

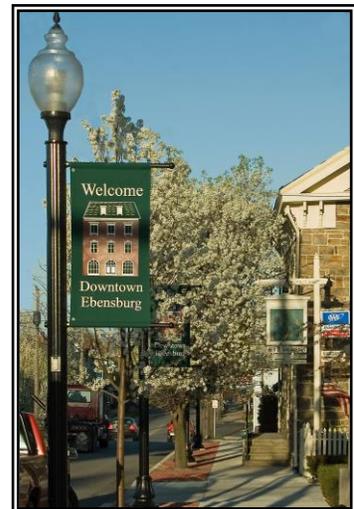
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October 22, 2018

Mayor Datsko and Members of Borough Council:

The 2019 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 2019 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 2019 Operating Budget calls for revenues of \$6,036,770 and expenditures of \$5,927,480. The general fund budget is balanced with no increase in real estate taxes. This is the 9th consecutive year without a tax increase for general purposes, and the 8th 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	\$2,207,270	\$2,149,200	\$58,070
Water Fund Budget	\$1,670,500	\$1,651,970	\$18,530
Wastewater Fund Budget	\$1,933,000	\$1,900,310	\$32,690
Stormwater Fund Budget	<u>\$ 226,000</u>	<u>\$ 226,000</u>	<u>\$ 0</u>
Total Operating Fund	\$6,036,770	\$5,927,480	\$109,290

The General Fund Budget is increased by 6.8%. The increase is due to one additional staff position, higher personnel costs, additional police expenses, a contractual garbage increase, higher insurance premiums, and a correction to unemployment insurance calculations. In addition, \$99,200 in liquid fuels subsidies that has been encumbered by the county for previous projects will be received and expensed in 2019 for street resurfacing.

The Water Fund Budget is 7.0% higher due to the same increases in personnel and insurance costs, in addition to a scheduled increase in debt service and higher costs for chemicals, supplies and maintenance.

The Wastewater Fund Budget is 3.3% higher due to the same increased personnel and insurance costs.

Overall, the 2019 Operating Budget represents an increase of 5.5% from 2018.

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.

	2018	2019	Change
General Fund Budget	\$2,011,020	\$2,149,200	6.87%
Water Fund Budget	\$1,543,070	\$1,651,970	7.06%
Wastewater Fund Budget	\$1,838,750	\$1,900,310	3.35%
Stormwater Fund Budget	<u>\$ 226,000</u>	<u>\$ 226,000</u>	<u>0%</u>
Total Operating Fund	\$5,618,840	\$5,927,480	5.49%

BASIC POLICIES AND ASSUMPTIONS

- A basic premise in preparing the 2019 Budget is 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 \$34,866,530 comprised of assessed land value of \$6,343,600 and assessed building value of \$28,522,930, 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 2018 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

While the overall 2019 real estate tax rate will remain unchanged, the specific dedication of the tax will be modified, as the swimming pool debt has been paid. In 2019, the 13.0 mills of real estate tax will be used for the following purposes:

Conventional Millage Rate	
General Purposes	12.5 mills
Stormwater	<u>0.5 mills</u>
Total Mills	13.0 mills

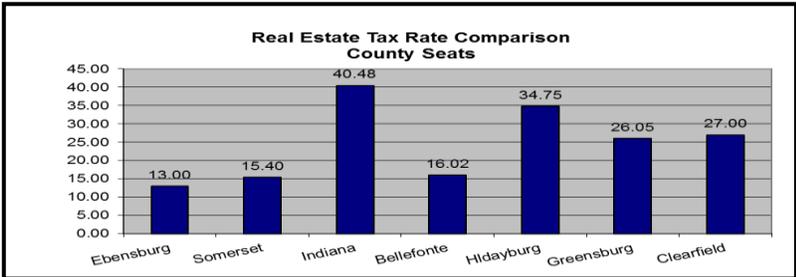
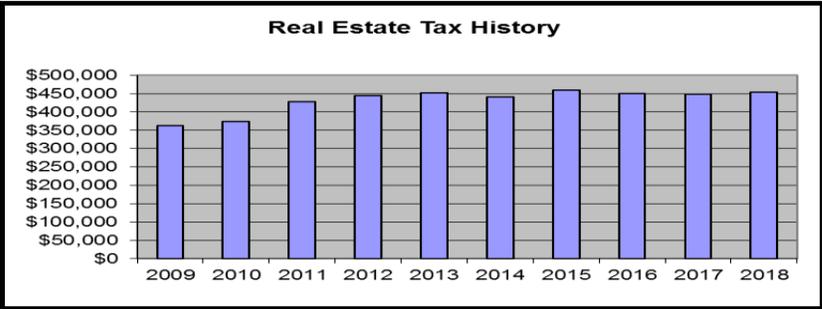
On a two-tier basis, the tax rates of 33.25 mills on land and 8.5 mills on buildings are divided as follows:

Tiered Millage Rate	
General Purposes	30.75 mills on land & 8.5 mills on buildings
Stormwater	2.50 mills on land
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.

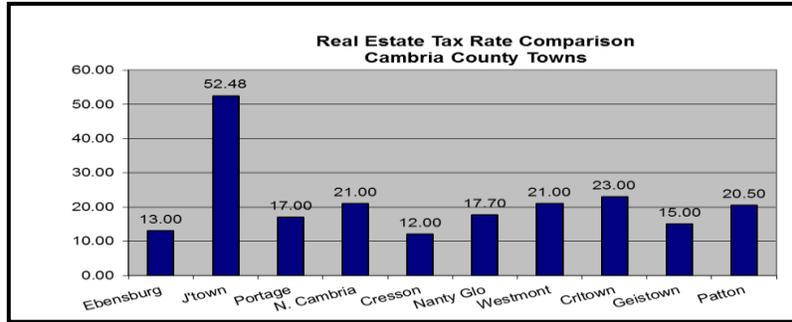
	Assessed Value	Millage Rate	Revenue Generated
Land	\$ 6,343,600	33.25	\$210,924
Buildings	\$28,522,930	8.50	<u>\$242,445</u>
Total			\$453,369
Combined	\$34,866,530	13.00	\$453,265

The chart illustrates the 10-year history of real estate tax collections in Ebensburg. 2019 will represent the 9th consecutive year without any change in tax assessments for general purposes. The last tax increase was in 2010 for the swimming pool debt.

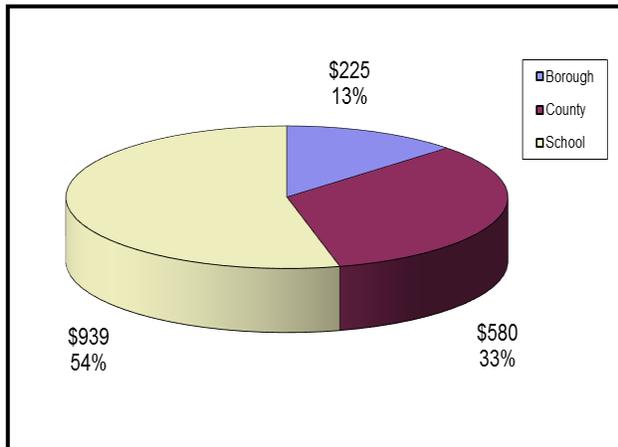


The chart is a comparison of Ebensburg Borough's real estate tax rate to other county seats in the region.

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 \$17,383. Thus, the average taxpayer pays approximately \$226 (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-three (33%) percent of taxes paid by borough taxpayers goes to county government (33.5 mills), and fifty-four (54%) percent goes to the local school district (54.25 mills).

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

OTHER TAXES

All Act 511 taxes will remain the same in 2019. The Act 511 taxes are as follows:

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

2018 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, despite planning a relatively light project load due to the ongoing wastewater project, continued that progressive spirit with even more initiatives. In 2018, Borough Council accomplished the following:

- 1) Replaced a pickup truck.
- 2) Constructed a mobile street stage.
- 3) Added a fifth full-time police officer.
- 4) Continued project of assessing historical significance of properties for historical designation.
- 5) Updated the Borough Council Protocols and Code of Ethics.
- 6) Repaired the municipal building façade and bricks.
- 7) Paid off the swimming pool debt three years early.
- 8) Undertook design for an upcoming sidewalk project.
- 9) Acquired a blighted property and arranged a grant for demolition.
- 10) Negotiated a new AFSCME labor agreement.
- 11) Awarded a new 3-year contract for garbage collection, adding weekly recycling.

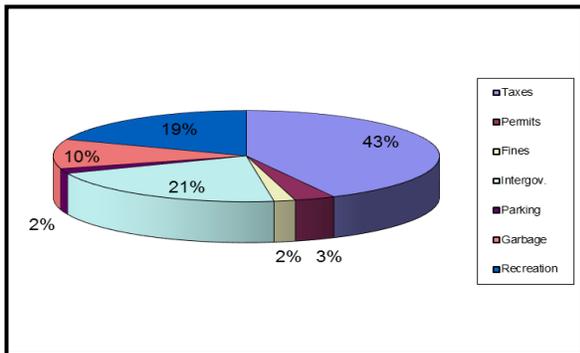
GRANTS AND LOW-INTEREST LOANS

Borough Council has actively sought grants and low-interest funding for many projects. In 2018, Council assisted in securing and guarantying a \$9 million PENNVEST loan at 1% interest.

DEBT ANALYSIS

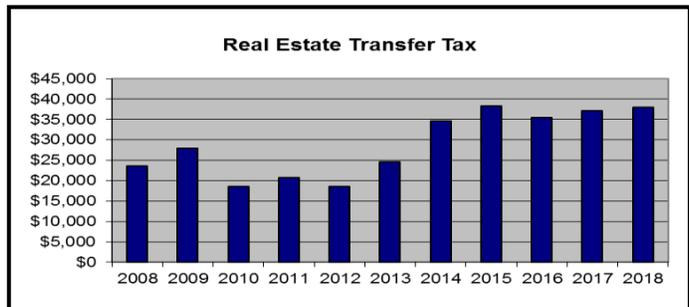
Ebensburg Borough guarantees several loans on behalf of the Ebensburg Municipal Authority. As the Authority loans are self-liquidating, they are not included here. In 2018, the swimming pool loan was paid off three years early, leaving the Borough with no debt.

ANALYSIS OF GENERAL FUND REVENUES

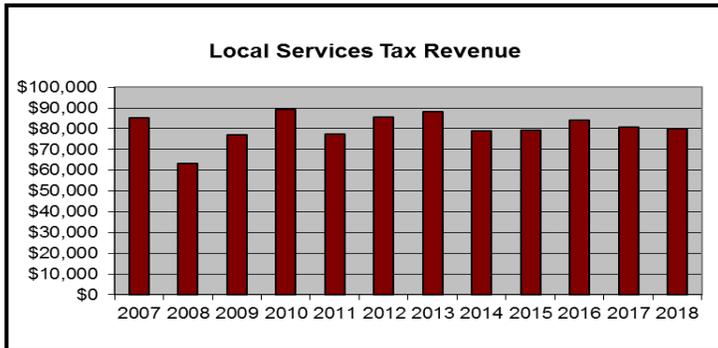
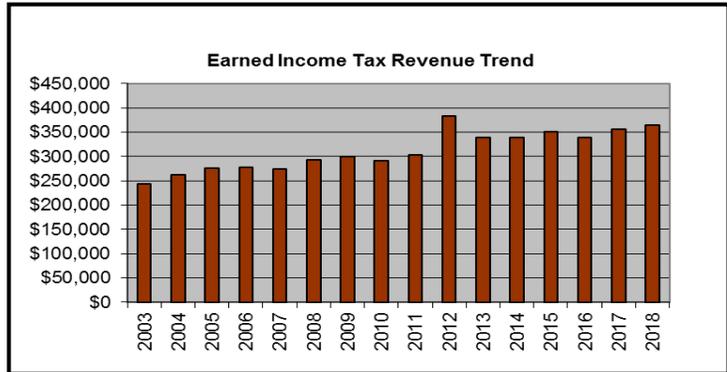


This chart illustrates the breakdown of revenues into the general fund. Obviously, taxes make up the greatest percentage of revenue. Ebensburg's combined recreation programs remain a significant source of revenue, constituting 19% of total revenues. It is important that those recreation related revenues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



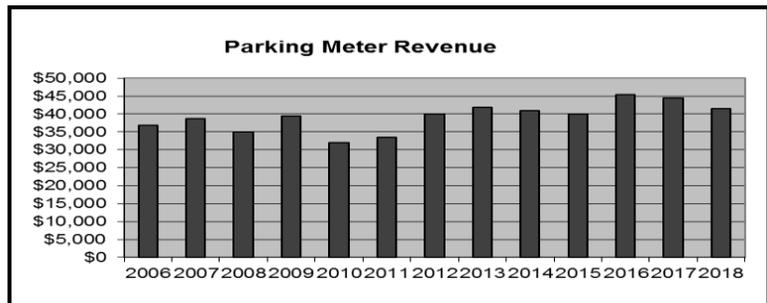
Local Services Tax - The local services tax is paid by all persons employed within Ebensburg Borough. The tax is \$52 per year. \$47 is paid to the borough and \$5 to the school district.

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.

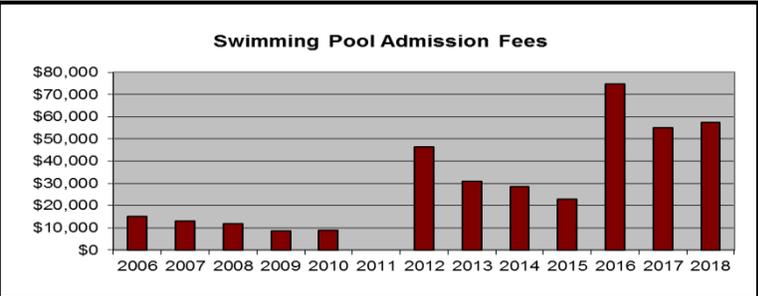
It is important that the revenue generated by the parking meters covers the ongoing cost of enforcement, the capital costs of the meters and stations, the maintenance of same, and the parking lot lease cost. The annual cost of enforcement is approximately \$18,200. Annual maintenance is less than \$1,000. The parking lot lease is \$13,200. 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 in 2016 and 2017 was withheld as reimbursement of half of the capital cost, resulting in an anomaly in the charted revenues. The lower revenues during 2010 and 2011 are due to the streetscape project at that time.



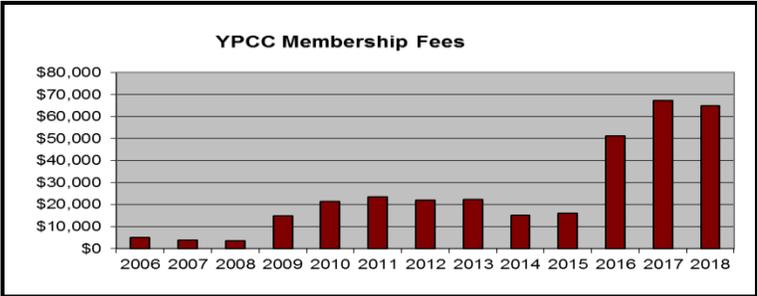
Swimming Pool – Revenue from swimming pool annual and daily passes has varied greatly over the last decade. Prior to the new pool, revenues were poor and decreasing annually. The pool was closed in 2011 during the construction project, and reopened in 2012 to revenues more than five

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 temporary closing of two other nearby municipal pools resulted in a 324% increase in 2016.



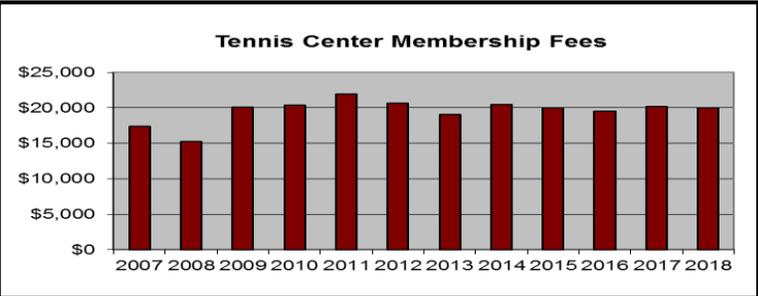
Staff is comfortable that, with average summer conditions, admission fees at the pool should remain at \$50,000 or higher annually. The 2019 budget contains a conservative estimate of \$45,000.

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.

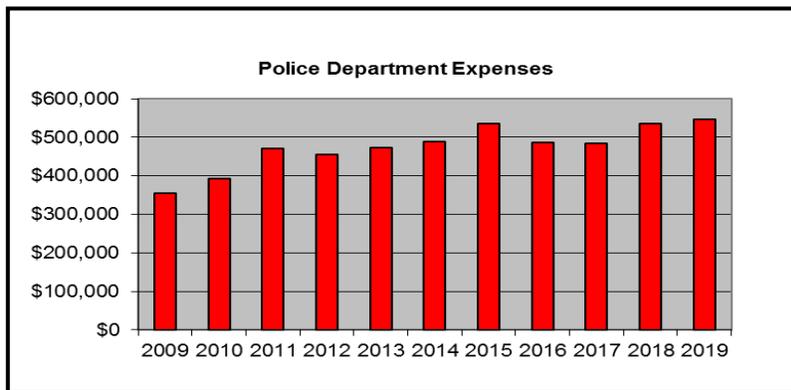
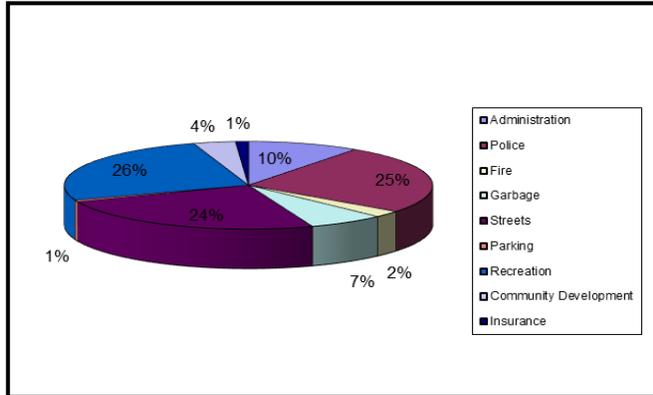
The 2019 budget estimates remain conservative. It will be important to assure in the future that the fitness equipment is properly maintained, and that equipment is updated or replaced as necessary.



Tennis Center – Membership fees at the tennis center have remained fairly consistent over its twelve 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, despite the elimination of debt service for the swimming pool, remains Ebensburg's largest budgeted expense (\$553,600) followed by police (\$546,680).



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.

In 2018, costs increased again with the addition of the fifth full-time officer, but that increase

was offset by the significant decrease in pension costs in the uniformed pension plan.

The budgeted cost in 2019 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, the fifth full-time officer was added. It is critically important that the cost of employee benefits, especially healthcare and pension, be monitored in future years. Council's ability to continue to staff a fifth full-time officer position will depend greatly on the future cost of those benefits. Council should continue to negotiate higher employee contributions to the cost of healthcare, and should continue to require employee contributions to the pension plan.

Recreation – The 2019 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, and coupled with retirement of the debt service, a subsidy is no longer required. The surplus at the YPCC in 2018 is expected to be \$18,000.



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, as necessary.



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 deficit in 2017 was approximately \$14,000 and the 2018 deficit is expected to be only \$9,600. The budgeted deficit in 2019 is \$20,400. 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 ended in 2018.

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 has been able to reliably support its own operation. In 2018, it will again see a small surplus of \$10,000. In 2019, two universities will eliminate their tennis programs, resulting in a loss of approximately \$10,000 in court rentals. Though the 2019 budget anticipates a deficit of \$14,000, new programming and rentals will likely cover that deficit.

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, in anticipation of the wastewater project. Street paving in areas south of High Street is expected to occur in late 2019. There will be \$67,200 available in liquid fuels county aid for street paving. Those funds are received in and expended through the general fund, resulting in an unusual and temporary bump in general fund expenditures.

There will also be \$660,000 in accumulated liquid fuels funds, of which approximately \$350,000 will be directed to 2019 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 2018, the market finally allowed for another sale on property northwest of the reservoir. The borough retains a forester to manage the timber, and to provide advice on management practices.

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

The 2018 budget described rising concerns about water and wastewater revenues, and warned of rate adjustments that would be required in the very near future. The sections below explain why a rate adjustment, while not necessary for wastewater service, is now required for water service.

Wastewater System – There are three factors looming in the near future that will affect wastewater revenues, none of which are addressed in the 2019 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 are now surcharged 35% of the normal charge until repairs are made. Revenue from surcharges in 2018 will be approximately \$20,000. The assessment of surcharges will continue throughout 2019, but it is impossible to estimate what that amount might be. So while additional revenue from surcharges can be expected, surcharges are not included in the 2019 budget.

When the 2018 budget was being prepared, we were still estimating what the full effect of the 2016 wastewater rate would be. Today we know that, and the budgeted fee revenue has been increased accordingly in the 2019 budget. The wastewater budget carries a sufficient surplus, and a rate adjustment is not necessary.

Helping to offset any future loss of revenue is the amount currently being reserved annually toward the upcoming wastewater project. \$495,000 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 \$495,000. Depending on actual bids received, the difference 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 has taken measures to decrease the amount of water purchased. For example, their laundry now recycles water. Annual sales to Cambria Care are down more than \$60,000 annually. Only a small part of that loss of revenue is being made up for through new customers, as overall system revenue growth is stagnant.

2018 was the second consecutive year in which water revenues were down to 1.35M. During that same time, expenses have continued to climb. In 2019, a scheduled increase of \$20,000 in debt service will occur.

The 2019 budget includes a water rate increase already implemented by the Municipal Authority.

ANALYSIS OF UTILITY-RELATED FUND EXPENDITURES



Wastewater System – A major wastewater system replacement project was begun in 2018 and will continue through August 2019. The project is aimed at separating all stormwater from the wastewater system, allowing the combined sewer overflows to be eliminated. The \$9M project is being funded with a PENNVEST loan with an interest rate of 1% over 25 years.

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. Those reserved funds have paid for the design and engineering costs, and a small portion of other project costs.

The debt service for the wastewater project is not addressed in the 2019 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. Once amortized, those funds already budgeted for the project reserve will simply be redirected to debt service.

Water System – There is a list of localized repairs that will be completed as time allows. For example, 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.

Small localized projects have already been completed and paid for with these stormwater fees including the North Beech Street project and the East Triumph Street project. In 2019, the stormwater fees will be used to replace existing stormwater basins on Sample Street and Crawford Street in advance of the 2020 paving project in that area of town. Staff will also install new stormwater basins and discharge pipe at the end of East Ogle Street. A portion of the stormwater fees is also being used

to pay for stormwater improvements that have been included in the ongoing wastewater project, specifically on South West Street and West Horner Street.

Within the next few years, the Municipal Authority will likely begin design on a major stormwater improvement project affecting several areas of town.

STATUS OF COUNTY SHARED PROJECTS

County Parking Lot – The borough undertook the resurfacing of the county parking lot in 2017. The county agreed to reimburse the borough for the cost of the paving contract plus the cost of striping materials.

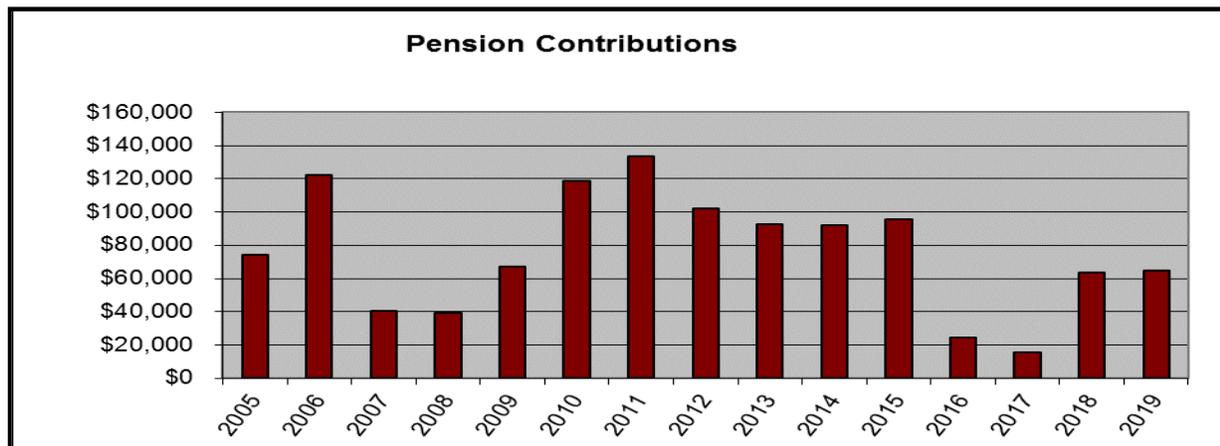


The borough has not undertaken an eligible resurfacing project since 2014, in anticipation of the damage to streets which will occur during the upcoming wastewater project. The normal annual allotments of \$7,500 have been encumbered by the county, on the borough's behalf, in addition to the costs associated with the parking lot project. At the end of 2018, the County has now encumbered a total of \$99,200 that is available to be applied to future street resurfacing.

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 was below \$25,000 in 2016 and 2017, and is now hovering at \$64,000.



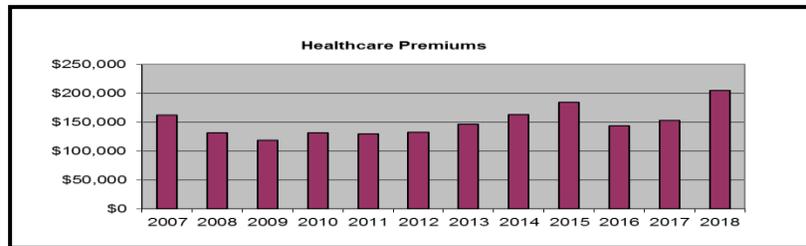
The employee contributions to both pension plans remains at 3% in 2019.

Despite better investment returns, a major financial concern facing Ebensburg Borough in the future will continue to be the cost of employee pensions.

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.

The 2018 premium increase across the entire healthcare plan was 16%. The rate increase ranged from 31% for the youngest of employees/dependents to 13% for the oldest individuals. The net effect of that increase was buffered somewhat 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 6% to 7%. Overall costs increased though due to the addition of new full-time employees in the police department and YPCC, and the fact that fewer employees/dependents are now insured elsewhere.



In 2019 we have budgeted for a 10% increase in healthcare costs, plus the additional staff position described below.

Staffing Increase – The 2019 budget includes one additional position within the public works department. The new position is necessary due to several factors:

- a. The water plant operator has historically worked at the plant during morning hours only, and was available for general public works projects during other hours. That is no longer the case. Because of mandated increases in monitoring, testing and reporting, the water operator works exclusively at the water treatment plant.
- b. The water plant operator and the public works director are the only employees that possess all required certifications for the treatment plant, and are the only staff members permitted to make process control decisions. A backup to the water plant operator, and the benefit of more weekends off is essential.

- c. There are many responsibilities that are not being fulfilled, and projects that cannot be undertaken due to short staffing. For example, it is common for planned projects to be mentioned in this budget year after year that we are unable to get to. The repair of the reservoir drain valve, the replacement of garage doors at Babcock, the Tanner Street bridge repairs, restoration of private property and streets following excavation are all important projects, but our current staff is overwhelmed with other projects. While the problem is exacerbated by the ongoing wastewater project, we were falling behind on important projects even before this major project. Conversion of the streetlights to LED would result in a cost-savings, if we could complete the work. Our water loss could be lower if we could commit more time to leak searches and line repairs. Our I&I elimination could be improved if we could commit more time to repairing tapping tees. Water quality could be improved if we could find time to switch customers from old lines to newer lines, or even perform regular system flushing. Routine maintenance and care of vehicles and equipment is lacking.

This new position will be a Laborer II classification, requiring full water treatment certification.

FUTURE SIDEWALK PROJECTS

Since the annual YPCC debt service was retired in 2017, that \$48,000 obligation has been budgeted to the sidewalk reserve in 2018 and 2019. In 2018, the swimming pool debt was also retired, and \$77,000 of that previous \$96,000 obligation has been transferred to the annual sidewalk reserve in 2019.

In 2018, Council approved the design of a major sidewalk improvement project on Horner Street, Crawford Street, Sample Street, Caroline Street, South Marian Street and West Triumph Street. The design costs will be paid from the sidewalk reserve. Actual construction for this project cannot begin until the wastewater and gas projects are completed in various parts of town.

The wastewater and gas projects in those areas south of High Street are expected to be completed by the end of 2018. A sidewalk project on South Caroline Street, South Marian Street and West Triumph Street will be advertised for bid February/March of 2019, with construction beginning as soon as weather permits. Once those sidewalks and curbs are completed, streets south of High Street will be resurfaced.

The wastewater project in areas north of High Street is not scheduled for completion until August 2019, and the gas project will follow that. It will be too late in the year to undertake a new project, so the sidewalk project north of High Street will be advertised and awarded in early 2020, with street resurfacing in those areas to follow.

The sidewalk project will be financed over a ten-year period. The amount currently being reserved annually will then be redirected to cover that debt service.

MAJOR OBJECTIVES IN 2019

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 2019 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 the FOP, expiring 2019.

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.
- 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.



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 2019 include:

Police Protection

- Continue to provide educational opportunities for police officers.
- Monitor use of part-time officers in order to remain within budgetary limits.
- Secure a grant for 50% of the cost to replace body armor.

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.



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 2019 are:

Facilities

- Reduce door opening size at Babcock and add new doors.
- Install metal siding on lower storage building at Babcock.
- Update the property appraisal.



Highways

- Complete a street resurfacing project on streets south of High Street following completion of the wastewater and gas projects.
- 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.
- Replace the small 2008 pickup truck.
- Replace the 1999 dump truck.
- Complete the conversion of Victorian streetlights to LED.
- Repair the Tanner Street bridge.

Sidewalks

- Begin annual phased replacement of red brick patterned walks and sealing in downtown.
- Expand the reservation of funds for future sidewalk improvement projects.
- Undertake replacement of sidewalks and curbs on South Caroline Street, South Marian Street and West Triumph Street.



Water System

- Perform localized line repairs on Sample Street, Horner Street and Manor Drive.
- Enhance security at water plant.
- Complete repairs to the reservoir drain valve.
- Install a new raw water valve.
- Install a new fire hydrant at Ashbrook Circle.

Wastewater System

- Continue 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.
- Install stormwater basins and new discharge line on East Ogle Street.



Timber Management

- No planned activities.

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 2019 include:

General

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

Swimming Pool

- Purchase additional deck chairs.
- Replace the tiling at the zero-depth entrance.
- Replace four Funbrellas and solicit sponsors.

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.
- Repaint the wooden railings around entrance.
- Install a French drain through the yard above the pavilion.



Tennis Center

- Cleaning of the indoor courts.

YPCC

- Replace the office copier.
- Install showers in both restrooms.
- Refinish the gym floor.
- Continued evaluation of the operation of the school's swimming pool.

Playgrounds

- No planned activities.

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 2019, a total of \$1,154,000 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 \$384,650 for projects in 2019 for such items as stormwater improvements, 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 continue to consume much of the staff's time.

Mindful of the economy, the 2019 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 except the Water Fund, which is at 24%.

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 2019 Budget is a lean budget. The elimination of debt service for the swimming pool has 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.

PUBLIC IMAGE

We expect Ebensburg Borough to continue to experience change in 2019. Over just the past three 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 South Center Street includes the renovation of the former sign shop by Seymour Investments. 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 2019 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