Sewer, Solid Waste, and Water Funds.



Factor 17: Property Value

Warning Signal: Diminishing Growth or Decline in Market or Assessed Value

Discussion: Property taxes represent a major source of revenue for most local governments and are also an indication of the pace of economic development. Factor 17 measures the growth in property value over time and from year to year. Especially in counties that are approaching or have reached their millage limit, declines or slow growth in property values may significantly affect the city's ability to provide basic services.

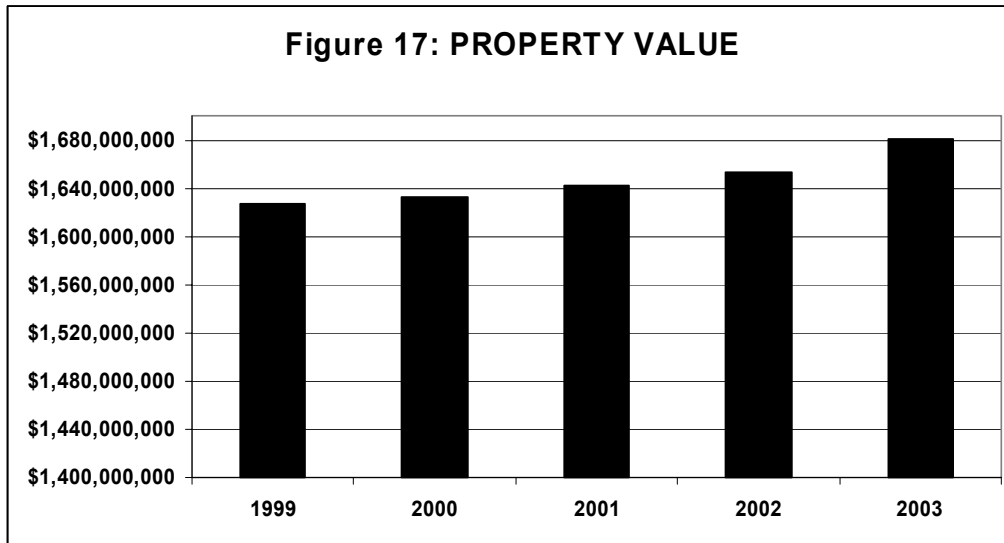
Table 17 shows the current property assessed values from 1999-2003. Figure 17 charts the percent change in value between each year of the time period. The results show that assessed values in Allentown are increasing, but at a slow rate.

Also included in the table below is a "market value" line-item. This figure is calculated annually by the Pennsylvania State Tax Equalization Board ("STEB") and is based upon a formulaic process that extrapolates home sales data submitted by counties that is subsequently discounted by 15 percent. This calculation is used primarily to determine state education funding allocations based upon the relative wealth of school communities.

Table 17: Property Value Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Current Assessed Value	\$1,626,659,600	\$1,632,649,200	\$1,642,578,150	\$1,653,682,750	\$1,681,170,950
Previous Year's Property Value	\$1,626,530,000	\$1,626,659,600	\$1,632,649,200	\$1,642,578,150	\$1,653,682,750
Change in Value (\$)	\$129,600	\$5,989,600	\$9,928,950	\$11,104,600	\$27,488,200
Change in Value (%)	0.008%	0.368%	0.608%	0.676%	1.662%
Market Value*	\$3,235,319,200	\$3,265,298,400	\$3,285,156,300	\$3,307,365,500	\$3,362,341,900

Source: City of Allentown Official Statements, 1999, 2001, 2003, 2004





Factor 18: Fiscal Capacity

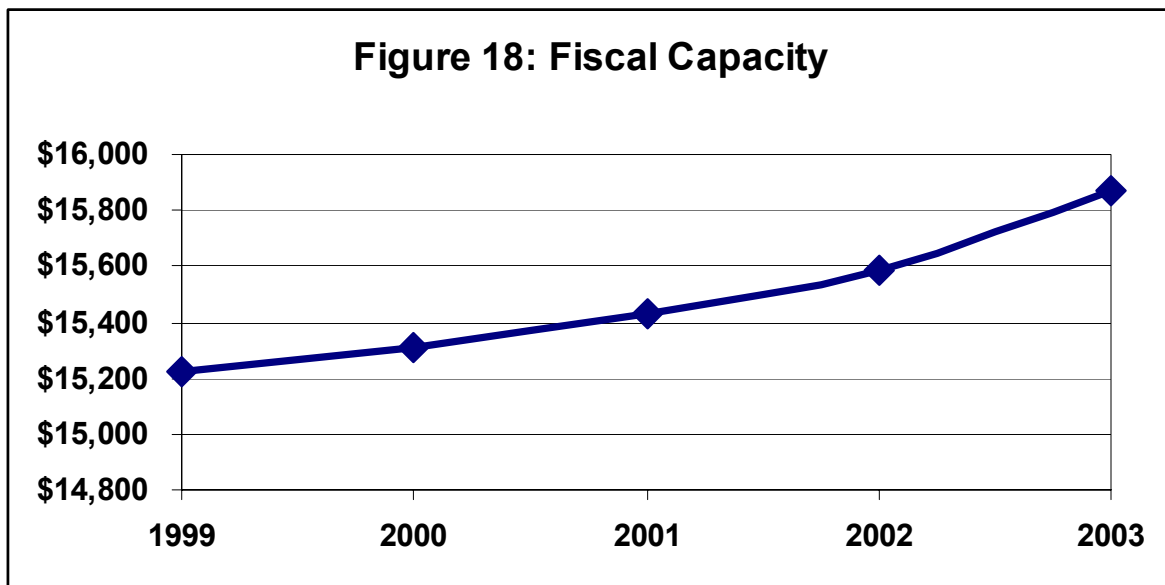
Warning Signal: Decreasing Assessed Valuation Per Capita

Discussion: Factor 18 demonstrates the city's fiscal health by calculating its assessed valuation per capita. Because of the importance of property taxes in Pennsylvania, this factor measures whether the city's ability to meet its obligations is reflected in its property values.

Table 18 below shows Allentown's assessed valuation and population for the past five years. The city's fiscal capacity, or assessed valuation per capita, is graphed in Figure 18. The analysis shows that fiscal capacity in the city is relatively flat but slowly increasing. This increase can be partially attributed to the decrease in population, and thus this performance is inconclusive.

Table 18: Fiscal Capacity Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Assessed Valuation	\$1,626,659,600	\$1,632,649,200	\$1,642,578,150	\$1,653,682,750	\$1,681,170,950
Population	106,857	106,632	106,450	106,105	105,958
Fiscal Capacity	\$15,223	\$15,311	\$15,431	\$15,585	\$15,866

Source: City of Allentown Official Statements, 1999, 2001, 2003, 2004



Factor 19: Community Jobs

Warning Signal: Decreasing Number of Community Jobs

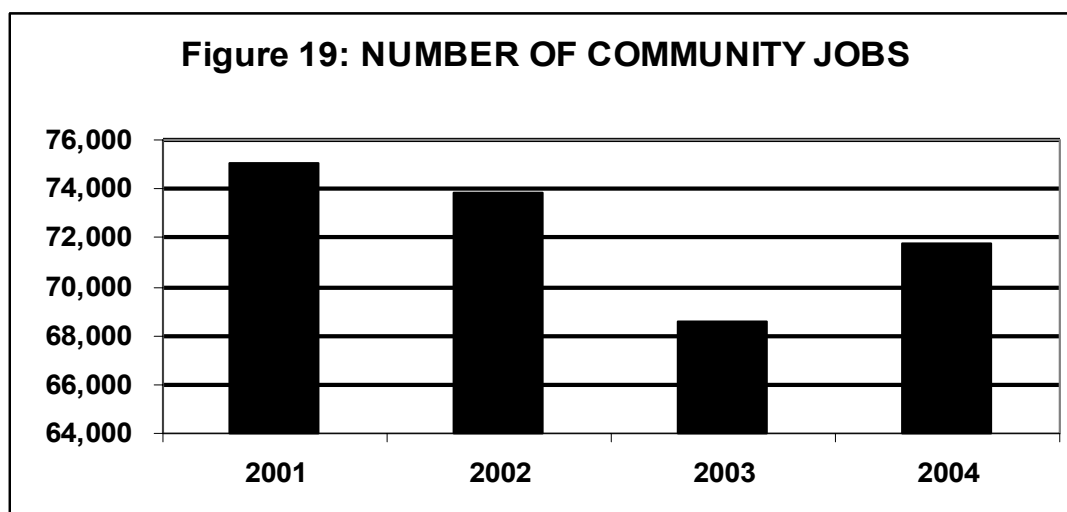
Discussion: In examining a municipality's fiscal health, an important factor to consider is the number of jobs available in the city. Given that the composition of the jobs available in Allentown is mixed, it is helpful to examine both the number of jobs in the community as well as the percentage of its residents who are employed. This factor looks at how many jobs are available in the municipality and measures its growth or decline from year to year.

The data are based on the revenue received from the occupational privilege tax, which is levied on those persons employed in the city of Allentown at a rate of \$5 (the county also levies a \$5 OPT in addition to the city's). In 2003, Agere Systems finalized its plans to move its computer chip manufacturing operations to Florida, causing the layoff of 3,500 employees, while Bethlehem Steel eliminated its small remaining work force; the combination of the two account for 2003's significant decrease. Yet Agere has begun moving some of its employees from New Jersey into Allentown to work in conjunction with their facility north of the city. This partially explains 2004's increase. While both Table 19 and the accompanying graph indicate that while community jobs increased in 2004, the overall trend is troublesome.

19: Community Jobs Allentown, 1999-2004						
	1999*	2000*	2001	2002	2003	2004
Current Year Accounts	N/A	N/A	75,009	73,878	68,544	71,807
Prior Year Accounts	N/A	N/A	NA*	75,009	73,878	68,544
Change	N/A	N/A	NA*	(1,131)	(5,334)	3,263
Percent Change	N/A	N/A	N/A	-1.5%	-7.2%	4.8%

*Occupational Privilege Tax data not available for 1999-2000.

Source: City of Allentown Revenue History: 2001-2004



Factor 20: Employment Base

Warning Signal: Decreasing Number of Employed Residents

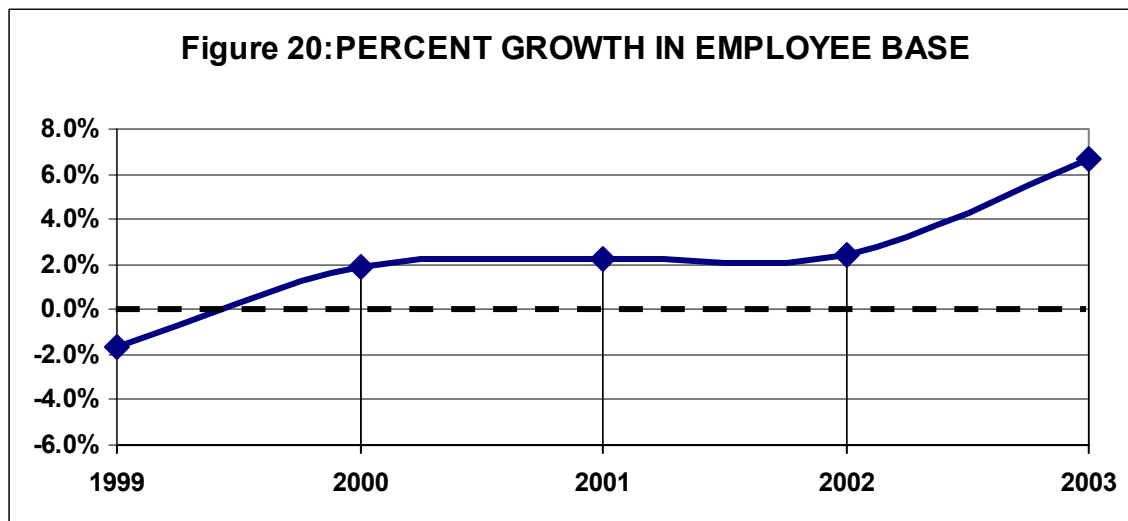
Discussion: Factor 20 examines the number of residents who are employed. This can be measured by the number of earned income taxpayers, but the data below were taken from the city's December 31st, 2003, Comprehensive Annual Financial Report. This formula investigates if there has been decline over time.

Table 20 indicates that the number of residents of Allentown employed is rising. Even accounting for the slight population decline, this factor shows a favorable trend, and corresponds with the steady decreases in Allentown's unemployment rate over the last five years.

Table 20: Employment Base Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Current Year Employed*	47.5	48.4	49.5	50.7	54.1
Prior Year Employed	48.3	47.5	48.4	49.5	50.7
Growth	-0.8	0.9	1.1	1.2	3.4
Percent Growth	-1.7%	1.9%	2.3%	2.4%	6.7%

Source: City of Allentown Official Statements, 1999, 2001, 2003, 2004

*All figures are in thousands.



Factors 21: Construction Activity

Warning Signal: Decreasing number and value of issued building permits

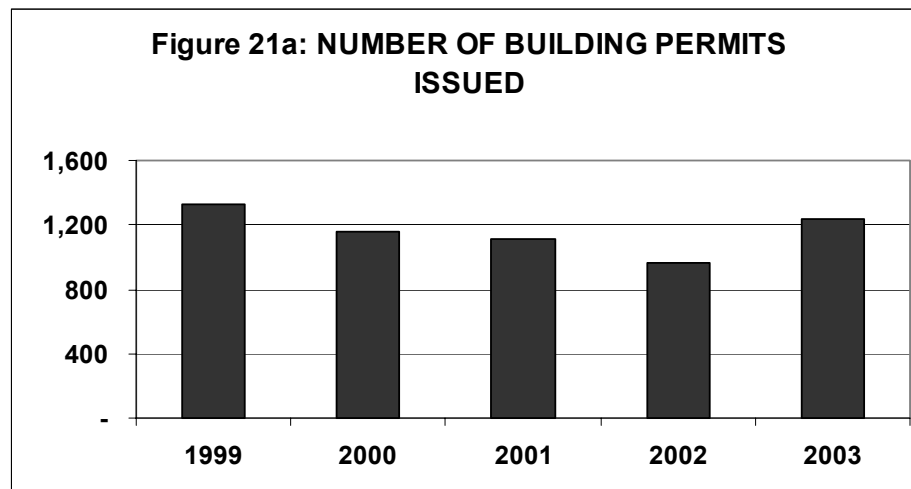
Discussion: Factor 21 deals with construction activity and focuses on municipal building permit records. The volume and nature of construction activity can be a helpful measure of a municipality's economic and fiscal health. This factor examines both the number and value of building permits in each year.

Table 21 and Figure 21a indicate that the number of building permits issued between 1999 and 2002 decreased each year, with an increase in 2003 close to the level in 1999. The overall value of the construction has fluctuated, however, as demonstrated in Figure 21b. Construction activity has been inconsistent, with a generally unfavorable trend offset by a substantial rebound in 2003.

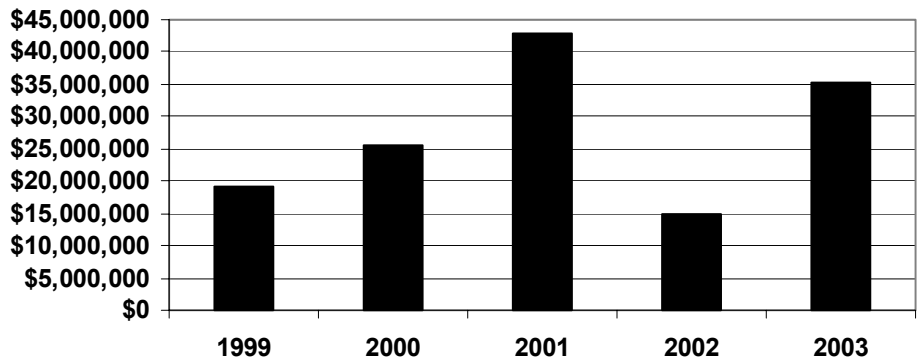
Table 21: Construction Activity Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Number of Permits	1,323	1,158	1,113	967	1,242
Total Value of Buildings*	\$19,281,903	\$25,555,565	\$42,735,900	\$14,782,437	\$35,273,917
Change in Number	N/A	(165)	(45)	(146)	275
Change in Value	N/A	\$6,273,661	\$17,180,335	(\$27,953,463)	\$20,491,480

*Adjusted to 2001 constant dollars

Source: City of Allentown, Comprehensive Annual Financial Report, December 31, 2003



**Figure 21b: VALUE OF CONSTRUCTION
ACTIVITY**



Factors 22 & 23: City Demographics—Population and Personal Income

Warning Signal: Decline in Population or Personal Income

Discussion: Such demographic characteristics as population and personal income may serve as valuable indicators of economic and fiscal health, especially because economic activity and tax collections depend heavily on a stable workforce.

The data shown in Table 22 are taken from available Pennsylvania State Data Center (1999 data are estimated based on the population trends of 2000-2003).

While current rankings are not available, the 2003 per capita income figure for Allentown is \$17,274*, compared to \$21,529* for the Commonwealth of Pennsylvania and \$22,794 for the United States. The difference per capita between Allentown and the state average appears rather significant at \$4,255; and, based on current population estimates, closing half of this gap would require channeling \$225 million to Allentown residents annually. According the U.S. Census, comparable cities in Pennsylvania, Easton, Erie, and Bethlehem, had 2000 per capita incomes of \$15,949, \$14,972, and \$18,987, respectively.

The City's population decline, while slight and estimated, indicates challenging economic conditions when considered along with low personal income.

Table 22: City Demographics Allentown, 1999-2003				
Year	Population	% Change	Per Capita Income*	\$ Change
1999	106,857		\$17,477	
2000	106,632	-0.211%	\$17,530	\$497
2001	106,450	-0.171%	\$17,342	\$274
2002	106,105	-0.324%	\$17,087	\$84
2003	105,958	-0.139%	\$17,274	\$562
2004	105,733	-0.212%		

*Adjusted to 2001 Constant Dollars

Source: Pennsylvania State Data Center



Figure 22: POPULATION

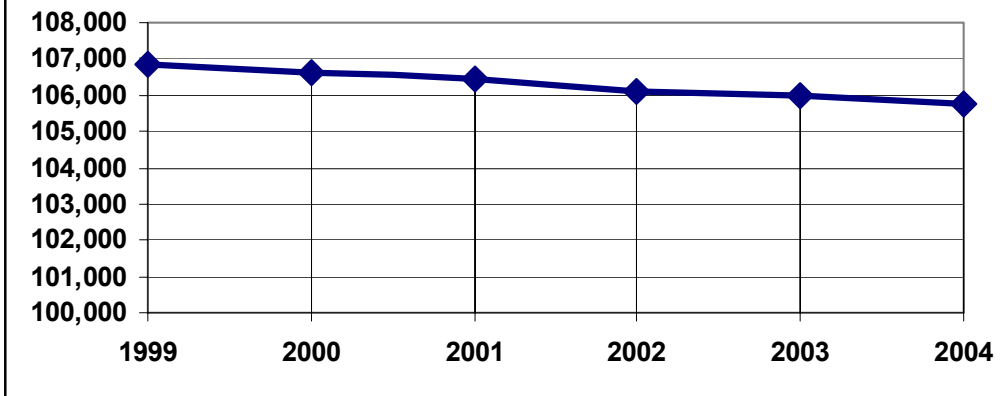
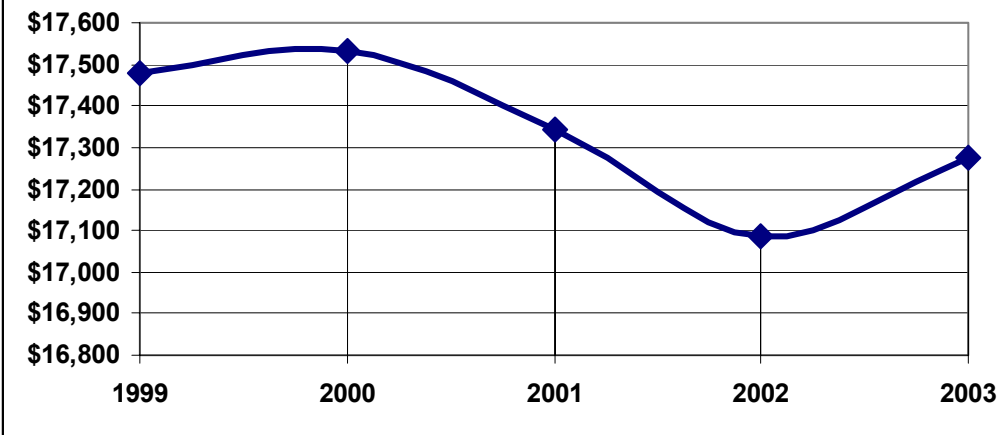


Figure 23: PER CAPITA INCOME



Factor 25: Capital Outlay

Warning Signal: Decreasing Capital Outlay from Operating Funds as a Percentage of Operating Expenditures

Discussion: The city's annual capital expenditures reflect its investment in the community's infrastructure or assets. Factor 25 tracks capital outlay as a percent of total operating funds. Decreases in this factor may mean that needs are being deferred – a situation that could potentially force the city into crisis should equipment, buildings, or other facilities fall into disrepair or become inadequate to serve the city.

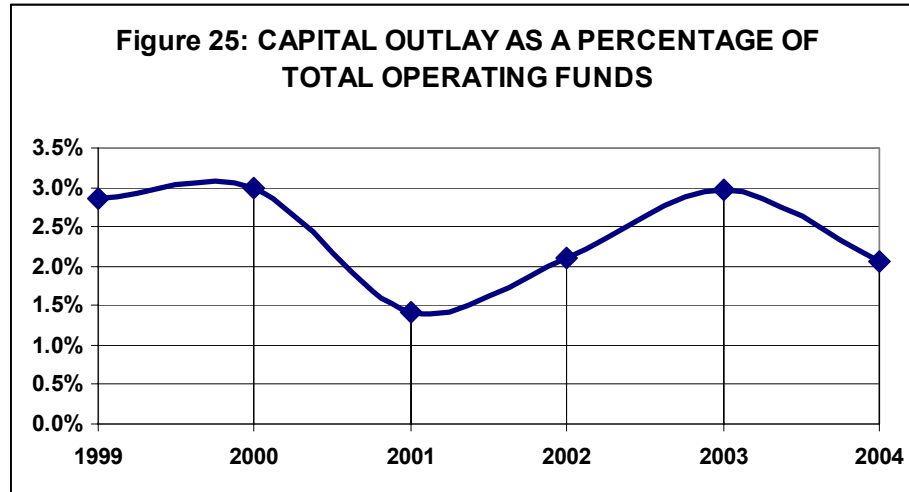
A capital expenditure is generally defined as a nonrecurring cost in excess of a specific dollar value set by the legislative body. It usually includes vehicles, equipment; sanitary sewer, storm sewer, water systems, roads, buildings, and other facilities used by the city to provide services and programs.

Table 25 assesses the City's capital outlay for the past six years. The factor's trend is graphed in Figure 25. The analysis shows that Allentown's capital outlay hovers between its low of 1.4 percent in 2001 and its high of 3.0 percent in 2000 and 2003. Further analysis of this trend needs to be completed to see if these numbers are indicative of decisions to defer replacement of existing vehicles or equipment in lieu of generating additional revenue.

Table 25: Capital Outlay Allentown, 1999-2004						
	1999	2000	2001	2002	2003	2004
Capital Outlay	\$1,317,874	\$1,399,995	\$829,929	\$1,369,950	\$1,976,694	\$1,373,855
Total Operating Funds	\$45,946,897	\$46,939,503	\$58,433,398	\$63,389,687	\$66,662,803	\$66,814,966
Capital Outlay from Current Operating Funds as % of Total Operating Funds	2.9%	3.0%	1.4%	2.1%	3.0%	2.1%

Source: City of Allentown, Official Statements, 1999-2003





Factor 26: Fund Balance

Warning Signal: Using Prior Years' Cash Balances to Fund Operating Expenditures for Subsequent Years

Discussion: The analysis in Factor 26 is intended to assess a government's use of cash balances from prior years to fund operating expenditures for subsequent budget years. In these cases, estimated current revenues are less than estimated current expenditures, and balances are used to avoid tax or fee increases. Frequent or increasing use of prior years' cash balances may exhaust such resources. Without additional revenues, services and programs may potentially be reduced or cut altogether. As such, reliance on cash balances to balance budgets is considered poor financial management.

As of 2004, Allentown entered the year with negative cash balances carried forward from 2003, as it did in 2003 and 2002. This trend indicates that Allentown must rely on previous years' balances to fund the current year's expenditures. Without a balanced budget, cash reserves may be depleted, tax rates may have to be increased, additional revenue streams will have to be located, or services must be scaled back or eliminated. This represents an unfavorable trend.

Table 26: Fund Balance Allentown, 1999-2003					
	1999	2000	2001	2002	2003
Revenue	\$48,983,948	\$52,702,834	\$58,543,062	\$58,660,418	\$62,176,939
Expenditures	\$45,946,897	\$46,939,503	\$58,433,398	\$63,389,687	\$66,662,803
Net Operating Balance	\$3,037,051	\$5,763,331	\$109,664	(\$4,729,270)	(\$4,485,864)

Source: City of Allentown, Official Statements, 1999-2003

