



Managers 2019 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 2019 budget total for all funds is \$10,909,697, which is a 1.48 % increase from 2018. 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.

2019 Challenges

The 2019 fiscal year gives us challenges to address with such things as, but not limited to, the following:

- Infrastructure improvements for storm water management in the Borough. We have prioritized the areas throughout the Borough that we will address as resources allow. We began in the area north of the Community Park Pool and will work down that creek bed corridor through residential areas ending near the Sportsman's Park Lake. This is to help protect homes and businesses from flooding during heavy storms.
- We are also a partner in a regional study to reduce flooding from the Connoquenessing Creek.
- Need to fund necessary equipment purchases /leases to maintain services.
- Significant contributions to continue the Main Street Revitalization program.
- 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 and implementing improvements in the delivery of utility services in the Borough. This will include advanced metering infrastructure technology to give customers the tools to better conserve and manage their utility usage as well as to ensure the Borough is efficiently managing its utilities and reducing man hours needed to maintain metering infrastructure.
- Complete implementation of Phase I of the Main Street revitalization project; Kaufman House reopening, Town Center Parking lot and identified Main Street corridor.
- Beginning the Main Street Corridor portion in Phase II of Revitalization.
- 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.

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. While the Borough is largely developed, there are some development and ample redevelopment opportunities within the Borough.

TABLE OF CONTENTS

| | |
|--------------------------|-----|
| Intro & General Comments | 1 |
| 2019 Challenges | 1 |
| Demographics | 1 |
| Taxes | 2 |
| Sources of Income | 2 |
| Fund Structure | 3 |
| Financial Situation | 3-8 |
| Special Notes | 8 |

Taxes

Borough of Zelienople

Taxation in the Borough is as follows:

❖ The 2019 budget is distributed as follows:

- General Fund: 1.81 mills expected revenue is \$52,767
- Library: 1.00 mills expected revenue is \$29,153
- Fire Department: 2.00 mills expected revenue is \$58,306
- Recreation for Capital Improvements: 1.00 mills expected revenue is \$29,153

| | | |
|-------|------------|-----------|
| | 5.81 mills | \$169,379 |
| Total | | |

- At the time of budget preparation, each mill for the Borough is valued at approximately \$29,153 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. These forms are available at the Borough office.
- ❖ 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

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 (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 fee revenues were generally modest in the past, as 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 | \$2,921,868 | General Borough operations |
| 2. Fire | \$ 59,550 | Funds from fire tax millage – (distributed to Fire District) |
| 3. Library | \$ 29,434 | Funds from library tax millage |
| 4. Water | \$2,136,806 | Funds from water operations |
| 5. Electric | \$5,612,039 | Funds from electric operations |
| 6. Highway Aid | \$ 150,000 | 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.

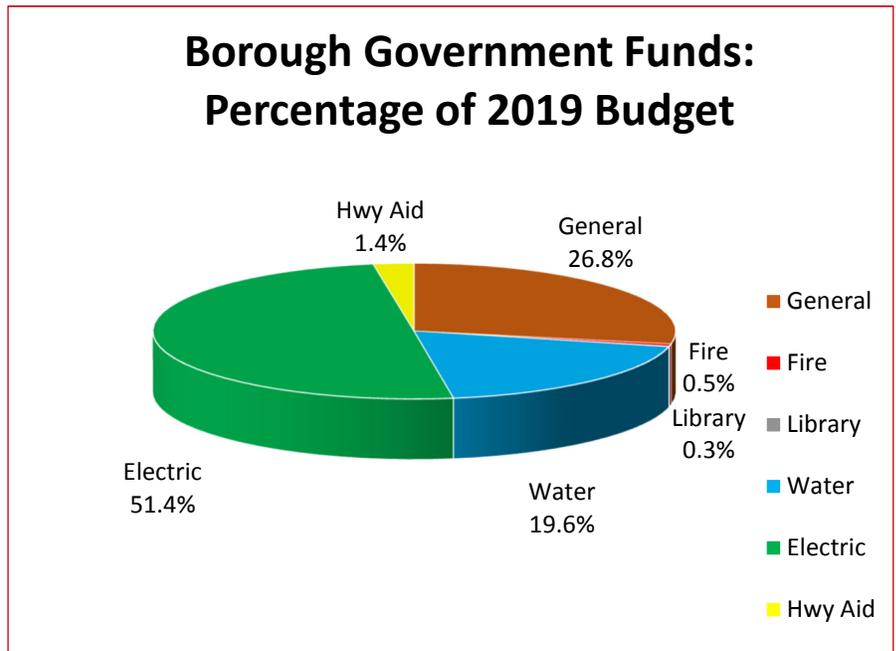
The Borough, in conjunction with the local business community, has undertaken a multi-phase, multi-year Main Street

Revitalization project in order 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. While there has been a significant amount of local funds in both projects, the Borough has been awarded multiple grants for both ventures, with 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 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 fair as well as covering the costs associated with the utilities.

- The water utility is expecting a small cost increase from its water supplier, Beaver Falls Municipal Authority. This will likely equal between a three to four percent increase.
- The electric utility is anticipating no increase for purchased energy costs. A rate increase of approximately three percent is expected for capital projects in the General Fund. 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.

- The Borough is updating its electric rate structure in order to give the customer a better understanding of their electric bill. On future utility bills, the customer's utility bill will show a breakdown of the charges, so the customer can see how the cost of electric is calculated. The power charge denoted on the bill is the actual cost of electric, the administrative charge noted is the marginal overhead for the utility, and the distribution and operations charge will represent the cost to maintain the distribution system as well as the transfers to the General Fund (tax-offset) costs needed to cover the costs in the General Fund.

Capital Investments – Capital Improvement Plan

Perhaps the most 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 always create financial hardships for future generations. Therefore, the Borough maintains a Capital Improvement Plan (CIP), which outlines the capital needs, particularly infrastructure, of the Borough projected for the next five (5) years in order to address such concerns. This plan is continually updated each year with the annual budget.

Health Care

Health Care continues to be a challenge but planning for a low cost and effective coverage has been successful with 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. The costs for 2019 are essentially the same from 2018.

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 in recent history. 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, essentially tax-offsets, 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.

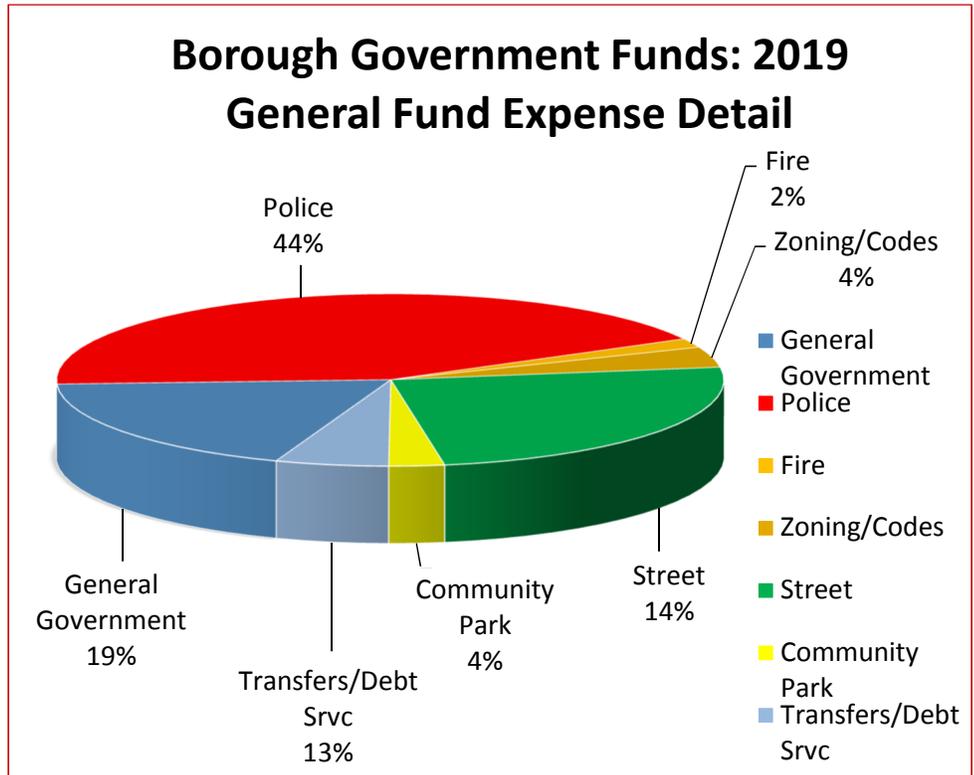
Administration

Administrative oversight is key to success in any venture and we do so with an eye to limiting costs. The Borough has consolidated its Public Works functions of Street, Water and Electric under one public works director to better serve the public. 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 additional years to come.



- New police cruisers were purchased in 2018, so there will be an annual debt payment for the three new cruisers over the next few years.
- We continue to seek ways to keep our department well maintained and supplied with equipment and technology for the officers.
- 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 provides services through 2019.

Fire

In December of 2015, the Zelienople Fire Department has 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 occur in the future.

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 very real asset to our community.

Emergency Management Agency

The Emergency Management Agency (EMA), is a joint regional entity/ project between the Boroughs of Zelienople and Harmony, as well as the Townships of Jackson and Lancaster. We strive to always improve the method to provide Emergency Management to 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 ensure your information is current.

Roads & Streets

The Borough is committed to maintain 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 Zelienople Borough Council, along with the Community Park Association, work together to ensure that the citizens in Zelienople and the surrounding communities are provided with quality parks and recreational programs. The primary recreation facility is The Zelienople Community Park, which became the responsibility of the Borough in 2004. Currently, we are funding the park in excess of \$118,846.00 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 \$29,153 for 2019.

A comprehensive Master Plan and Feasibility Study was completed in 2008 to improve the Zelienople Community Park facilities. This plan is being implemented in stages as funding becomes available. This plan will continue to develop grant opportunities, Zelienople government funding, regional funding, and private donations from groups and individuals. Construction of the new pool began in 2018 and is slated to be open May of 2019. Fundraising and planning continue for the new skate park that is to begin in July of 2019 and completed by spring of 2020.

The full-time Park and Pool Manager continues to oversee daily park operations, facilitate programming, and interact with community members, local businesses, and various groups to encourage community involvement.

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. See current information on the park's webpage at www.myzeliepark.org, newsletter, and Facebook page.

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. The Borough increased millage to the Library from ½ mill to 1 mill in 2018 in order to assist with the Library's services. Zelienople Borough is committed to the library's operation and this budget maintains operational financial support to the library in 2019. This is funded through direct 2019 real estate budgeted tax dollars of \$ 29,434.

Zoning & Codes Office

A full time Code Enforcement and Zoning Officer position was created in 2015 resulting in increased and successful code enforcement efforts. Last year the 2015 International Property Maintenance Code was adopted, and of the 67 occupiable commercial properties on Main Street, 24 units were identified with violations and were reduced successfully to reduce the total units with violations by 9 units. The work on buildings in the Main Street Commercial Revitalization, the New Castle to Spring Street phase, were delayed until construction work was completed in that block. Efforts will begin again in 2019, with hopes of eliminating the violations in the final 9 units.

A Ground Level Vacant Property Ordinance was passed to address some properties on Main Street that have long term vacancy that are without any real estate signs to actively market these properties. Those properties present a poor appearance for Main Street, both in their lackluster property maintenance efforts and visible signs of private disinvestment. Property owners are required to register these properties and provide a professionally produced real estate sign, prominently displayed to promote the vacant space for sale and/or for lease, and a contact phone number for information and showings.

The Sign Grant Program began with three Main Street businesses receiving Sign Grants of \$500.00 each, including: Shoetique, 117 South Main Street; Ooh and Aah Designs, 133 South Main Street; and the Strand Theater Café, 119 North Main Street. Please review the Grant Program Guidelines and Applications at www.zelieboro.org, take a look as this could be your year to enhance your existing signage!

A very important function of the Code Enforcement and Zoning Officer is the role of 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.

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 2019 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 Harmony Area Fire District will continue to include facility and vehicle replacement options in order to serve the Borough, its citizens as well as the surrounding municipalities in the district in the best way possible for fire protection services. In the meantime, vehicle replacement options and up-grades will continue to be reviewed to keep units current and maintain our ISO rating. 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. You are encouraged to volunteer to this excellent service.

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 \$126,012 from the Commonwealth in 2019.

Water Fund

The Borough will apply for small water system improvement grants as they are available, which will be used to improve the distribution system and allow for additional water quality monitoring points with flushing capabilities. The Borough has also 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 2019, electric improvements relating to the Main Street Revitalization Project will continue. The Borough is also continuing to staff and train the personnel in that department so we can be effective and responsive to our customers. Advanced metering infrastructure will be implemented in both water and electric utilities as the Borough strives 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 (Explore Zelig at www.zelienoplerevitalization.org) 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 Zelig. 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, three major pieces of Phase I including: 1) the renovation of the Main Street Streetscape corridor from New Castle Street to Spring Street is nearing completion 2) the complete renovation of the Kaufmann House to a new restaurant is expected to open this summer and 3) the construction of a much needed major public parking facility to serve the business community is open for use.

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 St. to Beaver St.) & III (from New Castle Street to Four Corner Park area) are in the planning stages and will include the renovation of the and extend the Main Street corridor plan both north and south of the Phase I limits. Phase II design is currently ready to go to bid and should begin construction in 2019.

This is a critical project for Zelig, 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. **Zelig Airport** -In addition to the other capital improvements, although not a direct Borough function, the Zelig Airport is going through improvements that impact the community. New hangars have been built doubling capacity. Over 30 acres of new aprons and roads have been paved. Projects in 2019 include: the work to prepare for 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 plan for the future development and 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.