



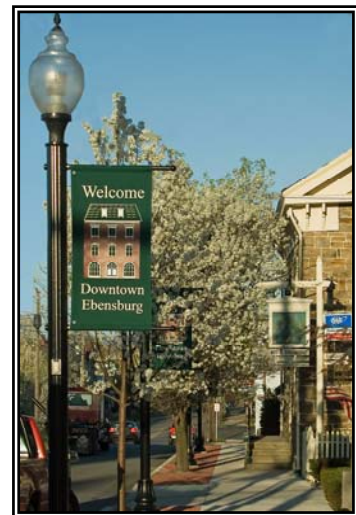
Daniel L. Penatzer, Borough Manager
300 West High Street
Ebensburg, Pennsylvania 15931
Telephone: 814-472-8780
E-Mail: dlpen@ebensburgpa.com
Website: www.ebensburgpa.com

October 24, 2016

Mayor Datsko and Members of Borough Council:

The 2017 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 2017 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 2017 Operating Budget calls for revenues of \$5,651,830 and expenditures of \$5,569,480. The general fund budget is balanced with no increase in real estate taxes. This is the 7th consecutive year without a tax increase for general purposes, and the 6th 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	\$2,000,230	\$1,943,910	\$56,320
Water Fund Budget	\$1,555,500	\$1,540,540	\$14,960
Wastewater Fund Budget	\$1,866,100	\$1,855,030	\$11,070
Stormwater Fund Budget	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>\$ 0</u>
Total Operating Fund	\$5,651,830	\$5,569,480	\$ 82,350

The 2017 Operating Budget represents an increase of 9.2% over 2016. That is an unusually large increase from one year to the next, and is due to anomalies in each of the major funds.

The General Fund Budget is increased by 7.5%, largely due to a restructuring of YPCC accounting practices. Expenses previously paid directly from a separate events account are now included in the general fund budget. In addition, a garbage rate increase assessed in 2016 was inadvertently omitted from the 2016 budget, thus increases for 2016 and 2017 are included in 2017. Otherwise, general fund line items remain fairly consistent, reflecting our commitment to control expenses while ensuring the continued delivery of services in the most cost-effective manner.

The Water Fund and Stormwater Fund Budgets are essentially the same as 2016. The Wastewater Budget is increased over 22% due to the implementation of the balance of the wastewater rate for the upcoming project. That additional revenue is to be held in reserve for the upcoming wastewater project.

	2016	2017	Change
General Fund Budget	\$1,807,780	\$1,943,910	7.53%
Water Fund Budget	\$1,545,900	\$1,540,540	-0.35%
Wastewater Fund Budget	\$1,515,430	\$1,855,030	22.41%
Stormwater Fund Budget	<u>\$ 230,000</u>	<u>\$ 230,000</u>	<u>0%</u>
Total Operating Fund	\$5,099,100	\$5,569,480	9.22%

BASIC POLICIES AND ASSUMPTIONS

- A basic premise in preparing the 2017 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 \$34,668,840 comprised of assessed land value of \$6,306,440 and assessed building value of \$28,359,940, 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

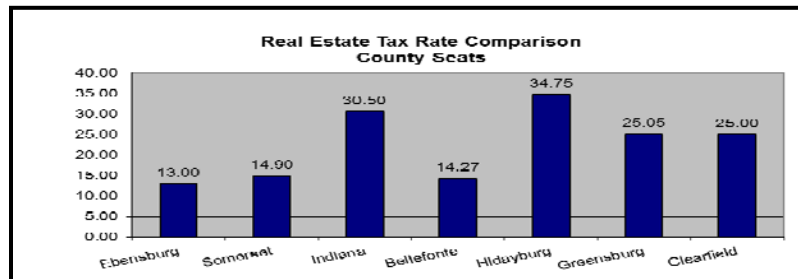
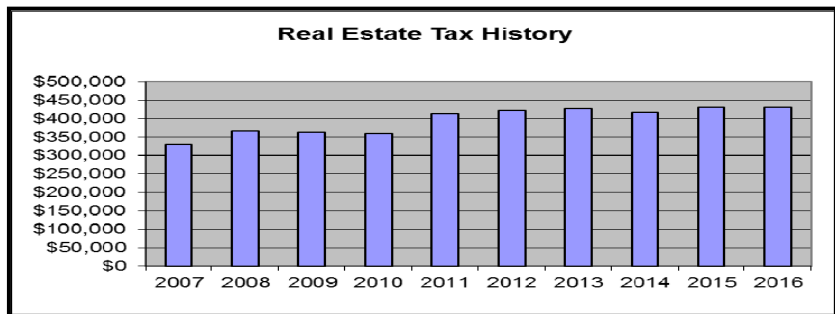
On a two-tier basis, the tax rates of 33.25 mills on land and 8.5 mills on buildings are divided as follows:

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 mills on land</u>	& <u>1.0 mills on buildings</u>
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.

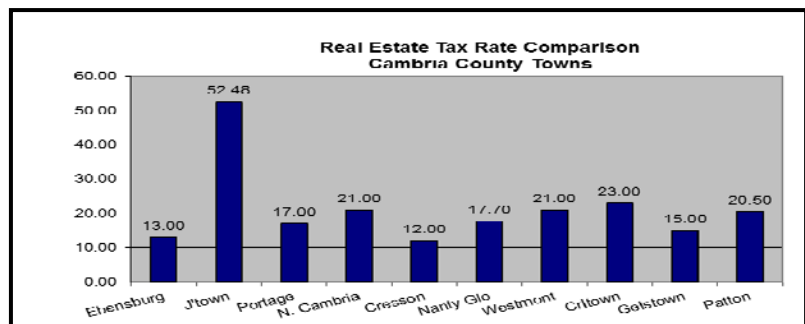
	Assessed Value	Millage Rate	Revenue Generated
Land	\$ 6,306,440	33.25	\$209,689
Buildings	\$28,359,940	8.50	<u>\$241,059</u>
Total			\$450,748
Combined	\$34,668,840	13.00	\$450,694

The chart illustrates the 10-year history of real estate tax collections in Ebensburg. 2017 will represent the 7th consecutive year without any change in tax assessments for general purposes. The last tax increase was in 2010 for the swimming pool debt.

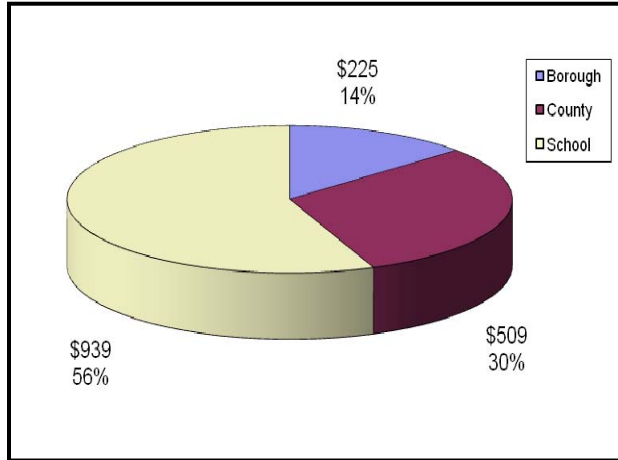


The chart is a comparison of Ebensburg Borough's real estate tax rate to other county seats in the region.

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 2017 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 14% of

the total property tax bill paid by borough taxpayers. Thirty (30%) percent of taxes paid by borough taxpayers goes to county government (29.5 mills), and fifty-six (56%) percent goes to the local school district (54.25 mills).

OTHER TAXES

All Act 511 taxes will remain the same in 2017. The Act 511 taxes are as follows:

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

2016 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 2016, Borough Council accomplished the following:

- 1) Uploaded historical documents to new digital records storage system.
- 2) Entered agreement with Saltsburg Borough to obtain grant for trail signage.
- 3) Drained and performed evaluation of drainage system on lower reservoir.



- 4) Continued project of assessing historical significance of properties for historical designation.
- 5) Redesigned the borough website.
- 6) Acquired hanging flower baskets for downtown area.
- 7) Paid off the \$750,000 sidewalk bridge loan.
- 8) Acquired new noise monitoring equipment.
- 9) Constructed a new pavilion at Lake Rowena.
- 10) Coordinated with PennDOT the resurfacing of state roads within the borough.



GRANTS AND LOW-INTEREST LOANS

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

2016 Funding Sources		
Pedestrian Signals	PennDOT	\$ 26,920
Police Tasers	Ebensburg Moose	\$ 3,814
Aggressive Driving	PennDOT	\$ 3,000
Seat Belt Enforcement	PennDOT	\$ 2,500
Total Grants		\$ 36,234

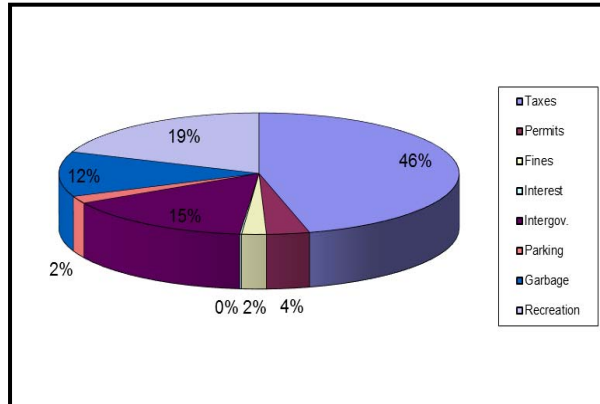
DEBT ANALYSIS

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 two projects; the YPCC and the swimming pool. Accelerated payments are being made on both loans in order to retire the loans earlier than scheduled.

A \$750,000 note acquired for the completion of the 2015 sidewalk project was paid off on schedule in 2016.

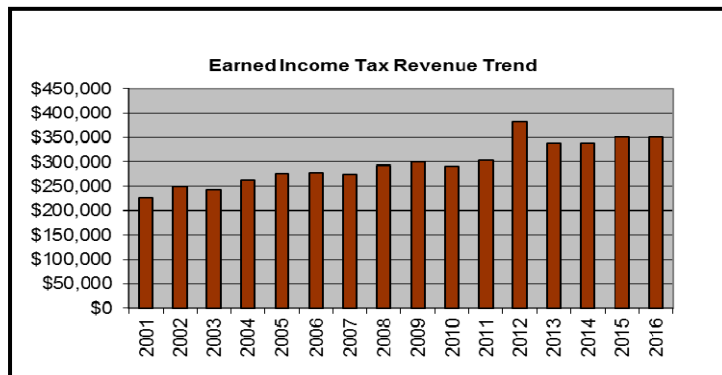
Debt Schedule					
<u>Project</u>	<u>Current Balance</u>	<u>Scheduled Payment</u>	<u>Actual Payment</u>	<u>Original Maturity</u>	<u>Actual Maturity</u>
YPCC	\$ 95,901	\$42,906	\$48,000	Sept 2022	March 2019
Swimming Pool	\$333,457	\$83,215	\$96,000	May 2021	Feb 2020
* loan balances as of September 30, 2016					

ANALYSIS OF GENERAL FUND REVENUES



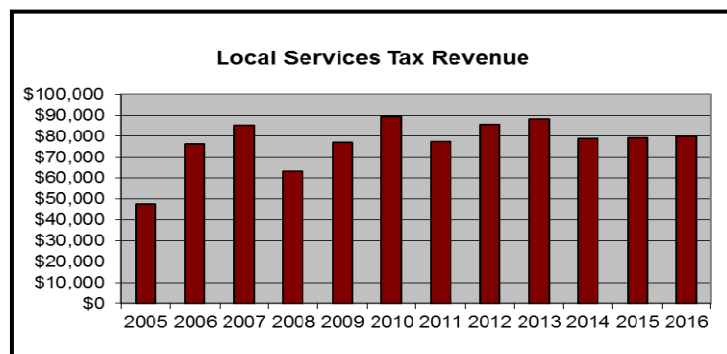
This chart illustrates the breakdown of revenues into the general fund. Obviously, taxes make up the greatest percentage of revenue. Ebensburg's combined recreation programs remain a significant source of revenue, constituting 19% of total revenues. It is important that those recreation related revenues 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.

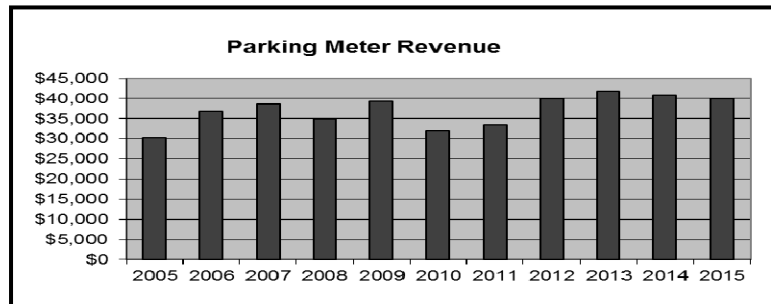
Local Services Tax - The local services tax is paid by all persons employed within Ebensburg Borough. The tax is \$52 per year. \$47 is paid to the borough and \$5 to the school district.



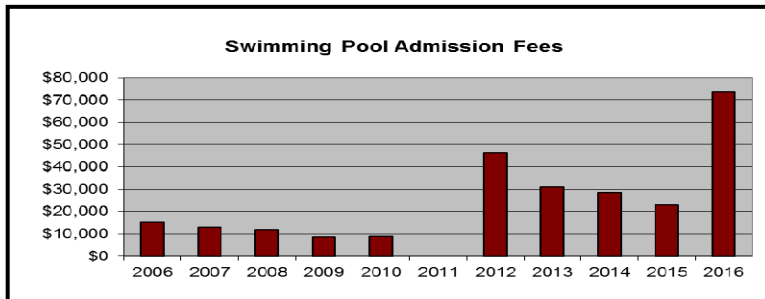
Parking – The revenue generated from parking meters has never been looked to as a source of revenue for the borough. The only reason that the parking meters exist is to help assure that vehicles are rotated through the limited number of available parking spaces, making parking available for visitors 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. For example, the last meter replacement the borough incurred was in 2014 for the \$9,600 purchase of the Penn Eben pay station.

A new meter station is budgeted in 2017 for the courthouse parking lot. The revenue from the courthouse lot is shared 50/50 with the county, as will the cost of the new multi-space meter station.

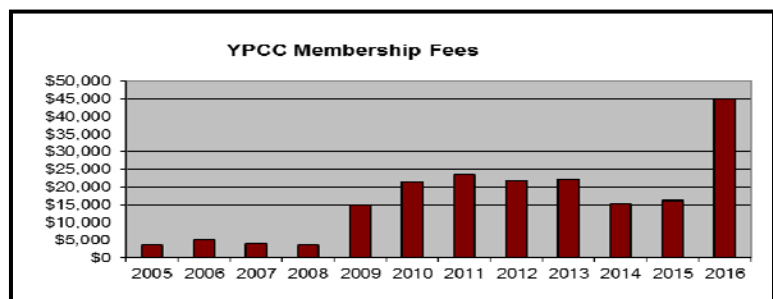


Swimming Pool – Revenue from swimming pool annual and daily passes has varied greatly over the last decade. Prior to the new pool, revenues were poor and decreasing annually. The pool was closed in 2011 during the construction project, and reopened in 2012 to revenues more than five times what they were 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.



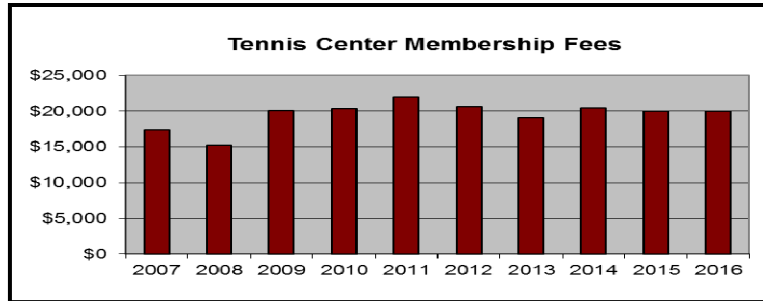
As the extremely favorable weather was an oddity, and the two neighboring pools will again reopen in 2017, the 2017 budget estimates are conservative.

YPCC – YPCC membership fees have also varied over the decade. Fees drastically increased in 2009 when the fitness center was introduced, and continued to grow for four 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.

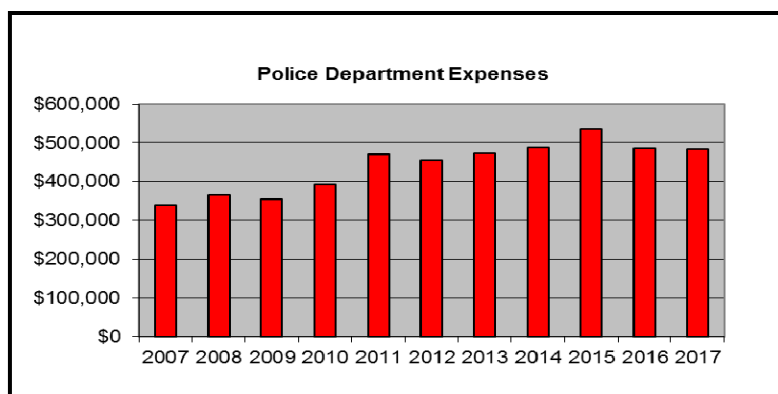
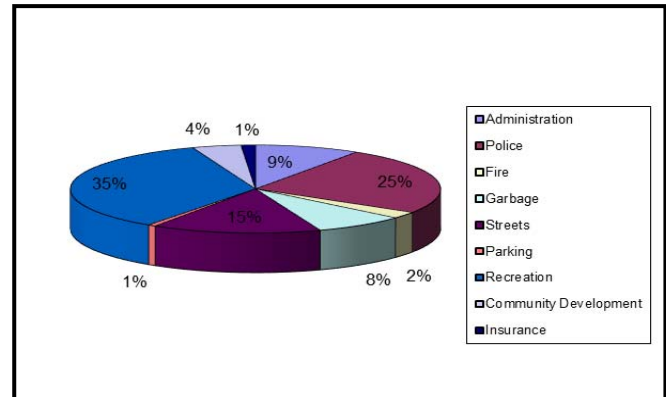
The 2017 budget estimates remain conservative. It will be important to assure in the future that the fitness equipment is properly maintained, and that equipment is updated or replaced as necessary. Replacement of the cardio equipment is included in the 2017 capital budget.



Tennis Center – Membership fees at the tennis center have remained fairly consistent over its first ten years of operation.

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 (\$674,430) followed by police (\$484,230).



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 2017 equates to 14 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.

Recreation – The 2017 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 pays \$48,000 annually in debt service, and reserves \$5,000 annually to capital reserve.



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 2016 is expected to be slightly less than \$10,000.

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. As a result, new budget line items were created and others were adjusted. Staff lacks any historical trend on which to base future budget projections. Therefore, revenues and expenditures for 2017 are being estimated very conservatively. The budgeted shortfall in 2017 for day-to-day expenses is still \$66,000. We expect the actual result to be better than that. The new cardio equipment, included in the capital budget, will help assure that membership and participation at the YPCC remains high.

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. The YPCC's debt service will continue to be a burden on the borough's budget for another three years.



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 2017 budget estimates are conservative, expecting a deficit of \$7,300. Meeting that target will depend greatly on summer weather conditions.

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.

We had intended to complete improvements at Jenck's Dam in 2015, but the Fish Commission asked that we again delay imposing "catch & release" regulations until spring 2016. The Fish Commission has still not completed their work. A sign will be installed noting the namesake of the dam and the rules for use. This project will be completed in 2017 with or without the Fish Commission's cooperation.



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.



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 – In compliance with the Federal Highway Administration, Council has adopted a policy for inventory, evaluation and replacement of street signs. The sign inventory was completed in 2015, listing 1,497 street signs and condition. Over 170 of those signs were deemed to be in need of immediate replacement, and that was accomplished in 2015. The replacement of signs was continued in 2016, and will wind down in 2017. Future replacement will be on an as needed basis.

There were no street paving projects undertaken in 2015 or 2016, and none will occur in 2017. 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 2017, more than \$425,000 will have been reserved for future street resurfacing.

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 was in 2008. The borough retains a forester to manage the timber, and to provide advice on management practices. A timber sale is anticipated in 2017.

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 EXPENDITURES



Wastewater System – A major wastewater system replacement project entered the design phase in mid-2016. The project will be aimed at separating all stormwater from the wastewater system, allowing the combined sewer overflows to be eliminated. DEP imposed a deadline of September 2017 for removal of the CSOs. That will not be met, but an extension is reasonably expected. The project, expected to cost nine million dollars, will begin in late 2017. A funding application will be submitted to Pennvest in early 2017. The project will require approximately one year to

complete, but the transfer of customers to the new system will require additional months.

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 Ordinance establishing air pressure testing and adopting the revised wastewater rules & regulations was adopted in 2016 and becomes effective at the beginning of 2017.

Water System – Efforts continue to optimize the operation of the DAF clarifier. It was evaluated in the fall of 2015, and it is probable that a reconfiguration will have been completed in 2016.

Mixing and aeration equipment will be installed in the Ogden storage tank in 2017. Staff is awaiting a DEP permit for those modifications, aimed at eliminating the disinfection byproduct issue.



The drain system on the lower reservoir was evaluated during 2016, and replacement of that system is planned in 2017. Staff is awaiting a DEP letter permit for that work.

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.



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.

During 2016, new stormwater inlets were installed on South Center Street in advance of PennDOT's resurfacing project. The North Beech Street project was completed in 2016.

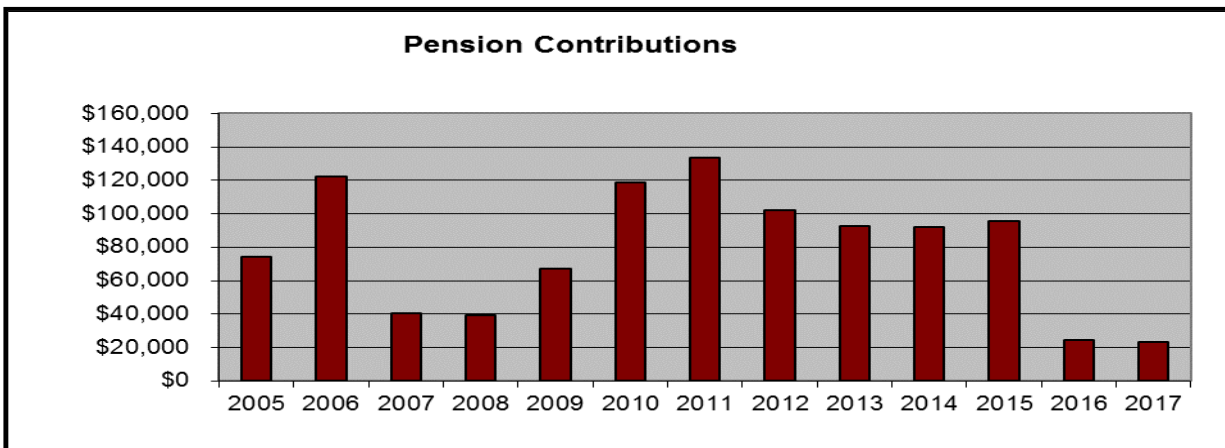
HUMAN RESOURCE FACTORS

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

Salary Ruling – The U.S. Department of Labor issued a ruling, effective December 1, 2016, increasing the minimum salary for exempt employees from \$23,600 to \$47,476. This impacts the borough's labor costs in Community Development and Recreation. Generally, the only salaried position in smaller towns such as Ebensburg is the Manager. Most municipalities do not directly employ their Main Street Manager, and few small towns make the investment in recreation that Ebensburg does. The 2017 budget includes funds for an adjustment of salaries to the new minimum. Council will make a final determination prior to December 1, 2016.

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 is now down to \$23,000.

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.

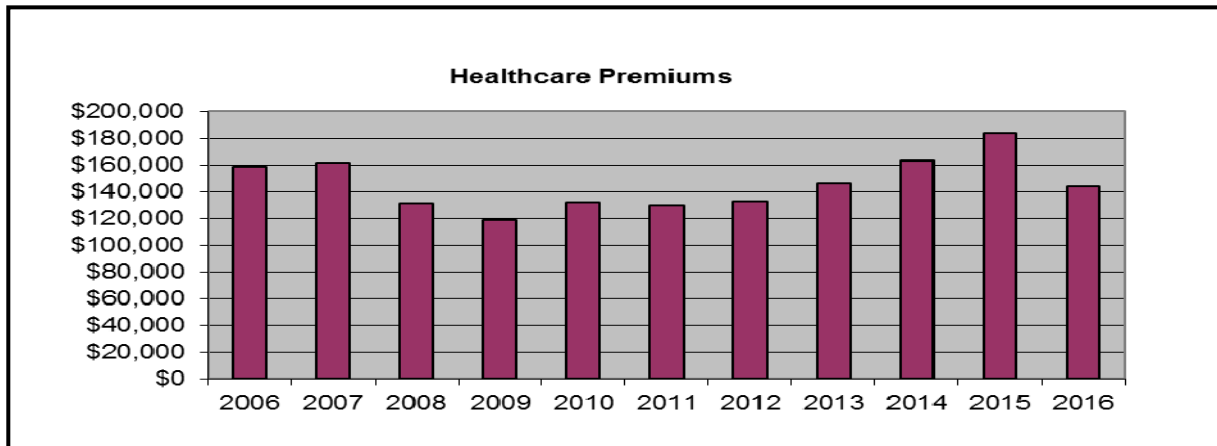
The State Aid received each year from the Commonwealth for pension premiums is generated from a tax on insurance premiums. The State Aid “unit value” has increased slightly over the past few years. However, the total amount of State Aid received is capped at that amount necessary to satisfy the minimum municipal obligation (MMO). Borough Council is incrementally decreasing the employee contribution rate in order to maximize the amount of State Aid in future years.

Even with 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. We have budgeted for a net increase of 10% in 2017.



MAJOR OBJECTIVES IN 2017

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

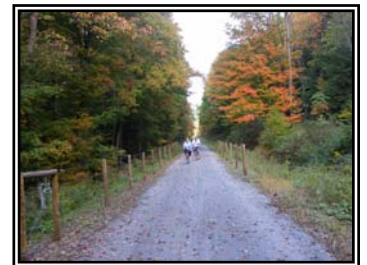
in 2017 include:

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.

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.
- Complete a project intended to welcome trail users to Ebensburg and encourage them to visit downtown. The project includes welcome and wayfinding signage along the trail at West Street, the YPCC and Cherry Street. Grant funding is pending.
- 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.
- Install additional downtown flower baskets on light posts.
- Refinish benches, bollard lights, trash receptacles, pole bases as needed.



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 2017 include:

Police Protection

- Continue to provide educational opportunities for police officers.
- Monitor use of part-time officers in order to remain within budgetary limits.
- Replace a laptop computer.
- Replace floor covering in police office.
- Replace the individual parking meters in the county parking lot with a single pay station.



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.
- Replenish the bulk supply of recycling containers.
- Advertise for garbage collection and recycling contract expiring at end of 2017.

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 2017 are:

Facilities

- Install new AC/heat pump for front of municipal building.
- Design a new façade for front of municipal building.
- 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.
- Replace a backhoe, and consider instead an excavator.
- Continue annual spraying to eliminate weeds along curbs.



Sidewalks

- No projects planned.

Water System

- Perform localized line repairs in Crestwood and on Sample Street, Horner Street and Manor Drive.
- Install a streaming current monitor to better regulate chemical treatment.
- Continue efforts to optimize the DAF clarifier per Severn Trent's recommendations.
- Install disinfection byproduct removal equipment in the Ogden water storage tank.
- Replace the reservoir drain valve.
- Install and optimize the new SCADA system.

Wastewater System

- Complete design and permitting for the CSO elimination project.
- Seek grant/loan funding for CSO elimination project system.
- Install and optimize the new SCADA system.

Stormwater

- Reserve funds in anticipation of future funded project.
- Complete the Beech Street stormwater project.

Timber Management

- Undertake timber thinning project as recommended by forester.

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 2017 include:

General

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

Swimming Pool

- Purchase additional deck chairs.
- Replace the sun umbrellas.



Lake Rowena

- In coordination with Fish Commission, apply herbicide to control lake weeds.
- Continue control program to manage geese.

Tennis Center

- Complete the lighting project.

YPCC

- Refinish YPCC gym floor.
- Initiate a lease for new cardio equipment.
- Replace the office copier.

Playgrounds

- Installation of new black aluminum fence at center ward and east ward playgrounds.
- Resurface center ward basketball court and safety surfaces.
- Complete the Jenck's Dam project.



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 2017, a total of \$758,660 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 reserve was strained in 2016 by the \$750,000 bridge loan payment for the 2015 sidewalk project. Other planned projects and purchases in 2016 were postponed until 2017.

The capital budget allocates \$769,600 for projects in 2017 for such items as new public works vehicles, police office improvements, a new backhoe, street sign maintenance, completion of a stormwater project, water plant improvements, SCADA systems and community development initiatives.

Mindful of the economy, the 2017 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 are 28% in the General Fund; 35% in the Water Fund; and 27% in the Wastewater Fund.

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 2017 Budget is a lean budget. It had been expected that a tax increase would be necessary in 2016 or 2017 to balance those annual budgets, but unexpected savings in several areas has, at least temporarily, negated that need. Significant savings have been realized in the cost of employee pensions, employee healthcare, and recreation programs. 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. The debt incurred for the swimming pool and the YPCC will be paid near the end of 2019, freeing up over \$125,000 annually for other projects. Those funds could be utilized over a 10-year period to finance a single project to complete sidewalks on Horner Street, Crawford Street, Sample Street, Caroline Street and West Triumph Street. The timing would allow for the wastewater/stormwater projects to be completed in those areas prior to beginning any sidewalk work.

PUBLIC IMAGE

We expect Ebensburg Borough to continue to experience change in 2017. 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".

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 2017 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