

CITY OF LATROBE

2022 ADOPTED BUDGET REPORT

**Presented:
December 13, 2021
By: Michael Gray
City Manager, City of Latrobe, PA**

City of Latrobe
A Home Rule Charter Municipality

2022 BUDGET

Dear Honorable Mayor and Council:

In accordance with Article X, Section 1002 of the City of Latrobe Home Rule Charter, the proposed budget for the Year 2022 is hereby presented for review, discussion and action. Council is required by the City of Latrobe Home Rule Charter to publish a general summary budget as well as time and place of public hearings on the same. The public hearing will be held on December 13, 2021 in Council Chambers. Copies are available at the City of Latrobe Municipal Building for public review.

As required by the City of Latrobe Home Rule Charter the City Manager shall submit a proposed budget for the ensuing fiscal year with an accompanying report attached.

The Budget Report will show the fiscal budget in account detail by department for all proposed Revenue and Expenditure items as they relate to the various funds utilized by the City.

It will show in written form as well as number format the important assumption used to create this proposed budget and the results of those assumptions.

VISION:

The City of Latrobe has a small-town atmosphere and is home to a vibrant and walkable central business district with shops, stores, restaurants, and offices; a wide range of housing options for people of all ages; a high quality housing stock; an abundance of parks, trails, recreational facilities, and cultural amenities; historic buildings and resources; and a sound municipal government that strives to maintain its fiscal responsibility and accountability while working closely with community stakeholders to manage growth and revitalization. Our attractive community has a sense of pride, a hard work ethic, a sense of place, and is a great place to raise a family.

Building on its lasting heritage, small town assets, reputation, and ties to the greater community, the City of Latrobe will continue to provide a great quality of life that is characterized by:

- A vibrant, attractive, historic, and walkable downtown that serves the greater community with a variety of businesses, professional, and cultural venues.
- Well-maintained public areas like McFeely-Rogers Park that create a pleasant mix of landscaping and green space.
- Outstanding recreational activities at Legion Keener Park that are well-designed for all ages, attracting many residents and visitors.
- Well-kept, traditional residential neighborhoods that are safe, family-oriented, and pedestrian friendly.
- A strong business base that is progressive in an environment that encourages entrepreneurship, investment, and close civic-business relations.
- Dynamic educational, civic, religious, and health care institutions with close, productive relationships with the community.

BUDGET REPORT:

This report is the proposed plan and policy statement for financial operation and fiscal management for the City of Latrobe for the year 2022. The accompanying projection of Revenues and Expenditures with fund balances is provided to show how current economic trends, coupled with City of Latrobe's financial policies, could and may influence future cash balances and tax levies. When creating financial projections, known quantities such as actual revenues, expenditures, and balances interact with a set of key assumptions to determine a possible outcome at the end of the budget process.

Please take into consideration there are a number of unknowns, which are projected to be the best of our ability based on current economic conditions and prior years' history with the budget process of City of Latrobe. It is important to point out that forecasting is a useful tool in financial planning development.

BUDGET PREPARATION OBJECTIVES:

Each year the municipal staff is asked to provide its best assessment of what funding allocations are necessary to adequately maintain services within the City of Latrobe. In general, the annual budget is created from a prior expenditure history as calculations are made to reflect the operating and capital project needs for the coming year by each department head. For 2022, staff has made a significant effort to present a plan that will enable the traditional services to be maintained.

The 2022 spending plan addresses the following:

1. The financial requirement to provide public safety to the City residents and businesses including police protection, emergency management, and fire protection services.
2. The financial requirements for the construction, maintenance, repair and improvements of roads and infrastructure.
3. The financial obligations of the City to provide code/zoning protection, legal services, and general government services.

The Municipality prepares the following budgets subject to appropriation.

GENERAL FUND – The General Fund is the General Operating Fund for the City. It is used to account for all financial resources except those required to be accounted for in another fund.

CAPITAL FUND – The Capital Improvement Fund is used to account for the financial resources to fund the acquisition, construction or improvement of major capital assets. The source of this fund is from the General Operation Fund.

LIQUID FUELS FUND – The State Liquid Fuels Fund is used to account for the receipt and expenditure of the City's share of the proceeds for the state liquid fuels tax. The fund is restricted for those expenditures that are mostly related to roads and their ancillary expenses. The Liquid Fuels Fund pays for the City's street lighting and road salt.

REVENUES HIGHLIGHTS:

Real Estate Tax – All values represent the estimated base year market value of the property as of January 1, 2016, unless otherwise updated due to permits, appeals, corrections, flood loss or catastrophic loss. This allows similar homes to have similar assessments until the next county-wide reassessment. The current assessment of all properties in the City of Latrobe is \$65,642,260.00. This provides the City with a total of \$1,411,308.50 based upon the 21.50 millage rate. The recent actual revenue for real estate tax value from 2016 to present is as followed:

2016	\$1,308,152.50
2017	\$1,303,568.73
2018	\$1,306,454.29
2019	\$1,309,970.69
2020	\$1,284,682.43
2021	\$1,286,273.32

The proposed budget is based on 21.50 mills and indicates **NO TAX INCREASE** for the 2022 fiscal year.

Earned Income Tax (EIT) – This is the tax on residents' wages. The Westmoreland County Tax Collection Committee selected Berkheimer as Act 511 Tax Collector for the EIT. Our Tax Department will continue to collect the delinquent EIT, property tax, and Local Service Tax. The recent actual revenue for Earned Income Tax from 2018 to present is as followed:

2018	\$1,420,908.89
2019	\$1,461,644.07
2020	\$1,388,445.00
2021	\$1,393,919.57

Local Service Tax – The Local Services Tax is a local tax payable by all individuals who hold a job or profession within the taxing jurisdiction imposing the tax. Currently the LST rate is \$47.00 City and \$5.00 School District for a total of \$52.00 per year. The recent actual revenue for Local Service Tax from 2018 to present is as followed:

2018	\$190,645.70
2019	\$191,120.74
2020	\$180,379.00
2021	\$179,779.45

Parking Revenue – Compared to past years the City allocated this as a separate fund. Beginning in the 2021 this will become part of the General Operating Budget. The recent actual revenue for Parking from 2018 to present is as followed:

2018	\$289,477.32
2019	\$282,912.70
2020	\$179,317.72
2021	\$189,091.05

Stormwater Pollutant Control Fee – This fund passed by ordinance in December of 2019 establishing a program to control stormwater pollution with the creation of fee and prescribing rules and regulations for the collection of said fee. The fee will receive exclusive monies from the Pollutant Control Fee to be used for the construction and design of BMP's as outlined in the City's Pollution Reduction Plan that was adopted by DEP in 2018. The approximate revenues received from this fund will be \$380,000.00 for 2022. The fee will be paid by all property owners in the City based upon an Equivalent Residential Unit. The fee is set at \$90.00 per year per ERU.

The funds collected from this fee will pay for the expenditures of upgrading the storm water system along with the reduction of pollutants by 10% that enter our rivers and streams.

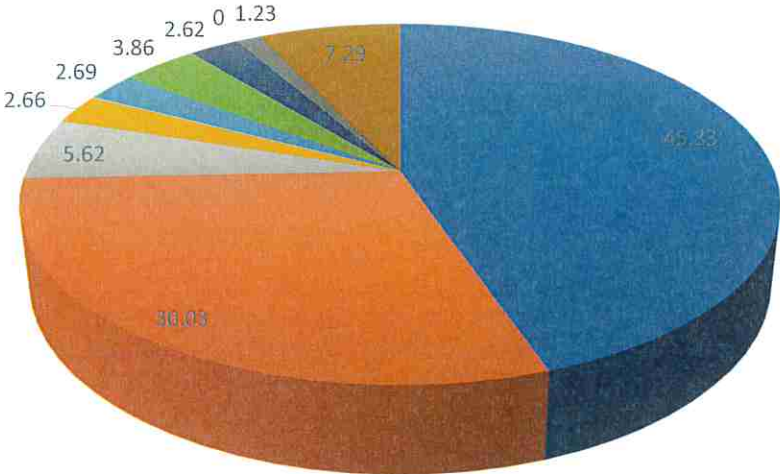
2021 \$384,480.50

Sanitation – This revenue includes Residential and Commercial refuse collection and transportation, Transfer Station operations, and sale of refuse stickers. The Transfer Station has shown a strong increase in revenue from 2018 to present. This increase is largely due to a strong economy in construction and other related fields. The recent actual revenue for the Transfer Station from 2018 to present is as followed:

2018	\$705,368.94
2019	\$768,831.41
2020	\$823,990.62
2021	\$850,994.80

Transfers – For 2022 there will be no transfer of funds between fund balances.

Total Revenue



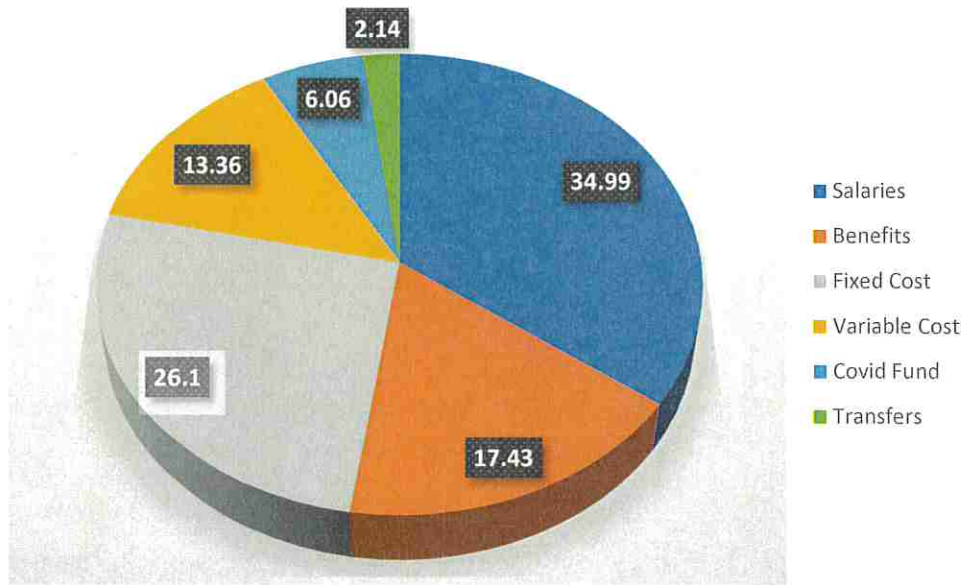
- Taxes
- Sanitation
- Stormwater
- Highways
- Police
- State
- Franchise
- Transfers
- Miscellaneous
- Covid Fund

- Taxes 45.33% \$3,064,725.00
- Sanitation 30.03% \$2,033,500.00
- Stormwater 5.62% \$380,000.00
- Highways 2.66% \$179,650.00
- Police 2.69% \$181,780.00
- Entitlements 3.86% \$261,212.00
- Franchise 2.62% \$177,750.00
- Transfers 0.00% \$0.00
- Miscellaneous 1.23% \$83,075.00
- Covid Recovery 7.29% \$409,779.00

2021 Total Revenue

\$6,771,471.00

Expenditures



• Salaries	34.99%	\$2,369,160.00
• Benefits	17.43%	\$1,178,266.00
• Fixed costs	26.10%	\$1,764,961.00
• Variable costs	13.36%	\$904,491.00
• Covid Fund	6.06%	\$409,779.00
• Transfers	2.14%	\$144,814.00

2021 Total Expenditures

\$6,771,471.00

CAPITAL PROJECTS:

For 2022, I have accounted \$434,000.00 from the refunding of the 2016 General Obligation Bond. The additional revenue will support the financing of the Parking Garage, Courtyard Plaza CDBG Match, Roll-off Boxes and the Transfer Station Compactor repairs. In addition, \$380,000.00 will be used from the State and Local Fiscal Recovery Funds to be used for I/T system upgrades, Surveillance Cameras, Paving, and Courtyard Plaza walkway. Lastly, \$94,814.00 will be transferred from General Fund to Capital for Vehicle payments and a Stormwater Camera unit. Total Capital expenditures for 2022 will be \$908,814.00.

The following is the 2022 Capital Project expenditure list:

• I/T System upgrades and replacement.	\$20,000.00
• Police Car Vehicle replacement	\$10,000.00
• Surveillance Camera System upgrades and replacement.	\$25,000.00
• Police Car year two payment	\$11,738.00
• 2019 Western Star Roll-off Truck finance payment	\$38,076.00
• Transfer Station Compactor repair	\$150,000.00
• Hot Mix Paving Project	\$250,000.00
• Parking Garage repairs	\$230,000.00
• CDBG match for Courtyard Plaza	\$39,000.00
• Courtyard Plaza Walkway	\$85,000.00
• Roll-off boxes	\$15,000.00
• Stormwater Camera Unit	\$35,000.00
 Total Capital Project Expenditures	 \$908,814.00

LIQUID FUELS:

In 2020 the City of Latrobe enrolled in the PA Investment Fund program to deposit the liquid fuels monies as a separate savings fund. All expenditures will be paid directly out of the fund. Expenditures have been removed from the General Operating Fund and will be budgeted separately under this fund.

The 2022 requested budget is in the amount of \$570,001.70 with expenditures at \$329,944.00. The remaining balance of \$240,057.70 will be carried over to fund expenditures in 2023. The liquid fuels monies are exclusive and can only be used to fund the expenditures listed in section 2.7.1 of the Liquid Fuels Tax Funds for Municipalities as Acceptable Expenditures.

The City primarily uses the Liquid Fuels fund to cover the cost of Street Lighting electricity, Paving, Road Salt, and repair and maintenance of roads.

Included in the 2022 Liquid Fuels Budget is the purchase of a Ford F550 Utility Bucket Truck to replace the current 2004 Ford E350 Bucket Truck under Major Equipment payment vehicle #2.

• Minor Equipment	\$2,500.00
• Major Equipment Payment Vehicle #1	\$18,944.00
• Major Equipment Payment Vehicle #2	\$18,000.00
• Winter Maintenance	\$65,000.00
• Traffic Control Devices	\$10,000.00
• Street Lighting	\$95,000.00
• Repair of Tools and Machinery	\$5,000.00
• Maintenance of Roads	\$15,500.00
• Highway Construction Projects	\$100,000.00

Total Liquid Fuels Expenditures \$329,944.00

BUDGET DEVELOPMENT:

The City of Latrobe and the vast majority of municipalities and cities across the Commonwealth and nation have the mentioned fiscal challenges, our Council and Staff are taking steps to meet these challenges.

Nationally, general fund expenditures are outpacing revenues, a trend anticipated to continue into 2022. Although, revenues are not declining expenditures increase at a more alarming rate compared to revenues.

Further, 2022 is not any different as previous years with the continuing fiscal challenge of the cost for retirees. These are in the form of pension obligations, retiree health benefits and life insurance costs. As employees retire, this expense continues to increase. Post-retirement health benefits add to the additional expenditure's municipality's face.

Another determinant factor with regard to the financial health and well-being of the City is its Fund Balances and availability of cash on hand. These are the driving factors in any municipality financial well-being and its overall budget health, listed below is the current to date cash balances. The goal is to have minimal draw on any of these revenues.

General Fund	\$2,644,089.57
Capital Reserve	\$139,658.90
PA Invest CD Fund	\$545,160.37
Capital Improvement Fund	\$551,862.78
Credit Card Fund	\$125,680.32

CONCLUSION

I hereby transmit to the Mayor, Council and the Citizens a budget that provides for the needs of the community. I believe as you review the budget you will obtain a better understanding of the needs of the community for 2022. You will also find the information contained within provides a detailed breakdown of the City's operations for the coming year. There is no real estate tax increase recommended for 2022, however, it is imperative that Council begin considering a tax increase for Capital Expenditures in the very near future.

As you know, adopting the City's budget is the most important responsibility we fulfill each year. Municipal government provides a wide-range of services that have a daily effect on the lives of our citizens – police protection, trash pickup, snow removal, fire, and other services depend on our adoption of a responsible balanced budget that adequately fund each of these services.

Municipalities and cities across the county are struggling with ever rising costs and limited resources in which to pay for them. The City of Latrobe is no different. Developing a budget is always a challenge in today's local government fiscal environment. It is much an art as it is a science in understanding the necessities of our community and the most efficient means in which to deliver them. The City of Latrobe is fortunate to have a highly skilled and dedicated workforce. I would like to thank the Staff for their thought and effort in this document. I believe the Mayor and Council create a strong team all focused on making the City a better community to live and work.

Respectfully submitted,

Michael Gray
City Manager