



Managers 2017 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 2017 budget total for all funds is \$10,978,939, which is a .96% increase (less than 1%) from 2016. 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.

2017 Challenges

The 2017 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 timing allows. Specifically we will begin in the area north of the Community Park Pool and work down that 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
- 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 2017 budget is distributed as follows:
 - General Fund: 1.81 mills expected revenue is \$52,579
 - Library: 0.50 mills expected revenue is \$14,524
 - Fire Department: 2.00 mills expected revenue is \$58,098
 - Recreation for Capital Improvements: 1.00 mills expected revenue is \$29,049

Total	5.31 mills	\$154,250
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- At the time of budget preparation, each mill for the Borough is valued at approximately \$29,049 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.

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	123.0	79%
Butler County	27.62	18%
	155.93	

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 ensure 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	\$3,081,740	General Borough operations
2. Fire	\$ 59,344	Funds from fire tax millage (distributed to Fire District)
3. Library	\$ 14,781	Funds from library tax millage (distributed to Library)
4. Water	\$2,068,920	Funds from water operations
5. Electric	\$5,479,154	Funds from electric operations
6. Highway Aid	\$ 275,000	State Funds to assist in road maintenance

Fiscal Situation

Overview

The Borough has had a strong history of prudent and frugal government spending. In the past, the Borough had the luxury of strong reserves that were used to offset 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 and residents, 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 reserve funds of the Borough in order to keep the projects moving forward. It is anticipated, however, that these reserves will continue to be replenished once the grant revenues are received.

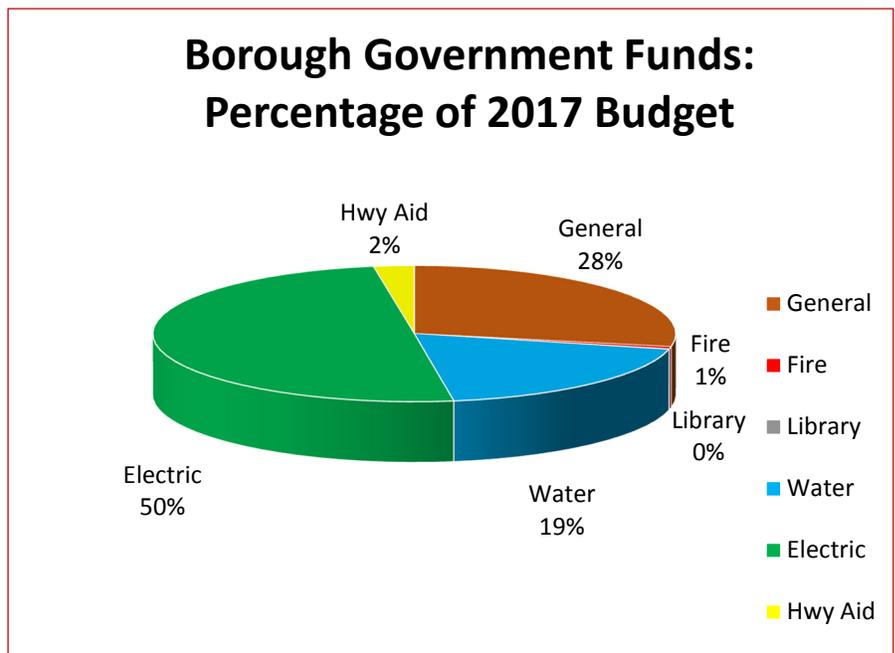
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Utilities

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 absorb any additional costs from Beaver Falls Municipal Authority (where water is purchased), so there is no anticipated increase for 2017.
- The electric utility is anticipating essentially a relatively flat year with a small increase for purchased energy. Therefore a rate increase of 3% is being applied. 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 over the last 5 years. However due to real costs in service, our 2017 increase is 5% over the 2016 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 public/borough cost portion without decreasing the pension commitment to its employees, but also seeks ways to better the pension investment program. 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 and equipment as well as provide the necessary coverage for the Borough and 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 Zellenople Borough for many years. Due to the reliance on the 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.

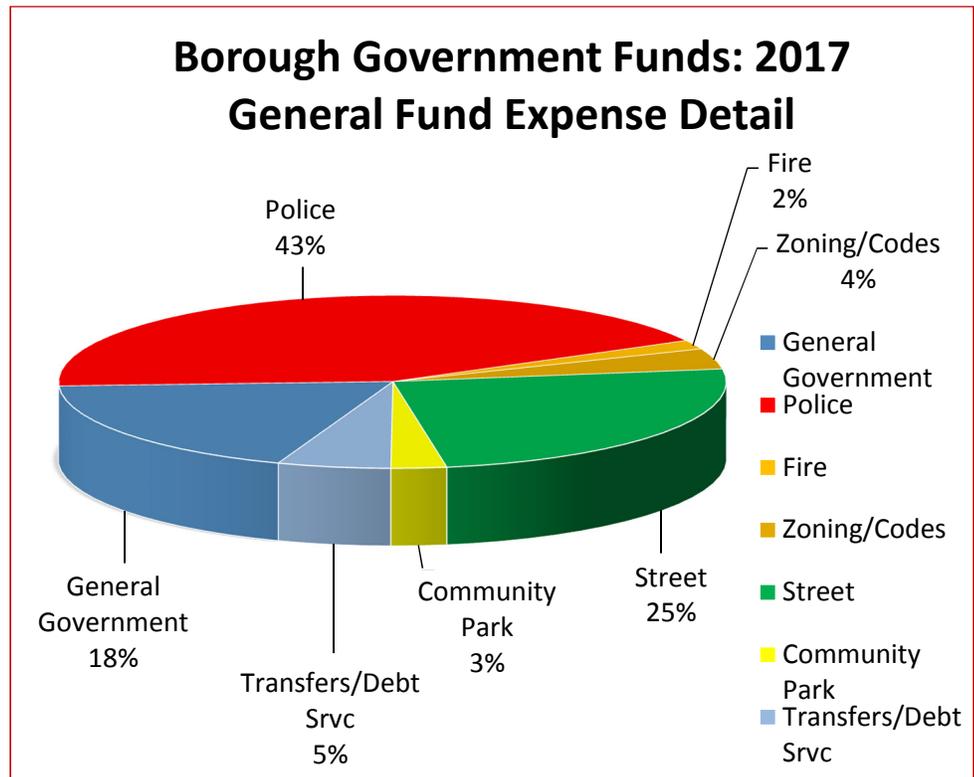
Police & Public Safety

The Borough of Zellenople 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 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 Zelienople for years to come.

- Our police department fleet is well maintained, but the cars do age. While not always financially feasible, the goal is 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 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 successfully merged with the Harmony Fire Company to create a four (4) 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 by 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 very real asset to our community.

Emergency Management Agency

The Emergency Management Agency (EMA) has been 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 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 so we encourage you to insure your information is current.

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, curb, 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 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 \$82,000 per year in both monetary funding 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 1 mill Parks & Recreation tax is estimated at \$29,049 for 2017.

In order to plan for the future, Zelenople 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, Zelenople government funding, regional funding as well as private donations from groups and individuals.

The fund raising and planning of the new state of the art pool facility is currently 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 associated with this project.

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

We will continue to grow our recreational programming throughout the 2017 season. A full time park manager has been hired to oversee the daily operations of the park. We have also acquired a programming assistant from Jackson Township. The goal is to enhance the current programming as well as to add some new items. See the published park and recreation booklet for new offerings in 2017.

The 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 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. Like the Community Park, it is suggested that the Borough and the library board develop entrepreneurial ideas for alternative funding sources. In the meantime, Zelenople Borough is committed to the library's operation and this budget maintains operational financial support to the library in 2017. This is funded through direct 2017 real estate budgeted tax dollars of \$14,781 and additional budgeted Borough support of \$21,219 from the General Fund.

Zoning & Codes Office

A full time Code Enforcement and Zoning Officer position was created in 2015. As a result, code enforcement efforts have increased. In 2017, the 2015 International Property Maintenance Code will be 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. This project is in partnership with the Zelienople Historical Society. Requests for proposals have been requested and it is anticipated a consultant will be selected in May, 2017. This document will be completed in April 2018, and become an integral part of the Comprehensive Plan update for the Borough of Zelienople. Through this year long process, input will be sought from the public through open forums and meeting to develop a historic preservation plan.

Fire Fund

The Fire Department is running extremely well and there are no foreseen problems in the coming year. The Harmony Area Fire District, which is a result of the recent merger, will receive the revenue from this fund as prescribed by Council. The 2017 budget reflects a tax rate of 2 mills which was reduced from 3 mill 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 \$118,078 in 2017. The Borough has also reserved past funds in order to be able to do larger projects in future years.

Water Fund

The Borough continues to improve and maintain its extensive water system. Through recent extensive projects completed several years ago, this system has newly built components to better serve the community with fresh, clean and safe drinking water. The Borough strives to keep up with routine maintenance to ensure the viability of the system remains for future years.

Electric Fund

The Borough continues to improve its electric utility system. In 2016, upgrades along Clay Street were provided and in 2017 plans will be underway for electric improvements relating to the Main Street Revitalization Project. 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** – 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 implementation of a very aggressive and comprehensive plan for the revitalization of the Borough of Zelienople. 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, this plan has 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 Kaufman House to a new restaurant, 3) the construction of a much needed major public parking facility to serve the business community. The Main Street streetscape portion will begin construction in summer of 2017 with completion expected by early 2018. The Kaufman House renovation will begin shortly with the completion expected within one year. The parking lot is near completion and will formally open in spring of 2017.

This work is being done through a number of major funding grants such as the \$3 million Redevelopment Assistance Capital Program (RACP) Grant and significant local government funding and private contributions.

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 Zelienople, 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. Zelienople Airport** -In addition to the other capital improvements, although not a direct Borough function, the Zelienople Airport is going through exciting 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 2017, 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 2018. 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 the Borough's services. For example, we will continue to make use of the Geographic Information System (GIS) for all aspects of the Borough's operations and plans are underway to revamp the Borough's website, zelieboro.org to provide an updated look and easy accessibility and navigability. The redesigned website will be mobile-friendly and will include all the information contained on the existing site, including news, calendar, minutes, and agendas, in addition to interactive features and the ability for Borough staff to easily provide current information to the public.

We will also include upgrades in cyber security, disaster recovery, credit/debit card usage for utility payments and improve use of social media to better serve our citizens.
- 4. Public Works Facility** – the Borough has acquired the former Fire Department property on Beaver Street (Rt. 68) to house its three public works functions, Road, Electric and Water and will no longer use the outdated former sights for these functions. This will consolidate personnel, parts storage, salt storage, overhead costs, and give better ability to provide safe protection to all Borough equipment. The savings from this decision will be realized over the years.