

**ATTENTION**  
**HONORABLE CITIZENS AND TAXPAYERS**  
**ALLEGHENY TOWNSHIP, WESTMORELAND COUNTY**  
**THE 2022 BUDGET MESSAGE**

Effective budgeting relies on two key tools: effective financial trend analysis and reliable revenue forecasting. The Township has traditionally taken a conservative approach to the utilization of both tools. However, preparing the 2022 Budget presents some very significant financial challenges facing the Township, much still tied to the impacts of the COVID pandemic. 2021 saw some declining revenues, increased expenses, and significant changes to operational functions. Those impacts affect the analysis of the past year's trends. Likewise, the unpredictability of the course the pandemic will travel, and its future impacts on our local economy, challenge the Township's revenue forecasting. The 2022 Tentative Budget addresses those challenges while maintaining the Township's conservative budgeting practices and protecting the strong financial position the Township has held for the past several years.

The 2022 Tentative Budget is structurally balanced with property taxes holding steady to 2021 levels. In the General Fund, which impacts all taxpayers, the proposed tax rate is unchanged. Across the other major funds, such as Fire Tax Fund and Debt Service Funds the tax rate proposed is also unchanged.

The proposed Budget funds all employee costs for both union and non-union employees and maintains a steady fund balance consistent with the fund balance of the previous year. The Budget adjusts for revenue offsets resulting from COVID-related impacts in select areas, including real estate taxes, deed transfer tax and local services taxes. In addition, the budget provides for enhancing the facilities and the services of importance to the community.

The single most significant demand on the 2022 Budget is maintaining the level of services that our residents have become accustomed to over time. The overall budget is 9% more than last year's budget. In the Tentative Budget, Township staffing compliment increases by one (1).

The Budget does indicate overtime and part-time funds, particularly in the areas of Police and Public Works. The additional demands placed on each of these departments during the past summer season are likely to continue through 2022. The Tentative Budget continues to provide funding for the Township's ongoing focus on improving critical infrastructure. The 2022 Tentative Budget provides funding for:

- The financial requirements for the construction, maintenance, repair and improvements of roads and culverts.
- The financial requirements to provide public safety to the township residents and businesses including police protection, emergency management and fire protection services.
- Long-Term debt service undertaken by the township for alterations and an addition to the Municipal Building and Public Works capital equipment.
- Capital projects and expenses to implement designated capital projects, along with the personnel and contracted entities to provide services beyond township in-house capabilities.

COVID-related impacts have lingered in the loss of revenue in a few key areas. Also, the pandemic placed additional demands on several essential township functions, most notably Public Safety. It is likely, that those demands will extend into 2022.

The impacts of COVID affected the 2021 Budget and will affect the 2022 Budget. Although there are COVID-related expenses in 2021 for which the Township may be able to seek reimbursement through federal ARPA Funds (American Rescue Plan Act of 2021), many of the costs will not be reimbursed. It is prudent for the 2022 Tentative Budget to provide funding in anticipation of COVID-related expenses. In many instances that need for increased funding results directly from an increase in demand on departments and services.

Despite the numerous challenges, the 2022 Operating Budget focuses on essential needs and service, maintains conservative budgeting practices and remains committed to maintaining a strong financial position. Likewise, the 2022 Capital Improvement Fund sustains critical infrastructure projects and moves forward with other essential capital improvements. On the municipal campus, for example, facilities improvement has been completed with the addition of the municipal building completed. This has improved citizen access to all their services at one site with the addition of the Tax Office and the Sewage Authority.

In addition, funding has been incorporated in the 2022 Capital Budget to continue to equip patrol vehicles with computers to improve the efficiency of officers in the field, and to provide other software and network enhancements.

Ongoing maintenance for the Township's trails will be sustained and new funding (grant related) has been provided for the 3rd phase of improvements to the Tredway Trail.

Public Works, which maintains all our municipally owned roads, have significant road maintenance projected for 2022 that include paving, crack sealing and storm drain replacement and enhancement.

Through the many months of the pandemic, we have kept essential township operations running effectively. The Township continued to operate and developed new policies to address the needs of our staff and community.

The proposed budget is based on 16.50 mills and indicates NO TAX INCREASE recommended for the 2022 fiscal year. Last year 16.50 mills were levied to provide a similar level of services. This Budget represents the 12th consecutive year without an increase to the real estate tax.

For the 2021 Budget Year, The Board of Supervisors approved a general fund budget of \$3,984,612 which was a 4% decrease over 2020. In 2010 the Township implemented a financial plan that include dedicated millage levied to address post-retirement healthcare benefits for the police and paying extra principal toward overall debt. As of this writing we have met our obligation for the Post-Retirement Healthcare contributions, eliminated the tax anticipation note, and have surrendered all Township previous debt. New Debt was undertaken in 2019 for the municipal building upgrades through the issuance of a General Obligation Bond that matures in 20 years.

The proposed 2022 spending plan increases from the 2021 budget by 9% or to \$4,404,913. For each mill levied, each property owner pays .01 cent per mill on each dollar of assessed valuation as determined by the Assessment Office of Westmoreland County.

Expected revenues for 2022 have been slightly off as we continue to recover from the pandemic and our revenues look to be off by about 2% to our projected numbers, specifically focusing on a few specific line items that suffered due to the impacts of the pandemic. EIT has returned to previous levels, Local Services Taxes, Deed Transfer Taxes and Real Estate Taxes (current and delinquent) have all suffered a bit under the umbrella of COVID 19 as they are all line items that specifically depend on people working to meet their obligations. Pension Aid and Liquid Fuels were both down significantly as a result of the pandemic. Some of these line items show signs of recovery but will never catch up per say as they try to simply get back to “business as usual” if that is such a thing that can be accomplished. Unemployment rates are still high throughout the country but luckily our local workforce has seemed to fair better than the national workforce. We will still be feeling impact throughout 2022 from the lost revenue of the pandemic so it's more important than ever that we stick to our budget.

#### **REVENUE ASSUMPTIONS for 2022**

1. Assessed valuation changed from \$94,072,050 in 2021 to \$94,417,960 for 2022. This is an increase of \$345,91 over the year period and will cause an increase of \$5,708 to the Operating funds for 2022.
2. 13.35 Mills will be levied to finance existing public services.
3. Ninety-seven percent (97%) of levied real estate taxes will be collected during the year.
4. Liquid Fuels will increase for 2022. This revenue originates from fuel sales and accordingly as consumption goes up so does this revenue source. During the pandemic consumption was significantly down for 2020-21 thus reflecting a decrease in projected Liquid Fuel funding for 2021. It is projected to somewhat return in 2022. Additionally, it should be noted that the Township has taken over maintenance of Honeybee Drive from PennDOT, and the Liquid Fuel should increase as a result.

5. Investments are projected at a better rate for 2022.

6. Allegheny Township is projecting a 11% or higher year-end fund balance.

7. We are projecting consistent collections in Earned Income Tax for the 2022 budget year based on projections of our employment throughout the Township as stable for 2022. This was our 8th year of implementation under Act 32, beyond our early implementation. Delinquent Earned Income Tax collections had been lower, and they should continue to decline now that under Act 32 employers are required to withhold the EIT. Eventually we should get next to nothing, or only those who are self-employed and do not report as required.

8. There is some indicated revenue for reimbursements as we enter our 10th year of a fully implemented intergovernmental cooperation agreement with the Municipal Authority of Allegheny Township that has provided better reimbursement for public works time when they do work for the Authority. This line item also increased due to the Township taking over “one-call” duties from the Authority and compensation to the Township for this service. Additional revenue is also indicated as we entered into a lease agreement for office space for the Municipal Authority and Tax Offices during 2021 when the construction was completed. A continuation of the Intergovernmental Agreement reached in 2014 with Oklahoma Borough to provide code enforcement services will be in effect. In 2022 we will provide 4 hours a week of services to Oklahoma, generating \$6,000 per year in reimbursement toward our Code Officer Salary.

Commented [DJ1]: two perctages?

## EXPENDITURE ASSUMPTIONS for 2022

1. Personnel services are projected to increase 2.0% in 2022, reflecting the combined effect of pay increases, staff maintenance, overtime expenses and the legal commitment between the township and its employees' respective collective bargaining agreements. Although 2.0% has been allocated it will be the Board of Supervisors who will make the final decision on pay increases for the non-union staff.
2. Projected principal and interest on long-term debt has been indicated accordingly. This expenditure has reflected a capital expense for the renovation and addition to the Municipal Building facility and as well as PW Equipment needs and building maintenance. That previous debt was satisfied by the end of 2018 and new debt was acquired to construct an addition to the Municipal Building that brought all township services under one roof again; township offices, MAAT, and the Tax office accordingly, as well as capture the Public Works Equipment revolving loan for new trucks.
3. Commodities are maintained or reduced for 2022.
4. A \$7,500 donation has been indicated for the People's Library of Lower Burrell. This donation has been increased from \$6,500 in 2015 to the present amount.
5. The addition of 1FT patrol officer for the Police Department.
6. Contributions to both fire departments (Allegheny #1 and Markle) have been indicated as well and will remain at ½ mill per department for a total of 1 mill of our tax levy. This amount is slightly higher this year due to an increase in assessed value within Allegheny Township.

7. Road projects, sealcoat, crack sealing and storm drain replacement have been indicated in the amount of \$400,000 projected from liquid fuels and the General Fund.
8. Computer Hardware and Software expense has been indicated for administration and police as normal operation dictates.

**The following is a summary of accomplishments for 2021:**

1. Police implementation of Tracs (electronic citations)
2. Police implementation of Body worn Cameras.
3. Grant funding for development work of the Treadway Trail between the Freeport Bridge and Kiski Junction.
4. Completion of the addition and expansion of the Municipal Building.
5. Acquired a wireless camera for Police surveillance of remote locations.
6. Paved Spring Hollow and McCutcheon Shortcut
7. Held 4th Annual Cleanup Day for Township Residents with our Public Works Department providing the labor.
8. Replaced storm water piping on Victoria Drive and Rhoda Drive that saved the Township significant project dollars because we completed the project with force labor.
9. Promotion of 2 Corporals in the Police Department and implemented a new Leadership Plan.
10. Ongoing participation with Reimagining Westmoreland County, Planning Region 1 Initiative.

To reflect on the 2022 budget, as Township Manager and Treasurer, the coming year displays the economic constraints that have filtered down to Allegheny Township, due to the COVID-19 Pandemic. We are in recovery mode and need to pay close attention to our budget numbers next year to successfully reverse the downward spiral we were handed this year through no fault of our own.

Allegheny Township takes very seriously our role in managing financial operations successfully the moderate rate of growth that we continue to benefit from has not and will not provide enough revenue to offset several of the massive impact items that have hit our budget over the past several years. The history of Allegheny Township reflects that inflation overall has not been addressed in the yearly budgets which keeps the fund balance from growing year after year.

We are correcting that as best as possible but cannot be fixed overnight. Increases in salt, fuel, asphalt, and insurance are difficult for us to absorb and appear to be a universal trend among municipalities. To that end we as public servants must step up to the task and get it done with as little inconvenience to our taxpayers as possible.

Respectfully Submitted,

Gregory A. Primm, Township Manager  
Allegheny Township, Westmoreland County

