



Managers 2018 Budget Message

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Donald C. Pepe, Borough Manager

Introduction & General Comments

The yearly Budget Message is important in order to give our elected officials and the taxpayers an understanding of the financial and functional condition of the Borough in a concise manner as well as give an outline of the fiscal plan for the new fiscal year and a summary of what to expect in the future. It reflects the Borough Manager's plans and recommendations as the Borough moves forward into a new calendar and fiscal year. The approved 2018 budget total for all funds is \$10,750,363, which is a .02% decrease from 2017. This is due to efforts to sustain a consistent budget with the prior year while allowing for important projects and needed personnel to provide services. The details will be explained in the report that follows.

2018 Challenges

The 2018 fiscal year gives us challenges to address with such things as, but not limited to, the following:

- Infrastructure improvements such as storm water management in the Borough. We have a prioritized list of areas throughout the Borough that we will address as timing allows. Specifically, we will begin in the area north of the Community Park Pool and work down the creek bed corridor as well as the New Castle/Clay Street area to serve the new public parking lot and Main Street corridor.
- General improvement of our utility services to our present customers and allow for future growth. Upgrading the electric service in the two major subdivision areas.
- Need to fund necessary equipment purchases /leases to maintain services.
- Significant contributions to the Main Street Revitalization Program.
- Replacement planning for future staff retirements in order to provide continuity of services for our Administration, Public Works Departments.
- Maintaining the water and electric utility companies in a manner that is cost effective to the customer and limiting any rate increases. However, rate increases are inevitable due to costs from our water and electric suppliers. As we have done in the past, we have only increased what is needed.
- Planning for improvements in the delivery of utility services in the Borough, including smart metering technology to give customers the tools to better conserve and manage their utility usage.
- Full implementation of Phase I of the Main Street revitalization project and planning for Phase II.
- Paving of streets with curb and handicapped ramp improvements.
- Continued capital improvements at the Community Park including the building of the pool replacement and Skate Park Initiative.

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Demographics

According to the 2010 Census, Zelienople is a Borough of 3,812 citizens. Having a median age of 47.2 years. It has a land mass of approximately 2.1 square miles. The Borough is essentially “built out”. However, there are still development and redevelopment opportunities within the Borough.

Taxes

Borough of Zelienople

Taxation in the Borough is as follows:

- ❖ The 2018 budget is distributed as follows:
 - General Fund: 1.81 mills expected revenue is \$52,586
 - Library: 1.00 mills expected revenue is \$29,289
 - Fire Department: 2.00 mills expected revenue is \$58,106
 - Recreation for Capital Improvements: 1.00 mills expected revenue is \$29,289

Total	5.81 mills	\$169,270
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- At the time of budget preparation, each mill for the Borough is valued at approximately \$29,053 per the Butler County Assessment office. This number does change periodically during the year due to property value changes.
- ❖ Per Capita tax is assessed on all residents over the age of 18 at \$5.00 per person. An exemption must be applied for anyone whose annual income is below \$5,000.
- ❖ Earned Income is assessed on all residents at ½ % of annual income.
- ❖ Real Estate Transfers are ½ % for all real estate transactions.
- ❖ Local Services Tax is \$52 on all individuals who work in Zelienople.
- ❖ Library millage was increased by .50 mil in order to help fund their operation

Butler County

The Borough remains the smallest part of an individual's real estate tax burden as shown:

<u>Taxing Authority</u>	<u>Millage</u>	<u>Percentage of Total</u>
Borough	5.81	3%
School District	126.0	79%
Butler County	27.62	18%
	159.43	

all percentages rounded

Sources of Income

Zelienople has five major sources of revenue income on which to operate: (1) Property Tax, (2) Earned Income Tax, (3) Local Services Tax, (4) revenue from the sale of electricity, and (5) revenue from the sale of water.

Fees for services are also another source of funds, but are relatively minor in comparison to the ones above. Even though these have been modest in the past, as continued growth occurs, these reimbursements can be significant. In addition, council has requested that the staff insure that all current taxes are enforced fairly and consistently throughout the Borough. This means that all persons who are eligible to pay taxes are indeed on the necessary lists to insure they are assessed fairly; this is a continual task that will always be a necessity to perform.

Fund Structure

The Borough's financial budget is structured into six (6) funds as follows:

1. General	\$3,023,043	General Borough operations
2. Fire	\$ 59,260	Funds from fire tax millage – (distributed to Fire District)
3. Library	\$ 29,289	Funds from library tax millage – (distributed to Library, includes ½ mil increase)
4. Water	\$2,053,698	Funds from water operations
5. Electric	\$5,421,781	Funds from electric operations
6. Highway Aid	\$ 163,292	State Funds to assist in road maintenance

Fiscal Situation

Overview

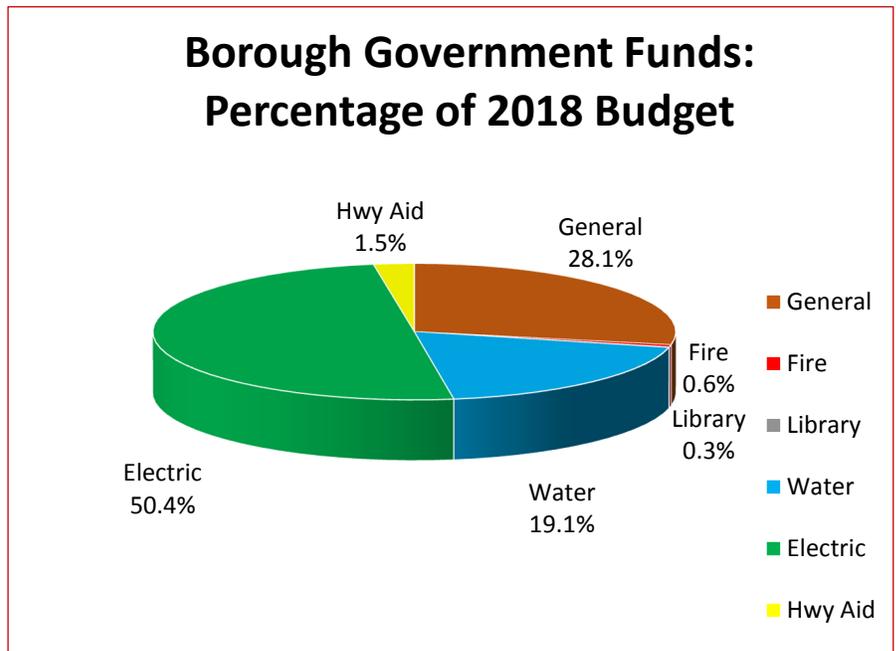
The Borough continues a strong commitment of prudent and frugal government spending. The Borough has established strong reserves to maintain fiscal integrity in the long term. Reserves can be used to offset emergency expenditures and large capital costs. These reserves are funded mainly through the operations of the water and electric utilities which the Borough operates and does not rely on revenues generated through property taxes for the Borough operations. The Borough, in conjunction with the local business community, has undertaken a multi-phase, multi-year Main Street Revitalization project in order to continue to promote Zelenople to both

residents and businesses in an effort that our community will continue to thrive in the future. The Borough has also realized the importance of the assets of its Community Park to the residents and has made commitments to assist in maintaining those assets for its residents. The Borough has been awarded multiple grants for both ventures, but much of the grant funding awarded is received on a “match” basis and/or “reimbursement” basis. As such, the initial capital outlay for the projects has had to come from the local funds of the Borough in order to keep the projects moving forward. It is anticipated, however, that these funds will be replenished once the grant revenues as well as the loan proceeds are received.

Utilities

Each year the Borough completes internal financial and economic reports prepared as well as external audit reports that help the Council make decisions relative to the operations of the water and electric utilities. The results of these reports have an impact on both decisions to improve operating efficiencies and to ensure rates in the Borough utilities are competitive as well as covering the costs associated with the utilities.

- The water utility is expecting a cost increase from Beaver Falls Municipal Authority, which is incurring costs to improve its facilities. This will likely equal between a two and four percent increase.
- The electric utility is anticipating a relatively small increase for purchased energy. A rate increase between one and three percent is expected. The fiscal demands placed on the electric utility, since it pays for many other Borough services beyond the operations of the electric departments, are significant. Customers should remember that the property tax rate is low due to the ability to use electric funds to offset Borough costs. Also



note that over the last several years the Borough only passed on approximately half of its cost increases to the customer in order to lessen the burden of cost increases.

Capital Investments – Capital Improvement Plan

Perhaps the most important function of local government is the preservation and maintenance of infrastructure for the benefit of future generations of residents. Any local government can attest that there are tremendous consequences when infrastructure is repeatedly neglected over a long period of time. Therefore, the Borough maintains a Capital Improvement Plan (CIP), which outlines the capital needs of the Borough projected for the next five (5) years in order to address such concerns. Note that such a plan is continually updated each year showing the project costs for the next five (5) years. Each year a new Capital Improvement Plan is published along with the annual budget.

Health Care

As we all know Health Care continues to be a challenge. Planning and providing health care for the Borough has been met through our affiliation with Municipal Benefits Services (MBS), through which the Borough participates in a pool for health care and other related services. Due to prudent planning, implementing cost saving options and health care fund management, our costs for health care have shown significant cost savings in recent years. However, due to real costs in service our 2018 increase is 4.5% over the 2017 budget, still lower than the national average.

Pension

Pension obligations continue to be a very necessary yet costly required expenditure for the Borough, in order to fairly provide for the future of employees. The Borough is not only seeking ways to lower the Borough cost portion without decreasing the pension commitment to its employees, but also seeks ways to better the pension investment program in what has been a volatile investment market in our nation. The Employee Pension Advisory Committee that was established in 2011 and the Council Finance Committee are charged with providing recommendations to Council concerning the pension programs currently in place.

Risk Management

The Borough has been very successful in managing its insurance programs to protect all facilities, equipment as well as provide the necessary coverage for the Borough as well as workers compensation insurance contributions for the fire district. The Borough is also committed to lowering its liabilities through good safety practices and operates a state certified safety committee for its employees with the hope of promoting a safe work environment; which is perhaps the most important factor when discussing risk management.

Taxes and Revenue

Taxes have remained stable in Zelienople Borough for many years. Due to the reliance on municipal utilities for maintaining operating revenue, taxes have taken a secondary role in providing needed funding for normal Borough operations. This will continue to be the case into the near future. If the Borough did not have a source of revenue through ownership of the water and electric systems in the borough, it would take a real estate tax increase of over fifty (50) mills to continue to provide basic services to the residents that are considered merely routine at the present time.

General Fund

The General Fund is the most complicated as it includes the heart of service provisions such as general administration, police, streets, parks, library, zoning & code enforcement.

Administration

The Borough has consolidated its public works functions of street, water, and electric under one administrative director to better serve the public. Also, grant management is a key to our funding sources and this continues to be a significant asset to our Borough. We also continue to train staff to meet professional and technology needs to serve the public.

Police & Public Safety

The Borough of Zelienople has had a long history of providing excellent public safety services. Police, fire, fire police, and emergency management have all been an integral part of our service to the community. Although public safety is the primary concern of this government, it has to continue to be in a manner that is also fiscally responsible.

The Borough has a negotiated Collective Bargaining Agreement with a term from January 1, 2017 and will continue through December 31, 2020. Our intention was to enter into negotiations with the bargaining unit and arrive at an equitable agreement that will continue containing costs while maintaining an excellent police services in Zelienople for an additional years to come.

- Our police department fleet is well maintained, but the cars do age. We are able to replace the entire fleet on a regular six-year cycle so as to keep maintenance and repair costs down.
- We continue to seek ways to keep our department well maintained and supplied with equipment and technology for the officers and public safety.
- The police chief evaluated borough parking regulations and meter placement and made recommendations that Council adopted to better our parking situation and enforcement.
- The Borough has a fair and reasonable contract with Harmony Borough to maintain police services to Harmony residents through a contract for services with the Zelienople Borough Police Department. This police services contract is the longest running in the Commonwealth of Pennsylvania and has been in effect for more than 35 years and insures services through 2019.

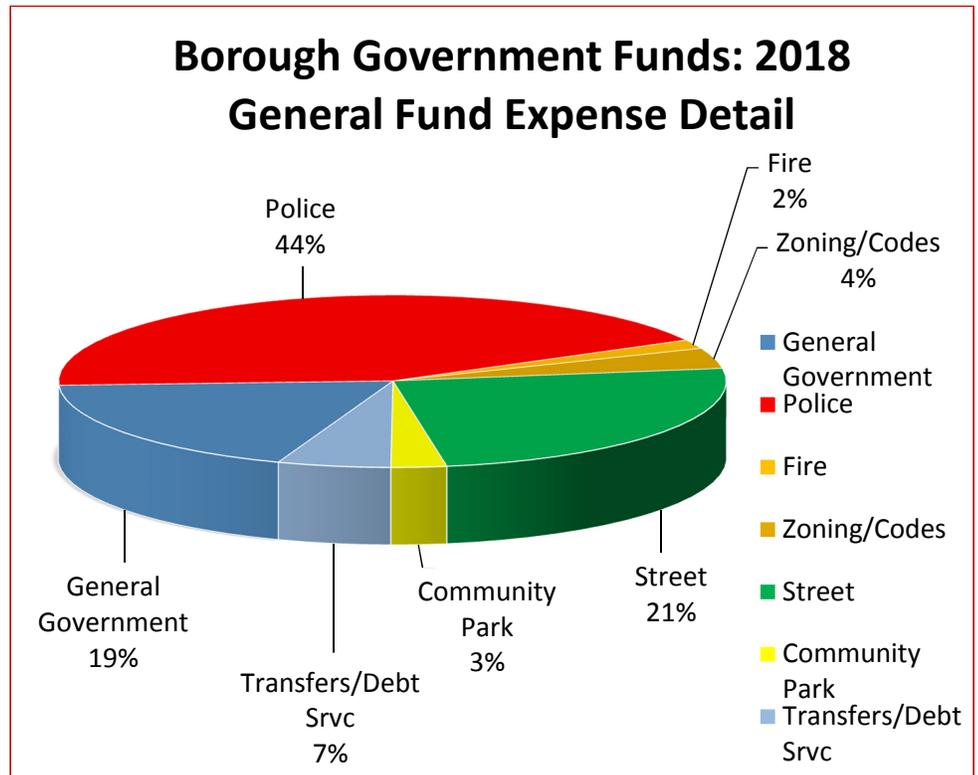
Fire

In December of 2015, the Zelienople Fire Department has successfully merged with the Harmony Fire Company to create a four municipal regional fire service to better serve the community and is now fully operational. All final changes in location and buildings will take longer to have in place.

Fire continues to be funded through a combination of direct public tax dollars, Borough General Fund, State funding and private donations. The Harmony Area Fire District will now be funded through Jackson and Lancaster Townships as well as Zelienople and Harmony Boroughs. It remains to be a volunteer fire company that is well run and is a great asset to our community.

Emergency Management Agency

The Emergency Management Agency (EMA), led by John Kovacic the Emergency Management Coordinator and is a joint project between the Boroughs of Zelienople and Harmony. Due to regional planning the EMA now consists of Zelienople, Harmony, Jackson Township, and Lancaster Township. We continue to improve this Emergency Management Team to better serve the community in a true emergency situation. The Emergency Management Team is comprised of knowledgeable individuals from all municipalities that plan for and manage an emergency event in conjunction with our local emergency services and Butler County. The cost to the Borough is minimal, but the support



is important to continue this group's function. Although the Borough does contribute to the operation of the EMA, it is funded mostly through donation and fund drives held each year.

The Borough continues to provide an emergency notification system to quickly notify residents and businesses of an emergency condition both on a localized street basis and for the entire Borough within minutes. This is our SwiftReach system that requires citizens to maintain their current contact information with us so that we can provide this important service. If you think that you do not have current contact information on record, or if you are new to the community or had a change in this information recently, please contact the Borough office so we can get the correct information into the system. This information can be critical to you in an emergency situation so we encourage you to insure your information is current.

Roads & Streets

The Borough is committed to maintaining roads and streets so that they are safe and easy to use. This includes road maintenance, signage, paving, curb and gutters, stormwater control, and winter maintenance. All are budgeted in this category. This activity has also remained stable, but will require future resources to improve very real storm water issues in parts of town. In addition, this year we will continue with a long-term project to systematically rebuild the curbs in parts of the Borough as well. Such a project is expensive and will require funding in each year to complete all the curbs that are damaged or no longer functioning.

Parks and Recreation

The Zelenople Borough Council, along with the Community Park Association, work together to ensure that the citizens of Zelenople and the surrounding communities are provided with quality parks and recreational programs. The primary recreation facility is the Zelenople Community Park, which became the responsibility of the Borough in 2004. Currently, we are funding the park in excess of \$82,857.00 per year in both monetary and in-kind services provided by Borough employees. These services have been used to improve the infrastructure of the park as well as assisting in program operations. The 1 mill Parks & Recreation tax is estimated at \$29,481.00 for 2018. A comprehensive Master Plan and Feasibility Study was completed in 2008 to improve the Zelenople Community Park facilities and to determine the viability of the current swimming pool. This plan is being implemented in stages as funding becomes available. This plan will continue to be developed with grant opportunities, Zelenople government funding, regional funding, and private donations from groups and individuals. After years of fundraising and planning, construction will begin in Spring of 2018 on the new pool. With an anticipated construction time frame of one year, the pool will be closed for the 2018 season. Additional programming has been added to ensure the community remains engaged in park activities.

Fundraising also continues for the new skate park that is to be completed by 2020. Information continues to be updated on the park's webpage, newsletter, and Facebook page as it is being funded through both private contributions and public dollars. Recreational programming will continue to grow throughout the 2018 season. The full-time park manager continues to oversee daily park operations, facilitate programming, and interact with community members, local businesses, and various groups to encourage community involvement. The park has implemented a Park Sponsorship program that will continue to grow over the upcoming years. A new programming assistant has been acquired from Jackson Township. Library staff will facilitate additional programming over the summer months.

The Community Park continues to move forward with projects that require entities of the community working together to accomplish the long-term goals. The park thrives with the help of volunteers including the park board. The Borough continues to be appreciative of the volunteer support.

Library

The library continues to be an important part of the Zelenople community and continues to operate very well, but very modestly. It will meet its operational obligations. However, it has minimal reserves for expansion of services or improvements of its current operation. The Borough increased millage to the Library from ½ mill to 1 mill in 2018 in order to assist with the library's services. Zelenople Borough is committed to the library's operation and this budget maintains operational financial support to the library in 2018. This is funded through direct 2018 real estate budgeted

tax dollars of \$ 29,289 and additional budgeted Borough support of \$17,211 from the General Fund for a total of \$46,500.

Zoning & Codes Office

A full time Code Enforcement and Zoning Officer position was created in 2015, resulting in increased and successful code enforcement efforts. In 2017, the 2015 International Property Maintenance Code was adopted to augment these efforts by providing minimum maintenance standards for basic equipment, light, ventilation, heating, sanitation, and fire safety.

The Code Enforcement and Zoning Officer acts as the liaison for both the Zoning Hearing Board and Planning Commission; accepting applications, coordinating meetings, and providing input on the various submissions before each of the boards.

A grant was received from the Pennsylvania Museum and Historical Commission to prepare the Historic Preservation Action Plan in 2017 and T&B Planning of Murrysville Pennsylvania was hired as the consultant for this project. The HPAP will take a fresh look at preservation, achieving goals that include:

- Increasing public awareness of the Borough's history and historic assets;
- Preparing a feasible and prioritized plan of action to address historic preservation Borough-wide;
- Ensuring that the plan of action is realistic, achievable, and action-oriented;
- Avoiding the inappropriate demolitions of historic structures, while still encouraging economic growth and community development; and
- Bolstering voluntary preservation efforts by the Borough's residents and stakeholders.

This project is in partnership with the Zelienople Historical Society.

Additionally, Town Center Associates was hired to work with Council and the Zoning and Codes Office to evaluate Main Street and its businesses, specifically building conditions, signage, and facades to create a more competitive business district but also providing strategies to attract desired businesses and investment.

Fire Fund

The Harmony Area Fire District is operating extremely well and there are no foreseen problems in the coming year. As a result of the 2015 merger, the District will receive the revenue from this fund as prescribed by Council. The 2018 budget reflects a tax rate of 2 mills which was reduced from 3 mills in 2016 due to the expanded tax base from the merger with other municipalities.

The new HAFD will continue to include facility and vehicle replacement options in order to serve the Borough and its citizens in the best way possible for fire protection services. In the meantime, vehicle replacement options and upgrades will continue to be reviewed to keep units current and maintain our ISO rating. All equipment will continue to be tested and inspected to maintain required certification.

Training of fire department personnel continues to be a successful effort giving the residents and businesses in Zelienople the benefit of a skilled fire department work force of volunteers.

Highway Aid Fund

This is funding that we receive from the Commonwealth in order to assist in road maintenance and paving. We will receive an approximate State Highway Aid allocation of \$124,292 in 2018. The Borough has also reserved past funds in order to be able to do larger projects in future years.

Water Fund

The Borough has applied for a small water system improvement grant which will be used to improved drinking water quality throughout the distribution system and allow for additional water quality monitoring points with flushing capabilities. The Borough also has replaced sampling and monitoring equipment for field applications. Along with routine preventative maintenance, the Borough water system will meet or exceed the quality standards expected by our community.

Electric Fund

The Borough continues to improve its electric utility system. In 2017, upgrades along Clay Street and New Castle Street were provided and in 2018 electric improvements relating to the Main Street Revitalization Project will continue. Distribution system maintenance along W. New Castle Street, McKim Street, and Jefferson Street will start this summer. The Borough is also continuing to staff and train the personnel in that department so we can be effective and responsive to our customers. The Borough strives to keep pace with routine maintenance in its electric operations to ensure a reliable and viable system for future years.

Special Notes

1. **Main Street Revitalization/Economic Development** – Economic development success requires a real partnership between the private sector and the municipal government. We have developed a very successful plan with the Main Street Revitalization Committee private sector business entity and the Business Association to seek funding and implementation of a very aggressive and comprehensive plan for the revitalization of the Borough of Zelenople. This is an exciting project plan that will help to not only give the Borough a much needed substantial face lift, but also provide economic stimulus to our local businesses.

Currently, there are three major pieces of Phase I including: 1) the renovation of the Main Street Streetscape corridor from New Castle Street to Spring Street, (underway), 2) the complete renovation of the Kaufmann House to a new restaurant (underway), and 3) the construction of a much needed major public parking facility to serve the business community (completed).

This project is being completed through a number of funding grant sources as well as Borough match funds and private contributions.

Phase II (from Spring Street to Beaver Street) & III (from New Castle Street to Four Corner Park area) are in the planning stages and will include the renovation of and extend the Main Street corridor plan both north and south of the Phase I limits. Phase II design is currently being developed and funding is being obtained.

This is a critical project for Zelenople, the business community and our residents. Success will mean a healthy and successful business climate and a healthy community for many years to come. Paramount is job retention and job creation, which is a primary goal of these projects.

2. **Zelenople Airport** - In addition to the other capital improvements, although not a direct Borough function, the Zelenople Airport is going through changes that impact the community. New hangars have been built doubling capacity. Over 30 acres of new aprons and roads have been paved. Projects in 2018-2019 include: the relocation of Route 288 for road safety, removal of aviation hazards, rehabilitation and widening the runway and taxiway including a new lighting system, completing the filling of the old TASA strip mine, wetland mitigation to preserve the environment, and working with local and state conservation groups to provide educational and recreational use of airport land.
3. **Internal Technical Resources** – The Borough will continue to modify and expand its resources for technical improvements and use of modern resources in providing the Borough's services. For example, we will continue to be a leader in local government use of the Geographic Information System (GIS) for all aspects of the Borough's operations and will continue to refine our website as a primary tool for distributing accurate information to the public.

We will modernize the Borough's technology to better operate our administrative staff work, department functions, and elected official responsibilities. Upgrades will be made to our telephone system, hardware and software technology, cyber security, credit/debit card usage for utility payments, as well as improve use of social media to better serve our citizens.

4. **Public Works Facility** – The construction of a new winter materials storage building will begin in June 2018. The new structure will hold our salt and anti-skid materials and will have provisions for additional equipment storage which will be added at a future date.