
MEMORANDUM

TO: CITY COUNCIL
FROM: MAYOR MICHAEL E. CHEREPKO
SUBJECT: BUDGET MESSAGE
DATE: 11/15/2019
CC: ANNETTE JAMES, CLERK
RYAN STURGESS, CONTROLLER



Please find the attached preliminary draft budget for the FY-2020. 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, 2019.

REVENUE AND EXPENDITURES

The preliminary 2020 budget is balanced at \$22,675,901.00 – reflecting the best estimate of revenues and expenditures and isolating as many variables as possible that can be quantified within the budgeting process. This year’s spending plan illustrates our commitment to the sustainability of the City of McKeesport and shows a near \$2 million-dollar decrease in expenditures from 2019.

In 2019, as my administration implemented our second year of the McKeesport Rising Project, we continued to make notable improvements to our City’s aesthetics and infrastructure while laying the groundwork for a sustainable budget that includes a tangible, accurate revenue stream for years to come. As our City officials and residents are well aware, this endeavor was made possible through the sale of the Municipal Authority of the City of McKeesport to Pennsylvania American Water. We have discussed at length this transaction’s role as a strategy to save the City of McKeesport from Act 47 municipal bankruptcy.

Previous years’ ledgers showed 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. Our successful operation can be attributed to the increased collection of various taxes and fees, combined with best practices to reduce expenditures including a decrease in 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. In this case, the one-time asset sale allowed for the initiation of the McKeesport Rising Project, which we will continue to operate.

The McKeesport Rising line item again will set aside funds – this year, \$1.4 million – to target blight, preserve our neighborhoods, improve our infrastructure, promote economic development, and modernize our public safety operations. Through this project, we will continue to improve residents’ quality of life today, while also guaranteeing the stability they will need in coming years.

When we talk about that stability, it must be said that the City cannot rely on a single surge in revenue to correct consistent problems. While we spend and invest our revenues wisely, we will continue to tighten our budget – as seen with the near \$2 million decrease in spending from 2019 to 2020.

We will continue to decrease our expenditures by reducing our workforce through attrition, which has, in some cases, eliminated entire departments, decreased others by more than 50 percent, and reduced citywide staffing by 25 percent. I must say I am proud of our city employees for taking on more work with fewer hands, knowing wholeheartedly that we function as a team to achieve collective goals to improve our City's financial outlook. Their effort shows great support for my administration's motto of "Working Together for a Better McKeesport."

Thanks to the diligent work of City Administrator Tom Maglicco and Finance Director Tasha Phelps, we have shaped a balanced, detailed spending plan for the upcoming fiscal year. That being said, if this administration is going to move McKeesport forward with the hope of preventing future deficits, I believe it would be fiscally irresponsible to maintain our current property tax rate at this time. Our former Mayors and City Councils, myself included, have held the line on taxes – raising them only once in roughly the last thirty years.

This administration will propose a 2-mill increase across our two-tier tax system. I would ask that council raise McKeesport's property taxes from 6.26 mills on buildings and 18.5 mills on land to 8.26 mills on buildings to 20.5 mills on land.

I've been a longtime proponent of maintaining the city's tax rate. I understand that 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. Even with this nominal increase, which translates to a monthly increase of less than \$10 per month for a home valued at \$50,000, our taxes remain among the lowest in Allegheny County. While our millage rate is comparable to other municipalities, if we are talking strictly dollars, the people of McKeesport will continue to pay less in taxes than property owners across much of Allegheny County.

I understand that the right choice is not always the popular choice, and I am asking City Council to do what's best for the City of McKeesport as this administration continues to develop a sustainable, balanced budget for years to come.

Our stream of property tax revenue has increased steadily in recent years, but it still is not enough to support our operation at a level of services that our taxpayers deserve. We 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. In fact, despite our gains, we have never come close to generating enough revenue to cover the non-negotiable increases in our pension obligations or the fixed increases in our healthcare benefits.

One revenue stream that will remain constant as we look ahead to 2020 is our Municipal Service Fees (MSF). Quarterly MSF bills are \$75 for each household, unless the homeowner is a senior citizen, for whom there is a discounted rate of \$60 per quarter.



McKEESPORT RISING

In 2018, we laid the foundation of the McKeesport Rising Project with equipment purchases, including vehicles, machines and advanced technology, for public works and public safety, and contracts geared toward neighborhood preservation. We awarded three demolition contracts – roughly 100 structures on each – that are in the process of being razed. We also awarded a city-wide paving contract to maximize our road repairs. In 2019, we condemned another 150 structures that will be targeted in ongoing demolition projects.

As stated in this message's introduction, the sale of our local sewage treatment system provided access to funds that will allow us to make continued improvements, specifically in the removal of blight and improvement of infrastructure. The 2020 budget allows for \$1.4 million to be spent in continuation of the McKeesport Rising Project.

As I've said many times, it is no secret that blight can have a detrimental impact on the quality of life in any community. Blight not only disheartens residents and brings down the community's collective morale, but it actually breeds crime. When we introduced the McKeesport Rising Project, we highlighted the 2013 Tri-COG study that quantified what blighted properties actually costs homeowners and taxing jurisdictions throughout our region. Results of this study confirmed what we have known to be a significant blight problem in our region, and they quantified the elevated costs associated with code enforcement, public safety calls, and demolition. That link should explain why my administration places immeasurable value on halting the further detriment of our community and allowing for the necessary steps in our objective to rebuild.

The McKeesport Rising logo includes a magnificent phoenix proudly embracing the City of McKeesport and inviting us to bounce back from an array of socioeconomic hardships. We are working toward the McKeesport we envision with cleaner neighborhoods that are free from blighted eyesores. I want to give McKeesporters something to which they can look forward – an opportunity for them to have larger yards through our vacant property purchase program, a chance to welcome new neighbors who may choose to build modern homes in our community. When we eliminate blight, the people of McKeesport can envision something – anything – in its place. As I've said before, the possibilities are endless.

REVIEWING FY-2019 AND LOOKING AHEAD TO 2020

The following highlights reflect some of the accomplishments for the previous fiscal year and pave the way for further improvements in the year ahead.

Looking ahead, the FY-2020 budget reflects any salary increases for all of 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. Payroll accounts for more than \$8 million of our budget, and another 25 percent is comprised of healthcare and pension obligations. As we acknowledge each year, these challenging costs are not unique to the City of McKeesport. Nearly every municipality and business across is faced with increasing employee-related costs on an annual basis.

GARBAGE AND RECYCLING:

In 2020, we will enter a three-year garbage and recycling contract with County Hauling. This company

was awarded the contract in November after winning an electronic bidding process with Enviro21, which helped us find a price that would provide a significant savings to the City. The contract was awarded at \$79.75 per ton for refuse hauling, which could translate to a 30 percent savings in our garbage collection services.

This agreement not only helps our budget immediately in 2020, but it comes with a three-year freeze on these rates. This rate is relatively locked in for eight years, as the contract includes an option to extend with just a 2 percent increase for up to five years. In a nutshell, eight years from now, we could be paying a quarter of a million dollars less for garbage collection services than we have paid in 2019.

RECREATION:

In FY-2019, we continued to earn our keep as a Playful City, USA.

We made significant improvements Renziehausen Park, thanks to a record grant of \$170,000 from the Allegheny Regional Asset District (RAD) and funds supplemented by the McKeesport Rising Project.

The 2019 allotment brought the construction of a new pavilion and landscaped parking lot near the McKeesport Regional Heritage Center, and we are working to add new swings and a toddler play area to Renzie's central playground. With more families using this play space since the addition of the Renzie Spray Ground, we want to be sure there's something fun and age-appropriate for all children.

In 2018, we made pavilions more attractive and accessible by replacing roofs, adding ADA-compliant ramps, and installing new grills – already making an improvement in 2019 to the annual income from generated by all of the pavilions in our beautiful, scenic park.

We will continue to offer our community's favorite activities for children and adults of all ages in 2020: International Village, the Lions Summer Concert Series, the Renzie Rib Fest, Patriotism Parade, Movies in the Park; the Easter Egg Hunt, Fishing Derby, Halloween Parade, Christmas Parade, Festival of Trees, and various fireworks displays.

With the elimination of our Recreation Director's position, our countless volunteers from the McKeesport Recreation Board, the McKeesport Lions Club, and the International Village committee will work closely with City Administrator Tom Maglicco and Mayor's Assistant Jennifer Vertullo to ensure these programs, in addition to downtown events such as Good Neighbor Day and the Salute to Santa Parade, continue to grow year after year.

With a \$200,000 Community Infrastructure and Tourism Fund grant, facilitated by our former Mayor and current state Senator James R. Brewster, opened a new dog park in a previously undeveloped portion of Renziehausen Park. This has enhanced our already beautiful asset and has potential to make our park even more appealing to residents from across Southwestern Pennsylvania. As we expand our walking trail through this area, it will create the opportunity to extend McKeesport's leg of the Great Allegheny Passage to divert travelers to Renziehausen Park.

Our local trail system already brings cyclists and hikers from around the world through McKeesport with interest in traveling the Great Allegheny Passage and the McKeesport Loop. Yet another opportunity for further development of this trail is coming to McKeesport thanks to a vision we share with Sen. Brewster, who also secured \$3 million in PennDOT Multi-Modal Funds to construct a riverfront trail and develop a scenic point at the confluence of the Monongahela and Youghiogheny rivers.

In 2018, we invested Community Development Block Grant funding in the redevelopment of our fishing pier

(\$173,000) and riverside amphitheater (\$70,000). In 2019, we utilized this facility during the summer months for a new Riverfront Concert Series in partnership with the McKees Point Development Group. This series will continue in 2020 with monthly performers and food vendors.

Youth sports teams are benefitting from more than \$170,000 in CDBG money that was invested in community ballfields outside of Renziehausen Park, meaning Duncan and Fawcett Fields, in 2018.

All of these recreational assets will continue to draw people into our City – making McKeesport a wonderful place to live and visit, and a true destination.

PUBLIC SAFETY:

In terms of public safety, we have several exciting developments in the McKeesport Police Department.

The City of McKeesport – through initiatives implemented by the McKeesport Police Department, the Mayor’s Office, the Mayor’s Select Committee on Crime and Violence, and various partner agencies – is dedicated to the goal of reducing gun violence by shifting the cultural paradigms that currently foster an addiction to crime and violence. It is the City’s stance, based on a variety of evidence-based programs and statistics, that this goal can be met by incorporating the established McKeesport Alternative Policing Strategies (MAPS); providing young adults with productive, citizenship-oriented alternatives to a rugged street life; engaging youth with an array of positive life-learning experiences; and giving at-risk individuals an opportunity to be stakeholders in the McKeesport community.

For that reason, I am pleased to report that the City of McKeesport’s Gun Violence Reduction Program (GVRP) will sustain itself for an additional two years with a \$133,000 grant from the Pennsylvania Commission on Crime and Delinquency. This program has been successful in 2019 and will continue to be a multi-faceted approach that includes partnerships with the McKeesport Police Department, including its Violent Crimes Unit; the Office of Allegheny County District Attorney Stephen A. Zappala Jr.; Allegheny County Health Department; Allegheny County Juvenile Probation; Pennsylvania Adult Probation; Magisterial District Judge Eugene Riazzi; McKeesport Housing Authority; McKeesport Area School District; and McKeesport Healthier Communities PartnerSHIP (State Health Improvement Plan), specifically its Crime and Safety Logic Model and its Youth Logic Model; and the McKeesport Area Ministerium.

With GVRP, the City of McKeesport’s mission is to improve the community through problem-solving strategies that counter violent crime and related quality-of-life issues. From a law enforcement standpoint, the program includes proactive policing strategies, not only to reduce crime statistics but also to quell the fear of crime among residents. GVRP partners will work together to provide valuable, sustainable, and strategic investigations of matters such as violent crime, drug use and sales, gang activity, and youth roles in criminal activity. With a focus on community policing, law enforcement personnel will work directly with intervention agencies, crime and safety committees, youth-serving organizations, educators, and other respected community members to reach at-risk individuals. A major component of the GVRP was the hiring of a community outreach specialist, Mr. Keith Murphy of McKeesport’s Healthy Village Learning Institute, to implement street mentoring and organize programs that will influence children, teens, and young adults in a positive way. His role will extend further into community groups and schools as this project continues in 2020 and 2021.

I believe the City of McKeesport has a governmental responsibility to provide initiatives and objectives that support the reduction of crime and improve the quality of life, which has been a common theme in all of our departments. Crime is not only a police problem. It is a social problem, which adversely impacts all aspects of

the City of McKeesport, ultimately stunting population growth and hindering economic development. The purpose of a multi-faceted effort is to build a sense of community – to strengthen bonds and build long-term partnerships between law enforcement and community stakeholders, while curbing violent crime and measurably decreasing the number of incidents involving weapons.

I will continue to embrace every opportunity to say that McKeesport's emergency services are second to none. Our police and fire departments, along with the McKeesport Ambulance Rescue Service, are staffed with professionally trained men and women who provide our citizens with first-class service and exceptional response time.

With the ever-changing society in which we live, our police department's administration – Chief Adam Alfer and Assistant Chief Christopher Olinsky – is always 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). Also, through our local community development department, McKeesport police will continue to utilize federal CDBG funds, through its contracted allotment for community policing and saturation patrols.

The McKeesport Fire Department, under the leadership of Fire 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. As part of residential inspections, firefighters are using the International Fire Code and Property Maintenance Code to guarantee safe conditions in local homes that are not owner occupied. In 2019, the fire department reinstated its Gold Level of voluntary certification with the Commonwealth of Pennsylvania. Our fire department shares this impressive designation, with forty departments across the state and only six in Allegheny County. In 2020, the fire department will continue to review its practices in order to update its Insurance Standards Office ratings.

The McKeesport Ambulance Rescue Service continues to benefit from improvements made to its base in 2015. Paramedics and Emergency Medical Technicians continue to provide excellent prehospital care throughout the city of McKeesport and neighboring communities including Duquesne, Port Vue, Dravosburg, and Glassport. In 2019, MARS added a quick response vehicle for paramedic supervisors, which has aided the service in providing timely care, especially in an emergency situation. Under Chief Bill Miller, who is the ambulance director and our City's Emergency Management Coordinator, the City sponsors training and testing as mandated by the Federal Emergency Management Assistance (FEMA) program.

PUBLIC IMPROVEMENTS:

As acknowledged in discussion of "McKeesport Rising," the number of abandoned structures continues to grow within our City and the negative impact of blight hinders our ability to revitalize McKeesport each and every day. In addition to this massive undertaking, we will continue to invest our own resources in demolition, paving, and maintenance, under director of Public Works Director Steve Kondrosky.

The blight removal and road repairs of the McKeesport Rising Project are the highlight of our public improvements funded by the 2019 spending plan. In 2020, demolition and paving will continue to be funded by McKeesport Rising and Community Development funds.

Also in 2019, we completed improvements to the intersection of Long Run Road and Walnut Street, where traffic light and turning lane were added to the intersection with a \$316,100 grant.

ECONOMIC/COMMUNITY DEVELOPMENT:

As we continue working to rebuild McKeesport's economy, I always mention the fact that we cannot allow ourselves to get caught up in the prospect of one particular industry, as our region once did with steel. We must diversify our economy to guarantee sustainability of our business districts as well as our neighborhoods. We have made countless economic strides in recent years: we've attracted new retail and industrial development; we've linked existing businesses with resources to grow; and we've partnered with state, county, and federal governments to improve our bridges and roadways.

My administration will continue to push for a variety of business developments in the City – from retail to industrial with everything in between. Let us not forget the 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 as we look to the successful new investments by manufacturers PurePenn LLC, Dura-Bond Industries, Consolidated Power and Supply, and American Textile Co.; and technological and industrial companies including Vegley Welding, Tri-Wire Engineering Solutions, Weir Valve. Manufacturers and industrial companies helping to diversify our economy and persuade more developers to choose McKeesport. Our retail developments, as they open, are exceeding corporate expectations in terms of sales.

As I have noted since City Council adopted revamped zoning ordinances in 2017, there has been a strategic vision to aid in the redevelopment of our former mill sites. We will continue to work with Regional Industrial Development Corp. executives to bring development to the RIDC Industrial Center of McKeesport.

I would like to commend A.J. Tedesco, in both of his roles as Community Development Director for the City of McKeesport and as Director of the Redevelopment Authority of the City of McKeesport, for working closely with two particular developers in 2019 – Jonathan Stark of Stark Development at the People's Bank Building and other downtown parcels, and Clifford Wise of River Materials Inc. within the RIDC park. Mr. Tedesco's communication with these developers allowed for smooth processes in property acquisition despite the natural challenges of these processes.

River Materials, Inc., has joined the industrial/manufacturing landscape of the RIDC Riverplace Industrial Center of McKeesport, and this new, state-of-the-art intermodal facility is set to open in early June 2020. There has been a tremendous amount of anticipation surrounding this project for the past year or more. 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. In addition, River Materials will construct office, warehouse, production, and remanufacturing facilities for its own use. Upon the project's completion, River Materials and other companies working on site will employ more than 50 highly trained, skilled employees.

In addition to the upcoming construction of a new retail building with several storefronts at the corner of Fifth Avenue and Market Street, Stark Development also purchased the People's Building from our Redevelopment Authority, which acquired the near-abandoned structure from out-of-state owners. This is another endeavor that re-emphasizes the McKeesport Rising Project. We are in the rebuilding process, and McKeesport truly is moving ahead. This building is right across the street from Tube City Center, where we have brought multiple tenants into the former Daily News building. It also sits across from the

Lysle Boulevard Parking Garage, which has been closed for nearly 15 years and is set to be renovated with multimodal grant funding. All of these things are coming together as we redevelop our downtown area and the city as a whole.

As mentioned in the Recreation section of this address, in late 2018, the state announced nearly \$3 million in grant funding will help bolster downtown McKeesport, expand the Steel Valley Trail, and connect a new multimedia and technology center in the former Daily News building with improvements to the Lysle Boulevard parking garage. The grant is valued at \$2,951,500 and comes from the Pennsylvania Department of Transportation's Multimodal Transportation Fund; it was one of 43 awards given among nearly 175 submitted applications.

With our continued effort to make McKeesport a destination along the Great Allegheny Passage and the development of Tube City Center, this award of multi-modal funding will allow us to accomplish our goals and invest in our downtown. What we envision as a beautiful, elevated trail through McKeesport's RIDC Park will be a unique draw to the City of McKeesport. A portion of these funds will allow us to repair the Lysle Boulevard parking garage to better serve McKeesport commuters, trail users, and incoming tenants and visitors of Tube City Center.

In partnership with the Redevelopment Authority, as stated previously, we have taken ownership of the Common Ground Building at 410 Ninth Street, which Penn State Greater Allegheny uses as a community center and office, and the former Daily News building at 409 Walnut Street, which is now Tube City Center, occupied by the District Attorney's Mon Valley Support Center, along with Point Park University's Center for Media Innovation, Tube City Community Media, the Mon Valley Independent, Flashover Fire Apparatus, and more recently, the Boys and Girls Clubs of Western Pennsylvania, as well as New Century Careers.

New Century Careers is operating the M2K program, a short-term pre-apprenticeship program offered at no cost to qualified job seekers. New Century Careers recruits, screens, tests, trains, and places high school graduates 18 and older in entry-level machinist jobs that lead to career pathways with family-sustaining wages. Potential students are screened for interest and aptitude to learn, including those with pre-existing education and employment barriers.

With the Teen Workforce Development Academy and the YouthBuild Program, the Boys and Girls Clubs of Western Pennsylvania can impact hundreds of youth and young adults, especially minorities and socioeconomically disadvantaged populations, as well as employers. These programs expose teens and out-of-school young adults, ages 18 to 24, to job training and certifications and help them to overcome barriers. The Boys and Girls Clubs of Western Pennsylvania are among the oldest nonprofit youth providers in the region, with our local LaRosa Boys and Girls Club being a staple in the McKeesport community since 1943.

With our motto of "Working Together for a Better McKeesport, we empower each other to do what's best for today's McKeesport and the McKeesport of the future. These education programs surely will play an integral role in the sustainability of our community and our region, as students will gain hands-on experience with their free education.

In other development news, we joined state officials in publicizing McKeesport's partnership with Rebuilding Together Pittsburgh on the heels an announcement of \$1.575 million in Gaming Economic

Development Funding for 11 projects across the state. The release includes a \$150,000 local award to residential improvements in McKeesport in 2020.

As we continue to encourage homeownership, we are happy to have Rebuilding Together expand their focus to include the City of McKeesport. This is another aspect of our McKeesport Rising Project, as we are doing our part to remove blight throughout McKeesport's neighborhoods, and Rebuilding Together is working to preserve our housing stock – starting in the Grandview and Christy Park neighborhoods and moving into other neighborhoods with pending funds.

In terms of community development, Rebuilding Together Pittsburgh has seen concentrated markets become more stable and whole areas begin to improve as their organization completes renovations. Overall, this organization anticipates having access to approximately \$600,000 in state-facilitated opportunities, including future resources through the Department of Community and Economic Development to extend past the neighborhoods impacted by the GEDF award.

We hope part of that money will be included in neighborhood preservation projects through DCED's Neighborhood Assistance Program, which provides tax credits to companies that invest in local revitalization. We applied for the maximum funding and hope to receive notification soon.

The City, Redevelopment Authority, and McKees Point Development Group plan to pursue state and federal funding in 2020 to conduct environmental remediation and site preparation of the former Penn-McKee Hotel. These pursuits are taking place in partnership with the Young Preservationists Association of Pittsburgh, who prepared a "Visioning" presentation and environmental assessment of the hotel in late 2018 and further updated it in 2019.

Also in 2020, we expect further development of the Walnut Street corridor with the addition of KCA Demolition, which will operate an office and truck yard from a new McKeesport headquarters. In Highland Grove, we will see a brand new roll-off container sales business.

CONCLUSION

When we discuss the City's future in terms of public safety, recreation, and community development, we are talking about quality of life. That's why my administration's motto of "Working Together for a Better McKeesport" represents the notion that each of us is responsible for our City's outcome.

I wholeheartedly believe that, with the McKeesport Rising Project, we are investing all we have in making our community a better place to live, work, and worship. We are building a better McKeesport one brick at a time, and this administration has laid a substantial part of the necessary foundation. We are now able to build upon that foundation, even though we face significant obstacles and challenges in providing quality municipal services despite an ever-decreasing tax base.

"McKeesport Rising" is an endeavor for which we can all be proud. Together, we are making every effort to revive McKeesport's economy, appearance, and morale as this project's success becomes more visible. We must rebuild our tax base, improve our neighborhoods, and encourage home ownership. We must continue to find creative ways to provide the services that McKeesport residents deserve.