



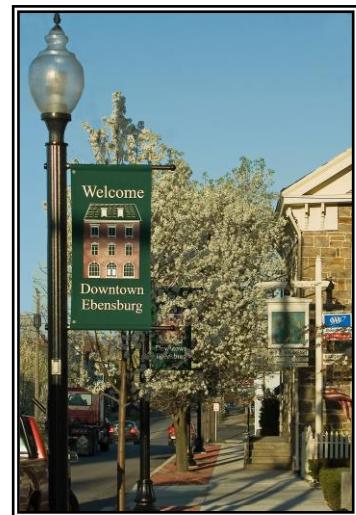
Daniel L. Penatzer, Borough Manager
300 West High Street
Ebensburg, Pennsylvania 15931
Telephone: 814-472-8780
E-Mail: dlpen@ebensburgpa.com
Website: www.ebensburgpa.com

October 26, 2020

Mayor Datsko and Members of Borough Council:

The 2021 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 2021 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 2021 Operating Budget calls for revenues of \$6,115,030 and expenditures of \$6,063,450. The general fund budget is balanced with no increase in real estate taxes. This is the 11th consecutive year without a tax increase for general purposes, and the 10th 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 | \$2,14025,530 | \$2,125,250 | \$15,280 |
| Water Fund Budget | \$1,810,500 | \$1,794,140 | \$16,360 |
| Wastewater Fund Budget | \$1,938,000 | \$1,918,060 | \$19,940 |
| Stormwater Fund Budget | <u>\$ 226,000</u> | <u>\$ 226,000</u> | <u>\$ 0</u> |
| Total Operating Fund | \$6,115,030 | \$6,063,450 | \$ 51,580 |

The General Fund Budget is increased by 2.5%. The increase is primarily due to higher costs budgeted for healthcare and pensions.

The Water Fund Budget is increased by 3.9% primarily due to increased healthcare and pension costs, correction of the cost for contracted operations, and budgeted increases for repairs. The Wastewater Fund Budget is increased by 2.7% for those same reasons.

Overall, the 2021 Operating Budget represents an increase of 2.9% from 2020.

With the exception of the budgeted cost of employee benefits and the increased budget for utility system repairs, 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.

| | 2020 | 2021 | Change |
|------------------------|-------------------|-------------------|-----------|
| General Fund Budget | \$2,072,400 | \$2,125,250 | 2.55% |
| Water Fund Budget | \$1,726,250 | \$1,794,140 | 3.93% |
| Wastewater Fund Budget | \$1,867,960 | \$1,918,060 | 2.68% |
| Stormwater Fund Budget | <u>\$ 226,000</u> | <u>\$ 226,000</u> | <u>0%</u> |
| Total Operating Fund | \$5,892,610 | \$6,063,450 | 2.90% |

BASIC POLICIES AND ASSUMPTIONS

- A basic premise in preparing the 2020 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 \$35,124,190 comprised of assessed land value of \$6,355,540 and assessed building value of \$28,768,650. The rate of collection is based on a 15-year average. 26% of the property in Ebensburg is non-taxable.

The 2020 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 | 12.5 mills |
| Stormwater | <u>0.5 mills</u> |
| Total Mills | 13.0 mills |

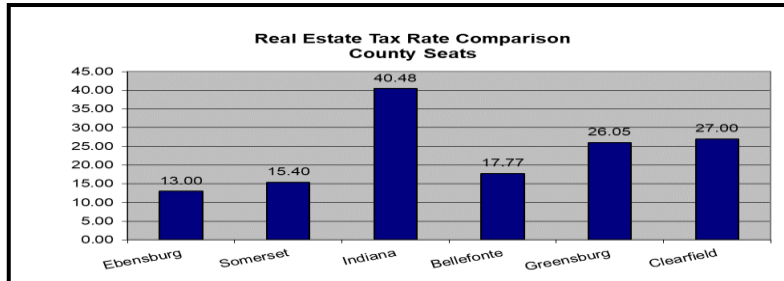
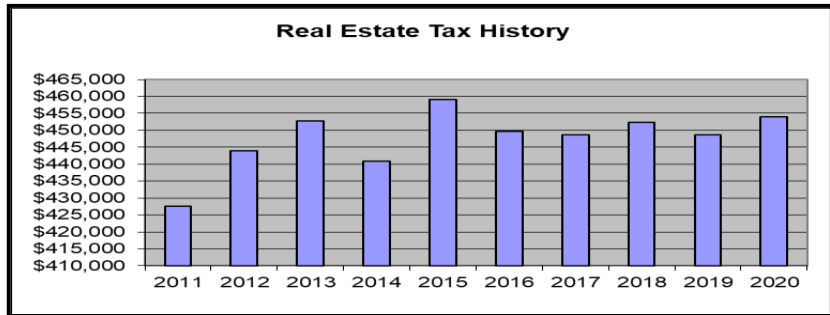
On a two-tier basis, the tax rates of 33.25 mills on land and 8.5 mills on buildings are divided as follows:

| 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.

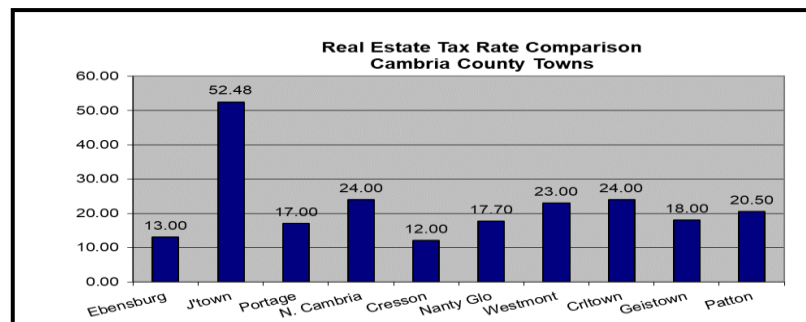
| | Assessed Value | Millage Rate | Revenue Generated |
|-----------|----------------|--------------|-------------------|
| Land | \$ 6,355,540 | 33.25 | \$211,321 |
| Buildings | \$28,768,650 | 8.50 | <u>\$244,533</u> |
| Total | | | \$455,854 |
| Combined | \$35,124,190 | 13.00 | \$456,614 |

The chart illustrates the 10-year history of real estate tax collections in Ebensburg. 2021 will represent the 11th consecutive year without any change in tax assessments for general purposes. The last tax increase was in 2010 for the swimming pool debt.

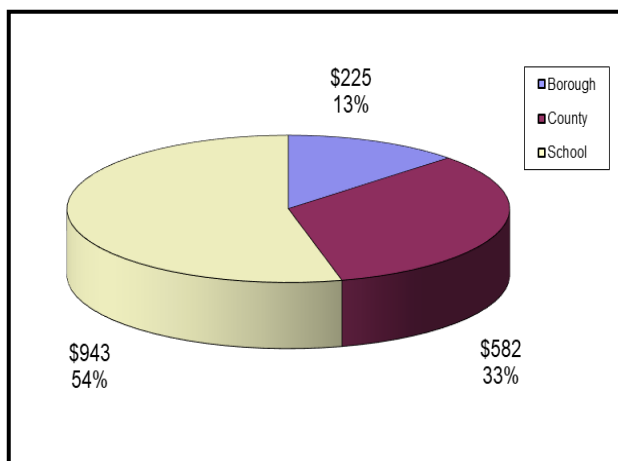


The chart is a comparison of Ebensburg Borough's real estate tax rate to other county seats in the region.

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 2020 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).

OTHER TAXES

All Act 511 taxes will remain the same in 2021. The Act 511 taxes are as follows:

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

2020 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 2020, Borough Council accomplished the following:

- 1) Made extensive improvements to the playing surfaces at Memorial Field.
- 2) Coordinated the opening of the reservoir property for recreational use.
- 3) Worked with Inclusive Ebensburg to help ensure equality for all citizens.
- 4) Awarded contracts for sewer line extensions near West Horner Street.
- 5) Awarded a contract for repairs to the reservoir drain valve.
- 6) Obtained certification in the PA Sustainable Community Program.
- 7) Completed a full re-appraisal of Borough and Authority property.
- 8) Completed installation of new curbs and sidewalk on Caroline Street, Horner Street, Crawford Street and Sample Street.
- 9) Milled and resurfaced all streets in northeast quadrant of town.
- 10) Replaced a dump truck.
- 11) Approved plans for a dog park at Lake Rowena.
- 12) Resurfaced the airport runway.
- 13) Obtained a grant for design costs for resurfacing of airport taxiway.

GRANTS AND LOW-INTEREST LOANS

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

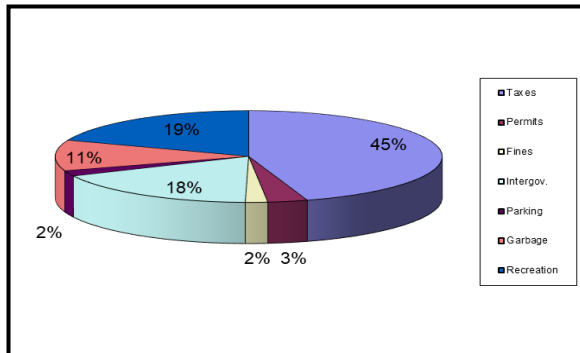
| 2020 Funding Sources | | |
|--------------------------|---------|-----------|
| Airport Runway Surfacing | PennDOT | \$278,100 |
| Airport Taxiway | PennDOT | \$150,000 |
| Street Resurfacing | PennDOT | \$115,400 |
| Street Resurfacing | County | \$7,500 |
| Drug Task Force | PennDOT | \$1,000 |
| Seat Belt Enforcement | PennDOT | \$5,376 |
| Tennis Center | USTA | \$2,750 |
| Total Grants | | \$557,750 |

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 in the Borough's debt statement.

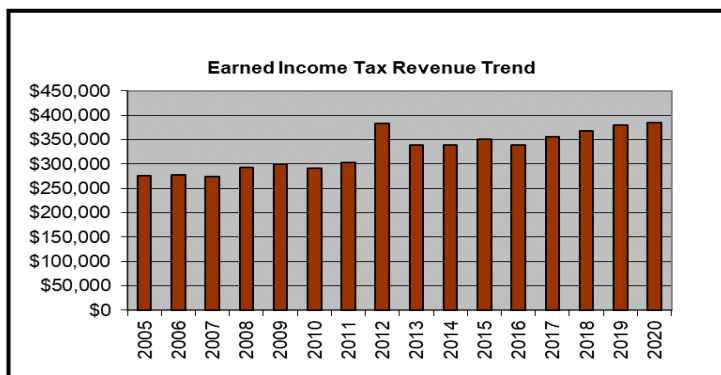
In 2020, Ebensburg Borough opened a line of credit for ongoing sidewalk and curb improvements in 2020 and 2021. The line of credit will allow costs to be paid for both projects while property owner assessments are being collected. Following completion of the 2021 project a balance of approximately \$670,000 is anticipated. A separate loan will be obtained at that time to settle the line of credit. The loan will be amortized over five years with funds already being reserved annually for sidewalks redirected toward debt service.

ANALYSIS OF GENERAL FUND REVENUES



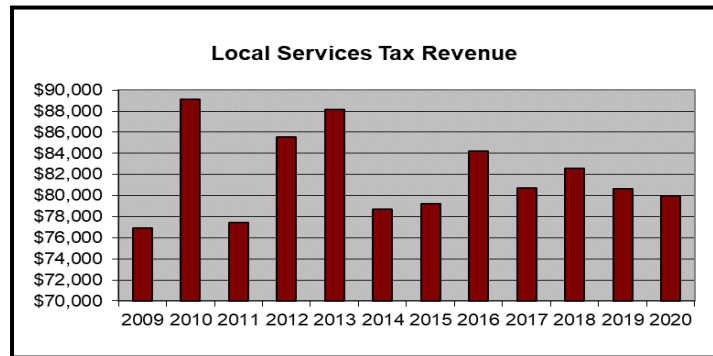
This chart illustrates the breakdown of revenues into the general fund. Obviously, taxes make up the greatest percentage of revenue. Ebensburg's combined recreation programs remain a significant source of revenue, constituting 19% of total revenues. It is important that those recreation related revenues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



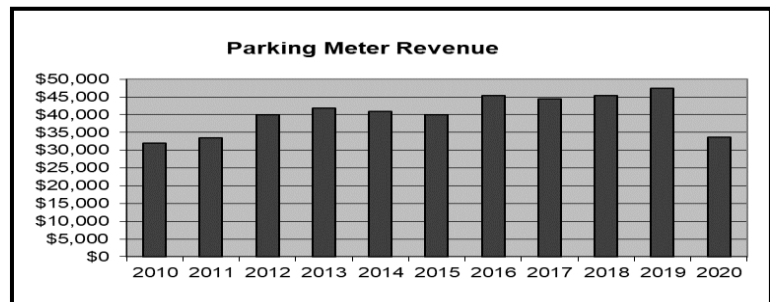
Earned Income Tax – The earned income tax is a ½ percent tax on all earned income. 2012 was the first year that the EIT was collected on a county-wide basis by a single tax collector. The new rules on frequency of collections resulted in an anomaly making the 2012 total higher than normal.

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.



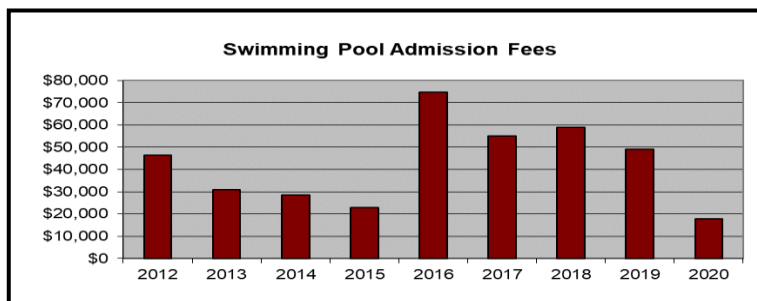
Parking – The revenue generated from parking meters has never been looked to as a source of revenue for the borough. The only reason that the parking meters exist is to help assure that vehicles are rotated through the limited number of available parking spaces, making parking available for visitors 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 \$23,000. Annual maintenance is less than \$2,000. The parking lot lease is \$13,200. The capital cost of meter replacement varies and is addressed in the capital budget.



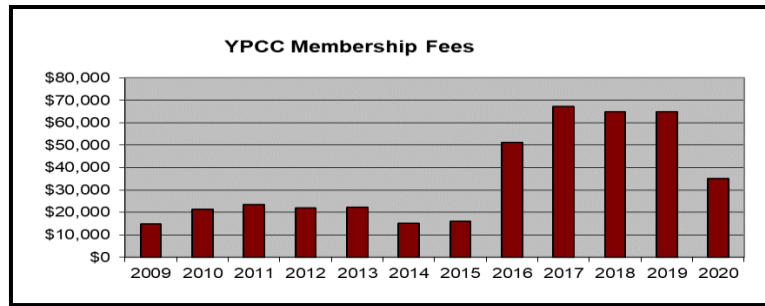
In 2020 meter enforcement was suspended for four months during Covid-19. We expect 2021 revenue to return to normal levels.

Swimming Pool – Revenue from swimming pool annual and daily passes has varied greatly over the last decade. Since the new pool was opened in 2012 there had been a gradual decline in memberships. 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. Revenue has since returned to a more consistent baseline.



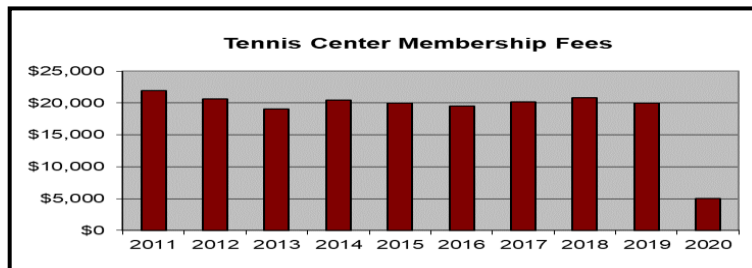
Covid-19 limited the use of the pool in 2020. Staff is comfortable that post Covid, with average summer conditions, the admission fees at the pool should remain at approximately \$50,000 annually. The 2021 budget contains a conservative estimate of \$45,000.

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.



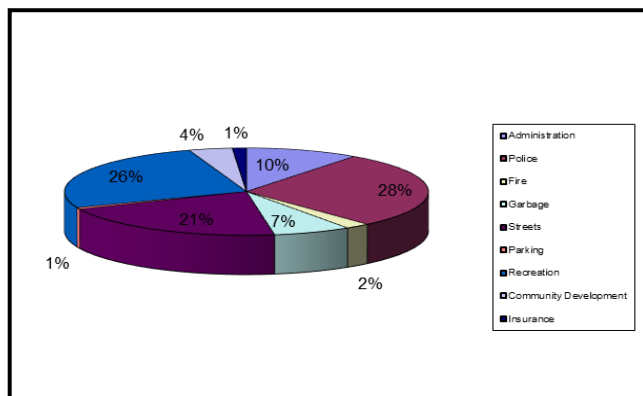
New management, new fitness equipment, better equipment maintenance, and stricter adherence to facility membership rules resulted in a 280% increase in 2016 membership fees. In 2017 new cardio equipment was added.

Covid-19 greatly curtailed YPCC activities in 2020, closing the facility for a period of time. The 2021 budget assumes that Covid is behind us and 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.



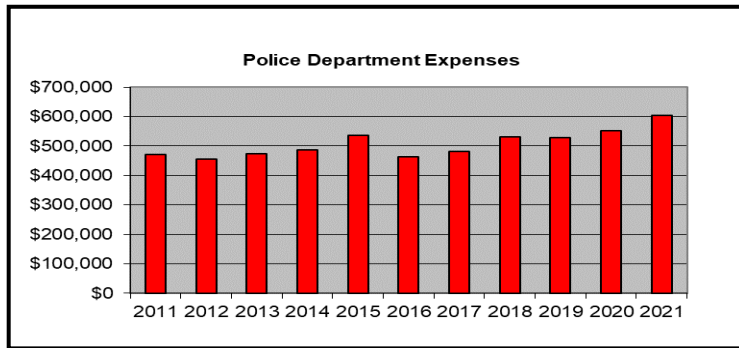
Tennis Center – Membership fees at the tennis center have remained fairly consistent over its twelve years of operation. Covid-19 also impacted the 2020 revenues here. The cost of tennis memberships was increased 10% in September 2017.

The budget for memberships in 2021 is decreased from \$20,000 to \$15,000 due to the amount yet to be credited to members from 2020 closures.



ANALYSIS OF GENERAL FUND EXPENDITURES

This chart illustrates the breakdown of expenditures from the general fund. The cost of police protection is Ebensburg's largest budgeted expense (\$602,860) followed by recreation (\$550,640).



Police Department – The cost of providing police protection has remained fairly consistent in recent years. While staff costs have increased, they have been offset at times by vacancies within the department. Other operational increases have been offset by decreased pension costs in the uniformed pension plan in recent

years.

In 2021 none of those cost-saving benefits exist. All five positions are filled, and the latest officer hired is nearing 100% of wage under the graduated wage scale. Healthcare and pension costs are expected to increase dramatically in 2021.

The budgeted cost in 2021 equates to over 17 mills of real estate tax. Ebensburg's tax rate is only 13 mills.

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 2021 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 \$10,000 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, the YPCC's annual subsidy has averaged less than \$30,000 since 2018.

The 2021 budgeted subsidy is \$27,340.



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. That subsidy varies greatly from year to year depending primarily on weather. While revenues increased drastically when the renovations were completed in 2012, they have gradually declined since then. The annual subsidy for the swimming pool is approximately \$34,000.

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 2021, though the 2021 budget anticipates a deficit of \$13,600, normal operations 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 – The Borough did not undertake any street paving projects between 2014 and 2019, in anticipation of the wastewater project. In 2019, streets south of High Street were finally milled and resurfaced. That \$525,000 contract was paid for with funds from County Aid, Peoples Gas, and \$125,000 from Liquid Fuels. At the end of 2019, a balance of \$561,000 remained in the Liquid Fuels account.

In 2020 a \$382,000 contract to mill and resurface streets in the northeast quadrant of town was awarded. Street milling and resurfacing of streets in the northwest corner of town will occur in 2021 following a sidewalk project in that corner.

The anticipated funding of the upcoming street projects is as follows:

| | |
|-----------------------------------|-------------------|
| Liquid Fuels Funds Available 2020 | \$682,600 |
| 2020 County Aid | \$ 7,500 |
| Sewer Project Reserve | \$ 75,000 |
| 2020 Project | <u>-\$382,000</u> |
| LF Fund Balance 12/20 | \$383,100 |
| 2021 LF Allocation | \$116,000 |
| 2021 County Aid | \$ 7,500 |
| Sewer Project Reserve | \$ 75,000 |
| 2021 Project | <u>-\$519,000</u> |
| LF Fund Balance 12/21 | \$ 62,600 |

In 2022 attention should be given to streets in the Elderwood neighborhood. Hillcrest Drive, Alpha Lane, Sunset Lane, Edgewood Drive, Grandview Drive and Elderwood Drive (total estimated 12,600 sq. yds) will all be due for resurfacing by then. The cost estimate for milling and paving of that area is \$115,300. With the 2021 balance plus state and county allocations in 2022 the Borough will have adequate funds on hand to complete this project and be in a good position to return to a regular schedule of street maintenance.

The Borough should make a habit of milling old surfaces prior to resurfacing. While that increases the total cost by 25% it avoids stormwater issues, preserves curb reveal and makes a better job overall.

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. The last sale of timber was in 2018. 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, 2019 and 2020 budgets described rising concerns about water and wastewater revenues and warned of rate adjustments that would be required in the near future. The sections below explain those concerns. While wastewater revenues will remain adequate in 2021, it is now necessary to include those predicted water rate adjustments in the 2021 budget.

Wastewater System – There are three factors looming in the near future that will affect wastewater revenues, none of which are addressed in the 2021 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 ongoing 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 between 35% and 100% of the normal charge until repairs are made. Revenue from surcharges in 2020 will be approximately \$85,000. The assessment of surcharges will continue throughout 2021, but it is impossible to estimate what that amount might be, although they will certainly be lower. So, while additional revenue from surcharges can be expected, surcharges are not included in the 2021 budget.

The 2021 wastewater budget has a very small surplus, and a rate adjustment is not necessary yet.

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. Further, it appears at this point that the actual debt will be less than the approved \$9 million, resulting in an even lower debt payment. Once the project is closed and the debt amortized, a decision can be made then whether rates are adequate for 2022.

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

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

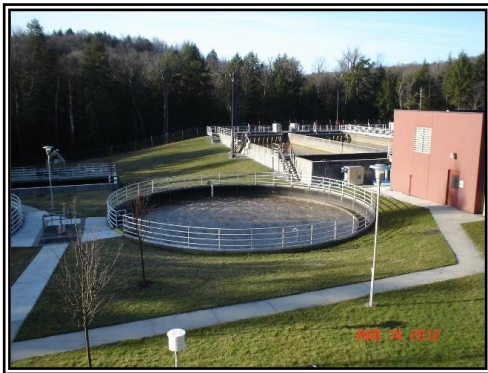
Second, Ebensburg Center is also making repairs to its own water distribution system, which has been plagued by water leaks. Already, their repairs have resulted in annual savings of \$30,000. Again, while that is good news for Ebensburg Center, it is bad news for our own water sales. Continued repairs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

The immediate issue concerning water rates is the need for a rate adjustment to cover 1) routine operating costs; 2) minor projects of an immediate nature; and 3) planned capital projects. The water reserve fund contains less than \$400,000 and that is insufficient to cover these future capital costs.

The municipal authority has reviewed a detailed analysis of the rate structure and will be implementing a rate adjustment at the beginning of 2021, and that adjustment is reflected in the 2021 budget.

ANALYSIS OF UTILITY-RELATED FUND EXPENDITURES



Wastewater System – A major wastewater system replacement project was begun in 2018 and completed in 2019. The project was 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 2021 budget, but rather the reservation of funds for the project continues. The debt service to PENNVEST will not be due until the project is closed and a final debt payment is calculated. Once amortized, those funds already budgeted for the project reserve will simply be redirected to debt service.

Some project-related work remains to be completed. For example, the Wilmore Road CSO needs to be closed and additional pipe installed toward the treatment plant. That project awaits the required permit.

Water System – As recommended in last year's budget message, the Municipal Authority is presently conducting a water system evaluation and capital needs study of the distribution system. That report, expected soon, is likely to describe a capital improvement project costing \$5+ million on the distribution system alone. It will include the need to replace storage tanks first constructed around 1900 and water mains that are 120 years old.



In addition, the total replacement of the water treatment plant is being considered. That project, which will need to be addressed in the next five years, will cost at least \$10 million. The Saltlick loan will be paid off in 2025 freeing up funds that can be directed toward a water plant project, but it is less than half of what that new debt service will cost.

The Municipal Authority has agreed to impose a rate increase that will provide additional annual operating revenue (already included in the proposed budget) and \$250,000+ annually to a capital reserve for such a project (not yet included in 2021 budget).



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 were used to install new stormwater basins and discharge pipe at the end of East Ogle Street; and to install a new stormwater collection system on West Lloyd Street and South Julian Street. Stormwater fees were also utilized to pay for stormwater improvements along South West Street as part of the wastewater project.

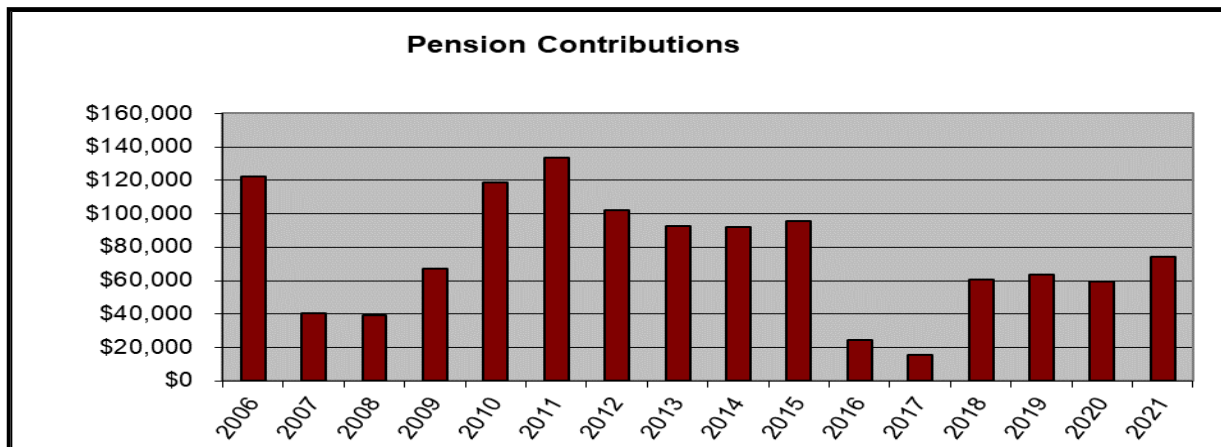
In 2020, new stormwater basins were installed on East Sample Street and East Crawford Street in advance of the paving project in that area of town

In 2021 new catch basins will be installed on West Sample Street prior to paving. Within the next few years, the Municipal Authority will likely begin design on a major stormwater improvement project affecting several areas of town.

HUMAN RESOURCE FACTORS

Labor costs obviously affect all departments. 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 around \$70,000.



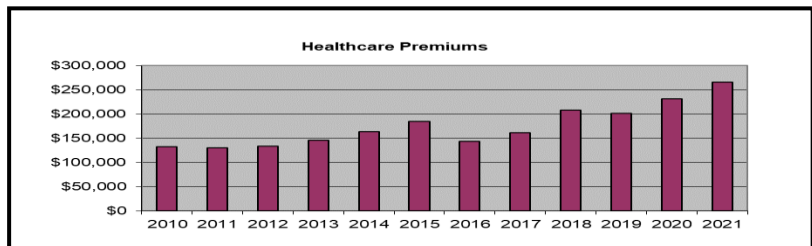
The employee contributions to both pension plans remains at 3% in 2021.

Despite better investment returns, a major financial concern facing Ebensburg Borough in the future will continue to be the cost of employee pensions. Over the last ten years, pension contributions have totaled \$680,000.

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 8.5% in 2020 to 10% in 2023.
- 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.

In 2020 we planned for a 10% increase in premiums. The actual renewal contained a 23% increase. In 2021 we have budgeted for a 15% increase in healthcare costs.



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, the swimming pool debt was also retired, and \$77,000 of that previous \$96,000 obligation has been budgeted to the sidewalk reserve.

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 were paid from the sidewalk reserve. All required permitting, including HOP and E&S, have been secured.

In 2019 sidewalk and curb construction was completed on South Caroline Street, South Marian Street and West Triumph Street. In 2020, a similar project was completed in the northeast quadrant of town on North Caroline Street, East Horner Street, East Crawford Street and East Sample Street. In 2021 a contract will be awarded for sidewalk and curb replacement for the third phase of this project in the northwest quadrant of town. In Fall 2021 those same streets will then be milled and resurfaced.

Both sidewalk projects on the two northern quadrants will be financed over a five-year period. The amount currently being reserved annually will then be redirected to cover that debt service.

SUSTAINABLE COMMUNITY CERTIFICATION

The Sustainable Pennsylvania Community Certification, a project of the Pennsylvania Municipal League, is a voluntary performance recognition program designed to help municipalities achieve sustainability goals, which in turn will allow them to save money, conserve resources, and encourage innovation. The program is intended to bring recognition to municipalities that are applying the policy and practice of sustainability; municipalities that incorporate sustainable practices into their operations also foster community prosperity. The program provides communities with an online structure and performance platform for recognition as they adopt sustainable policies and practices. The program helps municipalities progress from whatever their municipal practices are or have been in the past toward achieving a Sustainable future.

During 2020 an analysis was performed to determine the extent to which the Borough's practices comply with the program's standards. The Borough determined that our existing practices already satisfy the Gold level of sustainability, the next to the highest recognition. An application has been submitted for that recognition.

DIVERSITY

During 2020 the display of a confederate flag prompted the formation of a citizens group named Inclusive Ebensburg. The group's goal is to promote diversity and equality across the region and in borough government. Borough Council, in consultation with Inclusive Ebensburg, took several measures to assure that diversity is a consideration in all matters. Council formed a standing Council diversity committee and established policies for private and civic groups to sponsor events in Ebensburg.

MAJOR OBJECTIVES IN 2021

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 2021 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.
- Provide a smooth transition for the new Borough Manager.
- Work in conjunction with Inclusive Ebensburg to assure diversity is considered in all matters.

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.
- Promote the recent historic district designation.
- Assist with the development of the former prison.
- Refinish benches, bollard lights, trash receptacles, pole bases as needed.
- Complete the effort to obtain certification in PML's Sustainability Program.



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 2021 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 desktop PCs as required.
- Convert to new uniform style.
- Replace a police cruiser.
- Complete upgrades to parking meters.

Codes Enforcement

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

Zoning

- Provide for a smooth transition of zoning enforcement to Laurel Municipal Inspection.

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 2021 are:

Highways

- Complete a street resurfacing project on streets in the northwest quadrant following completion of the sidewalk project.
- Provide efficient snow removal services.
- Continue the annual replacement program for old street signs and posts, in compliance with retro-reflectivity policy.
- Replace the signal housings on the Manor Drive traffic light.
- Replace street signs and posts in the northwest quadrant.

Sidewalks

- Undertake replacement of sidewalks and curbs on West Horner Street, West Crawford Street and West Sample Street.
- Convert the sidewalk line of credit to a 5-year term loan.

Water System

- Enhance security at water plant.
- Install new check valves and raw water valve at treatment plant.
- Install a meter pit at Cambria Care for fire hydrants and sprinkler lines.
- Begin an annual program of customer water meter replacement.

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 northwest quadrant in preparation for paving following sidewalk project.



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 2021 include:

General

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



Swimming Pool

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



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.
- Coordinate the construction of the dog park.



Tennis Center

- Contract plowing of parking lot.
- Clean inside courts.

YPCC

- Continued evaluation of the operation of the school's swimming pool.
- Contract plowing of parking lot.

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 2021, a total of \$1,148,500 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 \$348,000 for projects in 2021.

Capital projects planned in 2021 have intentionally been minimized in order to assist with the upcoming management transition. None of the planned projects will require the development of bidding documents. The department heads are fully capable of administering the few projects planned in each department.

The 2021 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.

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.

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. New projects will likely be put on hold until the sidewalk debt is retired in five years. It is important to continue those projects at that time.

PUBLIC IMAGE

We expect Ebensburg Borough to continue to experience change in 2021. We will enter 2021 having completed sewer, stormwater, sidewalk and street resurfacing projects in all but the northwest quadrant of town. Stormwater, sidewalk and resurfacing project will continue through 2021 in that northwest quadrant. Residents generally believe it is all for the better and will be pleased with the final results.

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 have served 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 2021 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