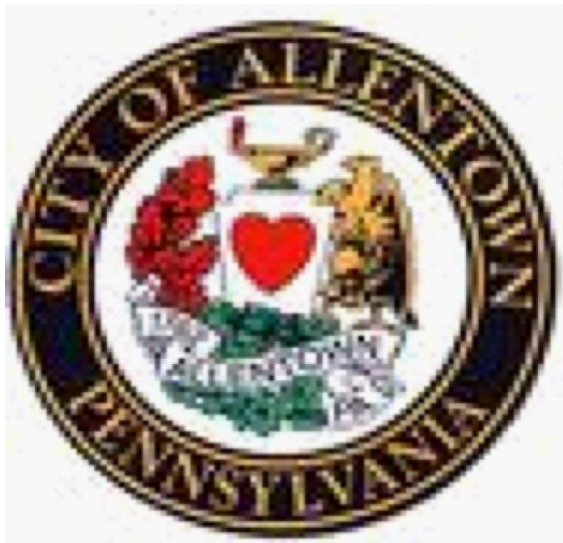


City of Allentown 2019 Budget



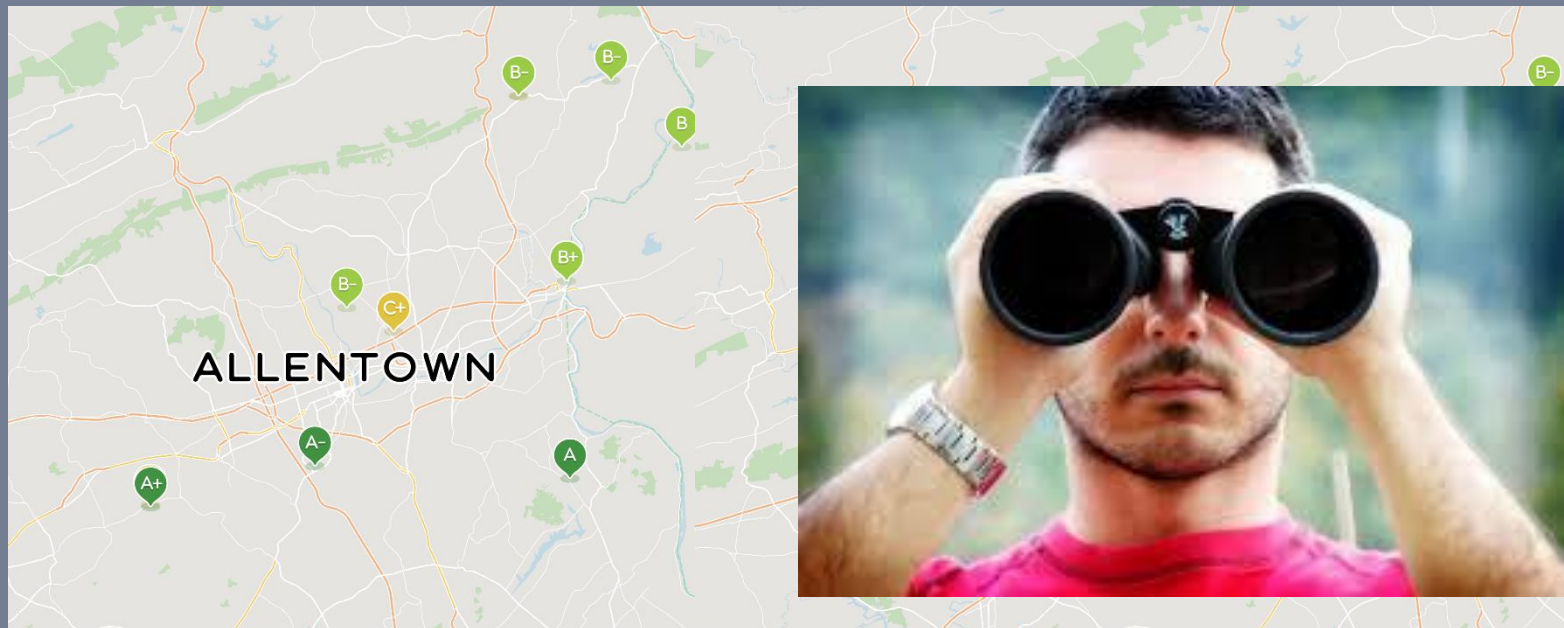
OVERVIEW GENERAL FUND

Where are we?

2018 General Fund budget \$108.8M

No tax increases in 13 years

- **Using \$ 3.9M in reserves**
- **5-year plan at that time projected a \$4M structural deficit for 2019**
- **End of year projections are using \$1.1M in reserves**



Anticipated year end

By constraining expenditures, an anticipated 2018 budget deficit of \$3.9M has been reduced to a projected \$1.1M budget deficit.

DECEMBER 2018						
SUN	MON	TUE	WED	THU	FRI	SAT
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Download & Print Free Calendar From www.world-calendar.com

History of Tapping Reserves/Loans to Balance the Budget

2015 – Draw down \$3.8M from reserves

2016 – Draw down \$4.5M from solid waste fund

2017 - Draw down \$3.6M from reserves

2018 – Draw down \$3.9M from reserves



Reserves

The drawdown of reserves since the concession lease left the City with an estimated end of 2018 cash balance of \$6.6M.



Rating Agencies

In October, Standard & Poors downgraded the City's bond rating and changed the financial outlook to negative. Moody's downgraded the outlook to negative in August.

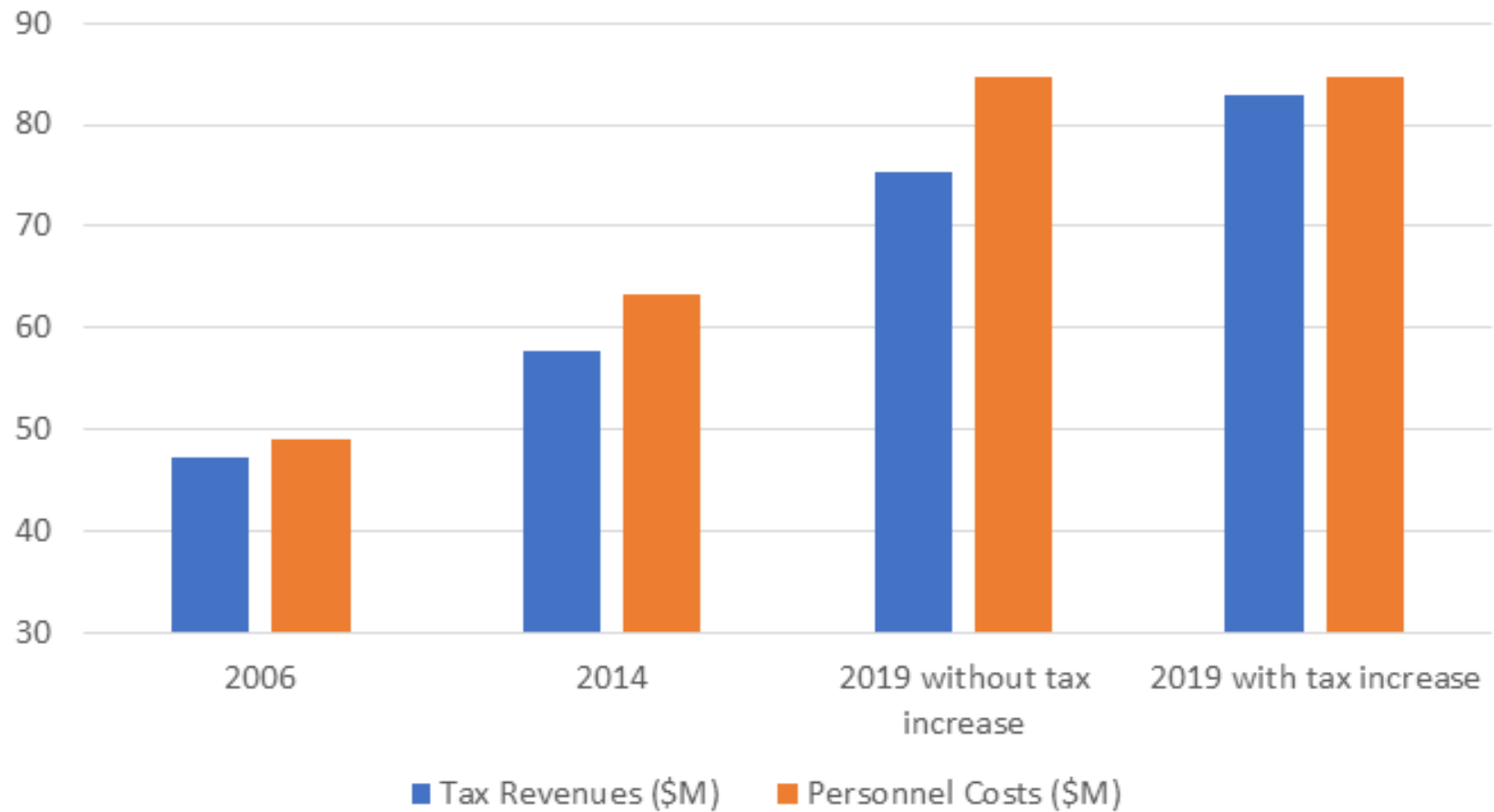
According to S&P, The rating downgrade "reflects our view of the city's weakened financial position, following four years of general fund operating deficits and a continued decline in reserves, in combination with exposure to contingent liability risk from several pending lawsuits.

The rating action and the negative outlook also reflect our opinion that the city will face challenges maintaining structural balance over the next two years given projected budget deficits, pending lawsuits, a weak tax base, and political instability and turnover.

In our view, if the city is unable to correct its structural imbalance over the next two years, we could lower the rating by more than one notch."



General Fund Tax Revenues vs Personnel Costs Including Benefits



2019 Expenditures

The 2019 budget includes expenditures of approximately \$115M compared to 2018 revenue of approximately \$109M, creating a budget hole of approximately \$6M.



Significant New Expenditures

Two additional fire fighters are authorized, increasing total fire staff to 125.

The City will expand its winter aquatics program both to provide recreational opportunities for youth and to establish a reserve of trained lifeguards that will enable full utilization of City pools next summer.

Wage rates for lifeguards and summer recreation program staff are increased to be more competitive with labor market conditions so that the City's pools can be fully staffed for greater safe usage by our citizens.



Significant New Expenditures

Besides recurring operating expenditures, 2019 budget sees the following differences from 2018.

That added to General Fund costs:

- * Transfer of a few positions from Trexler Fund back into General Fund
- * Nearly \$2M in capital and IT equipment expenses will require General Fund operating support in 2019. These expenses in previous years have been paid either with bond proceeds or short term equipment loans, but the City's current debt profile compels pay-as-you-go financing for these purposes in 2019 and probably for 1-2 years thereafter.
- * Significantly increased General Fund contributions to risk management fund



Alamy

Need for Property Tax Increase

An effective 1.5-mill increase on the aggregated value of real estate, from 5.81 to 7.31 mills, will generate an additional \$7.6M in recurring annual revenue.

The separate millage rates for land and improvements are increased by the same percentage so that all taxpayers are affected equally regardless of the type of property owned.

2019 General Fund budget proposed to Council: \$115.7M Revenue and expenditure estimates project \$1M surplus for 2019 with 1.5 mill property tax increase



Effect of Inflation

Since the City's last property tax increase in 2005, the Consumer Price Index has risen a collective 27% which is more than the change in tax rate approximately 26%

Total collected in current 2018:

Real Estate tax in 2005: \$28,226,175

2018 equivalent adjusted
for inflation: \$35,841,964

Difference: \$7,615,789

total actually collected: \$29,270,000
(projected)



What Property Tax Increase Means

An Allentown home with an improvement value of \$150,000 and a land value of \$20,000 would see its annual City property tax increase from \$903 to \$1,139, or about \$20 more per month.

These increases would be smaller for lower-value properties and greater for more expensive properties.



The City has continued to do more with less ...

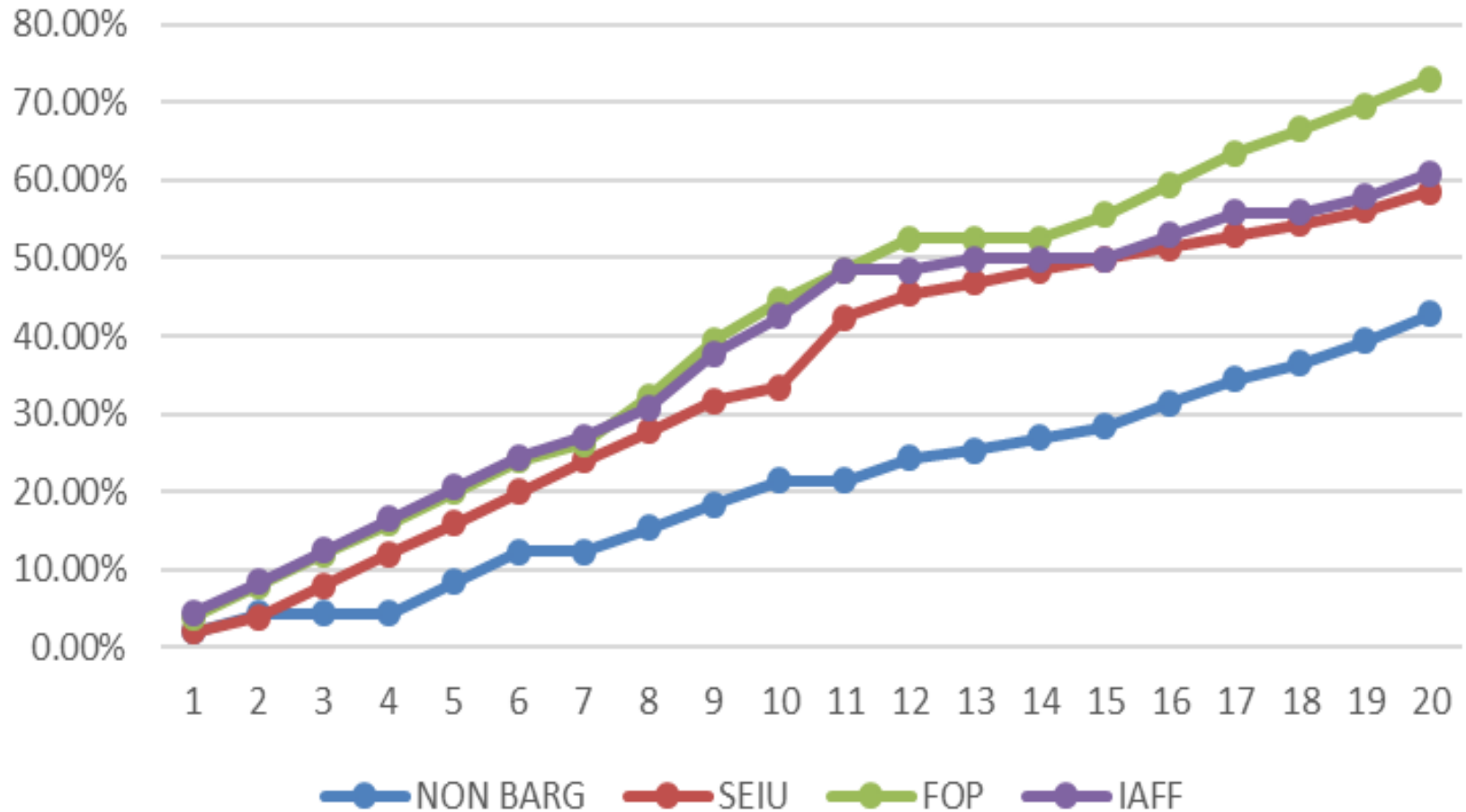


2009	2018
1,000	809



2019 Budget Review

1999 to 2018 Incremental Wage Increases



2019 Budget Review

Schedule of Budget Hearings

Monday, November 5th 5:30 PM	Mayor's Budget Presentation - Introduction of Budget Bills to be referred to respective special meetings. Revenue and Expenditure Estimates, Finance, Debt Service Fund – Equipment and Capital Projects Fund if applicable.
Wednesday, November 7th 5:30 PM	Council Meeting - Parks and Recreation, Trexler, Golf - Equipment and Capital Projects Fund.
Wednesday, November 14th 6:00 PM	Human Resources, Risk Management and Non-Departmental: Mayor, General and Civic, Managing Director, Information Systems, Controller, Solicitor's Office, Council. Human Resources, Risk Management and Non-Departmental: Mayor, General and Civic, Managing Director, Information Systems, Controller, Solicitor's Office, Council.
Monday, November 19th 6:00 PM	Community and Economic Development - Equipment and Capital Projects Fund.
Wednesday, November 21st 5:30 PM	Council Meeting Public Works, Liquid Fuels, Solid Waste
Wednesday, November 28th 6:00 PM	Public Safety: Fire, Police, EMS Communications Center - Equipment and Capital Projects Fund.
Wednesday, December 5th 6:00 PM	Regularly Scheduled Council Meeting Adoption of Budgets
Open for Budget Meeting 7:00 PM	