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November 12, 2021

2022 Manager's Budget Memo

Submitted for review by the Edgewood Borough Council and community is the proposed 2022 General Fund Budget. The budget represents an important directive for the operations of the Borough for the coming year. Borough staff and councilmembers have created the proposed budget with respect to service provision for residents. In creating this budget, staff has met with department heads about their needs and requests for the upcoming year. The budget was created to deliver the public services required by residents in a fiscally responsible manner.

The budget report includes brief descriptions of major line items to make the document easier to understand.

The proposed General Fund budget for 2022 is \$3,650,257. This is a decrease of 0.45% (\$16,625) from the approved 2021 budget of \$3,666,882.

Significant changes are discussed in detail below.

ARPA

The borough received \$157,213 in American Rescue Plan Act funds in 2021. The same amount will be distributed to the borough mid-2022 totaling \$314,426. The use of funds is currently restricted to select categories like HVAC improvements, water and sewer infrastructure, economic development, and revenue loss offsets. The borough did not lose revenue as a result of the COVID 19 pandemic during the time period specified in the draft rules governing the use of ARPA funds. Therefore, there are only a few options for using the funds. Currently, all funds must be spent by 2024 and 2025 (first and second disbursements) but there is legislation passed by the U.S. Senate and awaiting action in the House of Representatives that would strip the funding restrictions and allow municipalities to use the funds however they see fit. Its passage is uncertain at this moment.

The 2022 general fund budget shows \$16,000 in ARPA funds being used to pay for HVAC upgrades in the borough building and approximately \$250,000 in the sewer fund being used to pay for the 2022 sewer rehabilitation project. Council must approve using ARPA funds or fund balance to pay for the rehabilitation project.

Real Estate Taxes

The proposed 2022 balanced budget holds the millage rate steady at 7.185 mills, unchanged from 2016. Overall, the borough's total assessed value increased approximately 1.68% from the end of 2020. Therefore, the same millage rate will generate approximately \$ 1,877,811 in property tax revenue for 2022 once all discounts and uncollectable parcels are removed.

Health Care

Health care will continue to be provided by Municipal Benefits Services (MBS). The premium paid by the Borough will increase 7.0% in 2022. In 2020, the borough switched from the PPO 10 to the PPO250 plan as part of the collective bargaining agreement negotiated with the borough's police department. The borough must budget for 100% of employee deductibles under the terms of the 2020 collective bargaining agreement. The Borough will spend approximately \$244,305 on healthcare for all covered employees in 2022. This expense accounts for 6.7% of the budget.

The Borough offers its employees a \$250/\$500, \$20 co-pay plan. Employees have the option of selecting either UPMC or Highmark insurance, as MBS offers both providers with the same plan design and the same premium. The borough fully covers the deductible for full time employees.

Salaries and Wages

Employee compensation represents one of the single largest expenditures in the Borough's budget accounting for 32.6% of expenses at \$1,193,039. Salary increases for all full-time police officers are contractually defined per their collective bargaining agreement. The proposed budget includes a 5% raise for all non-bargained borough employees. A breakdown of wages for non-bargained employees is included in the budget packet.

Liquid Fuels Reimbursement

The Borough receives an allocation from the Commonwealth for the maintenance of Borough streets. The funds are the Borough's share of the Commonwealth's levied gasoline tax, allocated based on a formula that takes into account the Borough's population and total miles of roadway. The use of the funds is restricted. Edgewood uses the funds as a reimbursement for road salt and street lighting. A portion of the funds may also be used for major equipment purchases like dump trucks or heavy machinery related to the maintenance of roads. No major equipment purchases are anticipated in 2022.

The Borough will receive an estimated \$87,000 in liquid fuels allocation in 2022.

Road Paving

The 2022 budget includes \$114,600 in repayment of a 2013 loan for road paving. In addition, the budget includes \$400,000 for new road repaving. The borough updated its road study in 2019 to reflect current road conditions. Paving generally includes full depth milling and paving, thermoplastic line painting, and ADA crosswalk ramp installation where appropriate. Catch basins are also addressed on an as-needed basis in this program as funds allow.

Minimum Municipal Obligation (MMO) –Pension

The MMO obligation for the Borough decreased significantly in 2022. The borough is obligated to contribute \$142,812 to only the police pension fund to ensure its solvency. By way of comparison, the borough was required to contribute a combined \$188,691 in 2021 to both the police and non-uniformed funds. The reduction is due in large part to the excellent financial position of the non-uniformed fund which requires no contribution in 2022. State pension aid will cover approximately \$106,000 of this liability. State aid decreased approximately 9% over years 2020 and 2021 due to declining revenues resulting from the COVID-19 pandemic. The borough must fund the difference of \$36,812 to comply with state law. For comparison, the borough's 2021 unfunded pension liability was \$90,321.

Debt Service

The borough currently services several loan payments for capital projects and assets. The loans are for road paving, storm sewers, sanitary sewers and the fire rescue apparatus. Debt service totals are \$155,400 for 2022 general fund budget and sewer fund budget, and accounts for 3.0% of the Borough's total expenditures. The borough's fire rescue apparatus loan will be paid off in April 2022 resulting in an annual debt service reduction of approximately \$35,000 from 2021.

Capital Expenditures

Included in your packet is a five-year capital budget which outlines a known list of items requiring repair, replacement, and investment across all departments. For 2022, I have proposed \$248,000 in capital investment to fund repairs to borough playgrounds and saving for future capital purchases. This amount represents 6.7% of general fund expenditures. All of the proposed capital costs have been accounted for in the 2022 general fund budget. It is important that items included in later years on the capital budget are accounted for and included in future general fund budgeting. No municipality can purchase everything it needs at once, but a solid capital plan can ensure future purchases are identified in advance rather than as they break down.

Vehicles

A 2022 Ford Explorer has been requested by the Police Department. It will replace the 2015 unmarked Dodge Charger. This vehicle will be sold via public auction to the highest bidder. Included in the budget is a \$9,875 capital transfer to offset 2022 vehicle purchase costs. The total vehicle purchase cost is \$46,148 including outfitting. The department maintains five patrol vehicles and utilizes a five-year vehicle rotation to control maintenance costs and ensure top dollar at time of resale. At least two vehicles are always on patrol with a third vehicle deployed during daylight and afternoon shifts based on staffing levels. The Chief of Police uses a fourth car when on duty and the fifth is used for overlaps in shift changes, call outs and in times when another vehicle is down for repair or maintenance.

Volunteer Fire Department

The department's overall request increased approximately \$7,000 for 2022. The department has asked for small increases (\$1,000 & \$2,000) in spending to cover maintenance and equipment due

to increasing materials costs. The biggest increase is to double the stipend given to volunteers who respond to calls. Currently, each member receives \$2 per call they respond to. The department would like to double that to \$4 for 2022 in an effort to increase volunteerism and responses to calls. The borough has historically spent less than \$4,000 on this line item (01-413-395) and this request would double that expense to \$8,000 annually. Lastly, \$15,000 has been budgeted for transfer to the apparatus purchase reserve account for future apparatus replacement. This will not cover the entire expense of replacing what is expected to be a \$700-800,000 purchase, but the funds can be used as a down payment to start production when a new apparatus is needed.

Fund Balance Forward

The budget balances without the need for fund balance carryover from 2021. Council may elect to carryover fund balance to fund additional capital items contained in the capital budget.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Rob Zahorchak', written in a cursive style.

Rob Zahorchak, Borough Manager