

MAYOR'S BUDGET MESSAGE

As Mayor of the City of McKeesport, it is my pleasure to provide my seventh and final budget message for City Council and citizens of the City of McKeesport. The most important accomplishment reflected by this budget is the fact that during the first seven years my administration, in concert with the City Council, we have been able to better manage cash flow, as well as, avoid municipal bankruptcy (Act 47) without an increase in real estate taxes. Two benchmarks that speak to this end are a reduction in our annual Tax Anticipation Note (borrowing) from \$2.3 million to \$1.5 million and the fact the City will begin fiscal year 2011 with a fund balance of \$501,836.04. These macro-economic accomplishments have been attained while completing a series of capital projects which continues to make our City the viable hub of the Mon Valley.

The budget I am requesting council to approve is \$19,599,483.75. This amount has been achieved while sustaining the existing staffing levels, meeting all the collective bargaining agreement cost of living adjustments and fringe benefits, while addressing an unparalleled pension plan reversal spawned by the collapse of Wall Street in 2008. I would also be remiss if I did not acknowledge the dedicated effort of my department heads and the City employees for their continuing effort to attempt to adhere to these budget constraints during these difficult economic conditions. Several of the projects which were initiated and/or reached fruition during calendar 2010, will shape the projections for 2011 and beyond. The foremost of these was the groundbreaking for flyover ramp to the Industrial Center of McKeesport. The ramp construction cost is \$5,717,000.00 and the attendant soft costs which bring the project total to nearly \$11 million represents the opportunity for McKeesport to formally recruit for the build out of the brownfield site formerly known as the National Tube Works. Already, Eat n' Park, located at the northeast corner of the ramp on Lysle Boulevard, has agreed to a ¾ million dollar renovation and a land lease committing the restaurant to, at least, ten more years in our city. Three other firms expressed interest in the Industrial Center of McKeesport the day of the groundbreaking. As I offer this message, U.S. Green Energy has received a \$750,000.00 grant to assist with the construction of a new manufacturing facility for solar panels. This will bring 225 jobs to the valley. Concurrently, EQT has committed to a

service facility with 65 jobs and anticipates a feasibility study to warrant the construction of a “gas” vehicle fueling station as another example for the use of “green energy technology”. Finally, two firms are discussing the adaptive reuse of the Echostar site with RIDC. While neither of these has signed on the dotted line, their interest, predicated by the unimpeded access from the new ramp, (it is not expected to be completed until September 2011) indicates the viability of this site as a significant employment center in our future.

It is clear McKeesport will be a destination point for individuals from within, as well as, outside the Mon Valley. The completion of the Rails to Trails link, into McKeesport at Water Street, has spawned interest from within the region as well as attracted visitors from 36 states and 7 foreign countries. The Palisades, with McKees Café and the McKees Point Marina, are additional expressions of how this synergy presents McKeesport as a destination point. The western portal to McKeesport became infinitely easier with the \$1 million improvement on West Fifth Avenue between the Jerome Street and Mansfield bridges. Moreover, beginning in 2011, the Mansfield Bridge is scheduled for a complete reconstruction by Allegheny County, with funding estimated at \$33 million. In our downtown, the City reinvested in Fifth Avenue – our central core business district with \$1.3 million. These funds have provided new street lights, signage, banners, planters, benches, bike racks, etc. In 2011, Fifth Avenue is scheduled for two-way traffic. This will provide greater access to the downtown area and UPMC. It will assist with egress to the new Social Security building, the recently purchased Kadars/Immels complex and the new Sprint phone store located at 332 Fifth Avenue – all of which occurred while these renovations were under way. In conclusion, maybe the single most difficult accomplishment was, finally, completing the extension of Marshall Drive to Route 48 with the traffic light. A project that for ten years was beset with insurmountable problems - from the environment issues to the funding for same - all of which came together in a project sponsored by the City and implemented in part with it's own Public Works Department. This development not only provides safety to the residents of Haler Heights and Serra Catholic High School, but is also expected to bring two more businesses to McKeesport in 2011. The future for these continuing developments continues to be promising. On November 18th the Planning Commission

reviewed a proposal to construct a new (national chain) grocery store at the corner of Eden Park Boulevard and Walnut Street. This is one more example that business from outside the City recognizes the potential and future opportunities of McKeesport.

The City continued the implementation of its capital budget plans albeit the City employed the use of grant monies. This procedure continues to reflect the forward looking money management practices of my administration. The police department was able to acquire four new Crown Victoria police cars. In 2011 McKeesport will be adding a new paddy wagon. The fire department put in service a new pumper truck and in 2011 will have "in the water" a new river rescue boat capable of providing 2,000 gallons per minute in fire fighting equipment. The public works department also upgraded our work vehicles by acquiring a \$115,000.00 new street paver. Lastly, the recreation department provided upgrades to both Helen Ritchie Field, as well as, paved driveways to the Sulphur Spring fields. This fall, we will also be planting 24 new shade trees throughout the park. For 2011, the City has received approval from Allegheny Regional Asset District to install lighting at the Sulphur Spring fields, and to complete the electricity on the scoreboard at the concession stand. All of these endeavors represent multi-year commitments to the continued growth and prosperity of our City.

The budget, as presented, is only \$1/2 million more than 2010. Once again, it does not include an increase in real estate taxes. Due to other inflationary costs, however, for items such as rock salt/snow removal, it will be necessary to increase the Municipal Service Fee which also addresses street lights, fire/police and other public safety costs, as well as, sanitation. This increase will be \$1.66 a month. The increase would have been larger had it not been for the multi-year refuse contract approved by City Council in 2009. The City's multi-year effort to restructure health care with Highmark Blue Cross/Blue Shield, through First Commonwealth Bank, now has all five bargaining units participating on a calendar year basis. As a result of a revised co-pay management, this system has actually provided an 11% reduction in cost in 2011. The Municipal Authority of the City of McKeesport continues to be one of the City's most valuable financial partners. Although required to implement Act 537 in addition to the attendant costs for plant expansion and newly separated transmission lines, the Municipal Authority has been able to expand its service area by contracting services for both the City of

Duquesne and Borough of Dravosburg. As the host community for this enlarged catchment area, the Municipal Authority of the City of McKeesport is scheduled to reimburse the City of McKeesport for the wear and tear on it's infrastructure while it provides services to not only our city but also the region. Finally, I would like to take this opportunity to address what has been the focal point of some controversy. The Delta Development Corporation report on the viability of our city did not reveal any issues of which this administration was not aware during the past seven years. The report never suggested McKeesport, circa 2010, should "not" be Act 47. It did distinctly, however, point out that there are serious concerns regarding escalating costs of fringe benefits, especially medical insurance and pension. Furthermore, it noted the concern that core revenue sources, i.e. real estate tax and earned income tax, are not increasing at rates equivalent with pension and health costs. It articulated several areas for which the City must consciously consider adjustment in order to provide efficient and effective services to 2011 and beyond. Moreover, it recognized that without new revenue opportunities that a balanced city budget would become not only difficult but impossible. The opportunity for (safely) drilling Marcellus Shale and the processing of well water, both from within and outside the City, must be expected and included in any long range plans. While other opportunities may present themselves, these two solutions are imminent answers to the future funding gap.

As I leave the City to become the new Senator for the 45th Senatorial District, I cannot begin to chronicle all the individuals to whom I am indebted for their help during my term as Mayor. Therefore, I would just like to help close by saying that I always tried not to show McKeesport's detractors the error of their pessimism but to put them in possession of the truth - that this City is, and should always be, the LEADER of the Mon Valley as a place to work, live, worship and raise a family. God bless!