2025-2026 Borough of Dormont Budget Narrative

Revenue

Revenue growth for the Borough of Dormont has remained relatively stagnant over the past three years leaving projected revenues at approximately $10.6M. Following significant revenue growth from 2020-2022 due to capital infusions from real estate exchange taxes and stimulus dollars from the American Recovery Plan (ARPA), revenue in the Borough of Dormont has been relatively the same over the past two years since the millage increase in 2023. Projections for 2026, however, have revenue beginning to wane.

Property taxes constitute the single largest source of revenue for the Borough of Dormont followed by real estate transfer taxes, earned income tax (EIT), and local services taxes (LST). The Borough of Dormont is limited in its ability to generate additional tax revenues outside of property taxes because of the Commonwealth of Pennsylvania's Borough Code as well as the absence of a business privilege tax in its commercial district. The Borough Code limits Borough's ability to raise their transfer, EIT, and LST rates by capping them at their current rates. The Borough Code provides a significantly wider range for property tax rates leaving it as one of the few ways for the Borough to raise its revenues.

Expenditures

Expenditures will outpace revenues again in 2026 at $11M, as they have in the Borough of Dormont over the past three years, most notably in 2024 where expenditures exceeded revenues by $1M. The impact of the outpaced expenditures has not impacted the Borough due to the relief provided by unreserved funds the Borough had been carrying since the 2020 Pandemic. The Borough of Dormont has been subsidizing its capital shortfalls from 2020-2025 with these dollars. The result of this unmitigated use of the unreserved capital fund is the reserves have been drained almost entirely.

Complicating the expenditures forecast for the Borough are the contractual obligations and mandated increases by Borough's insurance and benefit providers. According to Municipal Benefits Services (MBS), costs are the highest they have been in 20 years and there is no hope for them returning to previous levels. There is an average 13% increase in premiums for small groups (which Dormont is considered). Dormont fortunately is only experiencing a 7% increase in 2026. The cause for these increases is due to the continued rise in severity, chronic conditions, and high-cost treatments. Additionally, the Borough continues to see sizeable annual increases from its existing garbage contract, employee salaries, and contracted services including Information Technology and software licenses.

The Borough is projected to have $450,000 in new and increased spending in 2026. This is after Borough management attacked costs in 2025 to eliminate unnecessary and duplicative expenses. Borough management has transferred financial institutions to Brentwood Bank at an estimated cost savings of $34,000 per year; eliminated and renegotiated costly janitorial and first aid contracts; and sunset the sanitary sewer consultant and related engineering services.

The Borough will incur higher costs in legal and engineering fees in 2026. The higher legal fees is due to the change in solicitors to the Tucker Arensberg firm in 2025. The Borough

will be negotiating one collective bargaining contract in 2026 as well as having transit-oriented development (TOD), tax reassessments, and pension management concerns next year. Regarding engineering, the Borough is in the process of building a $1.5-2.5M playground as well as redesigning the Potomac Avenue roadway and commercial district. Additional projects include the traffic calming of West Liberty Avenue by the Pennsylvania Department of Transportation (PennDOT);vthe upcoming TOD and station redesign by Pittsburgh Regional Transit (PRT); and several necessary projects like the Biltmore retaining wall.

2026 Revenues and Expenditures

The Borough has a 2026 capital shortfall of approximately $400,000. The Borough currently has cash reserves being carried over from 2025 of $1.1M. Deducting the capital shortfall from this total leaves approximately $700,000 remaining for 2026 capital and unreserved funds.

The Borough can transfer a one-time amount of $150,000 into the 2026 road program from the liquid fuels account. This money has slowly accumulated over several years and can only be used for the road program. As stated, this is a one-time transfer and should not be viewed as a regular source of revenue in the future. The total $850K constitutes the total amount for the unreserved and capital funds for 2025.

2026 Capital Budget

The 2026 capital budget for the Borough prioritizes revenue saving and revenue generating activities outside of the road program to help continue to offset costs and expenditures. The 2026 Borough of Dormont road program is capitalized at $650,000 and includes the redesign of Potomac Avenue ($50,000). The Borough will select which roads will be included in the 2026 road program once it receives the road conditions survey from Pavement Management Group (PMG) and the new Borough engineer has time to review and plan accordingly. Roads will be selected closer to the entire program going to bid to maximize the benefit to the Borough.

Constituting the largest expense outside of the road program is the recreation plan. Following an award from the Pennsylvania Department of Conservation and Natural Resources (DCNR) in 2023, the Borough has deferred having this plan written every year since the award. 2026 marks the final year the Borough has to complete the project per the grant requirements, or face repaying the award to the Commonwealth.

Following the Recreation Plan, parking meters constitute the next largest expense in this year's budget. The parking meter expense is the same in 2026 as it was in 2025. These expenses constitute the phased replacement of the Borough's analog meters with digital, solar-powered parking kiosks. The Borough will purchase four new kiosks as well as four new motherboards to extend existing parking kiosks in the Borough. As cash is used less and digital parking options continue to expand, these kiosks will provide several payment options for revenue capture through parking and online payment apps.

The Borough has been improving and building capital assets as a budgetary priority since late 2024. It is imperative that these capital assets are maintained and secure. The

Borough obligated $50,000 dollars to establish a security camera network in Beggs Snyder Park and establish the infrastructure for a camera network in and around Dormont Park. This work has been successfully completed. The 2026 capital budget reflects a second obligation of $50,000 to purchase and install the camera network in Dormont Park; specifically in and around the Next Generation Playground and Dormont Pool Complex.

The remaining amount of the 2026 capital budget is comprised of the department head requests and the sidewalk program. Many of these requests either save the Borough considerable money or have cross departmental purposes.

- The Parks Department has requested a trenching attachment for the department tractor which will assist in trenching the conduit for the camera network in Dormont Park. Outsourcing this work to a third party will be far costlier to the taxpayer than purchasing the equipment.

- The Public Works Department requested a new paint machine. The department has done an excellent job maintaining the existing paint spraying equipment, so much so that parts have now become obsolete and costly to find second-hand. A new paint spraying machine will not only restore the lines on existing roadways, but it will also assist in lining traffic calming amenities as recommended by the Safe Mobility Commission and Borough Council.

  The Public Works Department also requested radios and lighting package upfits for their vehicles. Both purchases are necessary for coordination of Public Works activities as well as on-call work at night and during strong weather events. The radios and lighting package upfit are also necessary in emergency management situations as the Borough Public Works Department is part of the Borough's emergency management response.

- The Police Department requested that the parking enforcement officer be promoted to a full-time position and the replacement of two rifles. The promotion of the parking enforcement officer is cost-effective and necessary, and the replacement of the rifles follows the natural replacement schedule for equipment.

The new Borough of Dormont sidewalk program is capitalized at $25,000. This will be used to subsidize resident sidewalk repair in conjunction with the 2026 road program. The Borough Building and Code Department will work in conjunction with the Borough Engineer to cite and recommend repairs to the resident sidewalks in conjunction with the Borough Road Program. Residents will be given the option to partner with the Borough to pay for up to half of their sidewalk repairs with the Borough paying the other half. These will be the sidewalks that accompany the roads constituting the 2026 Borough Road Program.

Unreserved Fund Balance

The Borough has exhausted its unreserved cash reserves over the past five years without a clear picture as to how that fund will be recapitalized. It is recommended that the Borough draft an unreserved fund policy in 2026 and designate how many months of expenses it would like to set aside as a designated cash reserve to utilize during periods of fiscal stress and financial emergency. Following this designation, the Borough must create a plan on

how to recapitalize this fund. With escalating expenses and flat revenue growth over the past three years, the Dormont Borough Council must determine:

1. Whether it does not want to recapitalize the unreserved fund and spend down the remaining cash on the 2026 Capital Budget (not recommended);

2. To begin recapitalizing the unreserved fund and pay for the 2026 capital budget as presented by raising the millage one mill;

3. To begin recapitalizing the unreserved fund and pay for the 2026 capital budget as presented by raising the millage two mills;