



# Allentown

435 Hamilton Street  
Allentown, Pa. 18101

## Minutes - Final

### City Council

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Wednesday, October 20, 2021

6:00 PM

Council Chambers

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#### Special Meeting - Budget Overview

##### Roll Call: Council President Guridy

15-4668      Mayor O'Connell's Budget Presentation

Attachments: [Mayor's Budget Presentation](#)

Mr. Julio Guridy stated that this meeting is just the presentation of the 2022 Budget.

Mayor Ray O'Connell thanked president Mr. Guridy, vice president Ms. Mota and members of City Council and the public. Welcome tonight. It is his privilege to present the 2022 Budget for you. This will be his fourth budget presentation. The first one was a little rough. It was 11:59:45, but it had to be done. It was a very unpopular decision to raise taxes. He raised it 1.5 mills which brought in \$7.6 million at that point. It had to be done. He stated that he does not regret it. It got the city back to fiscal stability which they have continued over the last three years with the 2020, the 2021 budget and the 2022 budget. We were on the verge of bankruptcy. We are no longer on the verge of bankruptcy. We have a nice cash reserve. We have a lot of pooled money out there. Pooled cash. He feels very comfortable about the 2022 budget. He is presenting a balanced budget. It has been his commitment to leave the city government with substantial cash reserves. With that in mind, he budgeted the 2022 budget. The only cash balance that will remain the same as beginning 2021 budget. In order to accomplish this task, he froze more than \$800,000 in unspent expenditures with accounts across the program, all programs. This and other measures have allowed him to accomplish his 2021 and 2022 budget goals without drawing upon any cash reserves. You have your budget book in front of you. Again, he congratulated Zach Fegley on a beautiful drawing of the city of Allentown. He introduced the Budget Team: Seth O'Neill, Jessica Baraket, Barbara Wagenhurst, Audrey and Cassie. These people have spent hundreds and hundreds of hours putting the budget together. He attended all the budget meetings for each department. They had caucuses after the budget meetings. They looked where they could trim the budget going forward. Now, he went to the PowerPoint: The PowerPoint is for the public. When he was on Council he

did not particular like PowerPoints, but it is a necessary evil. He stated to Mr. Zucal that he did go under 10 slides. He has nine slides. The 2022 General Fund Budgeted Revenues \$124.8 million. The 2022 General Fund Expenditures, including the vacancy factor \$124.8 million. The Budget is balance without drawing on cash reserves. The tax rates are unchanged from the 2021 - 2022. Residential trends are very positive in the City of Allentown. There are 200 apartments at Cityplace (completed spring 2021), 97 units Center Square Lofts West (completed 2020), 214 units Center Square Lofts East (completed 4th quarter 2020), 36 apartments approved at 938 W. Washington Street, 43 single - family homes approved on Barnes Lane, 78 units completed at 950 - 956 W. Hamilton Street, 250 units under construction at Seventh & Linden Streets, 160 units under construction at Lehigh Parkway East, HUD grant for Lead Hazard Reduction (300 units, which will be build from 2021 - 2023). Some Commercial developments: One Center Square - 300,000 square feet office building proposed, Multiple industrial projects in planning or construction, including incinerator site, 615 Waterfront Drive - 100,000 square feet office under construction, Manhattan Building proposes multiple projects at Riverfront, Da Vinci Science Center STEAM learning project advancing and going forward. Our anticipated 2021 Year -End for Revenues and Expenditures. The effects of the 2019 tax increase and 2020 cost containment measures continue to strengthen the city's fiscal position. Starting 2021 cash was about \$17 Million. We expect ending cash to remain preserved at that amount and for 2021 revenues to equal or exceed expenditures of around \$120 Million. We have frozen more than \$800,000 in unspent 2021 expenditures to ensure our cash position is steady going into 2022. Reserves - our reserves in other funds are showing positive momentum. In Quarter 4 of 2021 and gradually in 2022, we are trimming the Risk Fund balance, which had a high point of \$11.6 Million at the end of September. This will help stabilize the General Fund while leaving the Risk Fund in healthy condition in 2022. The Golf Fund is expected to carry a positive cash balance throughout 2022. The Stormwater Fund is in position to begin substantial investments in storm sewer infrastructure. Budget Trends for 2022 - A major commitment to the Police MMO, and a reduction in the discount rate for Police, Fire, and O&E pension plans have increased pension expenditures by \$1.4 million in 2022. We are anticipating Earned Income Tax, Business Privilege Tax, and the Casino Fee, all of which were impacted by the pandemic, to start showing signs of recovery. The 2022 budget includes a new fund: the ARPA fund. The budget also assumes that \$1.45 Million in public safety costs will be covered by the ARPA fund, which helps balance the budget. The city will seek to improve its bond rating in the end stages of 2021 or in 2022. We are looking, at the very least, to shed the negative outlook. Significant New Expenditure Request - This budget makes human capital investments in several departments: 2 new Full-time firefighters, 2

new Full-time paramedics (one in training capacity), 1 traffic signal technician to comply with PennDOT requirements and 1 new tradesman (Public Works), Construction Supervisor, Project Coordinator (CED), 3 Stormwater Vegetation maintenance technicians (Stormwater), 1 Environmental Compliance Specialist (Stormwater), 1 Equipment Operator 4 (Solid Waste), 1 Maintenance Worker 2 (Parks), Housing Coordinator and Clerk 3 (Rental Fund). Debt Overview - The net debt service in 2022 is \$8.97 Million. The total principal debt remaining through 2045 is \$72.9 Million. This represents an approximate principal debt per capita of \$580 per resident. Principal debt is less than 1.4% of taxable value of all real estate and less than 1% of market value. 2022 Budget Review Process they are making one change. They are taking Monday, November 8 for the CED Budget and moving that to Wednesday, November 10th. In his closing remarks, as you go forward to the budget in 2022, the Mayors always say this is a barebones budget. He stated that his is not saying that it is a barebones budget, but we are there. This is a good budget. This is a very good budget. They took a lot of time and effort from the department heads. He stated that he sees the department heads out here. Raise your hands for some acknowledgement. He stated that he sees Karen El-Chaar, Craig Messinger, Freddie Agosto, Chief Roca, Seth O'Neill and anybody that is not here will be notified in the morning. Mehmet from EMS is here. Thank you very much. He stated that as you go through and this is his last budget going into 2022 coming up. This is a good budget. It is a balanced budget and we have not had a balanced budget. We had balanced budgets because we have to have a balanced budget. That is the Home Rule Charter, but we have not had a balanced budget in a long time. In quite a while that does not tap in the cash reserves. He thinks that is something to be said from departments that looked at trimming their budgets. He stated that they went back to them several times. We had several meetings with them. The department heads were extremely cooperative. He has nothing, but respect for the department heads and the bureau managers. The department heads, deputies, finance personnel, financial analysis, operations managers, bureau managers, office managers, clerks who assisted in preparing this budget. His upmost respect. This is a good budget. He stated that he looks forward to the meetings coming forward with the departments. He stated that if they have any questions for him at this time. This is his presentation. They will get into the nitty gritty for the next couple of weeks. He thanked them for listening and thanked the public and department heads for coming out tonight.

Mr. Julio Guridy thanked Mayor O'Connell and asked if there were any comments or questions about the budget from the dais.

Mr. Ed Zucal asked if non-bargaining members getting a 2.5 percent increase.

Mayor Ray O'Connell stated no, they are not.

Mr. Ed Zucal stated that is what you said a while ago.

Mayor Ray O'Connell stated him, no. You are wrong. He stated that he stood there last time and said that the non-bargaining people will get the steps in 2022 and on their anniversary date, they will get another step. What he said to Mr. Zucal a while ago is, the five red circle people will get the 2.5 and the directors will get the 2.5. He never said all non-bargaining people will get 2.5 when we are implementing the step program. He asked Mr. O'Neill to correct him if he is wrong. He stated that he stood beside him and you acknowledge what he said.

Mr. Ed Zucal stated that he knows what he said. That is why he is asking the question.

Mayor Ray O'Connell stated that he never said that. Why would you go into a step program when you give them a step and get some increase. Some will get a little and some will get a lot. We understand that and on their anniversary date they will get the other step. Why would you give someone 2.5 percent more in non-bargaining if we went into the step program. The initial concept, the personnel study that was done many years ago it was poo pooed. You did not like it. We went away from that and we all kept saying we got to get the steps back. We got to get the steps back. We got to get them back. They are back.

Mr. Ed Zucal stated that he believes in Ms. Mota's committee, we voted 3 - 0 that the department directors will not be involved in the Steps Program.

Mayor Ray O'Connell stated that is correct. They are getting 2.5. They are not involved. If they were included and again, correct me if I am wrong. If they were to be included in that Step Program , they would have gotten four percent plus.

Mr. Seth O'Neill stated sorry, he has to correct the Mayor for just a second. That is only if you happened to be moving from Step A to Step B or as if that was not the case. Nothing was percentage base with this and the personnel budgets in this book are designed to reflect accurate expenditures in 2022 and based on the committee meeting in HR committee it seemed as if what we were going to talk about we were going to implement the Step Program as discussed in 2022 and not in 2021 and

that everyone would get a step. It is the equivalent and he does not like using this percentage, but it is about 2 1/2 percent per step and the directors were not going to be included in the Step Program, but the determination in this budget was to get the directors a 2 1/2 percent increase. The directors got a percentage increase which was the general 2 1/2 percent that would be one step, but the directors are not on the Step Program that they are going to be putting forward. We listened to your suggestions and took them off and just going to be dealing with the non-bargaining personnel when it comes to that. The budget is an attempt for them to capture the expenditures that they expect. Not to attempt to implement the Step Program outside of the legislation that they were proposing. He stated if that makes sense. He knows that it is complicated and apologized. He stated that he can go all night.

Mayor Ray O'Connell stated go ahead.

Mr. Ed Zucal stated that he will address it.

Mr. Julio Guridy stated that they will talk about it more. He just doesn't want. They had a very nice meeting with the HR committee in regards to the Steps. He stated that they made a great presentation. He just want them to continue what they agreed as opposed to try to jump people over what it was agreed upon. He heard some rumors, but he is not going to discuss them, but let's move forward as we decide with the Step Program. He stated that he never said that.

Mr. Seth O'Neill stated that the personnel expenditure numbers that are in this budget are 150 percent in line of what we discussed and the amendments that were recommended in the HR committee and there is no attempt here to do anything differently.

Mr. Julio Guridy state that he believes him.

Mayor Ray O'Connell asked if they wanted to give all non-bargaining 2.5 percent above the steps. It is up to you. You will not have a balanced budget. It is your call.

Mr. Julio Guridy stated ok, alright.

Ms. Cynthia Mota stated that it is confusing and that is the reality.

Mayor Ray O'Connell stated that he cannot hear her. He can't understand her.

Ms. Cynthia Mota stated that it is confusing and that is the reality.

Mayor Ray O'Connell asked what is confusing.

Ms. Cynthia Mota stated the whole step issue.

Mayor Ray O'Connell stated that is not on them if it is confusing. It was explained that night and approved that night. The Steps been instituted and it wasn't the last quarter of 2021. It goes into 2022. You get the steps and on your anniversary you get the other step of 2021. It goes into 2022. You get the step and on your anniversary, you get the other step. It was never said that non-bargaining will get 2.5. He stated that he never said it and the Finance Department never said it. What was said is that you made an amendment to take the directors out. He stated that he stood there and said there were five red circle people and they are getting 2.5 and the directors after your amendment are getting 2.5. That is what was said by him. He stated to Council if they want to start kicking this around, then you will not have a balanced budget. You will have a balanced budget on how it is presented tonight. It is your call. Let's see where it goes.

Mr. Julio Guridy stated let's get into the budget season in an amicable way. Let's try no to argue with each other.

Ms. Cynthia Mota stated that we are not arguing. It is important clarifying what is going on. The reality is that we need to talk a little bit more about this. She stated that he has issues. She has a little bit of issues. We are going to have to fix some of this.

Mayor Ray O'Connell asked so why did you approve it that night. He stated that he thinks it was approved unanimously.

Mr. Michael Hanlon stated that what the administration did was took Council's recommendations and built them into this budget.

Ms. Cynthia Mota stated that they did talk about later on they were going to talk about the other part of the Bill.

Mr. Michael Hanlon stated that there is another part of the Bill under programmatic transfers and promotions. That is going to come to you just as a section in the plan was to do that at the meeting on the 27th.

Ms. Cynthia Mota stated that is what she is referring to. Thank you.

Mr. Michael Hanlon stated and then to have the Steps adopted in this budget like you used to do previously. That is the plan.

Mayor Ray O'Connell stated that the Steps have to be adopted in the budget, but the budget was prepared with the idea of the steps. He state 2.5 for the red circle people and 2.5 for the directors. That is how it was prepared with that acknowledgement. Thank you.

Mr. Julio Guridy asked if there were any other comments in regards to the Mayor's presentation. He stated that he does not want to get into the nitty gritty of the budget now. That is what we have meetings for. He stated that at that meeting he suggests that they peruse their budget, concentrate at least in your committees and when it comes to your presentation or the day of your presentation then you should be heading that. That is the way we are going to move forward with it. He stated that he thinks all of them have gone through a budget process already and we understand it. Some of us have gone through some more than just a few. He thinks normally in the last couple of years Mayor O'Connell has been amicable in most cases he would say with the exception of the 1.5 mills. He stated that he calls it the 27 percent tax increase, but that is a different issue. He stated that is it. He asked is there anything else?

**ADJOURNED: 6:21 PM**