

# Managers 2015 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, 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 2015 budget total for all funds is \$10,291,190.00, which is a 6.1% increase from 2014. This is due to normal and planned cost increases that the borough has to allow for both in projects and personnel. The increased costs will be shown in the report that follows.

## 2015 Challenges

The 2015 fiscal year gave us challenges to address with such things as, but not limited to, the following:

- Continued infrastructure improvement such as storm water and bridges. Specifically the Green Lane Bridge and Market Street Bridge replacements.
- Improvement of our utility services to our present and future customers. Specifically new water line relocation for the Penn Dot Rt. 68 bridge replacement and Market Street.
- Need to fund necessary equipment purchases
- Annual payment for police cruisers
- Annual payment for dump/plow truck
- 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. 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.
- Improvements in the delivery of utility services in the borough including needed rules and regulations changes.
- 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

## 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.

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- The Borough Planning Commission and Borough Council completed the review of proposed changes to the Subdivision & Land Use and Zoning Ordinances to insure a positive experience for the borough for years to come.

## Taxes

### Borough of Zelienople

Taxation in the borough is as follows:

- ❖ The 2015 budget is distributed as follows:
  - General Fund – 1.81 mills expected revenue is \$52,325
  - Library – 0.50 mills expected revenue is -\$14,454
  - Fire Department – 3.00 mills expected revenue is \$86,726
  - Total 5.31 mills \$153,505
- Each mill for the Borough is valued at approximately \$28,921 per the Butler County Assessment Office.
- ❖ 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. No change is proposed.
- ❖ Earned Income is assessed on all residents at ½ % of annual income. No change is proposed.
- ❖ Real Estate Transfers are ½ % for all real estate transactions. No change is proposed.
- ❖ Local Services Tax is \$52 on all individuals who work in Zelienople. No change is proposed.

### Butler County

- ❖ Real Estate millage – 24.62 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	4%
School District	116.45	80%
Butler County	<u>24.62</u>	<u>17%</u>
	146.38	100%

\*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. The borough has to maintain fee levels to be in line with real costs. 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. We will continue to do so in 2015.

## Fund Structure

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

1. General	\$2,726,997	General borough operations
2. Fire	\$ 161,842	Funds from fire millage
3. Library	\$ 14,679	Funds from library millage
4. Water	\$2,033,306	Funds for water operations
5. Electric	\$5,188,783	Funds for electric operations
6. Highway Aid	\$ 165,583	Funds to assist in road maintenance

## Fiscal Situation

### Overview

The borough has had a strong history of prudent and frugal government spending and this has certainly been carried through into the 2015 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 renewing the capital reserves as noted above. This policy is still being carried out in the 2015 budget year.

### Utilities

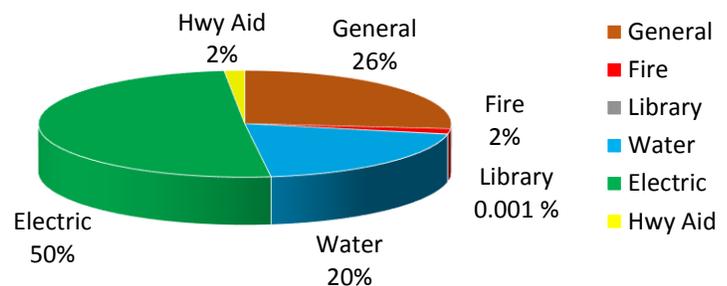
Each year the borough completes internal financial and economic reports prepared as well as external audit reports that help the Council make decisions relative to the operations of the water and electric utilities. The results of these reports have an impact on both decisions to improve operating efficiencies 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 4%. Therefore a water rate increase of 4% is in place for 2015 to cover that cost.
- The electric utility will have to absorb a rate increase for purchased energy, which is anticipated to be approximately 7.7%. The fiscal demands placed on the electric utility, being it pays for many other Borough services beyond electric costs, are significant and the Borough can no longer pass on a fraction of the increase as it has done historically. Therefore, a proposed rate increase of 7.7% is in place for 2015. Customers should remember that over the last several years the Borough only passed on approximately half of its cost increases to the customer. However, given upcoming fiscal demands and the need for project funding outside of the electric operation, that was not an option in budget year 2015. Yet, in light of the current increase, the contract for purchased power will plateau for the next couple years and the borough will not be 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

### Borough Government Funds: Percentage of 2015 Budget



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**

Health care has gone through significant changes in our country over the last few years. Planning and providing health care for the borough has been a challenge that has been met through our affiliation with the Municipal Benefits Services (MBS) formally the Municipal Employees Insurance Trust (MEIT) through which the borough participates in a pool for health care and other related services. Our costs for health care in 2015 have shown a decrease of 3.1% over 2014 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 public/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 volatile investment market in our nation. The Employee Pension Advisory Committee that was established in 2011 and the Council Finance Committee are charged with providing recommendations to Council concerning the pension programs currently in place. 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 also undergo a pension investment review 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, equipment as well as provide the necessary coverage for the borough and the fire company. 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 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.

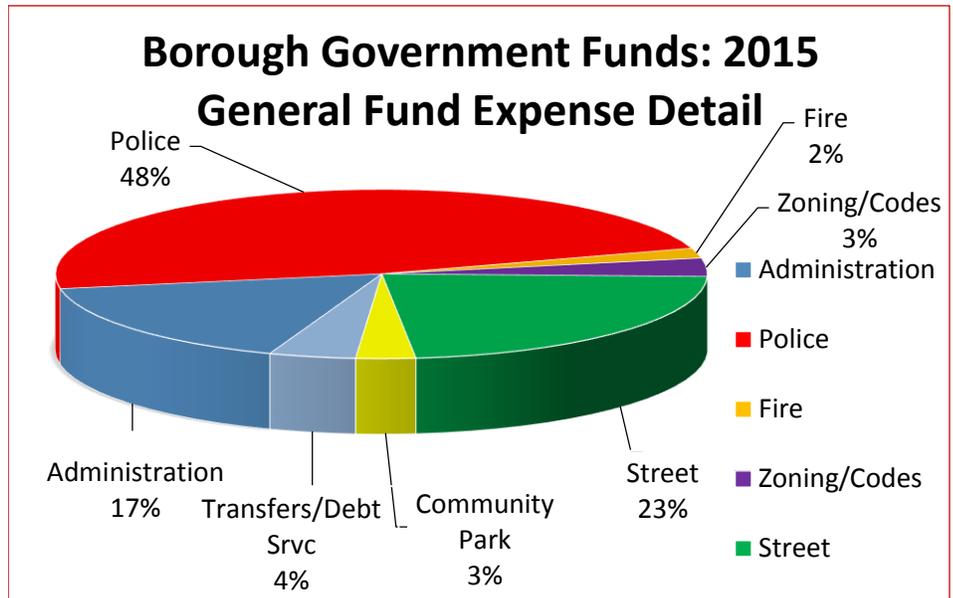
### **Administration**

This account has remained stable with little change. There is one change in the make up of the staffing for this department to include the funding of a public works director which is a position that the borough has been

considering for many years. This position is funded in General, Water and Electric Funds. Included are needed building repairs and improvements as well funding for the borough's 175<sup>th</sup> Anniversary event.

### **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, 2013 and will continue through December 31, 2016. It is a fair and just contract that benefits both the police force and the borough to insure public safety. Our intention has been 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. The borough and the Police Bargaining Unit negotiated in good faith through 2012 and agreed on this contract without having to go through any arbitration actions. Steps will be taken in 2015 to prepare for a new contract that will begin in 2017.

Historically, 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. The current Collective Bargaining Agreement greatly improved cost savings on the part of both labor and management.

Specifically:

- The borough has been able to continue to provide needed police protection and also lower overtime costs, through the use of part-time officers and through creative and effective shift schedules for the full time officers. This will continue in 2015.
- 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.
- The police department evaluated its parking meter enforcement effort in 2014 and changes in operation will be seen in 2015. There are funds budgeted to improve hardware and enforcement borough wide.
- 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 Zelienople Borough Police Department. A police services contract has been in effect for more than 35 years and insures it through 2019.

### **Fire**

The Fire Department continues to be funded through a combination of direct public tax dollars, Borough General Fund, State funding and private donations. Even though the Zelienople Fire Department is a volunteer fire company, the borough has taken the position of it being critical to the health and welfare of borough residents and businesses. Therefore, the borough goes beyond the typical borough/fire department relationship in that the Fire Department is a quasi-government department where funding, time and effort are blended to assist the fire company in doing their job. The Fire Department is well run and is a very real asset to the borough. The department is also in the process of

a merger with the Harmony Fire Company to create a regional fire service to better serve the community. Their plans are to have this merger completed for 2016. All final changes in location and buildings will take longer to have in place

### **Emergency Management Agency**

The Emergency Management Agency (EMA) is a joint project between the Boroughs of Zelienople 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 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.

Note that the borough put into place an emergency notification system in 2010 and it is continually improved and upgraded each year. This allows for us to 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.

### **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 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 the storm water situation in parts of town. This has included the bridge replacement on Green Lane in 2014 and a joint project with Butler County for the replacement of the Market St. Bridge to be completed in 2015. 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. To this end, we have significantly improved infrastructure at the Community Park in the past seven years as it can be afforded.

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.

The pool has undergone changes to better serve the public through the summer months. Stop by to take a look at what it has to offer and consider becoming a member. There is also an effort underway to replace the pool with a new up to date facility. Funding is being sought to make this reality happen with the next three years.

Plans are underway for a skate park to be built near the pool. 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.

2014-15 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 offerings in 2015.

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 is operating 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 2015. This is funded through direct 2015 real estate budgeted tax dollars of \$14,679 and additional budgeted borough support of \$19,485 from the General Fund.

### **Zoning & Codes Office**

The borough completed a comprehensive revision of its Zoning Ordinance in 2014. This has been a very extensive and time consuming undertaking and required all of our zoning and codes resources, in terms of staff time, engineer and consultant time and effort by our Planning Commission and Zoning Hearing Board, to complete this 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. Efforts for the merger of the Zelienople and Harmony Fire Departments is continuing with completion expected in early 2016. Any such plan will certainly 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 anticipated State Highway Aid allocation of \$95,553 in 2015. The borough has also reserved past funds in order to be able to do larger projects in future years. This year our total fund allocation is \$165,583 and will be used for paving and related work for the Market Street bridge project.

### **Water Fund**

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

Recently completed projects in 2014-15 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.

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. Work was done in 2014 to improve distribution routes in both the Rosewood and Timberbrook. The borough is planning for replacement of underground electric cable in these locations over the next few years. Funds in 2015 include utility relocation for the Route 68 bridge replacement as well. The borough is also continuing to staff and train the personnel in that department so we can be effective and responsive to our customers.

### **Sinking Fund A**

This includes payment of principal and interest for the 2012 Series A bonds. This covers General Fund and Fire Debt. This does not include debt service related to the Water Fund.

### **Special Notes**

**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.

As I am sure you have heard the borough, along with the private sector represented by the Main Street Revitalization Committee, has done extensive work to plan, promote, seek funding and implementation of a very aggressive and comprehensive plan for the revitalization of the Borough of Zeligople. This is an exciting 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 two phases with the Phase I underway. Through the acquisition of major funding grants such as the \$3 million RCAP Grant and significant local government funding and private contributions, Phase I has begun. Ground breaking on this historic project is expected to begin in the fall of 2015 with construction slated for early 2016. Phase I includes: 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. Phase II is 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 Zeligople, 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.

In addition, although not a direct borough function, the Zeligople Airport is currently in a major construction project which will ultimately replace the entire airport hangar facilities and make the airport a first class facility for aviation in the region. In turn this is expected to generate an increase in revenues and jobs in the future.

**Internal Technical Resources** – The borough will continue to modify and expand its resources for technical improvements and use of modern resources in providing the borough's services. For example, we will continue to be a leader in local government use of the Geographic Information System (GIS) for all aspects of the borough's operations and will continue to refine our website as a primary tool for distributing accurate information to the public.

The borough's technical resources to use technology to better operate our administrative staff work, department functions and elected official responsibilities. 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.