



Portage Borough

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BUDGET MESSAGE

December 16, 2011

In accordance with the requirements of the Portage Borough Home Rule Charter (section 1404), on behalf of the Borough Staff and myself, I am pleased to submit to you and the community of Portage Borough the enclosed 2011 fiscal year proposed operating budget. It includes a General Fund total of \$632,985 (as of 12/10/10) and Capital Expenditures of \$531,050. This proposed budget is based on no increase to the current real estate rate of 16.5, with no cut in services. This budget document is consistent with the priorities identified by the Borough Council over the past years. It is a balanced budget and there is no new revenue sources projected for 2011.

Introduction:

The Budget Plan is one of the most important documents in local governments as the organization strives to provide services commensurate with demand and demonstrate accountability to taxpayers. Borough Administrative Staff spends considerable time in the final quarter of the year preparing, proposing, and finally submitting an operating budget, however; this process is essentially a year-round effort. An annual budget is simply the most important policy reviewed, considered, and adopted by Borough Council each year. This single document is the Borough Administrations roadmap to a successful fiscal year; it should clearly lay out the desires and objects of Council for the future of the Borough.

Knowing the correct road to take means knowing where our desired destination is located. The planning foundation and future success of the Borough is not only incorporated in this document but must remain a top priority throughout the upcoming year. Borough Council and Administration need to continue to have discussions and input sessions on a regular basis, we need to have Councils insights, questions, priorities, and concerns shared on a regular basis not just during the budget preparation period. We are at an intersection on our road map and depending on what road we take will depend on the long term sustainability of the Boroughs current operations.

Decisions will need to be made that will eventually decide whether we simply want to exist as a municipality, continue to operate as we always have, or move forward and advance our position. It will be this planning that will allow us to identify our next juncture ahead and that will guide us in the right direction as we progress closer to our destination. These decisions just like finding our desired destination is not always easy but the decisions must be made. It is my opinion that we have a Council currently in place that will gather the required data from the residents of the community and make these tough decisions and provide the administration with a road map and clearly marking our future destination.

This Budget as with those of recent years reflects the Council's commitment to provide services at an affordable cost. I believe this budget document clearly states these goals and meets the objectives set forth. The following proposed budget reflects the continuing effort to maintain our community. We must stay focused on our efforts to maintain a sound fiscal operation by continuing with the inter-municipal cooperation; entrepreneurial approach, and prudent management of our fiscal affairs. This message provides a brief overview and explanation of the major factors affecting the 2011 FY Budget.

The top objectives which were used in preparing this budget are as follows:

- Present a Budget Document, which demonstrates fiscal accountability and a balance between service level demand and the finite revenue sources received by the Borough.
- Project and estimate the Boroughs revenues conservatively
- Maintain our current tax structure and have no increase in real estate tax rates.
- Continuing to recognize our responsibility as a community to emphasize long-term fiscal sustainability with our revenue and expenditures.
- Better prepare for unforeseen situations and unexpected emergencies, by learning through past experiences, which happen in and outside our municipality.
- Continue to recognize our responsibility to provide our employees with a fair and competitive rate of pay including a flexible and balanced benefit package.
- Cash balances in the general fund at the beginning of the year should be sufficient to cover expenses until property tax revenue is received.
- Develop and implement performance measurement, which will demonstrate value and validity to the citizens of the Borough.
- Actively seek state, federal, and private grants to offset or eliminate any cost to the Borough General Fund.
- Improve the long term sustainability of the Borough.

Economic Forecast:

The worldwide recession is impacting just about every one of our daily lives. Many states are facing significant budget deficits heading in to the next Fiscal Year. Many are facing budget deficits in the double digits. Industries such as banking, insurance, housing, manufacturing, and investment are dramatically feeling the negative impact of this recession. Cambria Counties unemployment rate is hovering around 8.8% which is consistent with the state and national rates, all along while consumer confidence is at an all time low.

On all levels, economic data over the last several months once again indicates a continued stagnant economy at best. While certain indicators are pointing towards some improvements, our current economy will not rebound by the end of this upcoming year.

The Borough has been taking prudent and measured steps to adjust and compensate for the current economic situation and is reflected throughout this budget. Even though our revenues continue to remain consistent, we currently see no economic factors that would predict them to grow. We have had a strong history of frugal government spending and this has certainly been carried through into the 2011 proposed budget. In the past, the Borough has had the luxury of basic reserves, however unfortunately these reserves continue to shrink.

The continuing concern for our Borough as with prior years is the lack of an additional revenue stream from which to fund the continued inflationary growth of our operating costs and the much needed community development that our residents expect, demand and deserve. We need a plan to provide funding for economic development and quality of life initiatives throughout the Borough. This cannot be accomplished through only our real estate tax base.

No problem can be solved until the problem is both thoroughly understood and accepted by the decision-making authority. Although this budget message does not pretend to examine alternatives or suggest ways to solve this problem, it does suggest that we all must be willing to examine alternatives in the short-term and establish a process for additional revenues in the long-term. Once it is determined where these added revenue sources are generated then we must prudently invest in the infrastructure and community development within our community.

Perspective on Local Government Taxing:

Local government finance is a different animal than that of the state and federal government. The state's primary sources of income are from sales tax and earned income tax. The federal government's primary source of income is from earned income tax. Under normal circumstances, these state and federal "tax bases" grow as individual's incomes and the prices of goods increase with the inflation, Therefore, state

and federal revenues naturally grow at the rate of the CPI without the need to increase rates of taxation. This is why an increase in state or federal taxes can indicate a failure to keep expenses within rates of inflation.

The primary source of local government revenue is the real estate tax. Unlike income and sales taxes, the estate tax base does not grow unless real estate is reassessed by the County or there is significant development, which has not been occurring within the Borough. Therefore, as expenses increase, there is no way to increase real estate tax revenues without increasing the tax rate. While we do our best to control expenses, reasonable increases are inevitable; the cost of fuel, utilities, salaries, and benefits increase each year. Unless we eliminate services, we are resigned to accepting these increases and finding the funding to support them.

To put things into perspective on the Boroughs local taxation, the 2010 average property assessment for residential property in Portage Borough was \$11,139, costing the average taxpayer approximately \$189.29/per year for borough services such as police protection, fire protection, street sweeping, snow plowing, street resurfacing, traffic signals, leaf collection, and street lighting. These borough services and the corresponding borough property tax represent only a small portion of an individuals total property tax bill. A large portion (close to 30%) of taxes paid by Borough residents goes to county government and even a larger portion goes to the local school district (almost 58%).

Fund Types:

Municipal law requires that Borough Governments maintain its financial accounts by fund. A fund is an independent group of accounts having its own revenues and expenditures. The following is a list and description of the major fund accounts used for 2011:

- **General Fund** - The General fund is the primary operational fund that is used for supporting core services such as general administration, police and emergency services protection, professional services, and wages.
- **Proprietary Fund** - The Boroughs Solid Waste Fund will be utilized to operate the Boroughs garbage pick-up program. The purpose of a proprietary fund is to operate an activity such as solid waste pick-up as a self-supporting enterprise. In the private sector this would be the equivalent of a stand-alone company.
- **Restricted Fund, (Liquid Fuels Fund)** - This fund is used for the receipt and disbursement of the liquid fuels tax grant monies that the Borough receives on a yearly basis from the Pennsylvania Department of Transportation. The majority of this fund is dedicated to the upkeep of the Borough owned streets. It is based on the Boroughs most recent census figures and miles of streets.

Budget Process:

We have made significant efforts to hold the line on governmental growth and spending and, where possible, reduce the budget in light of current economic recession and the impact it may have on our future finances. This year's budget reflects a bare bones "maintenance level" for general government operations. In this proposed budget we tried to be mindful of ensuring that we maintain core functions and services.

The Council on behalf of the citizens establishes the price community members are willing to pay for local government services. Council, using citizen input, determines the various goals in attaining the prioritized wants of its citizens. Staff plays a critical role in guiding the process, ranking and recommending purchasing proposals pursuant to Council priorities. We recognize the ethical and fiduciary responsibility to our citizens to carefully account for public funds, wisely manage municipal finances, and plan adequate funding for services and facilities desired and needed by the public.

The continuation of sound financial and operational principals has guided the development of the budget for the upcoming year. By its very nature, the preparation of any budget is the allotment of scarce resources. There will always be more needs than available funds. This year in particular was challenging due to the continuing slowing economy and the increased costs which effects all departments.

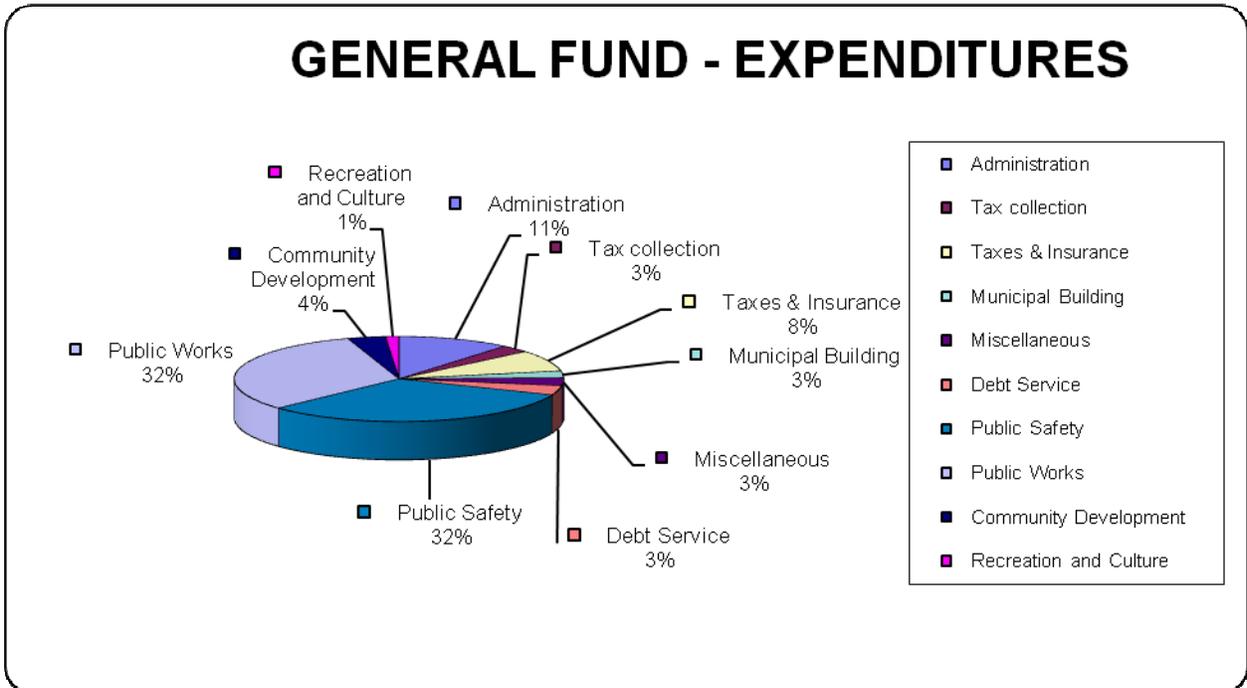
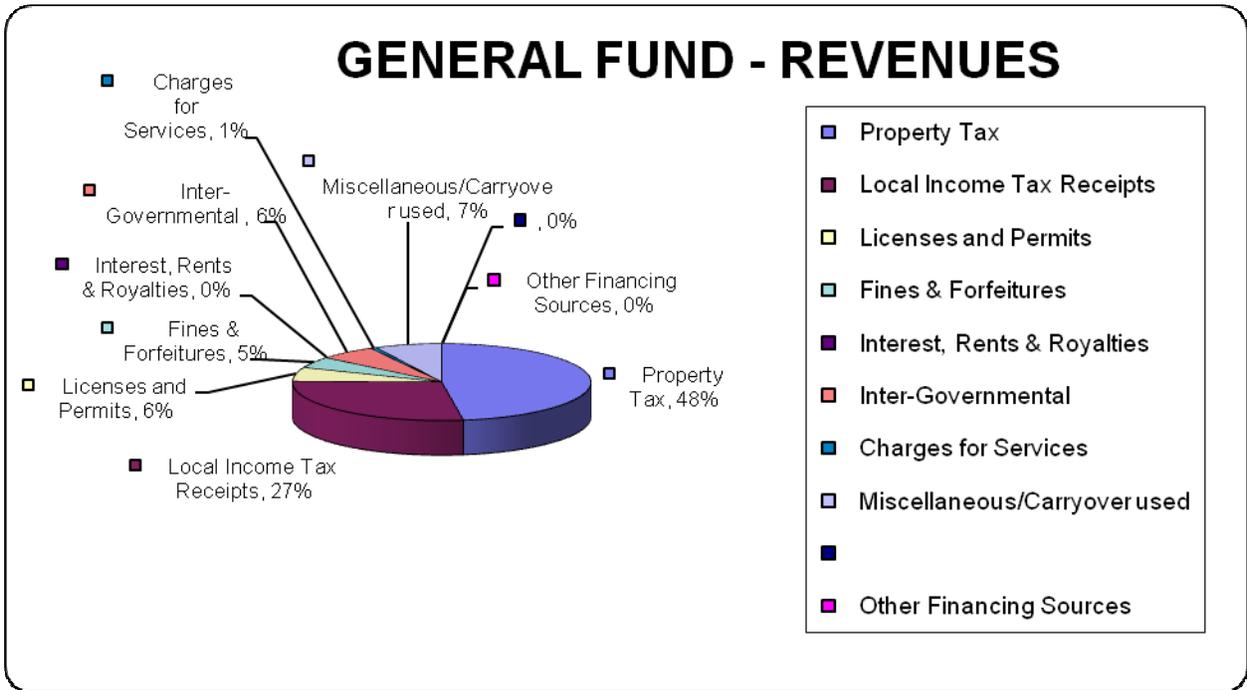
The following are the key components that guide us through the budget process:

- Determine the priorities of service by identifying what results matter most to our citizens.
- Determine the price of these services.
- Determine how much revenue will be available to pay for these services.
- Prioritize each service by identifying how much should be spent to achieve each result.
- Decide how to best deliver each of these services while being effective and efficient.

After adoption, the budget serves as a guideline for spending for the coming year. On a month-to-month basis, both the Members of Council and staff will need to monitor spending as compared to the budget. Copies of this report are made available for public inspection each month.

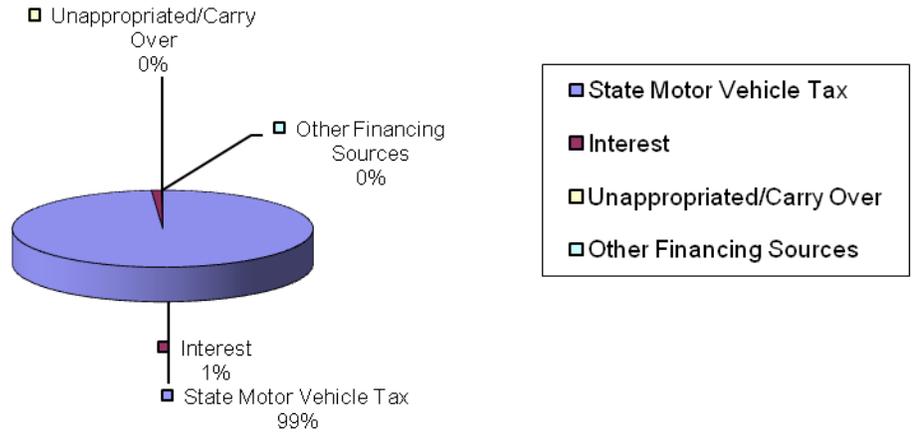
Budget documents can often be difficult to understand if all they contain are numbers organized by programs and departments. In an effort to make this document more user friendly, I have once again presented the proposed budget in a simple to view graphic format. The pie charts over the next few pages reflect the percentage allocation of the revenues and expenditures for each of the Boroughs funds.

GENERAL FUND CHARTS

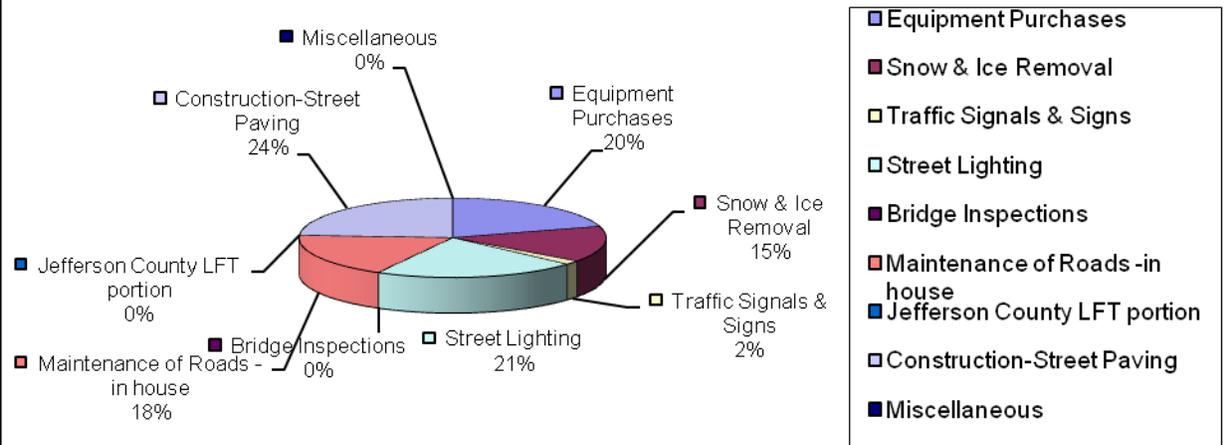


LIQUID FUELS CHARTS

LIQUID FUELS - REVENUES



LIQUID FUELS - EXPENDITURES

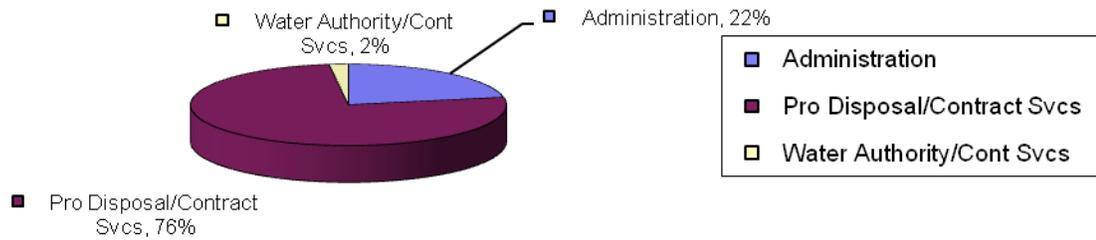


SOLID WASTE CHARTS

SOLID WASTE - REVENUES



SOLID WASTE - EXPENDITURES



Budget Highlights:

- The FY 2011 Proposed Budget is balanced and does not include any tax increase.
- In general, revenues remain consistent for the 2011 proposed operating budget.
- No projected capital expenditures are included in this budget for property or equipment.
- The County's Liquid Fuel Allocation to the Borough remains reduced 50% from prior years to \$3,550.00.
- Staffing for this proposed budget includes:
 - General Government:
 - 1 full time position
 - 1 part time position
 - Public Safety:
 - 2 full time
 - 3 part time
 - Public Works:
 - 3 full time
- All departments within the Borough are properly staffed, so there are no planned additions of personnel.
- According to Portage Borough Charter guidelines Members of Council will received a 25% (\$6.25/per meeting) increase in their rate of compensation for meeting attendance.
- The value of a mill has seen an increase from \$14,373.48 in 2010 to \$14,591.93 in 2011, resulting in a \$218.43 increase/per mill.
- As disappointing as it may be the General Fund Revenue still includes only \$500.00 from the Johnstown Housing Authority in lieu of taxes.
- A 9.9% (\$610.20/yearly/per individual) increase will occur in the Boroughs Health Insurance premiums. It will become effective January 1, 2011. The cost of employee healthcare continues to be a major concern; the Borough has been incurring double-digit increases consistently over the last few years. By being proactive and switching health care plans a few years ago and continuing to evaluate our current plan options we have been able to offset even larger increases in our premiums.

- The Boroughs Unemployment Compensation rate rose from 1.75% to 2.75% for 2011.
- The allotment for donations remained the same with no additional requests being received.
- As per Councils decision the Public Safety Budget includes an increase of \$600.00 for the part-time officers to receive a \$25,000 life insurance policy.
- Included in the “Community Development” Account is a monthly retainer fee in the amount of \$206.25 for the Portage Alliance’s contracted Grant Writer. The overall cost of \$500.00/month or \$6,000.00/year is shared and broken down on a per capita basis between Portage Borough, Portage Township, and Cassandra Borough. The agreement for this position started January 1, 2010. We also accounted for an additional \$500.00 for the 1% commission to be paid on successfully written grants.
- Due to deregulation in the electricity market all budgeted costs for electricity were increased 20%. We will aggressively shop for the best electric rate throughout 2011 in hopes of mitigating this increase.
- The General Fund Interest Earned continues to remain low due to the Boroughs Fund Balance being lower than prior years and fluctuating interest rates. The average yield in 2007 was 4%, as of November 1st the account was earning less than 2%.
- Included in the 2011 departmental expenditures are 2% wage increases for all non-uniform and uniform full-time employees. This amount is established as a 1-step increase based on the adopted compensation plan.
- Public Safety hours increased 527 hours over the 2010 operating budget to better accommodate/cover vacations and personal/sick time for the full time officers. All current part-time officers received an adjustment in their hourly pay to include a 2% increase based on the compensation plan. This amount is established as a 1 step increase based on the adopted compensation plan.
- \$5,000.00 has once again been budgeted in the Boroughs “Community Development Fund” for the update of the Portage Areas “Long Range Plan”. The overall estimated amount to be paid by the Borough is \$10,000.00. This amount is able to be dispersed over a two year period. The disbursement of this money is dependent on the successful award of matching funds from the Department of Community and Economic Development.
- Included in the “Community Development Fund” is \$6,690.00 set aside for matching funds for a successful DCNR Grant that has recently been awarded to the Borough.

- The Borough's outstanding debt service for 2011 is proposed at \$19,019 and includes the principal and interest payments for the maintenance building, 2008 pick-up truck, 2008 Case Skid Steer, and 2009 Ford Police Cruiser.
The breakdown is as follows:
 - Public Works maintenance Building = \$3,998.52/year
 - 2008 Ford Pick-up = \$9,885.72/year (split 50/50 with L.Q. Fund)
 - 2008 Case Skid Steer = \$15,135.66/year. (split 50/50 with L.Q. Fund)
 - 2009 Ford Police Cruiser = \$2,509.44/year
- The Boroughs Commercial Insurance Package and Workers Compensation Policy include an estimated 5% increase.
- We were able to continue to budget \$3,000.00 towards the Boroughs Capital Reserve Fund. After the 2009 contribution the Borough will have an investment of over \$31,000 in this fund. This Capital Reserve fund gives us the ability to transfer money from the General Fund to the Capital Reserve fund to allow a savings account for future purchases of equipment and/or funding for capital improvement projects.
- The Boroughs solid waste contract was renewed with Pro-Disposal on January 1, 2010. The Borough had signed a 3 year contract with Pro Disposal for waste hauling services. The cost for residential garbage collection will remain at \$13.85/month for 2011. The rates for the residents utilizing the prepaid bag service will also remain the same at \$30.00/per pack. The existing solid waste program has resulted in significant progress toward creating a high quality, environmentally responsible, solid waste collection system ensuring that our residents are properly disposing of their trash.
- The State Motor Vehicle Tax Allocation for the upcoming year is slightly lower but remains consistent with the 2010 allotment. The 2011 Liquid Fuels budget includes an in house paving program in the amount of \$11,000.00. No large scale contracted paving program is planned for 2011.
- In past years, Borough Council has approved a planned use of unappropriated funds. The FY 2011 Proposed Budget includes \$38,529.00 of these fund reserves to balance the budget. As mentioned throughout our budget sessions, we will need to pay special attention to our fund reserves moving into the future, making sure our revenues are staying in close touch with the expenditures.

Acknowledgements:

Portage Borough has on its rosters hard working, loyal, innovative, and talented employees. These people are the backbone of this municipality. Preparing the proposed budget is always a large undertaking. It is important to recognize the efforts

of the dedicated staff that works to implement the budget and remain fiscally responsible. I would like to give a special “thank you” to Michelle which has put many extra hours along side me to deliver this budget. It has been my privilege to serve as a small part in this team-oriented planning process. The guidance and leadership demonstrated by the Borough Council sets the course in the formulation of this Budget Document. Your insight and efforts will ensure that we maintain a high level of service and provide the tools for the staff to deliver these services. The thoroughness, justification and level of detail put forward by every department are evident in their minimal budget requests.

Conclusion:

The development of the 2011 proposed budget was a challenge considering the economic conditions and basic needs exceeding available resources. The primary focus rests in navigating the challenges of this budget roadmap through rough economic times.

This proposed budget is the expression of the work plans and direction that has been provided to us by members of Council and validated by the community. We have a Borough staff of dedicated professionals; the results we deliver and the feedback we received from the community we serve are evidence of the pride we take in our work. This work is challenging, but I commit to you we will continue to succeed and move forward!

This proposed budget is presented for your consideration with the commitment and confidence it efficiently funds the needs of our community. This document also provides a financial plan, while ensuring a level of municipal services to our residents. We feel confident the projections and estimates are conservative, yet reasonable and accurately reflect anticipated revenues. Borough staff looks forward to working with Council on achieving all goals set before us now and into the future.

As employees of the Borough and public servants to our community all staff remains dedicated to provide each person we serve with the best possible service, and that to accomplish this we will strive to be polite, professional and progressive in all we do. Each day our efforts will remain focused on making the Borough a better place to live, work, and play.....today and in the future.

This budget has formally been presented to Borough Council at the December 6th Regular Meeting of Council and was accepted for public view as proposed. After public review and if there are no additional changes it is my recommendation that Fiscal Year 2011 Operating Budget be considered for adoption by Borough Council

I respectfully offer this Proposed Fiscal Year 2011 operating Budget for Borough Councils consideration, deliberation, and adoption!!!

Respectfully Submitted,

Robert A. Koban
Borough Manager