



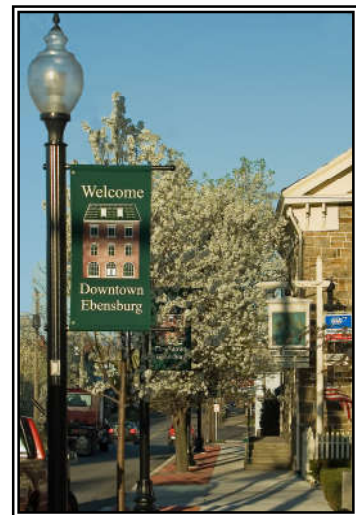
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October 23, 2017

Mayor Datsko and Members of Borough Council:

The 2018 Budget is respectfully submitted to the Borough Council, Mayor Datsko and residents of Ebensburg Borough. This budget complies with the Borough Code and the requirements of the Commonwealth of Pennsylvania. It represents our commitment to strong financial management practices, and our strategic plan for continued growth and a sustained future.

The 2018 Operating Fund Budget is a comprehensive document that addresses the anticipated revenues and expenditures for ALL borough operations including general government, police, streets, wastewater system, water system, stormwater system, recreation programs, community development and capital funds. For accounting purposes, all operations are managed within a single operating fund. For illustration purposes, this Budget document also contains "snapshots" of each of these separate operations.



The annual budget document is the single most important policy document adopted by Borough Council each year. The budget guides the management of the Borough throughout the year by clearly setting forth the goals and objectives of the Council for the coming year, and authorizing the programs that will be carried out to meet those objectives. The budget document also sets forth the management plan for implementing the programs and achieving the community goals and objectives. As Council's number one policy statement, the budget accomplishes the following:

- Economic development initiatives are pursued
- Service levels are set
- Partnerships are nourished
- New technology is acquired
- Community security is enhanced through public safety
- Borough employees are supported in delivering efficient and effective services
- Public infrastructure is built and maintained
- Recreation for citizens is provided
- Public health is protected by recycling, waste collection and water resources

- Reliability of utility services is funded
- The Borough's financial integrity is maintained to meet service and debt obligations
- Customer service is enhanced
- Improved quality of life is sought for all citizens

The budget sets the annual operating and capital budgets, as well as, the capital improvement program for the next ten years. The budget and capital improvement program recognize the importance of well-planned improvements and replacements that are necessary to protect the Borough's public facilities. Therefore, the budget document not only serves as a policy guide for the coming year, but it also establishes a long-range planning document that provides the framework for sound financial-decision making and establishes the foundation for a strong and dynamic future for the community.

The 2018 Operating Budget calls for revenues of \$5,698,970 and expenditures of \$5,633,840. The general fund budget is balanced with no increase in real estate taxes. This is the 8th consecutive year without a tax increase for general purposes, and the 7th consecutive year without a tax increase for any purpose; the last being in 2010 for the swimming pool debt.

	Revenues	Expenditures	Surplus
General Fund Budget	\$2,066,370	\$2,026,020	\$40,350
Water Fund Budget	\$1,555,500	\$1,543,070	\$12,430
Wastewater Fund Budget	\$1,851,100	\$1,838,750	\$12,350
Stormwater Fund Budget	<u>\$ 226,000</u>	<u>\$ 226,000</u>	<u>\$ 0</u>
Total Operating Fund	\$5,698,970	\$5,633,840	\$65,130

The General Fund Budget is increased by 4.2%, primarily due to staffing changes in the police department, the YPCC and the tennis center, along with routine cost increases.

The Water Fund and Wastewater Fund Budgets are essentially the same as 2017. The Stormwater Fund is lower as the obligation for the transfer of the stormwater portion of the real estate tax was moved to a different line item.

Otherwise, expenditures in all funds remain fairly consistent, reflecting our commitment to control expenses while ensuring the continued delivery of services in the most cost-effective manner.

	2017	2018	Change
General Fund Budget	\$1,943,910	\$2,026,020	4.22%
Water Fund Budget	\$1,540,540	\$1,543,070	0.16%
Wastewater Fund Budget	\$1,855,030	\$1,838,750	-0.88%
Stormwater Fund Budget	<u>\$ 230,000</u>	<u>\$ 226,000</u>	<u>-1.74%</u>
Total Operating Fund	\$5,569,480	\$5,633,840	1.16%

BASIC POLICIES AND ASSUMPTIONS

- A basic premise in preparing the 2018 Budget is that there will be no increase in utility rates, and that there will be no increase in real estate tax rates to fund day-to-day operations.
- It is the Borough's policy to estimate revenues conservatively.
- A two-tier real estate tax will be maintained.
- Existing levels of service shall be maintained.
- It is the Borough's policy to minimize borrowing. Borrowing is for capital expenditures and only when sufficient current funds are not available or municipal needs are unable to wait until current funds are available.
- Program fees charged for specialized services such as the swimming pool, tennis center and YPCC will be adequate to cover expenses associated with such programs, while keeping the program affordable. While a subsidy from general funds for these departments is acceptable, the optimal goal is self-sufficiency.
- The Borough will budget adequate funds to maintain all its assets at a level which protects the borough's capital investment and minimizes future repair and replacement costs.
- The Borough will project its equipment and vehicle replacement needs for the next ten years and will update this projection each year.
- All departments will budget contributions to Capital Reserves based on their estimated future share of costs for the replacement of vehicles and equipment, and for future maintenance and improvements to borough-owned facilities and buildings.
- Utility fees will be set at a level that fully supports the direct and indirect costs of providing service, including funding of Capital Reserves.
- The Salary & Wage Schedule will be adopted by Resolution of Borough Council annually.
- Idle cash will be invested on a continuous basis in legal, safe investments with adequate liquidity and yield.

- All department heads will actively pursue all State, Federal and private grant sources available for major equipment purchases and projects.
- Water and sewer tap fees will be placed in Capital Reserves for capital improvements to those systems.
- The appropriate departments will be assessed the actual stormwater fee associated with their operations.

REAL ESTATE TAX

Ebensburg Borough utilizes a two-tier real estate tax assessment. A higher rate is applied to land than is applied to buildings. This form of assessment encourages the development of vacant land and does not penalize property owners for improvements made to properties.

The total taxable real estate assessment is \$34,797,070 comprised of assessed land value of \$6,332,550 and assessed building value of \$28,462,060, plus miscellaneous mineral values. The rate of collection is based on a 15-year average. 26% of the property in Ebensburg is non-taxable.

The current tax rates are 33.25 mills on land and 8.5 mills on buildings. This is the equivalent of a 13.0 mill real estate tax in conventional terms. That 13.0 mills of real estate tax is used for the following purposes:

Conventional Millage Rate	
General Purposes	11.0 mills
Stormwater	0.5 mills
Swimming Pool	<u>1.5 mills</u>
Total Mills	13.0 mills

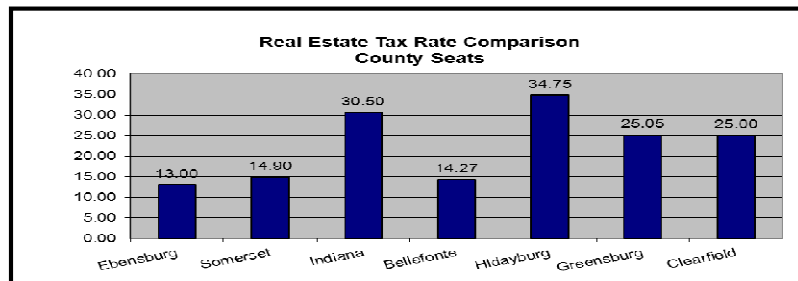
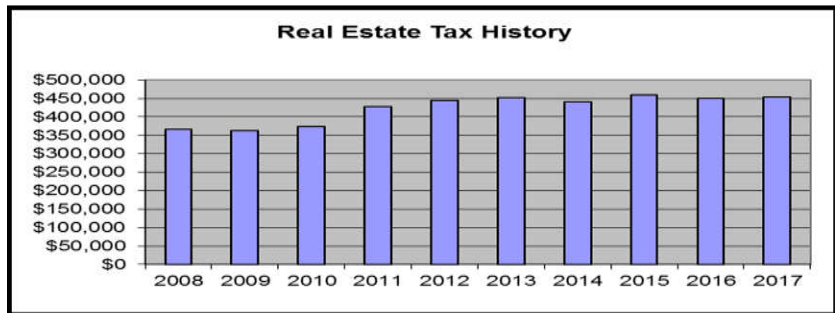
On a two-tier basis, the tax rates of 33.25 mills on land and 8.5 mills on buildings are divided as follows:

Tiered Millage Rate		
General Purposes	25.00 mills on land	& 7.5 mills on buildings
Stormwater	2.50 mills on land	
Swimming Pool	<u>5.75</u> mills on land	& <u>1.0</u> mills on buildings
Total	33.25 mills on land	& 8.5 mills on buildings

The following demonstrates how the calculation of the two-tier tax rate compares to the calculation of a conventional tax rate.

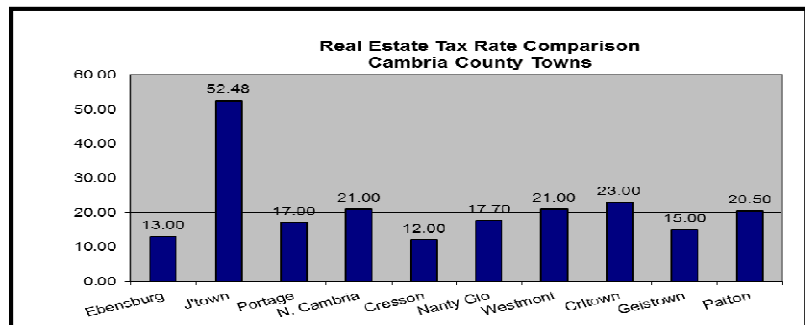
	Assessed Value	Millage Rate	Revenue Generated
Land	\$ 6,332,550	33.25	\$210,557
Buildings	\$28,462,060	8.50	<u>\$241,927</u>
Total			\$452,484
Combined	\$34,797,070	13.00	\$452,361

The chart illustrates the 10-year history of real estate tax collections in Ebensburg. 2018 will represent the 8th consecutive year without any change in tax assessments for general purposes. The last tax increase was in 2010 for the swimming pool debt.

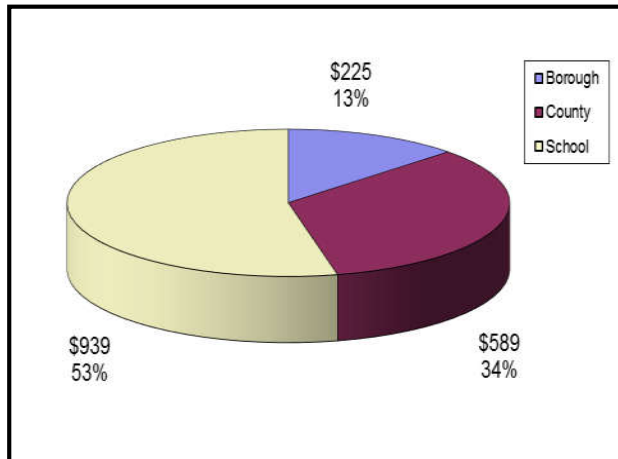


The chart is a comparison of Ebensburg Borough's real estate tax rate to other county seats in the region.

The chart is a comparison of Ebensburg Borough's real estate tax rate to other Cambria County boroughs and Johnstown.



COMPARISON OF TAXING AUTHORITIES



The 2018 average property assessment for residential property in Ebensburg Borough is \$17,320. Thus, the average taxpayer pays approximately \$225 (13 mills) per year for borough services. This funds the most basic borough services such as police protection, fire protection, street sweeping, snow plowing, street resurfacing, traffic signals, recreation, leaf collection, playgrounds, street lighting and other similar activities.

These borough services, and the corresponding borough property tax, represent only 13% of

the total property tax bill paid by borough taxpayers. Thirty-four (34%) percent of taxes paid by borough taxpayers goes to county government (34 mills), and fifty-three (53%) percent goes to the local school district (54.25 mills).

OTHER TAXES

All Act 511 taxes will remain the same in 2018. The Act 511 taxes are as follows:

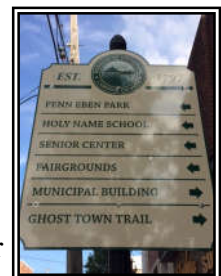
- 1.0% Realty Transfer Tax
- 0.5% Earned Income Tax
- \$47.00 Local Services Tax

2017 SUCCESSES

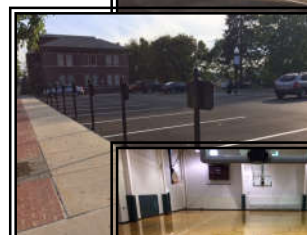
Ebensburg Borough has enjoyed remarkable change over the previous two decades. Each and every Council during that period has changed the face of Ebensburg, each completing projects begun by their predecessors and undertaking their own new initiatives. Those notable accomplishments of past Councils include the YPCC, Memorial Field, Tennis Center and skate park projects; annual sidewalk replacement projects; the downtown streetscape project; the Saltlick waterline and inter-municipal connections; wastewater plant and collection system upgrades; new playgrounds; new downtown events; and multiple shared projects and purchases.

The current Borough Council continued that progressive spirit with even more initiatives. In 2017, Borough Council accomplished the following:

- 1) Replaced the wayfinding signs throughout town.
- 2) Acquired new SCADA systems at the water and wastewater plants.
- 3) Installed a new drainage system on lower reservoir.
- 4) Continued project of assessing historical significance of properties for historical designation.



- 5) Acquired pipe bursting equipment for wastewater projects.
- 6) Acquired additional hanging flower baskets for downtown area.
- 7) Paid off the YPCC debt early.
- 8) Installed new playground fencing at the center ward and east ward playgrounds.
- 9) Paved the center ward basketball court and refurbished the entire playground.
- 10) Installed new trail crossing markings on Locust, Center and West streets.
- 11) Replaced an old backhoe with a new excavator.
- 12) Conducted a timber sale at the rear of the airport.
- 13) Completed a joint project with the county for paving of the parking lot.
- 14) Shared the cost of a new multi-space meter at the county parking lot.
- 15) Extended Victorian street lighting to the 200 block of South Center Street.
- 16) Refurbished the YPCC gym floor.
- 17) Began the conversion to LED street lighting.
- 18) Completed the Beech Street stormwater project.



GRANTS AND LOW-INTEREST LOANS

Borough Council has actively sought grants and low-interest funding for many projects.

2017 Funding Sources		
Parking Lot	County	\$69,200
Multi-space Meter	County	\$4,800
Moose Lodge	Police Camera	\$1,300
Drug Task Force	County	\$2,100
Seat Belt Enforcement	PennDOT	\$4,000
Total Grants		\$81,400

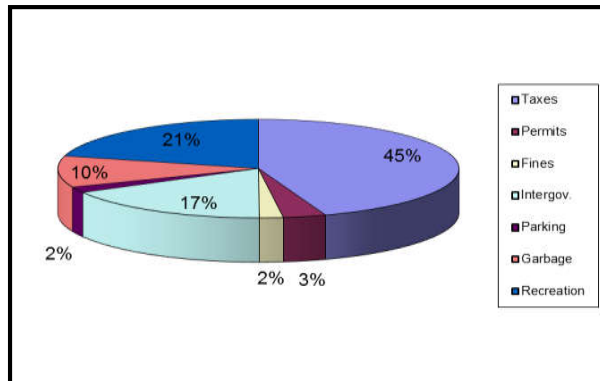
DEBT ANALYSIS

Ebensburg Borough guarantees several loans on behalf of the Ebensburg Municipal Authority. As the Authority loans are self-liquidating, they are not included here. The Borough has long-term debt on only the swimming pool. Accelerated payments are being made on it in order to retire the loan earlier than scheduled.

A loan acquired for the construction of the YPCC was paid off ahead of schedule in 2017.

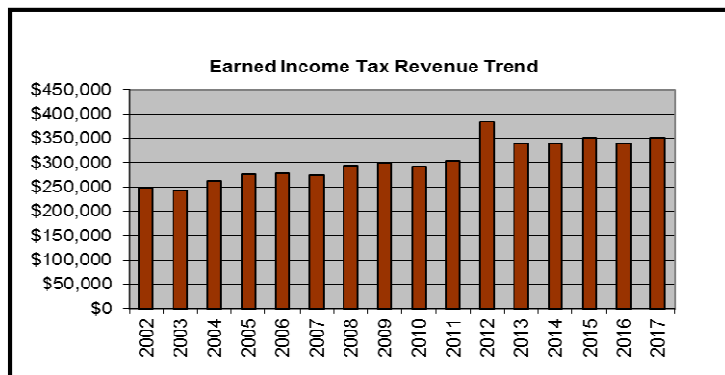
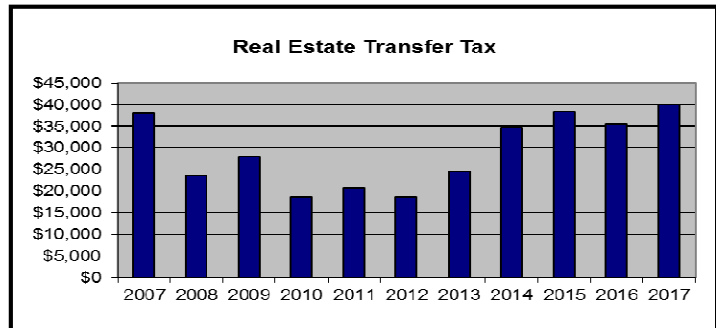
Debt Schedule					
Project	Current Balance	Scheduled Payment	Actual Payment	Original Maturity	Actual Maturity
Swimming Pool	\$244,990	\$83,215	\$96,000	May 2021	Feb 2020
* loan balance as of September 30, 2017					

ANALYSIS OF GENERAL FUND REVENUES

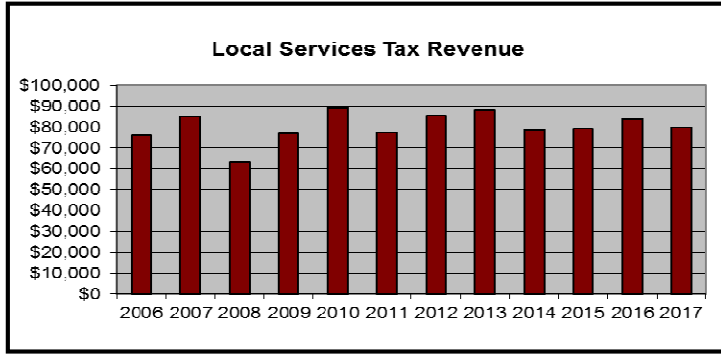


This chart illustrates the breakdown of revenues into the general fund. Obviously, taxes make up the greatest percentage of revenue. Ebensburg's combined recreation programs remain a significant source of revenue, constituting 21% of total revenues. It is important that those recreation related revenues be monitored throughout the year to be certain that we are meeting our budgeted goals.

Real Estate Transfer Tax – The real estate transfer tax is a 1% tax on property transfers within the borough. The chart illustrates the recent history of revenue generated by this tax.



Earned Income Tax – The earned income tax is a ½ percent tax on all earned income. 2012 was the first year that the EIT was collected on a county-wide basis by a single tax collector. The new rules on frequency of collections resulted in an anomaly making the 2012 total higher than normal.



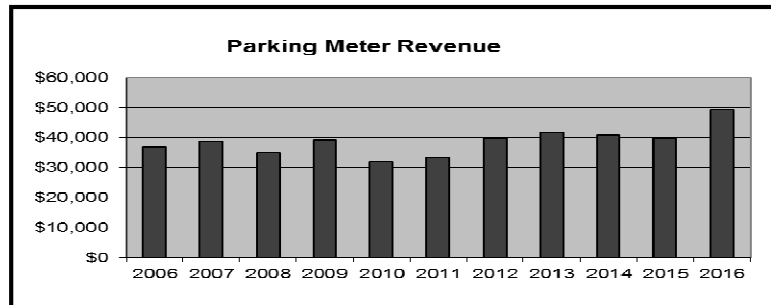
Local Services Tax - The local services tax is paid by all persons employed within Ebensburg Borough. The tax is \$52 per year. \$47 is paid to the borough and \$5 to the school district.

Parking – The revenue generated from parking meters has never been looked to as a source of revenue for the borough. The only reason that the

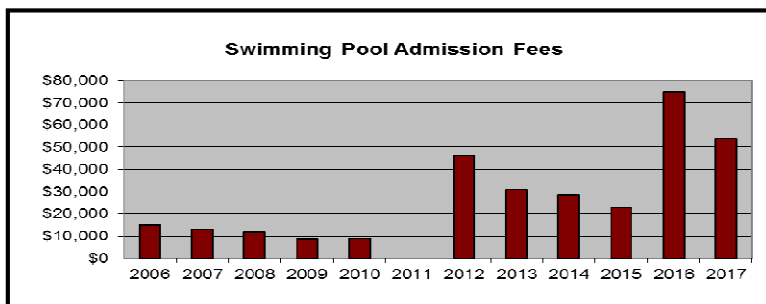
parking meters exist is to help assure that vehicles are rotated through the limited number of available parking spaces, making parking available for visitors to downtown Ebensburg.

It is important that the revenue generated by the parking meters covers the ongoing cost of enforcement, the capital costs of the meters and stations, and the maintenance of same. The annual cost of enforcement is approximately \$17,500. Annual maintenance is less than \$1,000. The capital cost of meter replacement varies, and is addressed in the capital budget.

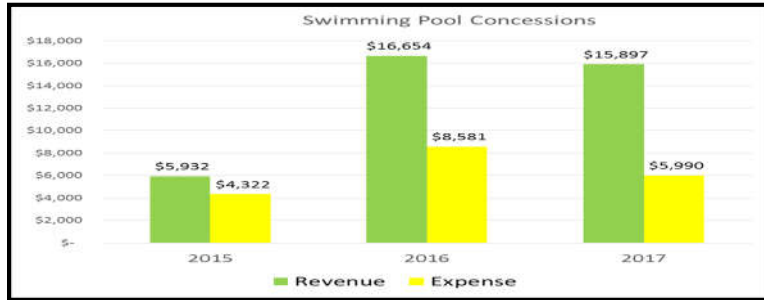
A new meter station was installed in 2017 for the courthouse parking lot. The revenue from the courthouse lot is shared 50/50 with the county, as was the cost of the new multi-space meter station. The county's share of revenue from the courthouse lot is being withheld as reimbursement of half of the capital cost, resulting in an anomaly in 2016.



Swimming Pool – Revenue from swimming pool annual and daily passes has varied greatly over the last decade. Prior to the new pool, revenues were poor and decreasing annually. The pool was closed in 2011 during the construction project, and reopened in 2012 to revenues more than five times what they were in 2010. Annual admission dropped considerably in 2013, as could be expected, but continued to decrease in 2014 and 2015. New management, a full summer of excellent weather, and the closing of two other nearby municipal pools resulted in a 324% increase in 2016.

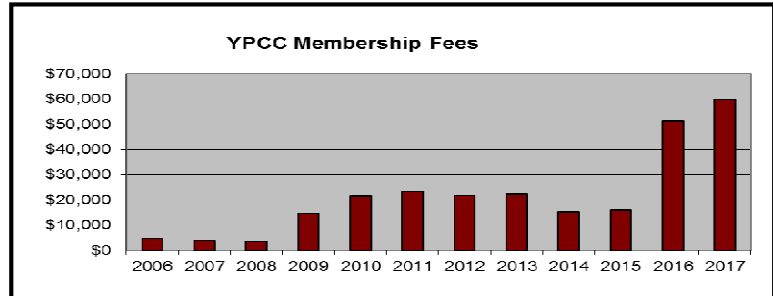


As the extremely favorable weather was an oddity, and the two neighboring pools would again reopen in 2017, the 2017 budget contained a conservative estimate of \$45,000 in revenue. The weather was indeed poor in 2017, but revenues still managed to slightly exceed the budget estimate.



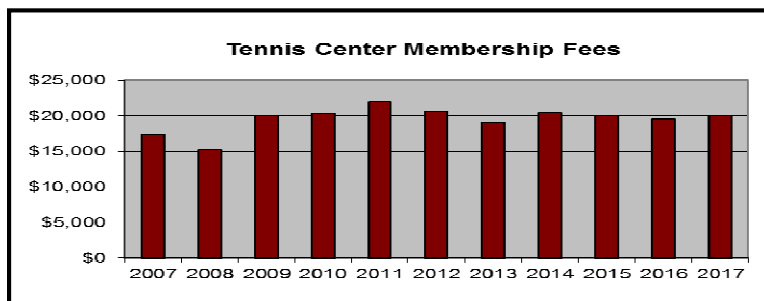
The concessions at the swimming pool are also doing very well in recent years.

YPCC – YPCC membership fees have also varied over the decade. Memberships drastically increased in 2009 when the fitness center was introduced, and continued to grow for three years. As the fitness center became outdated and other privately-owned centers were opened, membership fees decreased.



New management, new fitness equipment, better equipment maintenance, and stricter adherence to facility membership rules resulted in a 280% increase in 2016 membership fees. In 2017 new cardio equipment was added.

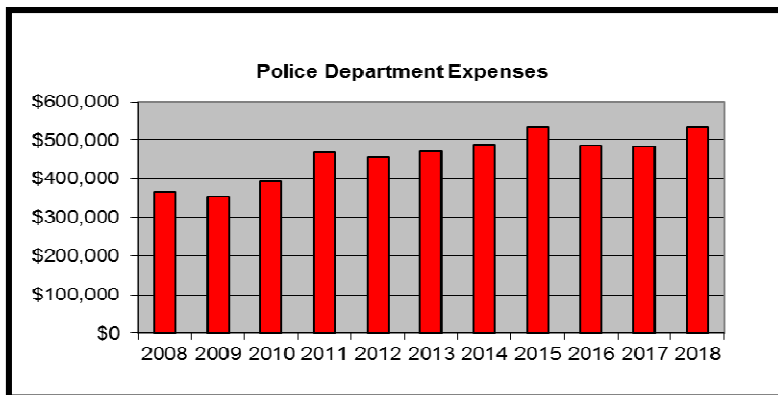
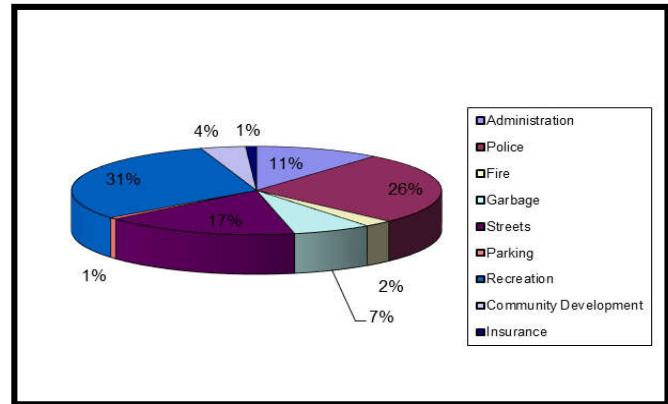
The 2018 budget estimates remain conservative. It will be important to assure in the future that the fitness equipment is properly maintained, and that equipment is updated or replaced as necessary.



Tennis Center – Membership fees at the tennis center have remained fairly consistent over its first ten years of operation. The cost of tennis memberships was increased 10% in September 2017.

ANALYSIS OF GENERAL FUND EXPENDITURES

This chart illustrates the breakdown of expenditures from the general fund. The cost of recreation is Ebensburg's largest budgeted expense (\$622,740) followed by police (\$534,920).



Police Department – The cost of providing police protection, about \$250,000 in 2003, had more than doubled by 2015. The cost of the department decreased significantly in 2016 due to reasons addressed below. The budgeted cost in 2018 equates to over 15 mills of real estate tax. Ebensburg's tax rate is only 13 mills.

The escalating cost of the police department had been primarily due to high healthcare rates with low employee contributions, and the cost of a generous pension plan.

The decrease in 2016 resulted when the cost of healthcare decreased almost 20%, a higher graded employee contribution was negotiated, and amortization bases contained in the pension plan expired, greatly reducing the required annual obligation.

The use of part-time officers has historically contained the increases in the cost of benefits, especially healthcare and pension. However, it also creates a "revolving door", as part-time officers frequently leave rather quickly for other full-time employment. In 2018, a fifth full-time officer has been added. Because employee pension costs are very low today, the addition of another full-time officer in place of those part-time hours costs relatively little. Council's ability to continue to staff a fifth full-time officer position will depend greatly on the future costs of benefits.

Recreation – The 2018 Budget contains five sections devoted to recreational facilities.

YPCC – Since its inception, the YPCC has required a significant subsidy from the general fund in order to pay for day-to-day operational costs. That subsidy was as high as \$88,000 in 2015. In addition, the general fund was paying \$48,000 annually in debt service, and reserves \$5,000 annually to capital reserve. The remaining YPCC debt service was retired in late 2017.

New management at the YPCC has improved the fitness center, enforced regulations, improved billing for membership renewals, initiated new and additional programs, and improved accounting practices. As a result, the required subsidy in 2018 is expected to be \$20,000.



Prior to 2016, a separate events account was used into which all program revenue was deposited, and from which all program expenses were paid. The borough received only the remaining net of programs. Now, all revenue is deposited directly to a borough account, and all expenses are paid from the general fund. New budget line items were created in 2016 to manage those administrative changes, and staff now is able to accurately predict revenues and expenses for 2018.

In 2017, the separate housekeeping position at the YPCC was eliminated and combined with an existing part-time position, at a slightly higher hourly rate but at a lower cost overall. In 2018, that combined position is being made full-time, at the same hourly rate.

Considering the amount of activity at the YPCC and the high percentage of our population served by the center's programs, Council remains comfortable subsidizing its operation.



Swimming Pool – The swimming pool has also historically required an annual general fund subsidy. In 2015, that subsidy was \$33,000 just to cover the day-to-day operational expenses, excluding capital reserve and debt service.

The circumstances described earlier at the pool in 2016 resulted in a surplus of \$19,000 for the first time. The operating deficit in 2017 is expected to be approximately \$14,000. The budgeted deficit in 2018 is \$17,800. That estimate always assumes relatively poor weather during the summer. Any extended period of warm temperatures will greatly reduce or eliminate the budgeted deficit. The annual \$96,000 debt service for the pool project will end in 2019.

Parks – This line item covers the operation, maintenance and electricity for Kimball Park, Penn Eben Park, Veterans Park, Memorial Field, Lake Rowena and the three playgrounds.



Tennis Center – Ebensburg's Tennis Center has continued to grow its programming, and continues to be utilized as the home facility for area schools and universities. The tennis center can reliably support its own operation.

The position of assistant tennis professional has been of great benefit to the center. In the past, that person has been paid an hourly rate for hours worked at the front desk. When actually giving lessons, the position is paid 50% of the lesson fee, and not the standard hourly rate. In 2018, that position will be paid the standard hourly rate for all hours worked, including while giving lessons, plus the same 50% of the lesson fee.

Skate Park – The skate park is not expected to generate any significant revenue, nor incur any significant cost. Program fees assessed for leagues and tournaments will be sufficient to cover unusual costs for those events such as electricity and staff.



Highways – There have been no street paving projects undertaken since 2014, and none will occur in 2018. State Liquid Fuels funds are being reserved for resurfacing that will be required following the wastewater project, and county Liquid Fuels funds have been and will be encumbered. By the end of 2018, the borough will have nearly \$100,000 encumbered in County-Aid Liquid Fuels, and more than \$540,000 in State-Aid Liquid Fuels, to be used for future resurfacing projects.

Timber Management – Ebensburg owns over 1,300 acres of property in the borough and Cambria Township. Approximately 800 acres of that is populated with various types of standing timber. Due to the depressed timber market, the last sale of timber had been in 2008. In 2017, the market finally allowed for another sale. The borough retains a forester to manage the timber, and to provide advice on management practices.

A timber sale is planned in 2018 on property northwest of the reservoir.

Community Development – Events in Ebensburg such as PotatoFest, Wheels & Wings, Dickens of a Christmas, Homecoming and Art in Bloom will continue to grow and have a very positive impact on the community.

Capital Improvement Program - The Borough Council places great importance on adequately funding a comprehensive capital improvement program. The capital reserve fund allows Council to undertake unanticipated projects and incur unexpected costs without negatively impacting the annual operating budget.

Regardless of any difficulties experienced in balancing an annual budget, the importance of continuing to fund a capital reserve fund must be recognized.

ANALYSIS OF UTILITY-RELATED FUND REVENUES

Wastewater System – There are three factors looming in the near future that will affect wastewater revenues, none of which are addressed in the 2018 budget.

First, the facility-owned wastewater collection system at the Ebensburg Center is in such poor condition, and allows so much stormwater to infiltrate, that a surcharge has been added to the facility's bill for many years. The surcharge alone has averaged \$54,000 annually. Repairs are now underway at the facility, and should greatly reduce the amount of infiltration. While that is good news for the treatment plant's capacity, it is bad news for wastewater revenues.

Second, efforts are underway to permanently close Ebensburg Center. That is not likely to occur in the near future, but if and when it eventually happens, the loss in wastewater revenue will be in excess of \$130,000 annually.

Third, customers who fail to make the required timely repairs to their private sewer laterals will be surcharged 35% of the normal charge until repairs are made. That will constitute additional wastewater revenue, but it is impossible to estimate what that amount might be.

Helping to offset that loss of revenue is the amount currently being reserved annually toward the upcoming wastewater project. \$520,660 is being reserved every year specifically for the project and eventual PENNVEST debt service. The terms offered for the \$9 million PENNVEST loan include an interest rate lower than expected (1% for the life of the loan), and a longer term (25 years vs. 20 years). As a result, annual debt service will be only \$414,335; not the anticipated \$520,660. Depending on actual bids received, the difference of \$106,325 could be consumed by higher than expected project costs. Rates could be lowered to reduce or eliminate that excess. Or, the excess could be redirected to help cover the loss of the revenues described above.

Water System – There are three factors that will affect the water system revenues as well.

First, if the closure of Ebensburg Center occurs, the loss in revenue sales would be approximately \$80,000 annually.

Second, Ebensburg Center is also making repairs to its own water distribution system, which has been plagued by water leaks. Already, their repairs have resulted in annual savings of \$30,000. Again, while that is good news for Ebensburg Center, it is bad news for our own water sales. Continued repairs will result in lower sales.

Third, Cambria Care is taking measures to decrease the amount of water purchased. For example, their laundry now recycles water. Annual sales to Cambria Care are down approximately \$30,000 annually. The loss of revenue is being made up for through new customers, but overall system revenue growth is stagnant.

Water revenues will have to be monitored closely throughout 2018, and rates adjusted accordingly.

ANALYSIS OF UTILITY-RELATED FUND EXPENDITURES



Wastewater System – Design of a major wastewater system replacement project was completed during 2017, and the permit was approved. The project will be aimed at separating all stormwater from the wastewater system, allowing the combined sewer overflows to be eliminated. The project, expected to cost nine million dollars, will begin in early 2018. PENNVEST approved in October 2017 a \$9 million loan at 1% interest over 25 years. A contract for the project is expected to be awarded in January 2018. Construction should begin in April and require one year to complete.

A wastewater rate increase was implemented in 2013 in anticipation of the project. The balance of the required increase was imposed in 2016. All revenue generated by those rate increases is being held in reserve for the wastewater project. By the end of 2017, over \$1.3 million will have been reserved, from which \$600,000 will have been paid for pre-construction design.

The debt service for the upcoming project is not addressed in the 2018 budget, but rather the reservation of funds for the project continues. The debt service to PENNVEST will not be due until the project is completed in 2019.

Water System – Staff was finally able to optimize the operation of the DAF clarifier in 2017. It is now able to function in parallel with the old clarifiers, and has been of great benefit to the plant's capacity and overall operation. In addition, utilization of the DAF decreases the cost of chemicals.

Nanty Glo purchased water for extended periods of time in 2017. In most cases, we were able to satisfy their need without purchasing additional water from Saltlick.



There is a list of localized repairs that will be completed as time allows. For example, several customers in Crestwood remain connected to an old water line that occasionally causes dirty water. They should be transferred to the new water line, and the old line capped and abandoned. Likewise, there are customers on Sample Street that should be transferred off an old main line. A water main at the east end of Horner Street needs to be replaced. Several customers on Manor Drive can still have their tap replaced, but the breaks there have been eliminated since Cambria Care began using well water for the laundry, thereby eliminating the recurring water hammer. These water projects will be completed if time allows, however, the wastewater project may not allow extra time for such work.



Stormwater System – New stormwater management fees were implemented in September 2014, and the full rate was imposed in 2016. Each department within the Borough is now assessed stormwater fees, just like all other private property owners. A small portion of the fees is retained by the borough for contracted maintenance, and the balance is reserved for future projects.

The North Beech Street project was completed in 2017.

A new street sweeper costing \$210,000 was added to the capital budget in 2019. One-half of that cost is assessed to the stormwater fund, as street sweeping is a major component of the Nine Minimum Controls required in the CSO Control Policy.

STATUS OF COUNTY SHARED PROJECTS

Multi-Space Parking Meter – The borough collects meter revenue from the county parking lot and splits that revenue 50/50 at the end of each year with the county. The county agreed to share the cost of the new multi-space meter. The county's share is \$4,812.50. Total meter revenue from that parking lot in 2016 was \$8,517.81, none of which was paid to the county. Deducting the county's 2016 share of meter revenue from their cost for the new meter leaves a balance of \$553.59. That balance will be deducted from the county's share of the 2017 revenue.

County Parking Lot – The borough undertook the resurfacing of the county parking lot in 2017. The county agreed to reimburse the borough for the adjusted amount of the paving contract (\$67,829) plus the cost of striping materials (\$1,400), or a total of \$69,200. The county agreed to increase the borough's allotment of liquid fuels funds over a two-year period by that amount. The borough would then utilize those funds for a project that satisfies the eligibility of liquid fuels funding.



The borough has not undertaken an eligible resurfacing project since 2014, in anticipation of the damage to streets which will occur during the upcoming wastewater project. The normal annual allotment of \$7,500 has been encumbered by the county, on the borough's behalf, in 2015 and 2016. In 2017, the county encumbered an additional \$7,500, plus \$17,000. At the time the liquid fuels application was submitted in the spring, that was believed to be one-half the cost of the proposed paving project. In reality, the project cost was \$69,200 to be split over two years. In other words, the county still owes \$17,000 for 2017 and an additional \$35,200 for 2018.

The liquid fuels application procedures do not allow for a change to be made mid-year in the requested funding. Thus, in 2018, the borough will be submitting a county aid application in the amount of \$17,000 for the balance of the 2017 half, \$35,200 for the 2018 half, and the normal annual allotment of \$7,500; or a total application of \$59,700.

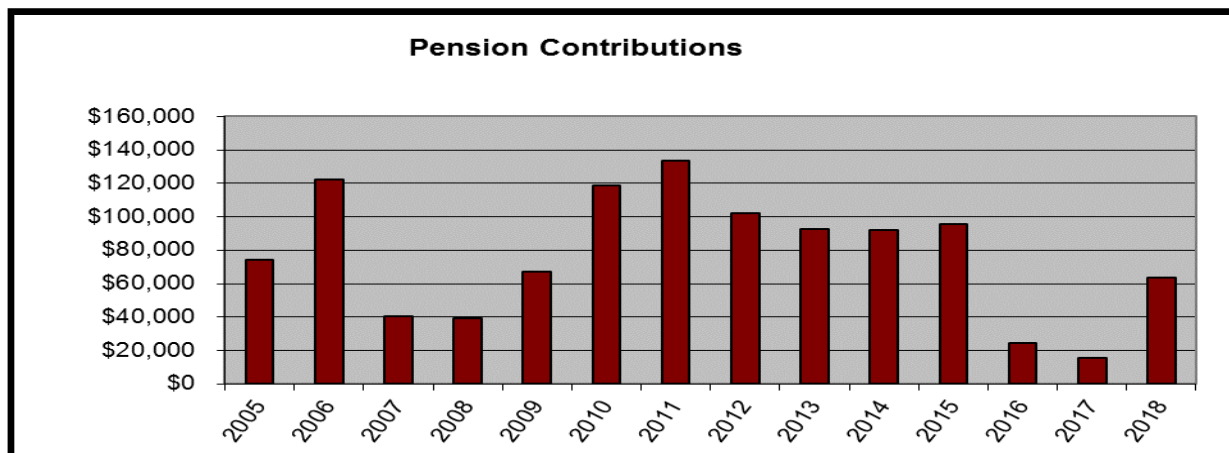
At the end of 2018, the total amount of county aid that will have been encumbered by the county for the borough will be \$99,200.

HUMAN RESOURCE FACTORS

Labor costs obviously affect each and every department. It is important to understand historical trends relative to labor, and strive to control those costs.

Pension Plans – Both employee pension plans have realized significant recovery from the depressed market conditions that resulted in the need for the borough to expend considerable sums on employee pensions. The borough share that had once exceeded \$130,000 has been below \$25,000 in 2016 and 2017.

Contributions toward that pension obligation since 2003 have exceeded \$1.1 million, a substantial amount of money for this small town.



Those earlier poor investment results were amortized over eight years, and those “amortization bases” expired at the end of 2015. Coupled with recent improved investments, the police pension plan is now fully funded. The non-uniform pension plan did not experience those same losses, and the plan funding status remained more consistent.

Actuarial changes in the non-uniform plan’s biennial valuation report included a lower inflation assumption, lower interest rate assumption and adjusted mortality assumptions. Those changes alone have increased the plan’s actuarial accrued liability by \$245,000. The plan had been funded to 88.4% of the accrued liability. That funding ratio has now dropped to 72.3%. That results directly in the amortization payment component of the MMO being increased, and the borough’s obligation jumping significantly in 2018. Even with increasing employee contributions to 3%, the borough’s share of the non-uniform plan will be \$64,000 in 2018.

Despite better investment returns, a major financial concern facing Ebensburg Borough in the future will continue to be the cost of employee pensions. The pension expense has varied wildly over the past decade. It is difficult for this small town to absorb an unexpected \$90,000 increase in an annual pension payment.

Employee Healthcare – Increases in the cost of employee healthcare have had a drastic impact on everyone in the public and private sectors. The first half of the decade saw double-digit increases in premiums each and every year. Borough Council has acted responsibly and proactively to contain those costs to the extent possible, including:

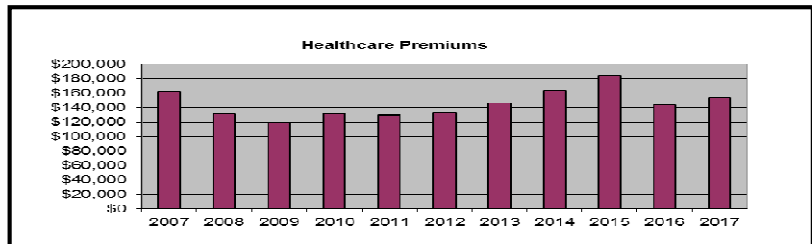
- a. Negotiated higher co-pays and deductibles in labor contracts.
- b. Negotiated an escalating employee contribution toward healthcare. What began as 5% in 2007 gradually rose to 15% in 2014 for AFSCME and non-union employees. Employees also contribute 50% of the cost of future increases in dependent coverage. The FOP labor agreement includes a provision that will increase employee contributions from 5% in 2016 to 8% in 2019.
- c. Switched healthcare insurers several times to assure the lowest available premium.
- d. Incentivized employees to acquire healthcare coverage on spouse plans.
- e. Reduced the workforce by two employees over the period.
- f. Eliminated dependent healthcare for non-uniform employees hired after 2014.

Between 2008 and 2012 the rate of increase in premiums leveled off. Between 2013 and 2014 the premium grew by 10-15% each year. Those increases were buffered somewhat as the employee contribution rate continued to increase at the same time. The increase in healthcare premiums in 2015 was 26%, but decreased 20% in 2016.

In 2017, while the healthcare premium increased 15%, our total cost increased only 6% because of newer employees that happened to be younger, the fact that new employees no longer receive dependent care coverage, and the police employee contribution increased from 5% to 6%.

There is greater than ever anxiety over healthcare costs, and uncertainty over whether the Federal government will take legislative action aimed at controlling costs. While we normally budget for a 10% annual increase in premiums, in 2018 we have budgeted for a 30% increase.

That feared premium increase, along with new full-time positions in the police department and YPCC, have caused our 2018 budget number to balloon from \$153,000 to over \$216,000.



MAJOR OBJECTIVES IN 2018

The purpose of borough government is to serve the residents and property owners of the community. This requires the various departments of the Borough to do their share in providing a livable community in all respects (physically and socially). The community needs a sound infrastructure to serve its residents and property owners, as well as, to protect property values in the future. The Borough must also protect its residents and property owners, as well as, their properties. The Borough must provide a social atmosphere that will encourage the community's viability in the forms of recreation, social services, aesthetics, sound economic base and

responsiveness to community problems. Finally, borough government has a responsibility to inform the public of its activities and plans to permit the residents and property owners the ability to assess the effectiveness of their government and make known their opinions.

There are four basic divisions for accomplishing the above:

1. General Government
2. Protection of Persons & Property
3. Public Works
4. Culture & Recreation

GENERAL GOVERNMENT

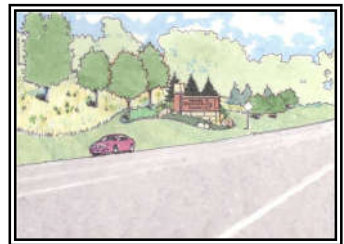
The basic functions of the Borough need a variety of support and coordinating services to permit them to operate. These services also act as the implementation arm for Council's policies. These services include administration, finance, tax collection, facilities, community development, and professional services such as legal, engineering and accounting. The objectives in 2018 include:

Administration

- Provide training and educational opportunities to elected officials including conferences and seminars sponsored by the Pennsylvania State Boroughs Association (PSAB).
- Provide training and educational opportunities to management including municipal management conferences and seminars offered by PSAB, Association for Pennsylvania Municipal Management (APMM), International City/Municipal Managers Association (ICMA), and PA Municipal League (PML).
- Continue inter-municipal cooperation with neighboring municipalities in the areas of recreation, comprehensive planning, and economic development.
- Renegotiate a labor agreement with AFSCME, expiring 2018.

Community Development

- Continue to implement the Main Street 4-point Approach to downtown revitalization; economic restructuring, organization, design and promotion.
- Obtain a new series of Façade Improvement funds for downtown improvements.
- Continue improvements to the community website.
- Continue publication of borough newsletter twice per year.
- Continue efforts to maintain a college intern on staff throughout the year.
- Conclude the effort to obtain a formal designation of historic district, important in financing large development projects such as improvements to the former prison.
- Assist with the development of the former prison.
- Continue to solicit funding sources for future Welcome to Ebensburg signs. Sites remaining are South Center Street, Manor Drive and North Center Street.



- Replace the brown lettering on the Welcome to Ebensburg signs with white lettering to increase visibility.
- Refinish benches, bollard lights, trash receptacles, pole bases as needed.
- Complete downtown wayfinding signage along Ghost Town Trail.
- Construct a mobile stage on the old lowboy trailer.

PROTECTION OF PERSONS & PROPERTY

The Borough provides or finances a variety of services to protect the public and property including police protection, parking enforcement, fire prevention and suppression, emergency management, codes enforcement, planning and zoning, and solid waste collection and recycling.

The objectives in 2018 include:

Police Protection

- Continue to provide educational opportunities for police officers.
- Monitor use of part-time officers in order to remain within budgetary limits.
- Add a fifth full-time police officer.

Codes Enforcement

- Maintain strict enforcement of property maintenance regulations.
- Continue strict controls on neglected grass and weeds.

Solid Waste Collection & Recycling

- Increase public education for the voluntary curbside recycling program, providing receptacles and encouraging maximum participation.
- Increase curbside collection of recyclables to weekly.



PUBLIC WORKS

The Borough maintains a 15.2-mile road network, storm sewers and numerous buildings and structures. In addition, the Borough maintains the water, wastewater and stormwater systems on behalf of the Ebensburg Municipal Authority. The objectives in 2018 are:

Facilities

- Repair the brick grouting and side entrance landing on the municipal building.
- Replace the stone façade on the municipal building with dryvet.
- Reduce door opening size at Babcock and add new doors.
- Install metal siding on lower storage building at Babcock.



Highways

- Place in reserve all County Aid and State Aid for future street resurfacing at completion of the wastewater project.
- Provide efficient snow removal services.

- Patching and sealing of streets using coalition's hot asphalt equipment.
- Continue the annual replacement program for old street signs and posts, in compliance with retro-reflectivity policy.
- Purchase a 250 pickup truck.
- Purchase a van.
- Purchase a lowboy trailer.
- Repair the Tanner Street bridge.

Sidewalks

- Begin annual phased replacement of red brick patterned walks in downtown.
- Begin reservation of funds for future sidewalk improvement projects.



Water System

- Perform localized line repairs in Crestwood and on Sample Street, Horner Street and Manor Drive.
- Enhance security at water plant.

Wastewater System

- Begin the CSO elimination project.
- Make localized line repair/replacement as necessary for CSO project.

Stormwater

- Reserve funds in anticipation of future funded project.
- Replace stormwater basins in preparation for paving following sewer project.



Timber Management

- Conduct timber sale on property northwest of reservoirs.

CULTURE & RECREATION

The Borough provides a well-rounded variety of recreational facilities including three playgrounds, Lake Rowena, the YPCC, Memorial Field, the Ebensburg Tennis Center, Ebensburg Skate Park and Ebensburg Swimming Pool. It also provides financial support to the Ebensburg library. The objectives in 2018 include:

General

- Acquire college interns to assist with department needs including landscaping, field maintenance and programming.
- Replace a tractor mower.

Swimming Pool

- Purchase additional deck chairs.
- Replace the tiling at the zero-depth entrance.

- Replace lifeguard umbrellas.

Lake Rowena

- In coordination with Fish Commission, apply herbicide to control lake weeds.
- Continue control program to manage geese.
- Repair the fishing pier.
- Remove the suspended boat dock.
- Repair the wooden railings around entrance.

Tennis Center

- Replace the wind screens on the outdoor court.
- Replace the aged lobby furniture

YPCC

- Replace the office copier.
- Replace the sound system.
- Replace the carpeting with a better flooring.
- Begin operation of the school's swimming pool during off season.

Playgrounds

- Replace the Memorial Field batting cage.



CAPITAL BUDGET

Ebensburg Borough has a long-standing commitment to upgrade and replace borough facilities and equipment. This budget provides funding for the ongoing capital improvement program.

Adequate capital reserves are budgeted in each department in order to assure that the needed funds are on hand in the future. In 2018, a total of \$1,102,660 will be transferred from the general, water, wastewater and stormwater funds to the capital improvement fund. The annual transfers are necessary in order to have adequate funds on hand in the future to meet the obligations of an aggressive capital improvement program.

The capital budget allocates \$234,700 for projects in 2018 for such items as remodeling the municipal building façade, new public works vehicles, water plant improvements, minor recreation improvements, and community development initiatives. That is an unusually low amount for any year, but the wastewater project will consume much of the staff's time.

Mindful of the economy, the 2018 Operating Budget is indeed "austere", but we must continue to pursue new and bold innovations. We are fortunate to still have the financial capacity to provide prudent investment in the future through capital improvements and projects, which will improve our quality of life.

A common goal stated in municipal fund balance policies is to maintain a fund balance that is 10-15% of the annual budget. Ebensburg's fund balances exceed 30% in all funds.

FUTURE BUDGET CONSIDERATIONS

This budget contemplates continuing Council's long standing practice of investing in community improvements. Our Capital Improvement Program will continue to allow us to enhance community aesthetics and improve public facilities. Our residents will enjoy new programs and services and take greater pride in their community.

The 2018 Budget is a lean budget. The elimination of debt service for the YPCC, coupled with cost containment in employee pensions and healthcare has greatly helped keep the budget balanced. While we do have some control over the cost of our own recreation programs, we have very little control over pension and healthcare costs. It is entirely possible that in a single year, drastic increases in those two employee benefits could significantly disrupt the borough's financial stability.

Ebensburg Borough remains financially strong and sound. That is largely due to Borough Council's willingness to continue to invest in the borough's future. While many towns are in a state of decline, Ebensburg continues to be active and vibrant. The economic status of our region is struggling with the rest of the country, but a renaissance in Ebensburg Borough is continuing. Ongoing funding of an aggressive capital improvement program is essential to the Borough's future success. The ability to respond positively to unforeseen opportunities without incurring unnecessary debt is an important benefit of such a program.

The ongoing sidewalk improvement projects have been the catalyst for much of the change that Ebensburg has experienced over the past decade. It is important to continue those projects. Now that the annual YPCC debt service has been retired, that \$48,000 has been budgeted to the sidewalk reserve. Council should consider a single project to complete sidewalks on Horner Street, Crawford Street, Sample Street, Caroline Street and West Triumph Street. The project could be financed over a short term. The timing would allow for the wastewater/stormwater projects to be completed in those areas prior to beginning any sidewalk work. The debt incurred for the swimming pool will be paid near the end of 2019, freeing up an additional \$96,000 annually for other projects. A portion of those funds could also be redirected for the future sidewalk project.

PUBLIC IMAGE

We expect Ebensburg Borough to continue to experience change in 2018. Over the past two years our public image was greatly enhanced with the completion of the new sidewalks and new buildings along High Street, and the resurfacing of state roads. In the near future we should see development of the former prison and the former middle school site. Ebensburg continues to project the image that "things are happening in Ebensburg".

Recent investment along High Street includes the new NAPA store and the removal of a dilapidated residence at the Marian Street intersection. Other improvements planned or underway include the former Sheetz store, reuse of the former Al's Tire building, and new building construction at the former Traders Guide building.

The completion of the future sidewalk project mentioned above would greatly impact the borough's public image.

STAFF AND VOLUNTEERS

Ebensburg is a strong community where the citizens have come to expect responsive municipal services, delivered in an efficient manner by a professional Borough Council. I am proud to serve as Manager of a community that is open-minded, forward thinking and committed to making improvements. It is with great pleasure and purpose that we serve the citizens of Ebensburg together.

In doing so, we rely heavily upon a cadre of volunteers who serve voluntarily on the various authorities, boards, and commissions. Others provide their time to volunteer for our numerous community events and are invaluable to the borough's success.

Our employees continue to deliver quality cost-effective service to our residents. Their talents and creativity have proven invaluable.





CONCLUSION

Financial stability will be maintained in the future through the Borough's ongoing efforts to provide the highest quality service in the most efficient and cost-effective manner possible. It has been achieved through establishing and following sound financial management policies designed to protect the public's finances and provide accountability to the taxpayers.

This budget, considered a reliable financial plan for the 2018 fiscal year, maintains and enhances our key services while working within our financial constraints. It reflects the balance between current economic realities and the desire to provide the best government possible during these current conditions. It is the continuing goal of the staff to produce excellence in budgeting, evidenced by the high standards of financial reporting displayed throughout this document.

I wish to extend my personal gratitude for the hard work of all staff and Councilors in its preparation. Most importantly, thanks to our Mayor and Borough Council for their policy direction, leadership and continuing support.

I am confident that the upcoming fiscal year will be another year of progress and improvement for our community. I am grateful to each of you for your leadership and support, and I welcome your comments and suggestions as you review the attached information in the days ahead.

Respectfully submitted,

Daniel L. Penatzer
Borough Manager