
MEMORANDUM

TO: CITY COUNCIL
FROM: MAYOR MICHAEL E. CHEREPKO
SUBJECT: BUDGET MESSAGE
DATE: 11/15/2021
CC: ANNETTE JAMES, CLERK
RYAN STURGESS, CONTROLLER



Please find the attached preliminary draft budget for the FY-2022. The Home Rule Charter requires the Mayor to present a balanced budget to City Council on, or before November 15, and a final spending plan must be adopted prior to December 31, 2021.

In balancing the 2022 preliminary budget at \$25,828,845 this administration has utilized the best estimate of revenues and expenditures and isolated as many variables as possible as we look ahead to the coming fiscal year. Many unique factors impacted the budgeting process as we developed this year's spending plan. The sustainability of the City of McKeesport, especially as we navigate the uncertain era of a global pandemic, is of utmost importance, and we intend to utilize every available resource to the best of our ability as we maintain a balanced budget and serve this community.

Throughout this message, we will focus on revenue, our level of service, and community development projects that will continue the mission set forth by the McKeesport Rising initiative that my administration introduced in 2018. My goal was to make tangible improvements to our City's aesthetics and infrastructure while laying the groundwork for a sustainable budget that will include accurate, consistent revenue streams for years to come. As our City officials and residents are well-aware, this endeavor continues to be made possible through the 2017 sale of the Municipal Authority of the City of McKeesport to Pennsylvania American Water. We have discussed at length over the years this transaction's role as a strategy to save the City of McKeesport from Act 47 municipal bankruptcy. A new factor that positively impacts our revenue stream is the infusion of American Rescue Plan Act funds into our budget, which will allow us to avoid further financial hardship at a time when the whole world is struggling. These funds make it possible to uphold and improve our level of public service by recuperating some of our fixed expenditures while freeing up funds for much needed projects and programs.

As we continue to improve our operations and steer away from budgetary shortfalls, it is more important than ever to increase our collection of existing taxes and fees. It should be noted that, even with previous tax increases, the revenue stagnancy brought on by the coronavirus pandemic was felt by municipalities across our region, state, and nation. It impacted the lives of people and whole communities around the globe. As we all work to recover from these still-trying times, I would not consider imposing any type of increase in taxes. Rather, this administration is committed to more thorough collection of what is owed at the current rate. As residents return to work and our lives

continue to take shape in our society's new normal, it's important that we work together to get back on track.

With that being said, our fiscal strategy in recent years has combined the decrease of staffing through attrition; investment in infrastructure and community development programs to grow our tax base; and, of course, the one-time sale of city assets. For many years now, our ledgers have shown the City of McKeesport operating with a functional deficit of several million dollars, for which we compensated annually with infusions of capital through the liquidation of smaller assets and using that revenue to supplement operating costs each year. This administration established a Mayor's Reserve Fund that could support City finances in place of a standard surplus. In recent years, our successful operation can be attributed to the initiation and sustainability of the McKeesport Rising Project.

What began as a community improvement plan has evolved into my administration's means of operation. Across these budget years, McKeesport Rising has been about my administration's commitment to keeping neighborhoods safer, creating jobs through attracting investments and improving infrastructure, fighting blight and revitalizing our residential neighborhoods and business districts, protecting tax dollars and maintaining fiscal responsibility, and ultimately, building community. In everything we do, we keep the future and best interests of this City in mind.

Over the past four years, the McKeesport Rising Project has allowed my administration to improve the quality of life for all McKeesporters – utilizing various revenue sources and opportunities to carry out improvements in infrastructure, neighborhood preservation, public safety, and economic development. In our public works and police departments, we have made equipment purchases, including vehicles, machines, and advanced technology. We awarded demolition contracts that have allowed for the removal of more than 400 blighted structures, and I plan to have another 300 under contract in 2022.

The McKeesport Rising line item again will set aside funds – this year, \$4 million – to target blight and preserve our neighborhoods with the aforementioned demolition contract(s), improve our infrastructure, promote economic development, and modernize our public safety operations. Through this project, we will continue to improve residents' quality of life, while guaranteeing the stability they will need in years to come.

When we look at McKeesport Rising, it is important that we see more than a line item in our spending plan – we should see a mechanism for solvency, while still knowing its limitations. Using what we've budgeted for McKeesport Rising in the coming year will allow us to complete essential projects without experiencing a deficit, despite unavoidable increases in Minimum Municipal Obligations to our pension funds, healthcare costs, and contractual wage increases.

The FY-2022 budget reflects any salary increases for the four union collective bargaining agreements to date, as well as their corresponding benefits. These costs historically have risen at a rate well above any modest increases in revenues, as payroll accounts for more than 40 percent of our budget, and roughly 25 percent is comprised of the aforementioned healthcare and pension obligations. As we acknowledge each year, these challenging costs are not unique to the City of McKeesport, and nearly every municipality and business across the nation faces increasing employee-related costs on an annual basis.

To cover those costs, we talk every year about how the City cannot rely on a single surge in revenue to correct consistent problems. For that reason, City Administrator Thomas Maglicco and Finance Director Tasha Phelps will continue to tighten our budget in terms of expenditures. Chief Revenue Officer Matthew Gergely will continue to work diligently to increase revenues that are due to the City – ensuring better collection on delinquent taxes and fees while accurately tracking current and potential revenue streams.

I am sure City Council is aware that we have continued to do more with less. That includes revenue, resources, and employees. We have hired a handful of part-time employees as we continue to decrease our full-time workforce through attrition, which has, in some cases, eliminated entire departments, decreased others by more than 50 percent, and reduced citywide staffing by more than 25 percent. While I am proud of our staff for taking on more work with fewer hands, we must do something to maintain, if not improve, our level of service. At City Hall, we function as a team to serve our community, all while improving our City’s financial outlook through the jobs we fulfill. Our employees’ efforts illustrate their support of my administration’s motto of “Working Together for a Better McKeesport.”

Thanks to the guidance of Mr. Maglicco, Ms. Phelps, and Mr. Gergely, and through our departmental leaders’ cooperation in adhering to their advice, we have shaped a balanced, detailed spending plan for the upcoming fiscal year. As previously stated, we will maintain our current property tax rate across our two-tier tax system at this time 8.26 mills on buildings and 20.5 mills on land. Having a low property tax rate is vital, not only in helping our many residents on fixed incomes during these trying economic times, but also in attracting new residents and businesses to affordable properties in McKeesport, and because of that, the people of McKeesport will continue to pay less in taxes than property owners across much of Allegheny County.

Property taxes, and our quarterly Municipal Service Fees – \$75 per quarter for each household, unless the homeowner is a senior citizen, for whom there is an available discounted rate of \$60 per quarter – support McKeesport’s ability to provide the level of services that our taxpayers deserve. We already have increased our collection rate for fees and earned income taxes by keeping a more accurate record of who is moving in and out of McKeesport and what businesses are setting up shop here. By collecting more of what is due, it has allowed us to maintain a low property tax rate despite the ever-increasing costs of health insurance, our Minimum Municipal Obligations required to be paid into our pension funds, as well as fuel and utilities.

As we look back on 2021, we benefited from various funding sources that allowed us to remain current in our obligations and aided in our recovery from the local impact of the previous year’s global pandemic – the community health and economic impacts of which are far from concluded. The lasting impact is undeniable when we look at our local economy, our municipal budget, and our governmental responsibilities. Special funding sources have allowed the City to offset a portion of its cost on personal protective equipment (PPE) such as masks, hand sanitizer, cleaning products and procedures, police presence and other public safety measures, and more. The U.S. Department of Housing and Urban Development set aside funds for COVID relief for McKeesport as a specified entitlement community, and we are in the process of determining federally approved uses for these funds across our city’s departments.

Now, the American Rescue Plan Act of 2021 is helping to deliver immediate relief to individuals,

corporations, municipalities, and larger branches of government across the nation. As written, the plan acknowledges that millions of American workers reside in communities that have suffered disproportionately through the navigation of the pandemic and its aftermath. The Plan provides critical support to these communities by offering (a) emergency grants, lending, and investment to affected businesses through the Small Business Opportunity Fund and (b) direct emergency funding for state, local, territorial, and Tribal governments to ensure that they are in a position to keep front line public workers on the job and paid, while also effectively distributing the vaccine, scaling testing, reopening schools, and maintaining other vital services. State and local employment has fallen by around 1.4 million jobs since the pandemic began, including layoffs of 1 million educators, compared to around 750,000 job losses during the Great Recession.

From McKeesport's perspective, the American Rescue Plan is filling holes in our budget where revenue fell short due during the pandemic. We are able to keep our essential employees where a loss in revenue was pushing our limits and was close to requiring furloughs. In all we do here within the City of McKeesport, it's important to understand that we do our jobs for the people who make up our community.

Our goal always has been to uphold the level of service our residents deserve – whether that be through the public safety and security provided by the McKeesport Police Department and McKeesport Fire Department; the attention to detail as our Public Works employees work to maintain our city streets, parks, and other facilities; the direct customer service provided in our Tax Office and Treasury, or the community events that take place in Renziehausen Park and throughout our fine City. American Rescue Plan funding has allowed for the budgetary solvency to not only keep the staff members who uphold these necessary services on a daily basis, but to bring on new employees to fill some of the seats that have been vacated.

We plan on incorporating American Rescue Plan funds into our spending plan as intended – keeping our frontline workers on the job to serve our community. Utilizing funds in that manner will allow my administration to support existing programs and introduce new programs that will further benefit McKeesport residents.

Under the umbrella of the McKeesport Rising Project, my administration will set aside \$4 million for its core components – demolition, paving, capital purchases, and public safety improvements – and for the addition of new initiatives that will provide a direct benefit to residents

We will reintroduce grant funding in support of the Vacant Property Review Committee's acquisition program, which allows residents to buy side lots and other parcels that are vacant and tax delinquent. Qualifying properties can be purchased at their appraised market value, and without financial assistance, the program normally requires applicants to pay approximately \$2,500 in legal fees and filing costs association with the acquisition. I am proposing that we free a portion of our budget to assist with these costs in order to return these abandoned properties to our tax rolls.

In recent years, we have partnered with organizations such as Action Housing and Rebuilding Together Pittsburgh for household improvements for income-qualifying homeowners in the City of McKeesport. Through these programs, we have learned that homeowners are in need of improvements that fall outside the scope of work of these existing programs. I am proposing the addition of roof repair/replacement and sidewalk improvement programs to take on projects that directly benefit our residents while further improving the aesthetics of our neighborhoods.

These programs will run concurrently with the citywide aspects of McKeesport Rising, and each of our

departments will make improvements while doing their part to uphold our desired level of service.

The most visible improvements that come with the McKeesport Rising Project are the infrastructure projects managed by Public Works Director Steve Kondrosky and the demolition contracts overseen by Community Development Director A.J. Tedesco. There is a certain satisfaction in the visual improvement that comes with paving a main thoroughfare that residents use to commute from one end of our town to another, or when we are able to rid a neighborhood of the handful of blighted structures that have had a negative impact on the community's morale.

These demolition project also extend into our business corridors – with two stretches of Fifth Avenue set for demolition thanks to the state Department of Community and Economic Development's Neighborhood Partnership Program (with direct support from Duquesne Light, First Commonwealth Bank, Noble Environmental, and UPMC Health Plan) and the Commonwealth Financing Authority's direct distribution of blight remediation funds. Utilizing Community Development Block Grant Funding through the U.S. Department of Housing and Urban Development, we are clearing blight along the Walnut Street corridor and on the hillside between that area and Jenny Lind Street – opening up shovel-ready property for anything from residential, commercial, or light industrial development. McKeesport's blight remediation and economic development projects are well supported in Harrisburg – having McKeesport natives like Sen. James R. Brewster and Rep. Austin Davis in office to relay our local concerns.

In the police department, Chief Adam Alfer and Assistant Chief Mark Steele will continue to implement new technology such as ShotSpotter and intersection cameras equipped with license-plate recognition software, acclimate part-time officers to the department, and ensure our officers are involved in community-based policing. Funding through the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Pennsylvania Commission on Crime and Delinquency supports these efforts. Our officers also will continue to partner with regional agencies, including but not limited to the Allegheny County District Attorney's Office, county police and sheriffs, and the state Attorney General's Office. As always, our police department always is reviewing departmental policies and procedures, utilizing continuing education and training programs, and maximizing technology to benefit the City of McKeesport and neighboring Dravosburg (through 2023).

In the fire department, Chief Jeffrey Tomovcsik will continue to collaborate with other departments, including police and code enforcement, to streamline various services. Firefighters have increased their training in rescue and general firefighting practices. Since 2019, the fire department has maintained its Gold Level of voluntary certification with the Commonwealth of Pennsylvania. This certification will be up for renewal in 2024. Our fire department shares this impressive designation, with forty departments across the state and only six in Allegheny County. In 2022, the fire department will continue to review its practices in order to update its Insurance Standards Office ratings, which was delayed during the pandemic.

The McKeesport Ambulance Rescue Service continues to serve the City of McKeesport and the neighboring communities of Duquesne, Port Vue, Dravosburg, and Glassport. Under the direction of Chief Bill Miller, who also serves as the City's Emergency Management Coordinator, our paramedics and EMTs have handled the increased call volume associated with the coronavirus pandemic with the utmost professionalism and expert care. Even with this heightened response, MARS has been here to answer every call and provide emergency care to the best of their abilities.

As always, I must acknowledge how appreciative I am of the support offered each year by the Allegheny Regional Asset District as we work to provide state-of-the-art parks and recreation facilities – not only to McKeesport residents, but to visitors from across Allegheny County. Folks from across our region visit Renzie each year, and RAD support helps to define this park a true regional destination.

In terms of parks and recreation, we will continue to make improvements to Renziehausen Park and our neighborhood parklets and playgrounds in 2022. We will host our signature seasonal events, including the Easter Egg Hunt, Good Neighbor Day, the Youth Fishing Derby, Movies in the Park, Summer Concert Series, seasonal fireworks, International Village, Renzie Rib Fest, Halloween Parade, Salute to Santa Parade and Festival of Trees.

We will maintain our designation as Playful City, USA – continuing to promote outdoor activities and recreation for all ages. Our pavilion rentals are bringing in record-high revenues, so this is proof that recent improvements have served park-goers well. Our ballfield revenues also increased due to tournament play and new leagues, with key involvement from the McKeesport Baseball Association and the McKeesport and Mon Valley Girls Softball Association, among others.

I'm so proud of the countless volunteers from the McKeesport Recreation Board and the McKeesport Lions Club who make our seasonal events special for our community. They put a personal touch on everything we do – making these programs inviting and enjoyable to the public. As I've said before, they make McKeesport a wonderful place to live and visit – a true destination.

All of the services and activities I've mentioned throughout this message go hand in hand with building a community that's welcoming to the residents and businesses who call McKeesport home – or who will make McKeesport their home in the future.

While we do our best as a City to support local businesses and encourage our residents to shop local, we understand everyone is constrained financially with this pandemic's impact on their households. The last two years' impact of COVID still can be felt across our regional and in our local economy.

From an economic standpoint, COVID may have slowed numerous development opportunities, and in a few cases, has halted them completely. But through this administration's exhaustive efforts and the resilience of our community, I am confident we can begin to grow once again. As I always say, you have to crawl before you walk, and walk before you run. Before the pandemic, I believe we were starting to sprint, but we obviously had to slow down. As we discussed last year, there has been so much uncertainty in the business world, especially in terms of profits, overhead expenses, and investments, that people are hesitant to make major investments or expand. Anytime you talk about business development, it's no different from any one of us looking at our own financial stability.

We are regaining the momentum we lost in 2020. We worked through the shortfalls in 2021, and we are ready for what 2022 has to offer. Every day, we continue to see developers hard at work at the People's Bank Building and Executive Building. These locations are open for business, and they are ready for more occupants of all types. With a range of offices and retail spaces, there are endless opportunities.

It's important to look back on the economic development strides that have been made thus far in the ten years of my administration. Let us not forget the retail development we've seen with popular chains such as Dunkin Donuts, ALDI, Speedway, Ollie's, Family Dollar, Dollar General, O'Reilly's Auto Parts, and others; or the investments made by manufacturers PurePenn LLC, Dura-Bond Industries, Consolidated Power and Supply, and American Textile Co.; and technological and

industrial companies including Vegley Welding, ACI Communications, and Weir Valve. These manufacturers and industrial companies are helping to diversify our economy and persuade more developers to choose McKeesport. We will continue to push for a variety of business developments in the City – from retail to industrial with everything in between.

Our retail developments, as they open and grow, are exceeding corporate expectations in terms of sales. We hope the same will be true for the Get-Go convenience store coming to the intersection of E. Fifth Avenue and Hartman Street. We can see that ground has been broken there, and construction is well underway. Infrastructure improvements and changes to traffic patterns are part of this project as well.

When we look to the RIDC Riverplace Industrial Center of McKeesport, there is an amazing sense of hope that comes with recent news that this former brownfield is on its way to being developed at full capacity.

River Materials, Inc., joined the industrial/manufacturing landscape of the RIDC Riverplace Industrial Center of McKeesport – opening a new, state-of-the-art intermodal facility in the summer of 2020. There was a tremendous amount of anticipation surrounding this project, because the 18-acre site, located on portions of the original National Tube site along the Monongahela River, is ideally located for truck, barge, and rail intermodal activities, was thought to be undevelopable in recent years. River Materials is making the most of this space – even constructing office, warehouse, production, and remanufacturing facilities for its own use.

We mentioned PurePenn’s arrival in RIDC park as one of the state’s first licensed producers of medicinal cannabis products. Now, PurePenn has become part of Trulieve, an international “seed-to-sale” company that, in addition to Pennsylvania, holds licenses to operate in California, Massachusetts, Florida, Connecticut, and West Virginia. Trulieve is listed on the Canadian Securities Exchange under the symbol TRUL and trades on the OTCQX Best Market under the symbol TCNMF.

While PurePenn made its name as a premier cultivation and production company, operating a 35,000 square foot cultivation and processing facility here in McKeesport, it recently underwent expansion to 100,000 square feet. This facility will grow further under Trulieve with the purchase of nearly every available parcel within the RIDC park. This location will serve as Trulieve’s corporate hub for our region of the United States.

As PurePenn CEO Gabe Perlow has acknowledged publicly, Trulieve places PurePenn in a great position to scale up operations to meet the wholesale demand for medicinal cannabis products in the Commonwealth of Pennsylvania – an item of discussion as our leaders in Harrisburg consider the expansion of this industry as a whole.

Locally, we continue to make improvements with our own downtown buildings including Tube City Center, which Pennsylvania Senator James R. Brewster played an integral role in acquiring from Trib Total Media and The Daily News. This facility currently houses Allegheny County District Attorney Stephen A. Zappala Jr.’s Mon Valley Service Center, the Mon Valley Independent, Tube City Community Media, the McKeesport Community Newsroom of Point Park University’s Center for Media Innovation, the Boys & Girls Clubs of Western PA CareerWorks Program, and Flashover Fire Apparatus. Work is set to begin next door on the Lysle Boulevard Parking Garage, which will serve

downtown visitors and business tenants to the Tube City Center and other locations, such as the former People's Bank Building.

Also nearby, the Port Authority of Allegheny County is in the process of constructing a new McKeesport Transportation Center, which is set to be formally opened in February.

In each and every project we take on, my administration is investing all we have in making our community a better place to be. I'm proud of that accomplishment, and every council member, employee, and resident should share in that pride. We should be confident in the concept of McKeesport Rising as we make every effort to revive our City's economy, appearance, and morale. We must rebuild our tax base, improve our neighborhoods, and encourage home ownership – all while continuing to find creative ways to provide the services that McKeesport residents deserve.