

Taxes going up

[The Bethlehem Gadfly](#) [Budget](#) November 7, 2020

 *Latest in a series of posts on the City Budget* 

[Mayor Robert Donchez 2021 Budget Address](#)

View budget hearings on YouTube at “City of Bethlehem Council”

The pandemic, of course, has messed with the City finances. The Mayor is proposing a 5% tax increase for 2021. Total budget \$87.4m, proposed increase to average homeowner \$46.

Gadfly doesn't see that the draft 2021 budget has been posted online yet. See the Mayor's address above or the newspaper articles below for details.

Gadfly has witnessed the budget hearings the past two years. From his perspective, the interactions between City and Council have been calm and cordial. Council members, it seems to Gadfly, have given the City good marks for controlling costs. Our financial rating has been high. Gadfly doesn't remember any squabbles.

Revenue losses this year, however, might make final financial decisions a bit tougher.

The budget hearings are live-streamed and archived as usual, all at 6PM, and all with public comment in the usual pandemic-style fashion: Nov. 9, 19, 24; Dec. 3.

Final vote on the 2021 budget will be at the City Council meeting Dec. 15

This Monday's meeting will cover the Fire Department, the Community Development Block Grant Fund, the Community and Economic Development Department, and the Police Department.

Selections from Sara K. Satullo, "Bethlehem mayor pitches tax hike to close coronavirus budget hole." legihhvalleylive.com, November 5, 2020.

Bethlehem Mayor Bob Donchez is proposing a 5% tax increase next year and cutting six jobs through attrition to help the city weather the economic fallout of the coronavirus pandemic .

The proposed \$87.4 million budget means the average homeowner of a home with an assessed value of \$50,000 would pay \$46 more a year in city taxes, Donchez explained during his annual budget address at the ArtsQuest Center at SteelStacks, which was broadcast virtually.

The spending plan includes no new jobs or programs and cuts six positions through attrition: four firefighters, one in each platoon, and two Bethlehem Service Center employees.

The biggest financial hits for Bethlehem have been its casino host fee as Wind Creek Bethlehem operates reduced table games, a drop in earned income tax collection and the entertainment tax has largely dried up without regular concerts and events.

Budget projections for 2021 showed the city starting with a \$4.5 million budget hole, largely driven by skyrocketing pension costs and a \$1 million drop in earned income taxes.

Donchez proposes making up the tax loss by using \$1 million from city cash reserves, as this will hopefully bounce back in the future, he said. But years of cost cutting, streamlined operations and debt refinancing leave few other cost cutting options, the mayor said.

This necessitated the tough decision of examining the city's staffing levels and pension costs, Donchez said, noting pensions will clock in at \$16.2 million or 18.5% of the city budget. Police and fire pensions alone will jump by \$1.1 million in 2021.

"Pensions that were promised years ago have been earned through loyal public service, but represent a significant burden on the budget of the city, not only by the size, but the rapid rate of growth," Donchez said. "The only path to truly slow and contain this growth, without any

pension reform from Harrisburg, is to adjust staffing levels. Not taking action will only perpetuate the problem.”

To address these unsustainable costs, Donchez is proposing cutting the six jobs.

If city council approves the spending plan, Bethlehem’s workforce will drop to a low of 588 people, from a high of 670 back in 2010.

“The six personnel reductions between departments will save \$500,000 each year in salary and benefits,” Donchez said.

The fire department would have 106 firefighters if the cuts are approved.

There are no planned police reductions. Bethlehem’s first female police Chief Michelle Kott was [just sworn in last month](#) to lead the 154-member department. The department accounts for \$25.4 million of the city budget. Throughout 2020, community members and council have discussed ways to rethink the city’s police department.

The city also offered an early retirement incentive to 51 employees 60 and older. Eighteen opted to retire in December and take the deal — receiving either \$10,000 or two years of medical benefits .

Bethlehem is deferring its planned \$5 million capital borrowing, which is done every five years, until 2022 when the economy is hopefully back on firmer footing, the mayor said.

Selections from Christina Tatu, “Bethlehem considers 5% tax increase because of pandemic shortfalls and pension payments.” Morning Call, November 5, 2020.

With Bethlehem facing lost revenue from the pandemic and ballooning pension obligations next year, Mayor Robert Donchez [presented an \\$84.7 million budget](#) Thursday that calls for a 5% property tax increase in 2021.

This year “delivered a punch in the gut,” but the city came out of it on stable ground, ready to face next year’s challenges, Donchez said during a presentation at Musikfest Cafe. “Even under the best scenario, the impact of the pandemic will continue to be with us well into 2021.”

Next year’s budget was the most challenging his administration has prepared during his seven-year tenure, Donchez told a crowd of 25 people wearing masks and spread out at socially distanced tables. By contrast, last year’s budget announcement drew a crowd of more than 300.

City Council will review the proposed budget in the coming weeks and could vote on a final budget at its meeting Dec. 15. It calls for a 0.92-mill tax increase, which would raise taxes by \$46 for a home assessed at \$50,000, Donchez said.

The biggest factors affecting the budget are a projected \$1 million loss in revenue from the pandemic and an increase of \$1.1 million toward the city’s pension obligations.

The added pension obligations include the police pension, which will increase by \$900,000 to \$7.2 million, and the fire pension, which will increase \$200,000 to \$4.4 million.

The city’s pension obligations will be \$16.2 million in 2021, which represents 18.5% of the general fund budget.

Donchez noted that Standard & Poor’s reaffirmed the city’s A+ bond rating in July and projects a stable economic future.

Despite hardships now, Donchez said he’s optimistic things will turn around.

“The future of Bethlehem is bright, but we need to battle through this pandemic and, hopefully, by late 2021, return to some sense of normalcy,” he said.