

Manager's 2023 Budget Message

Andrew C. Spencer, Borough Manager

Introduction and General Comments

The annual Budget Message is an important tool used to give our elected officials, taxpayers, and customers a concise understanding of the financial and functional condition of the Borough. Additionally, this publication provides an outline of the plan for the new fiscal year and a summary of future Borough endeavors. It reflects the Borough Manager's plans and recommendations as the Borough moves forward into a new calendar and fiscal year. The approved 2023 budget total for all funds is \$12,174,632, which is a 3% increase from 2022. This increase is due to efforts to sustain a consistent budget with the prior year while allocating funds for important projects and personnel. The details will be explained in the report that follows.

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2023 Challenges

The 2023 fiscal year presents challenges and priorities including:

- Facilitating infrastructure improvements for stormwater management. The Borough has reprioritized this project to address issues as resources allow. This plan involves substantial projects that are awaiting funding in the area east of the Zelienople Community Pool and in the creek bed corridor. This project is intended to avoid flooding in and around homes and businesses during heavy storms.
- Participating in a regional municipal stormwater group to identify and implement plans to reduce flooding in the Connoquenessing Creek area.
- Funding necessary equipment purchases and leases to maintain services.
- Maintaining the water and electric utility companies in a manner that is cost effective to the customer. We would like to note, however, that rate increases are sometimes inevitable due to increased rates from water and electric suppliers. The Borough strives to keep operating costs low and only reflect increases from suppliers.
- Contributing funding and staff time to continue the Main Street Revitalization project.
- Paving streets with curb replacements.
- Planning for increased parking in the Main Street corridor to ensure sufficient parking in the business district.
- Meeting the community's needs and expectations for parks and recreation services and programming.

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Demographics

According to the U.S. Census Bureau, Zelienople is a Pennsylvania Borough with 3,874 citizens and a land mass of approximately 2.1 square miles. While the Borough is largely developed, there are some development and redevelopment opportunities within the Borough.

Taxes

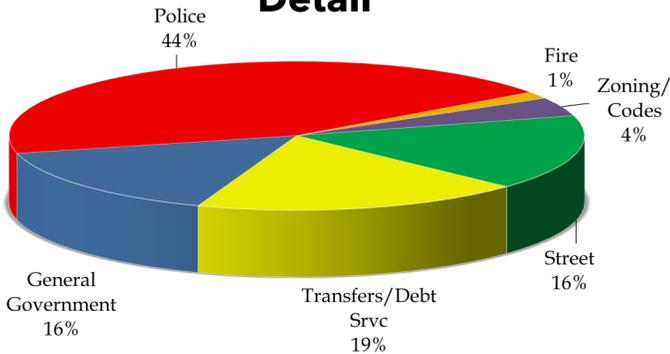
Borough of Zelienople

The 2023 budget is distributed as follows:

| | | |
|------------------|--------------------------------|-----------|
| General Fund: | 1.81 mills expected revenue is | \$54,834 |
| Library: | 1.57 mills expected revenue is | \$45,828 |
| Fire Department: | 3.00 mills expected revenue is | \$87,570 |
| Recreation: | 1.00 mills expected revenue is | \$29,190 |
| | <hr/> | |
| Total | 7.38 mills | \$217,422 |

At the time of budget preparation, each mill for the Borough was valued at approximately \$29,190,800 per the Butler County Assessment Office. This amounts to \$29,190 per mil and changes periodically throughout the year due to property value changes.

Borough Government Funds: 2023 General Fund Expense Detail



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. These forms are available at the Borough Office.

Earned Income is assessed on all residents at 1/2% of annual income.

Real Estate Transfers are 1/2% for all real estate transactions.

Local Services Tax is \$52.00 on all individuals who work in Zelienople.

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 | 7.38 | 4.46% |
| School District | 130.45 | 78.84% |
| Butler County | 27.62 | 16.70% |
| | <hr/> | |
| Total | 165.45 | |

all percentages rounded

Sources of Income

Zelienople has five major sources of revenue income: (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.

Borough Council requires Zelienople Borough staff to ensure all current taxes are enforced fairly and consistently throughout the Borough. Individuals who are eligible to pay taxes are tracked; this is ongoing and necessary.

Service fees are another source of funds, but the amount collected through this avenue is negligible in comparison to the major revenue sources.

Fund Structure

The Borough's financial budget is structured into seven (7) funds as follows:

| | | |
|--------------|---------------------|--|
| General | \$ 3,810,033 | General Borough operations |
| Fire | \$ 88,770 | Funds from fire tax millage (Distributed to Fire District including delinquent taxes) |
| Park | \$ 423,533 | Funds from Park operations including taxes |
| Library | \$ 46,378 | Funds from library tax millage (including delinquent taxes) |
| Water | \$ 2,015,636 | Funds from water operations |
| Electric | \$ 5,465,282 | Funds from electric operations |
| Highway Aid | \$ 325,000 | State funds to assist in road maintenance |
| Total | \$12,174,632 | |

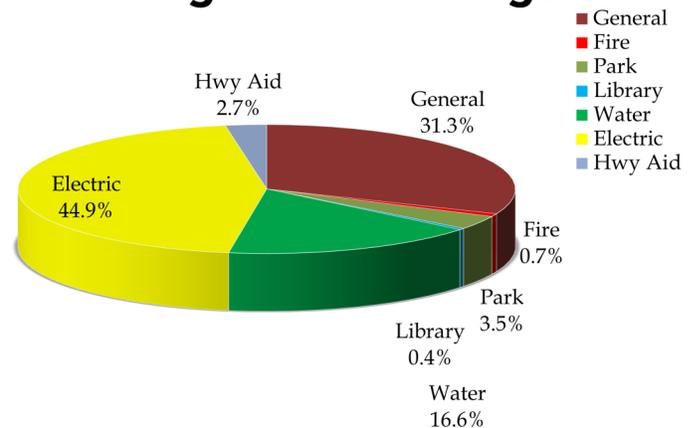
Fiscal Situation

The Borough continues to be committed to prudent and frugal government spending practices. It 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 water and electric utilities and do not rely on revenues generated through property taxes.

The Borough, in conjunction with the local business community, continues to put efforts toward a multi-phase, multi-year Main Street Revitalization project. This project aims to promote and enhance Zelienople's Main Street and ensure the area's prosperity in the future. Additionally, the Borough is continuing to oversee the maintenance and function of the Zelienople Community Park following last year's decision to establish a Parks and Recreation Department. While there has been a significant amount of local funds allocated to both projects, the Borough also utilizes grants and other sources of funding.

Many of the grants that are designated for these projects require a match contribution or are awarded as a reimbursement. As such, the initial capital outlay for the projects has had to come from the local funds of the Borough to keep the projects moving forward. It is anticipated, however, that these funds will continue to be replenished once the grant revenues and loan proceeds are received.

Borough Government Funds: Percentage of 2023 Budget



Utilities

Each year, the Borough completes comprehensive internal financial and economic reports as well as external audit reports that help the Council make decisions pertaining to the operations of water and electric utilities. The results of these reports impact decisions to improve operating efficiencies and to ensure the rates of Borough utilities are fair while covering the necessary costs.

The water utility has received a modest cost increase from its water supplier, Beaver Falls Municipal Authority. This will be a three to four percent increase, which will be passed on to the customer.

The electric utility is anticipating no increase for purchased energy costs. Several years ago, the Borough took advantage of market conditions and reduced its cost for purchased electric. These savings have enabled the utility to complete projects without rate increases. Customers should remember that the property tax rate is low due to the ability to use electric funds to offset Borough costs.

Capital Investments - Capital Improvement Plan

An important function of local government is the preservation and maintenance of infrastructure for the benefit of residents and businesses. Governments that neglect infrastructure over long periods of time tend to create financial hardships for future generations. With this in mind, the Borough maintains a Capital Improvement Plan (CIP) which outlines the capital needs, particularly in regard to infrastructure, of the Borough projected for the next five (5) years. This plan is updated annually; however, urgent and unforeseen matters may arise that will alter the projections outlined in the CIP.

Health Care

Our plan for low-cost and effective coverage has been successful with our affiliation with Municipal Benefits Services (MBS). The Borough participates in a pool for health care and other related services through MBS. 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, inflation, supply chain disruptions, and a tight labor market have contributed to a significant 9% increase in 2023 medical costs compared to 2022 costs. Employees contribute to the cost of this program. A new lower cost medical plan option was introduced to employees which provides a 1% premium reduction over 2022 healthcare costs.

Pension

Pension obligations continue to be a required expenditure for the Borough to fairly provide for the future of employees. The Borough is working to lower the Borough cost portion without decreasing the pension commitment to its employees. This is being done through the participation of the Employee Pension Advisory Committee which was established in 2011 to work with the Council Finance Committee to provide recommendations to Council concerning the pension programs currently in place.

Risk Management

The Borough has been successful in managing its insurance programs to protect all facilities, equipment, and individuals, as well as providing the necessary coverages needed for the Borough. The Borough, along with the other municipalities in the fire district, contributes to workers' compensation insurance premium. The Borough is also committed to lowering its liabilities through training and good safety practices of its employees.

Taxes and Revenue

Taxes have remained stable in Zelienople Borough for many years. Due to reliance on municipal utilities for maintaining operating revenue, essentially tax-offsets, taxes have taken a secondary role in providing funding for normal Borough operations. Funding through municipal utility services is a much more equitable way of sharing the cost of municipal services. This will continue to be the case as we move forward.

General Fund

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

Administration

Administrative oversight is key to success in any organization, and we do so with an eye to limiting costs while maintaining function and efficiency. The Borough has consolidated its public works functions of street, water, and electric services into the Public Works Department. We have also restructured staff to better serve the community and increase cost effectiveness. The Borough of Zelienople continues to invest in training staff to meet professional and technological needs to serve the public.

Police & Public Safety

The Borough of Zelienople prides itself in a long history of providing excellent public safety services. Police, fire, and emergency management are integral components of our service to the community. Although public safety is the primary concern of this government, fiscal responsibility is a priority to ensure sustainability and proper stewardship of funding.

The Borough has negotiated a comprehensive Collective Bargaining Agreement through December 31, 2028. Negotiations were made with the bargaining unit to arrive at an equitable agreement that will continue containing costs while maintaining excellent police services in Zelienople.

The department has an annual debt payment for two new police cruisers that were purchased in 2018 and an unmarked vehicle purchased in 2021.

Additionally, there are plans to purchase four new police cruisers in 2023 or 2024 depending on the current supply chain conditions.



The Borough strives to provide the Zelienople Police Department with modern and innovative equipment and technology. Body cameras, in-car cameras, and tasers will be replaced in 2023. The department is also adding 34 additional security cameras throughout the Borough.

The Borough has an equitable and effective agreement 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 40 years and provides services through 2035.

Fire

Harmony Fire District continues to be funded through a combination of direct public tax dollars, the Borough's General Fund, state funding, and private donations. This service is funded through Zelienople and Harmony Boroughs as well as Jackson and Lancaster Townships, as these areas are serviced by the fire company. The Borough will provide a total of \$145,448 to Harmony Fire District with \$87,570 from direct tax mileage and \$57,878 from the Borough's General Fund. Harmony Fire District continues to operate as a volunteer fire company and is an important asset to the community.

Emergency Management Agency

The Seneca Area Emergency Management Agency, Inc. (EMA) is a joint regional entity/project between Zelienople and Harmony Boroughs, as well as Jackson and Lancaster Townships. The EMA has been restructured to better serve our residents in the event of an emergency.

In 2023, the Borough transitioned from the previous emergency notification system, Swift911, to Smart911. Smart911 is a tool used to quickly notify residents and businesses of an emergency situation within minutes. Residents are asked to maintain current contact information with the Borough, as this service can be critical in an emergency. If you think that you do not have current contact information on record or are new to the community, please contact the Borough office.

Highway Aid Fund

The Highway Aid Fund is funding from the Commonwealth of Pennsylvania to assist in road maintenance and paving. The Borough will receive an approximate State Highway Aid allocation of \$119,110 from the Commonwealth in 2023. Due to previous rollovers, our paving and road improvement budget for 2023 is \$325,000.

Water Fund

The Borough's water system undergoes routine preventative maintenance, and we ensure our water will meet or exceed the quality standards expected by our community and that are required by state regulatory agencies. The Borough maintains a capital reserve in the Water Fund for use in the event of an emergency.

Electric Fund

The Borough continues to improve its electric distribution system each year and, in 2023, the Borough will begin the process of replacing underground facilities and completing necessary upgrades to the Borough's substation. Electric improvements relating to the Main Street Revitalization Project are underway, however, supply chain issues continue to plague the electric industry and material shortages continue. The Borough is also continuing to train department personnel to provide the highest quality services to our customers. The Borough maintains a capital reserve in the Electric Fund for use in the event of an emergency. As a member of the Pennsylvania Municipal Electric Association (PMEA) and American Municipal Power (AMP), the Borough strives to ensure a reliable and viable system as we move forward.

Code Enforcement and Zoning Office

The Borough has a full-time Code Enforcement and Zoning Officer. This position is an active and important component of Zelenople's function, as the Code Enforcement and Zoning Officer is responsible for enforcing Borough ordinances such as the Property Maintenance Code, Sidewalk Ordinance, Brush Grass and Weed Ordinance, and Dangerous Building Ordinance. Additionally, this position is responsible for the issuance of zoning permits for signs, fences, sheds and presenting certificates of non-conformity. All building permits are processed through the Office of Code Enforcement and Zoning for review and inspection by the Code Enforcement Agency, a third-party contractor.

Another important function of the Code Enforcement and Zoning Officer is as Borough liaison for both the Zoning Hearing Board and Planning Commission. This includes accepting applications, coordinating meetings, and providing input on submissions before each of these boards.

The Code Enforcement and Zoning Officer has been facilitating the major land development of the Glade Run project, which is now underway. Located in the southwestern corner of Zelenople Borough, the 252-acre plot is the future development site of a 411-unit residential community. The past year has been spent evaluating the residential zoning districts to ensure that future land development will be an asset to surrounding neighborhoods.

The Sign Grant Program is instituted and administered through the Code Enforcement and Zoning Office and is marking its seventh anniversary in 2023. This program provides \$3,170 yearly to Main Street businesses for blade signs. Successful applicants receive matching grant funds up to \$500 for signage on a first-come, first-served basis. Sign Grant Program applications and guidelines are available at www.zelieboro.org.

Public Works and Infrastructure

The Borough is committed to maintaining roads and ensuring they are safe and easy to use. This includes road maintenance, signage, paving, curbs and gutters, stormwater control, and winter maintenance. Funding for these routine projects are budgeted in 2023. The department has an annual debt payment for two new trucks that were purchased in 2022.

The Borough will continue with the long-term project to systematically rebuild the curbs in parts of the Borough. This project is expensive and will require yearly funding to repair or replace curbs that are damaged.

Flooding and stormwater management is a key issue that the Borough has been working on in recent years to limit the potential damage from unexpected storms in our region. The Borough is not only working with other municipalities on a regional basis but also planning and executing local Borough projects that are intended to mitigate such damage. Additionally, the Borough is also working with property owners along our internal streams to better manage them and make them less likely to provide unintended debris that do clog our storm drain facilities.

Parks and Recreation

In 2022, Zelienople Borough hired a Parks and Recreation Director. This position oversees daily park operations, manages the community pool, and facilitates programming. Additionally, this position is responsible for expanding

community programming and offerings to better serve the Zelienople community.



The Zelienople Community Park Advisory Board of Directors serves as a volunteer board to advise the department. We will continue our efforts to interact with community members, local businesses, and various groups to encourage community involvement.

The estimated expenses and revenue for this department is \$423,533 each. The 1 mill Parks and Recreation tax is estimated at \$29,190 for 2023.

The Parks and Recreation Department purchased software and hardware to streamline the functions of the park and pool. CivicRec is a cloud-based facilities management software that has allowed the Borough to automate processes for pool memberships, facility rentals, community programming registration, and payment processing.

The Parks and Recreation Department 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. The Borough continues to be appreciative of the volunteer support. See current information on the park's website (www.myzeliepark.org), newsletter, and Facebook page.

Library

The Zelienople Area Public Library is an important part of the Zelienople community and operates modestly and efficiently. The Borough's direct millage to the Library is 1.57 mill in 2023 totaling \$45,828. Private donations are encouraged to enhance and maintain community programming.

Special Notes

Main Street Revitalization/Economic Development

Our Main Street Revitalization project continues to be a successful partnership between the private sector and the municipal government. This is an exciting project plan that will help to not only give the Borough a much-needed face lift but also provide economic stimulus to our local businesses.

Phase II of the Main Street Revitalization in the Spring Street to Beaver Street target area was estimated to be completed in 2023, but supply chain disruptions have created delays beyond the control of the Borough.

Phase III's target area, from New Castle Street north to the bridge and Four Corners Park, is in the process of planning and construction in the near future.

This continues to be a critical project for Zelenople, the business community, and our residents. Success will mean a successful business climate and a healthy community for many years to come.

Internal Technical Resources

The Borough is continuing to pursue opportunities to modify and expand its resources for technical improvements and further modernizing strategies in providing the Borough's services. The Borough now employs a Communications and Administrative Services Coordinator. This position is responsible for enhancing the Borough's communication strategies, both digitally and in print, and providing internal administrative and technical support. The Borough will continue to explore ways to increase and enhance citizen engagement.