



Managers 2016 Budget Message

Borough of Zelienople · 111 West New Castle Street · Zelienople, PA 16063 · www.zelieboro.org · (724) 452-6610

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 2016 budget total for all funds is \$10,568,932.00, which is a 2.7% increase from 2015. This is due to normal and planned cost increases that the Borough has to allow for due to important projects and needed personnel to provide services. The increased costs will be explained in the report that follows.

2016 Challenges

The 2016 fiscal year gives us challenges to address with such things as, but not limited to, the following:

- Continued infrastructure improvement such as storm water in the Borough. We have a prioritized list of areas throughout the Borough that we will address as time 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 as the new public parking lot and Main Street corridor.
- Improvement of our utility services to our present customers and allow for future growth. Specifically, new water line relocation for the PennDOT Rt. 68 bridge replacement, Glade Run development corridor also on Rt. 68, upgrade of the Clay Street electric line to serve the Main Street program, and also funds being budgeted for 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 electric utility.
- Maintaining the water and electric utility companies in a manner that is cost effective to the customer and limiting any rate increases. 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.
- 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, Zelenople 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 Zelenople

Taxation in the Borough is as follows:

- ❖ The 2016 budget is distributed as follows:
 - General Fund: 1.81 mills expected revenue is \$52,227
 - Library: 0.50 mills expected revenue is \$14,427
 - Fire Department: 2.00 mills expected revenue is \$57,709
 - Recreation for Capital Improvements: 1.00 mills expected revenue is \$28,854
 - Total 5.31 mills \$153,217
- At the time of budget preparation, each mill for the Borough is valued at approximately \$28,854 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 Zelenople.

Butler County

- ❖ Real Estate millage – 27.62 mills

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	5.31	3%
School District	119.90	78%
Butler County	<u>27.62</u>	<u>18%</u>
	152.83	

all percentages rounded

Sources of Income

Zelenople 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:

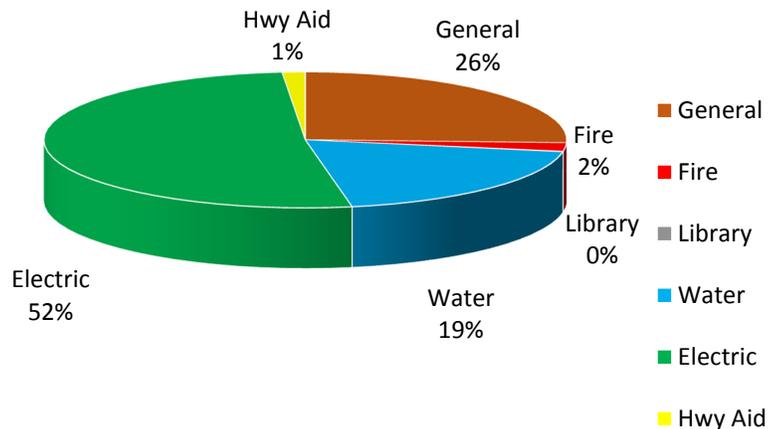
1. General	\$2,715,534	General borough operations
2. Fire	\$ 213,441	Funds from fire millage
3. Library	\$ 14,678	Funds from library millage
4. Water	\$2,038,491	Funds from water operations
5. Electric	\$5,436,788	Funds from electric operations
6. Highway Aid	\$ 150,000	Funds to assist in road maintenance

Fiscal Situation

Overview

The Borough has a strong history of prudent and frugal government spending and this has certainly been carried through into the 2016 adopted budget. In the past, the Borough had the luxury of strong reserves that were used to offset expenditures and large capital costs. However, excluding transfers of funds from the two utilities, the Borough had run a General Fund deficit from 1999 through 2006. This practice came to an end in 2007 when council action was taken to strengthen the fiscal situation through a mixture of budget reductions, revenue increases from the utility rates over time, and a strong commitment to preserving capital reserves as noted above. This policy is still being carried out in the 2016 budget year.

Borough Government Funds: Percentage of 2016 Budget



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 will have to absorb a rate increase from Beaver Falls Municipal Authority (where water is purchased), which is anticipated to be 7%. Therefore, a water rate increase of 7% is in place for 2016 to cover that cost.
- The electric utility is anticipating essentially a flat year with a nominal increase for purchased energy. Therefore, a rate increase of 1% is being applied. The fiscal demands placed on the electric utility as it pays for many other Borough services beyond the operations of the electric department are significant. Customers should remember that over the last several years the Borough only passed on approximately half of its cost increases to the customer. As anticipated, the contract for purchased power has somewhat leveled for a couple years and the Borough does not anticipate incurring any major increases in the cost of purchased energy.

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. There is always a need for continued infrastructure improvement and the Borough places a high priority on its infrastructure. Any local government or state 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 you know health care continues to be a challenge in the United States. 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 in 2016 have shown a decrease of 3% over 2015 costs.

Pension

Pension obligations continue to be a very costly, but required expenditure 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 seeking ways to better the pension investment program in what has been a marginal 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. In addition, staff will also monitor and make recommendations for any possible improvements that can be made to lower the municipal share of pension costs coming from the General Fund. The Borough will continue to do due diligence regarding our pension funds and investment performance.

Risk Management

The Borough has been very successful in managing its insurance programs to protect all facilities and equipment 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 our 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

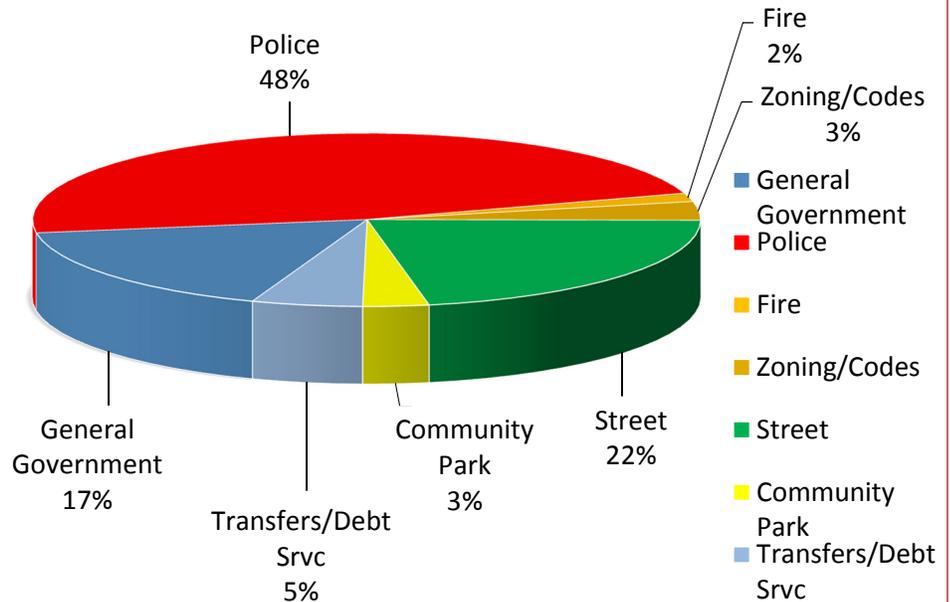
This account has remained stable with little change. The Borough has upgraded the Zoning & Codes position to full time to better serve the public. Also, grant management is a key to our funding sources and this continues to be a significant asset to our Borough.

Police & Public Safety

The Borough of Zelenople 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, 2013 and will continue through December 31, 2016. Our intention is to enter into negotiations with the bargaining unit and arrive at an equitable agreement that will continue containing costs while maintaining excellent police services in Zelenople for an additional set of years to come.

Borough Government Funds: 2016 General Fund Expense Detail



Police services are usually the most expensive part of a municipal budget and this is true for our Borough as well. This is not meant to be a negative comment, but rather a fact of life in providing this critical and necessary service to our citizens. This was driven primarily by contractual obligations such as wage increases, overtime costs, health insurance and pension increases.

- Our police department fleet is maintained very well, but the cars do age. We are able to replace the entire fleet on a regular four-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 agreed to an extension of a fair and reasonable contract with Harmony Borough to maintain police services to Harmony residents through a contract for services with the Zelenople Borough Police Department. A police services contract has been in effect for more than 35 years and insures it through 2019.

Fire

The Zelenople Fire Department has successfully merged with the Harmony Fire Company to create a four (4) municipal regional fire service to better serve the community. The merger was completed in December 2015 and is now fully operational for 2016. 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 new Harmony Area Fire District will now be funded through Jackson and Lancaster Townships as well as Zelenople and Harmony Boroughs. It remains to be a volunteer fire company, that is well run and is a very real asset to our community.

Emergency Management Agency

The Emergency Management Agency (EMA) is a joint project between the Boroughs of Zelenople and Harmony. Both Boroughs 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 both

Zelienople and Harmony 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 groups 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 is working to merge this agency with other regional assets to better serve the community as a whole.

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 the 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.

Roads & Streets

The Borough does all it can to maintain roads and streets so that they are safe and easy to use. This includes road maintenance, signage, paving, curbs, 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 Borough makes every effort to insure that citizens of the Borough enjoy quality parks and recreation as best as the Borough can provide. The primary recreational facility is the Community Park, which became the responsibility of the Borough in 2004 and is operated in tandem with the Community Park Association Board. Currently, we are funding the park in excess of \$75,000 per year in funds and in-kind services provided by Borough employees. These resources have been used to improve the infrastructure of the park as well as assisting in program operations.

The Borough council and Borough administration have been very concerned as to the long-term viability of the park and what it can provide to our citizens. In order to plan for the future, Zelienople completed a comprehensive Master Plan and Feasibility Study in late 2008 which were designed to plan for the improvement of the Community Park facilities and to determine the viability of the Community Park Pool in the future. We have been implementing this Master Plan in stages as funds become available. We will continue to develop this extraordinary outline for the Borough's Community Park, through grant opportunities, Zelienople government funding, regional funding as well as private donations from groups and individuals.

Borough Council has agreed to put in place a 1 mill real estate tax for funding Capital improvements for recreation use. This is not an increase in taxes, rather the 1 mill decrease from the Fire Fund is moved to this purpose and amounts to an estimated \$28,854 for 2016.

Currently there is a plan to rebuild the pool to better serve the public through the summer months. The fund raising and planning of this new state of the art facility is underway. Funding is being sought to make this reality happen with the next two years. The funds from the tax revenue will be used to offset any debt service or capital costs.

Plans are also underway for a skate park to be built at the Community Park adjacent to the pool area as noted in the Master Plan. Keep an eye out on the Borough website for additional information on this exciting new addition as it is being planned and funded through private contributions and public dollars.

2015-2016 has also seen an improved recreations programming component. Through funding from the Borough Council, a park programming person is on staff of the Park Board to plan for recreational activities in the Borough. See the published park and recreation booklet for new offerings in 2016.

Community Park is a very exciting and challenging long-range project that will require cooperation between all entities that benefit from the resources the park has to offer. In addition, the park functions through the efforts of many dedicated volunteers including the park board. The Borough is very grateful for this volunteer support.

Library

The library continues to be an important part of the Zelienople 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. Like the Community Park, it is suggested that the Borough and the Library Board develop entrepreneurial ideas for alternative funding sources. In the meantime, Zelienople Borough is committed to the library's operation and this budget maintains operational financial support to the library in 2016. This is funded through direct 2016 real estate budgeted tax dollars of \$14,678 and additional budgeted Borough support of \$21,322 from the General Fund.

Zoning & Codes Office

The Borough continues to seek to improve the comprehensive plan and make necessary revisions of its Zoning Ordinance passed in 2014. This is always an extensive and time consuming undertaking and requires zoning and codes resources, in terms of staff time, engineer, and effort by our Planning Commission to complete what is needed in a timely manner.

The Zoning and Codes officer position was increased to full time in 2015 because the Borough needed that additional time and expertise to provide these needed services. I can assure all that the position will be used to the fullest for our zoning and codes needs, including an increased effort on code enforcement concerns.

Fire Fund

The Fire Department is running extremely well and there are no foreseen problems in the coming year. The new Harmony Area Fire District, which is a result of the recent merger, will receive the revenue from this fund as prescribed by Council. The 2016 budget reflects a decrease in tax rate from 3 mills to 2 mills 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 \$112,288 in 2016. The Borough has also reserved past funds in order to be able to do larger projects in future years. This year the total fund allocation is \$150,000 and will be used for paving and related work.

Water Fund

The Borough continues to improve and maintain its extensive water system. Through recent projects this system has newly built components to better serve the community with fresh, clean, and safe drinking water.

Recently completed projects in 2015-16 offer an improvement of our utility services to our present and future customers. Specifically new water line replacement for customers on South Main Street (Rt. 19) and a line relocation for the State Route 68 bridge replacement.

In 2016, upgrades to Market Street waterlines and fire hydrants will be completed.

We will also continue with our meter replacement program in order to insure that our billings are accurate.

Electric Fund

The Borough continues to improve its electric utility system. 2016 will bring upgrades to the Clay Street corridor to provide electric service to the Main Street Revitalization Project and the Municipal Parking Lot Project. The Borough will begin replacing its aging street lights with more efficient LED lightning. The Borough is also continuing to staff and train the personnel in that department so we can be effective and responsive to our customers.

Special Notes

1. **Main Street Revitalization/Economic Development** – Historically, the Borough has not been formally involved in economic development activities. However, true economic development success requires a real partnership between the private sector and the municipal government.

The joint work between the Borough and the private sector represented by the Main Street Revitalization Committee has been very successful to plan, promote, seek funding, and implement 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.

This plan is in three major phases with Phase I including: 1) the renovation of the Main Street corridor from New Castle Street to Spring Street, 2) the complete renovation of the Kaufmann House to a new restaurant and a new boutique hotel, 3) the construction of a much needed major public parking facility to serve the business community.

Through the acquisition of major funding grants such as the \$3 million Redevelopment Assistance Capital Program (RACP) Grant and significant local government funding and private contributions, Phase I of this historic project has begun. The new municipal parking lot is expected to be completed in the fall of 2016 and the Kaufman House construction slated to begin in the summer of 2016 with completion within one year. The Main Street streetscape portion will be out for bid in the fall of 2016 with construction beginning in early 2017.

Phase II & III are in the planning stages and will include the renovation of the Four Corner Park area and extend the Main Street corridor plan both north and south of the Phase I limits.

This is a critical project for Zelenople, the business community and our residents. Success will mean a healthy and successful business climate in our community for many years to come. Paramount is job retention and job creation which is a primary goal of these projects. Please participate in this effort as best you can and support the Borough government and the Main Street Revitalization Committee, Inc. that has been created to make this plan happen.

2. **Zelenople Airport** - In addition to the other capital improvements, although not a direct Borough function, the Zelenople Airport is going through extreme changes. Old hangars have been demolished and replaced with new ones that have doubled the original hangar capacity. Over 30 acres of new aprons and roads have been paved. One of the exciting things about the airport upgrades is they are being accomplished with public-private funding, do not consume local tax dollars, epitomize the concept of user-funding and as a business, the airport has no debt! During 2016, planning and additional land acquisitions will be completed which provide safety features at the airport as well as for Route 288 and hopefully, construction in 2017. The community benefits from these activities include a stimulus for creating jobs, housing, and supporting new businesses. Also there is growing potential for additional recreational and environmental activities.
3. **Internal Technical Resources** – The Borough will continue to modify and expand its resources for technical improvements and use of modern resources in providing 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 also include upgrades in Cyber Security, disaster recovery, credit/debit card usage for utility, and other government payments, and improve use of social media to better serve our citizens.