

2012 ANNUAL BUDGET

BOROUGH OF CHAMBERSBURG

AS ADOPTED BY TOWN COUNCIL

Prepared by Jeffrey M. Stonehill

IN SPECIAL SESSION OF TOWN COUNCIL

DECEMBER 19, 2011



Borough of Chambersburg

*A full service municipality in Franklin County
 Celebrating over 65 years of consumer owned natural gas service
 over 100 years of community electric and a
 regional wastewater, water, and municipal solid waste utility*

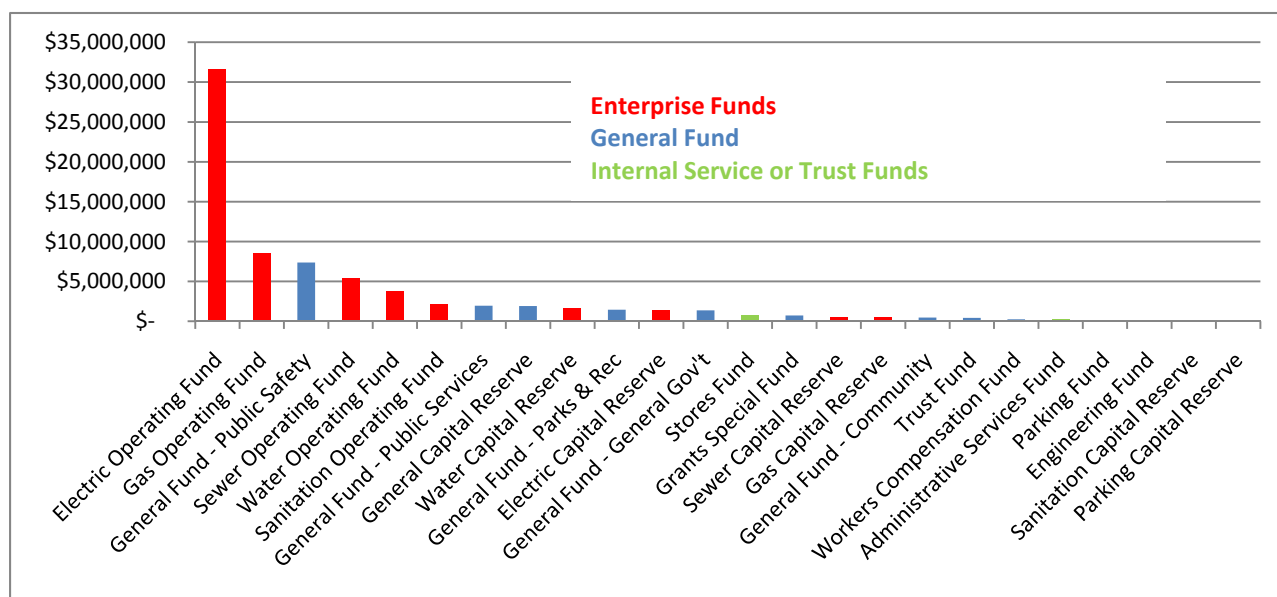
To: Town Council

Submitted herewith for your consideration is the Borough Manager's Recommended 2012 Budget. As is required by local law, I have prepared this document in a form that can be adopted by Town Council. The proposed 2012 operating budget is balanced; revenues and cash balances cover all necessary expenses.

However, unlike previous years, Town Council will have four (4) important revenue related decisions to make in order to accept, defer, or delay service cuts for 2012; more details to follow.

This is my second budget as your Borough Manager and this year, you will find, the Borough's organizational structure will significantly change to make us more efficient and effective and to incorporate many of the recent retirements that occurred in 2011. Town Council encouraged retirements in 2011 by offering an early retirement incentive; as was proposed in the 2011 Borough Manager's budget. This program was as effective as possible with fourteen of the possible twenty-four eligible employees retiring. In addition, we had one ineligible retirement in the Police Department, which will be mentioned later in this document.

First, to lend some perspective to the dramatic importance of the utilities versus the balance of Borough operations:



Obviously, the utilities, the enterprise funds, of the Borough, account for the preponderance of the Borough annual expenditures. Further, the Electric Department alone eclipses all other operations of the Borough. We are fortunate that these business models are sound; further, the utilities face challenges but nothing as significant as the General Fund. Enterprise fund challenges are:

- Significant infrastructure needs in water and sewer
- Limited service areas and customer base upon which to expand
- Inelastic rates; when they rise encourage less use of utilities
- Anecdotal pressure from regional utilities; they market their rates (often not comparing apples to apples) to our customers, who often fail to grasp the cooperative nature of our venture and the many benefits of operating our own community systems
- The pool; the strength of our utilities is the pool nature of our users. The more users and the more use by the users the less everyone pays; conversely, when the economy is bad and users' use is less, everyone feels the effect
- Overreaching state and federal agencies who look to impose big utility mandates on our small independent community systems

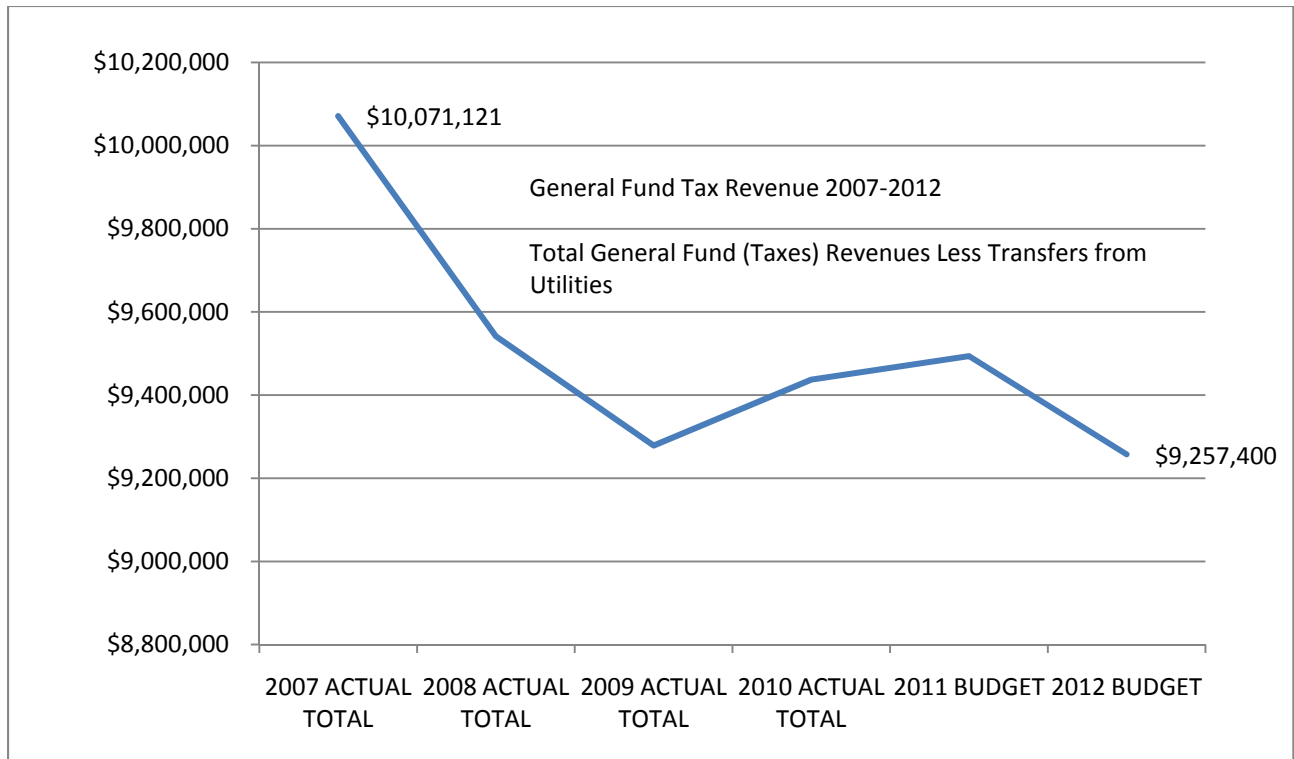
However, the future remains bright. Our utilities are well managed, leaders in their fields, the biggest such municipal utilities in Pennsylvania, and well positioned to address these challenges.

Due to the strength of our utilities, Moody's continues to keep our bond rating at AA2 high quality; but, with a negative outlook. Our reviewer, Charlie Martin said that this is basically due to the fact that we are a municipal government and all municipalities are more at risk. I personally feel that this is a fair rating considering economic conditions along with our lack of growth in General Fund revenues.

In 2009-2011, Chambersburg was able to stave off fiscal calamity by using our accumulated financial reserves, our rainy day funds, to prevent cuts or revenue increases. However, rainy day funds can only last so long. The 2011 Borough Manager's budget stated: "If 2011 does not show marked improvement in the local economy, then 2012 will be a harsh and difficult year."

"City officials are making difficult decisions and are working hard to find innovative solutions to reenergize their communities. But without more resources and more cooperation, the outlook will continue to be challenging."

Donald J. Borut, Executive Director of the National League of Cities



In summary, the above table indicates a clear and prolonged decline in tax (non-utility) revenue for the Borough of Chambersburg. This table includes all tax, fee and fine revenues including: real estate taxes, earned income tax, real estate transfer tax, local services/occupational privilege taxes, police fines and ambulance fees. From 2000 through 2007, these taxes increased annually. 2011 will mark the fifth consecutive year of overall decline. Meanwhile, the Borough's operating expenses continue to rise. The gap between revenues and expenditures is filled by use of reserves. Such practice cannot continue beyond 2011.

An indication of the weak Chambersburg economy is our real estate market.

Borough Land Development						
	2007	2008	2009	2010	2011	% Decline Since 2007
Land Development Plans	51	33	36	27	9	-82%
Building Permits	455	398	337	345	271	-40%

Enterprise Funds' Fee Recommendations

Electric Department - In 2012, the Chambersburg Electric Department is proposing a deficit for the second year in a row. Staff is recommending no electric retail rate change, no change in the Power Supply Adjustment, in 2012; and the use of reserves to balance their budget until 2013.

Gas Department - In 2012, the Chambersburg Gas Department is proposing to maintain a path of strong operating margins and the lowest natural gas rates in Pennsylvania. Staff is recommending no gas retail rate change, no increase again in 2012.

Water Department - In 2012, the Chambersburg Water Department is proposing to return to a path of strong operating margins. Chambersburg has not raised their retail water rates since 2001 (ten years). Staff is recommending no water retail rate change, no increase again in 2012. However, if a major capital project, such as a fix to the Iced Tea situation is implemented, staff recommends Council seriously consider a rate increased tied specifically to that project.

Sewer Department - In 2012, the Chambersburg Sewer Department is proposing to maintain a path of strong operating margins. Having raised rates in 2009 and 2010, the average sewer bill remains one of the lowest in Franklin County. Staff is recommending an 18% sewer retail rate change in August 2012 to coincide specifically to the Borough's cost to undertake our share of the J. Hase Mowrey Regional Wastewater Treatment Facility expansion project.

- This rate increase is estimated and a separate act of Council will be required to institute the increase later in the year once actual costs are known.

Sanitation Department - The Chambersburg Sanitation Department is proposing to run another annual deficit, as is the norm, in anticipation of a rate increase in 2013 or 2014. Staff is recommending no trash retail rate change, no increase again in 2012.

Parking, Traffic and Street Lights Department – This newly combined department (details herein) anticipates its funding from parking meter and permit revenue as well as a leaseback payment from the Electric Department for the traffic signals and street lights. Staff is recommending no parking rate change, no increase again in 2012.

General Fund Recommendations

The General Fund is the principle fund of the Borough, the main governmental fund, and the fund most like the operation of other communities. Almost all of the taxes collected by the Borough are fixed by State law and cannot be adjusted annually:

Local Services Tax – The worker tax paid by all workers in the Borough regardless of residence is set by the State at \$52 per worker per year or \$1 per week per paycheck; unless the employee feels they are exempt. In 2012, it is anticipated to yield \$775,000.

Deed Transfer Tax – Paid upon the sale or transfer of real estate this tax's maximum is set by the State at .5% of sale price per transaction (the school district also collects .5%). In 2012, it is anticipated to yield \$260,000.

Earned Income Tax – The earned income tax is a kind of income tax levied only on residents' earned income (such as wages, salaries, or other reimbursements for work). The maximum levy is .5% of earned income with an additional 1.5% for the school district. In 2012, it anticipated to yield \$1.5 million.

Recreation Department Receipts – The Recreation Department is not proposing any increase in their fees, anticipated to earn \$350,000 in 2012.

Police Department Fines – The Police Department is not anticipating any growth in their fines, anticipated to earn \$120,000 in 2012.

Ambulance Fees – In 2012, it is anticipated that the Ambulance service will have receipts of \$800,000. This is only possible if we adopt a significant and major reassignment of Emergency Services Department personnel (detailed herein).

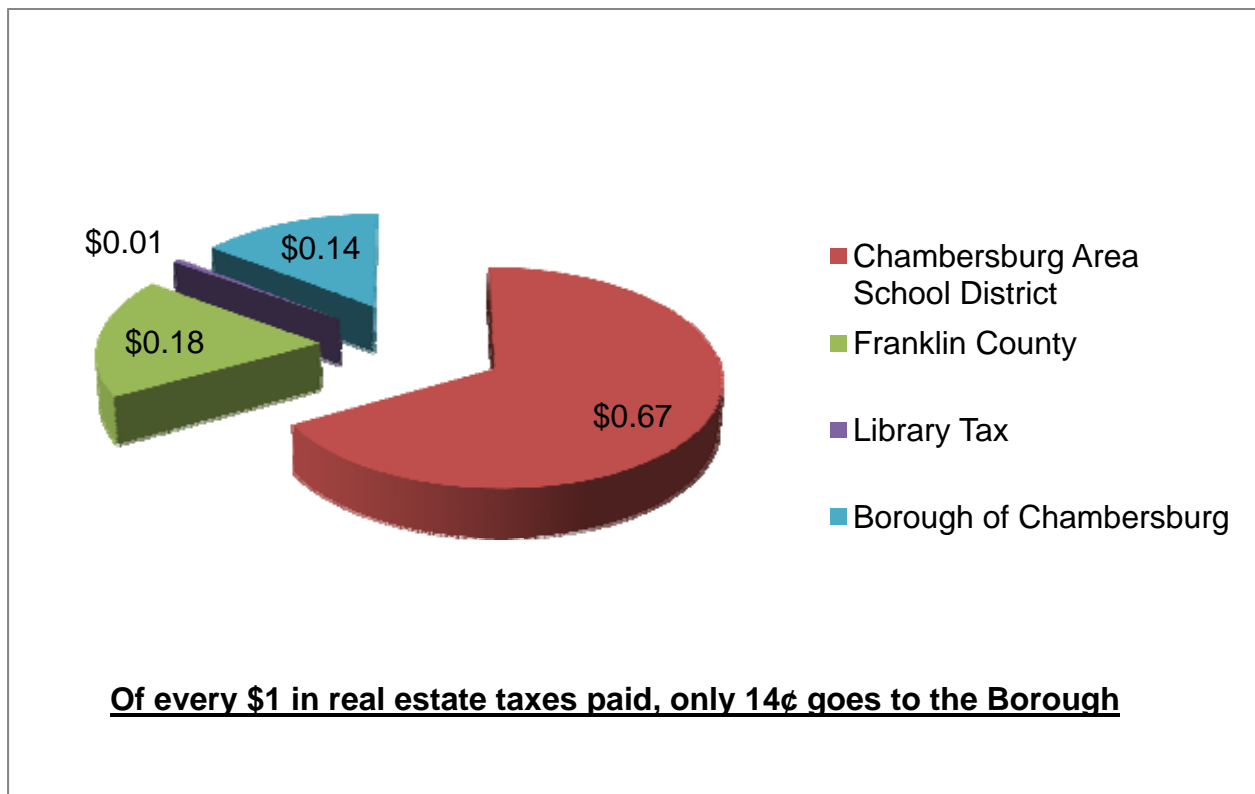
Lobby the State and the County to Raise the Hotel Tax and Earmark the Increase for Police

Although not included in this budget, this proposal is recommended and will hopefully add another category of revenue to the General Fund for 2013 and beyond.

- The hotel occupancy tax (or “pillow tax”) is set by state law. In Franklin County, the tax rate is set at 3% by State legislation, collected by the County, it is used for a variety of worthwhile purposes but *not* to support local law enforcement.
- For the most part across the commonwealth, counties must ask permission from the State to raise the rates they tax each hotel room stay beyond what is on the books. In the majority of cases, between 3 percent and 5 percent of a room charge in Pennsylvania goes toward this county-based tax to support local visitor attractions.

- Legislators from Adams County and northeastern Pennsylvania already have introduced bills to raise hotel room tax caps, according to the state's legislative website.
- If the Franklin County tax were increased, the law could be written to provide funding to local law enforcement from the additional yield.

Where do your real estate taxes go? Not to the Borough and not to public safety...



General Fund Decisions

In 2011, the Borough levied a real estate tax rate of 20 mills. This costs a property owner with an assessed value of \$100,000 a full non-discounted tax bill of \$2,000 per year. In Franklin County, it is difficult to determine your property's assessed value without checking at the County offices. This levy generated \$3,527,832 in revenue for the Borough in 2010, the last full year, and is estimated to generate \$3,565,000 in 2012.

The Borough has not had a Real Estate Tax increase since 2007.

Borough Real Estate Mill Rate						
2006	2007	2008	2009	2010	2011	2012
17	20	20	20	20	20	20

This budget document does not anticipate a Real Estate Tax increase in 2012; but...

This budget contemplates cuts and not tax increases. But, as the public and Town Council gauges the cuts, decisions regarding taxes may become more palatable.

Decision #1 – Linking Borough Real Estate Taxes to the Police Department Budget

As presented in much further detail under Tab #6, the cuts recommended in this proposed budget are significant. Even with these cuts, Town Council should seriously consider linking the levy of real estate taxes to the Police Department operating budget. This would be wise because it is a fair and equitable use of a real estate tax; to protect the community. Second, it would eliminate the annual evaluation of the real estate tax because the tax would, be earmarked for, and set to, the cost of operating the Police Department. Third, the Police Department budget rises due to items not under the Town Council control (i.e. Act 111 arbitration decisions, police pension plan, unfunded mandates) and Town Council would be able to offset those costs with an automatic real estate tax adjustment. Finally, there would be no misconception as to why Chambersburg has a local real estate tax and other municipalities do not; it is to fund the Police Department.

To accomplish this link, when advertising the proposed budget, Town Council would amend their motion as follows:

A motion to advertise the Borough Manager's Proposed 2012 Budget, with the addition of a proposed Real Estate Tax rate increase from 20 mills to 23.5 mills, for the exclusive use of the Chambersburg Police Department; beginning in 2012.

An amendment to this document must be authorized for advertisement on either November 14, 2011 or November 28, 2011, to be adopted on December 12, 2011.

This proposal, if adopted, would increase the real estate tax liability of a property owner with an assessed value of \$100,000 from a full non-discounted tax bill of \$2,000 per year to a new rate of \$2,350 per year.

However, this budget is balanced without this change; but, it is recommended for the aforementioned reasons.

Decision #2 – Restoring Proposed Cuts to the Police Department Budget

As presented in much further detail under Tab #6, the cuts recommended in this proposed budget are significant. It is possible that Town Council may wish to reverse these cuts. The only way to accomplish such an action would be by raising the real estate tax (and linking the levy of real estate taxes to the Police Department operating budget).

It is possible that once the Act 111 arbitration decision is issued, such an action might be *unavoidable*.

To accomplish the restoration of cuts, when advertising the proposed budget, Town Council would amend their motion as follows:

A motion to advertise the Borough Manager's Proposed 2012 Budget, with the addition of a proposed Real Estate Tax rate increase from 20 mills to 25 mills, for the exclusive use of the Chambersburg Police Department; beginning in 2012.

Such a proposal, if adopted, would increase the real estate tax liability of a property owner with an assessed value of \$100,000 from a full non-discounted tax bill of \$2,000 per year to a new rate of \$2,500 per year.

However, this budget is balanced without this change; but, it is recommended for the aforementioned reasons.

Decision #3 – Restoring Proposed Cut to the Recreation Department Budget

As presented in much further detail under Tab #6, there is a cut recommended in this proposed budget to the Recreation Department budget to eliminate one (1) of their four (4) maintenance persons; a 25% reduction in maintenance. It is possible that Town Council may wish to reverse this cut. The only way to accomplish such an action would be by raising the real estate tax (and *not* just linking the levy of real estate taxes to the Police Department operating budget as previously recommended).

To accomplish the restoration of the cut, when advertising the proposed budget, Town Council would amend their motion as follows:

A motion to advertise the Borough Manager's Proposed 2012 Budget, with the addition of a proposed Real Estate Tax rate increase from 20 mills to 20.5 mills; beginning in 2012.

Such a proposal, if adopted, would increase the real estate tax liability of a property owner with an assessed value of \$100,000 from a full non-discounted tax bill of \$2,000 per year to a new rate of \$2,050 per year.

This also can be done in combination to raising the real estate tax for the Police Department: 0.5 mills to help the Recreation Department, an additional 3.5 mills to link the real estate tax to the Police budget, a total 5.0 mills to fully reverse Police cuts; or 5.5 mills to accomplish all three.

However, this budget is balanced without this change.

[Decision #4 – Restoring Proposed Cuts to the Emergency Services Department Budget](#)

As presented in much further detail under Tab #6, the cuts recommended in this proposed budget are significant. It is possible that Town Council may wish to reverse these cuts. The only way to accomplish such an action would be by establishing a new separate earmarked unique **fire tax**; a new real estate tax pledged to the Emergency Services Department operating budget.

The Borough Code allows municipalities to levy up to 3 mills for fire equipment; but this fire tax, unlike that tax, would be a regular real estate tax that the Town Council pledges to use to support the Emergency Services Department.

Further, with no Collective Bargaining Agreement in place with the International Association of Fire Fighters, Local 1813, and the parties unable to agree on the proposed cuts, the levy of such a **fire tax** might be unavoidable.

This proposed budget keeps the Status Quo personnel plan of the Emergency Services Department in place only to July 1, 2012. If Town Council wishes to avoid the significant cuts detailed in this budget, they should add \$315,186 to make the Emergency Services Department proposed budget of \$3,447,936. In order to fund this size budget, a separate earmarked unique and new **fire tax** of 1.75 mills of real estate tax levy would be needed.

To accomplish this task, when advertising the proposed budget, Town Council would amend their motion as follows:

A motion to advertise the Borough Manager's Proposed 2012 Budget, with the addition of a proposed Real Estate Tax rate increase from 20 mills to 21.75 mills; beginning in 2012.

Such a proposal, if adopted, would increase the real estate tax liability of a property owner with an assessed value of \$100,000 from a full non-discounted tax bill of \$2,000 per year to a new rate of \$2,175 per year.

This also can be done in combination to raising the real estate tax for the Police Department: 0.5 mills to help the Recreation Department, an additional 3.5 mills to link the real estate tax to the Police budget, a full 5.0 mills to fully reverse Police cuts, 1.75 mills to fully reverse Emergency Services cuts; or 7.25 mills to accomplish all four.

To accomplish this task, when advertising the proposed budget, Town Council would amend their motion as follows:

A motion to advertise the Borough Manager's Proposed 2012 Budget, with the addition of a proposed Real Estate Tax rate increase from 20 mills to 27.25 mills; beginning in 2012.

Because such a plan helps reverse cuts in all three (3) departments, this eliminates any pledge of so-much of the tax for the Police Department or so-much of the tax for Emergency Services.

However, this budget is balanced without this change.

2012 Personnel Changes

As previously noted, fourteen of the possible twenty-four eligible employees that have or will retire in 2011 including one retiree from the Fire Department who accepted a non-uniform position with the Borough. In addition there was one retiree from the Police Department who was not eligible for the additional retirement benefit. These retirements allowed a significant number of personnel moves in the 2012 budget. In addition, there are proposed staff reductions in Police, Recreation, and Emergency Services.

Electric Department – The proposed budget includes the addition of two (2) full time employees to the Electric Department so that substation and property maintenance can be done in-house thereby saving expenses, the elimination of one (1) part time maintenance employee, and the redressing of several positions to increase their importance to the mission.

- The first full time position has a net value of \$61,657 of additional expense
- The second full time position has a value of \$70,318 of additional expense

Water Department – The proposed budget includes the same number of employees; no additional employees. However, the proposed budget includes the partial transfer of the current Superintendent's Assistant to the Highway Department to become the Assistant Public Works Director. This new title will incorporate the work of both the Superintendent's Assistant position in the Water Department and the Highway Department's Street Supervisor who retired in 2011.


Sewer Department – The proposed budget includes the same number of employees; no additional employees. However, as with the Water Department, the proposed budget includes the partial transfer of the current Superintendent's Assistant to the Highway Department to become the Assistant Public Works Director. This new title will incorporate the work of both the Superintendent's Assistant position in the Sewer Department and the Highway Department's Street Supervisor who retired in 2011.

Sanitation Department – The proposed budget includes the same number of employees; no additional employees. However, Council is requested to add the Director of Public Works title to Mr. David Finch's Assistant Borough Manager's position as he will add the duties vacated by the retirement of Mr. Bob Wagner; at no additional compensation.

All Utilities – In addition to the details above, with respect to all the utilities and to clarify my role in the organization, Council is requested to add the Director of Utilities title to my Borough Manager position as I have these duties already; at no additional compensation. This title was last used by Julio Lecuona.

Engineering Department - In 2011, Bob Wagner retired as Public Works Director and Phil Wolgemuth added some of Mr. Wagner's duties to his own. As such, Council is requested to amend Mr. Wolgemuth's title to Land Use and Community Development Director; at no additional compensation.

Highway Department – The proposed budget includes the same number of employees; no additional employees. However, the proposed budget includes the partial transfer of the current Water/Sewer Superintendent's Assistant to the Highway Department to become the Assistant Public Works Director. This new title will incorporate the work of both the Superintendent's Assistant position in the Water/Sewer Department and the Highway Department's Street Supervisor who also retired in 2011. The net will be a savings in the Water Department, the Sewer Department and the Highway Department.

Police Department – The two open police officer positions are, effective with this budget, permanently eliminated. ~~One additional police officer position is funded for only six months. We anticipate at least one additional officer will retire in 2012 and they will not be replaced.~~ By the end of 2012, the Police Department will have sacrificed three full time police officer positions. One of the Police Department's three (3) K-9 units will be disbanded in 2012; leaving Chambersburg with only two (2) K-9 units; although the police officer will be retained. Finally, the one open clerical non-uniform position in the Police Department will be, effective with this budget, permanently eliminated. 

Recreation Department – The Recreation Department Maintenance Crew Leader, non-bargaining unit position, will be eliminated in 2012. The current employee will be offered a transfer to another department. Amongst his other duties, the Superintendent will have to become the Crew Leader.

Emergency Services Department – Beginning July 1, 2012, the Emergency Services Department will adopt the Change in Focus Plan (details in Tab #6). The Change in Focus Plan would require the elimination of 8 firefighter/captain positions (net 21 positions reduced to net 13 positions). The Change in Focus Plan would require the elimination of the Deputy ES Chief position. In December 2011, the position was vacated. It is my hope that an interim solution will be agreed upon by Town Council and the International Association of Fire Fighters, Local 1813; while discussions on the future continue.

Overall Non-Bargaining Unit Employees – Originally, these employees, including Department Heads, Assistant Department Heads, and the Borough Manager were scheduled to receive a 4% cost of living adjustment (COLA) in 2012. That COLA has been canceled. Staff will have no cost of living increase in 2012; a wage freeze other than normally scheduled step increases.

Members of AFSCME Local 246 – Originally agreed to in 2008, these employees, including the street crews and other “blue collar” workers were scheduled to receive a 4% cost of living adjustment (COLA) in 2012. A side agreement was reached on October 24, 2011, where the 2012 COLA will be reduced from 4% to a 2% in exchange for adding five (5) additional days in 2012 where Borough administrative offices will be closed for holidays.

Side Agreement for Additional Holidays - The Borough will add five (5) official office holidays in 2012, in exchange for a 2% reduction in the scheduled AFSCME Local 246 cost-of-living-adjustment (COLA) from 4% to 2%. Those holidays are:

- Columbus Day 2012
- The day after Thanksgiving 2012
- The Monday after Thanksgiving 2012
- Christmas Eve Day 2012
- New Years Eve Day 2012

During these holidays, administrative offices will be closed but these holidays do not impact the Chambersburg Police Department, Emergency Services Department, or the Borough’s Customer Service Center, which is open 24-hours per day, 365-days per year.

The net savings to the Borough budget for this agreement is significant in 2012 and for years to come. Town Council and I would like to specifically thank employees represented by AFSCME Local 246 as well as Non-Bargaining unit employees for their sacrifices in these challenging times.

Collective Bargaining Agreement Status –

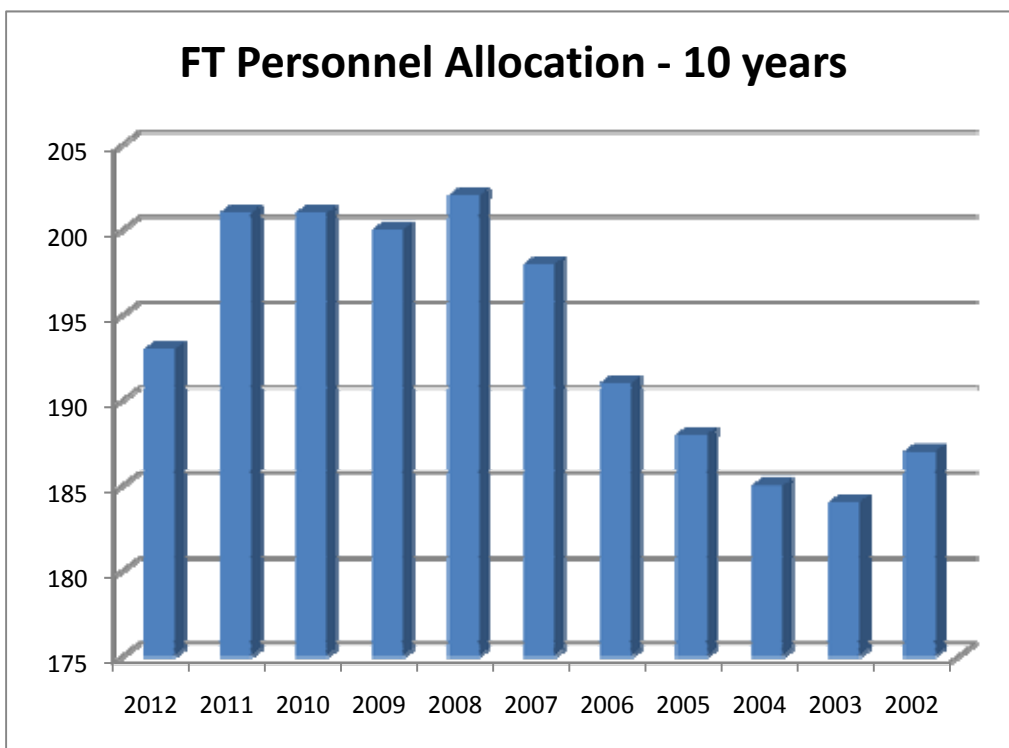
Employees represented by AFSCME Local 246 – Agreement through the end of 2012.

Employees represented by the Chambersburg Police Officers Association – Agreement expired at the end of 2010. The Borough and these employees are in Act 111 Interest Arbitration with an arbitration award possibly published by the release of this budget document.

- Given this unknown, this budget assumes that members of the Chambersburg Police Officers Association will be awarded a 1.5% cost-of-living-adjustment (COLA) for 2012, through arbitration. Any Act 111 interest arbitration decision that awards a net cost greater than 1.5% (including possible contributions to pension and/or health insurance premium share) is not covered by this budget

Employees represented by the International Association of Fire Fighters Local 1813 – Agreement due to expire with the last full pay of 2011. The Borough and these employees are at impasse. As such, the Act 111 Interest Arbitration process has begun. It is estimated that an arbitration award might be published by May 2012.

- Given this unknown, this budget assumes that members of the IAFF Local 1813 will be awarded a 0% cost-of-living-adjustment (COLA) for 2012, through arbitration. Any Act 111 interest arbitration decision that awards a net cost greater than 0% (including possible contributions to pension and/or health insurance premium share) is not covered by this budget



Total Budget Employees – With the adoption of this budget, the full time personnel equivalent staff of the Borough will be reduced from 201 employees to a net ~~193~~ 185 FTE employees in 2012; this is a 4% reduction in employees and the lowest number of employees since 2006. If the Change in Focus Plan is implemented in the Emergency Services Department, the Borough would eliminate an additional 8 firefighter/captain positions to reduce our number of full time personnel equivalent staff of the Borough from 193 employees to a net ~~185~~ 185 FTE employees; the lowest number of employees since 2003.

Collective Bargaining Agreements	Date of Expiration	2011 Approved	2012 Approved	2012 After ES Dept ³	2012 COLA ⁴
AFSCME Local 246	January 10, 2013	80	81		2%
Police Officers' Association	December 31, 2010 ¹	33	31		1.5%
IAFF Local 1813	January 8, 2012 ²	21	21	13	0%
Non-bargaining unit employees	N/A	67	60		0%

¹ – Expired agreement, ² – Agreement to expire shortly, ³ – Change in Focus Plan, ⁴ – Per this budget, prior to Act 111 awards

[Lobby the State to Change Act 111 to Improve Police and Fire Arbitration...](#)

**Pennsylvania League of Cities and Municipalities
Act 111 Arbitration Reform Issue Paper**

ISSUE PAPER

Act 111 Arbitration Reform

Act 111 (43 P.S. 217.1) provides police and firefighters with the right to bargain collectively with their municipal employers through a labor union, concerning the terms and conditions of their employment. The bargaining process begins at least six months before the start of the municipality's fiscal year. In the case of collective bargaining contracts that extend beyond one year, the bargaining process for the new contract would begin six months before the fiscal year in which a new contract is needed.

If the union and the municipality cannot agree on the terms and conditions of employment they are at an "impasse." Act 111 prevents police and firefighters from striking, however, it does provide for compulsory interest arbitration. If collective bargaining reaches an impasse and proceeds to the interest arbitration level, the determination reached by the arbitration board is final on the issues in dispute and binding on both parties.

To get to the level of interest arbitration, one of the parties must notify the other in writing of the issues in dispute and request the appointment of a board of arbitration. An arbitration board is composed of three individuals, one appointed by the union, one appointed by the municipality and the third agreed upon by both parties. A request for arbitration must be made at least 110 days before the start of the fiscal year.

The Legislature must amend Act 111, The Police and Fireman Collective Bargaining Act, to:

- create a set of standards for awards, including a municipality's ability to pay for proposed awards;
- require that all awards are subject to full judicial review;
- expand the list of arbitrators to seven instead of three;
- require the cost of arbitration to be shared equally between the two parties;
- require that arbitration sessions be open to the public; and
- provide an avenue for municipal relief when the Auditor General identifies an illegal pension benefit.

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Borough of Chambersburg

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celebrating over 65 years of consumer owned natural gas service
over 100 years of community electric and a
regional wastewater, water, and municipal solid waste utility*

To: Town Council

Please find enclosed clarification to the 2012 Annual Budget as Proposed by the Borough Manager on November 7, 2011:

Personnel Changes Proposed

Electric Department:

Full Time	2005 Budget	2006 Budget	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Proposed
Non Bargain	4	4	4	6*	5	5	5	6
AFSCME	17	17	17	17	17	17	17	17

*Temp position due to retirement of Supt.

Recreation Department:

Full Time	2005 Budget	2006 Budget	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Proposed
Non Bargain	5	5	5	5	5	4	4	3
AFSCME						3	3	3

Police Department:

Full Time	2005 Budget	2006 Budget	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 Proposed
Chief	1	1	1	1	1	1	1	1
Non Bargain	3	3	3	3	3	3	3	2
Officers Assoc	30	30	33	33	33	33	33	31

Emergency Services Department (Status Quo Plan):

Full Time	2005 Budget	2006 Budget	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 1/1-7/1
Chief(s)	2	2	2	2	2	2	2	1
Non Bargain	1	1	1	1	1	1	1	1
Local 1813	18	21	21	21	21	21	21	21

Emergency Services Department (Change in Focus Plan):

Full Time	2005 Budget	2006 Budget	2007 Budget	2008 Budget	2009 Budget	2010 Budget	2011 Budget	2012 7/1-12/31
Chief(s)	2	2	2	2	2	2	2	1
Non Bargain	1	1	1	1	1	1	1	1
Local 1813	18	21	21	21	21	21	21	13

Thank you

Jeffrey Stonehill

2011 Year in Review

January 24, 2011: Town Council approves a resolution for an inter-municipal PA Liquor License transfer for Aki Sushi Corporation (Aki Japanese Steak House), 424 Gateway Avenue.

Town Council approves an ordinance increasing Sewer Rates 25%.

Town Council awards a contract to Fayetteville Contractors, Inc. for the Rail Trail Extension (.6 miles from South Street to S. Main Street).

Town Council went on record that they were opposed to agricultural animals in residential neighborhoods.

February 14, 2011: Town Council directed the Board of Health to hold a meeting related to feral cats, the licensure of domestic animals and what animals are appropriate to be allowed throughout the Borough.

Town Council entered into a Pilot Project Agreement for Solar Installation over 10KW at 835 Fifth Avenue between the Borough and DEHK Enterprises, LP.

Town Council authorized the staff to work with MGAG to start the Energy Star Efficiency Financing Program allowing gas customers to purchase Energy Star furnaces and water heaters at no interest loans from the Borough of up to \$5,000.

February 28, 2011: Town Council approved Recreation Department Field and Park Fee Schedule and the Municipal Pool Membership Rate Schedule.

March 14, 2011: Town Council approved resolution of Commendation to Asst. Chief Norman Reitz due to his heroic efforts during a fire on February 14, 2011 at 272 Lincoln Way West.

Town Council approved a Smoke Alarm Program by the Chambersburg Fire Department.

Town Council amended the 2011 Public Works List.

Town Council approved an agreement between the Borough and ARRO in conjunction with the Borough's MS4 (Storm Sewer System) Permit.

March 21, 2011: Town Council met in Executive Session to review real estate negotiations, potential litigation; labor relations and personnel matters the Borough Manager and Solicitor.

March 28, 2011: Town Council authorized an Early Retirement Opportunity for certain Supervisor and Clerical/Technical Employees.

Town Council approved an Ordinance to Establish and Extend the Existence of the Parking Authority to December 31, 2060.

Town Council approved the reallocation of the Borough's 2008, 2009 and 2010 Community Development Block Grant Funds.

April 11, 2011: Town Council was presented a list of recommendations from the Franklin County Landlords Association (FCLA) dated April 11, 2011.

April 18, 2011: Town Council approved an Agreement between the Borough and AFSCME Local 246 for a Retirement Incentive.

Town Council approved a partnership between the Recreation Department and BOPIC for a Summer Nutritional Program at the Chambersburg Recreation Center (6/20/11 to 8/5/11).

Town Council accepted the Borough Manager's recommendations regarding the Borough's appointment of a Plumbing Inspector.

May 9, 2011: Town Council approved a resolution in recognition of Dawson Peck being named Public Opinion Wrestler of the Year for 2011.

Former Mayor Sam Worley presented Town Council a Certificate of Appreciation from PLGIT for the Borough being PLGIT's #1 participant since 1981.

Town Council sends Letters of Appreciation to Representative Kauffman and Senator Alloway in appreciation of their help in securing the \$1 million grant from the H2O Program.

Town Council appoints Corporal Richard Morrissette to the position of Police Sergeant. Town Council appoints Police Officer Anthony W. Rosenberry to the position of Police Corporal.

Town Council authorized the repair of Mill Road in the area of the Mill Road Substation to Hollywell Avenue.

Town Council authorized the installation of a raised intersection at Wilson and Norland Avenues based on a Traffic Calming Study.

Town Council authorized the expansion of the storm water drain in the area of Fourth Street and Moon Court.

May 23, 2011:

Town Council authorized a Policy Statement on Natural Gas Vehicle Filling Station(s).

Town Council approved a partial Collective Bargaining Agreement between the Borough and the Chambersburg Police Officers Association; it was noted that three (3) important issues are outstanding and are in Act 111 Interest Arbitration.

Town Council authorized the Chambersburg Police Department Chaplain Program.

June 13, 2011:

Town Council approved an Ordinance amending the Plumbing Chapter of the Borough Code of Ordinance by adopting plumbing standards.

Town Council approved an Ordinance amending the Borough Code of Ordinance to approve a Master Fee Schedule Resolution.

Town Council approved the termination of the lease agreement for the Washington Street Playground.

Town Council approved a no interest loan of \$10,000 from the Electric Department (\$5,000) and the Gas Department (\$5,000) operating funds to the Project H.E.A.T fund.

Town Council approved the purchase of a Sewer Camera Inspection System to bring the televising of the Borough's sewer system in house.

Town Council approved a Frozen Zone in conjunction with the Franklin Fire Company sponsored concert on July 15, 2011 at CASHS Trojan Stadium.

Town Council was informed that the final asphalt was being laid in conjunction with the Rail Trail Extension Project from South Street to S. Main Street.

June 27, 2011: The Director of Finance presented the Mid Year (2011) Financial Report.

Town Council approved a letter to Hamilton Township Supervisors requesting the Township contribute to the workers' compensation costs of three injured firefighters from a response incident on March 19, 2011 in Hamilton Township.

July 11, 2011: Town Council approved the contract for the overlay of Buchanan Street (including curb and sidewalk construction) to be paid from CDBG funds.

Town Council approved the amendment of the 2011 Public Works List.

Town Council recognized several Borough retirees with a plaque for their years of service.

Town Council approved an Ordinance rezoning areas along Grant Street.

Town Council approved a letter of understanding between the Borough and Chambersburg YMCA regarding the Coldbrook Elementary School property.

Town Council approved an Intermunicipal Agreement with Guilford Water Authority for shared services.

July 25, 2011 Town Council approved the release of Request for Proposals for a Memorial Park Restaurant.

Town Council approved the change to the Walker Road Directional Signs.

Town Council approved the upgrade of the traffic signal at Fifth Avenue and Norland Avenue.

August 8, 2011: Town Council approved an Ordinance amending the Borough Code of Ordinance by correcting provision related to Lot Area in residential zoning districts.

Town Council approved an Ordinance amending the Borough Code of Ordinance by adding provisions on Yard Sale Events in residential districts.

August 22, 2011: Lance Anderson was appointed Water and Sewer Superintendent.

Town Council authorized the Borough to enter into a Power Purchase and Sale Agreement with PPL Engeryplus, LLC.

Town Council authorized the Borough to enter into an Interconnection and Construction Agreement with PPL Renewable Energy, LLC for a landfill gas generating station at the Scotland Landfill.

Department reports by Engineering/Public Works/Sanitation Departments and the Codes (Property Maintenance, Health, Building) Departments.

September 12, 2011: Town Council approved a resolution recognizing John M. Macaulay, Jr. as an Eagle Scout.

Town Council approved an Ordinance ordaining Montgomery Avenue as a Borough Street.

Town Council approved agreements for the purchase of two (2) types of Electric Generation Supply Products for the Borough's Wholesale Supply of Energy.

Department reports by the Fire Department and the Police Department.

September 26, 2011: Town Council approved a resolution congratulating Dr. Barbara K. Mistick on her inauguration as Wilson College's 19th President.

Town Council approved a plan to address safety issues at Memorial Square (Lincoln Way and Main Street).

Town Council approves a resolution for an inter-municipal PA Liquor License transfer for Texas Roadhouse Holdings, LLC (Texas Roadhouse Restaurant), in the area of Walker Road and Gateway Avenue.

Town Council approved the increase of Ambulance Department Fees effective January 1, 2012.

Department reports by the Gas Department, the Water/Sewer Department and the Electric Department.

October 10, 2011: Proclamation honoring the Chambersburg Cardinals Football Team.

Town Council approved the waiver of fees for Franklin Fire Company No. 4 for the expenses incurred in association with the July 15, 2011 Dierk Bently Concert.

Town Council approved a resolution allocating the 2011 Community Development Block Grant funds.

Department reports by the Recreation Department and the Planning, Zoning and Community Development Departments.

October 17, 2011: Town Council received the Fire Department/Volunteer Fire Department Study.

October 24, 2011: Town Council approved a resolution in memoriam of William T. Pukmel.

Town Council approved a Subdivision and Land Development Plan for Franklin County improvements at the Franklin County Courthouse Campus on North Main Street.

Town Council amended the Recreation Department Fee Schedule to set a fee for "for-profit/private" organizations.

Town Council received the recommendation of the Curb and Sidewalk Committee that curbs and sidewalks not be installed in the Mill Creek Area development at this time.

Department reports by the Finance, IT and Administration Services Departments.

Town Council received the Capital Improvement Plan (CIP) for 2012.

Town Council approved an agreement between the Borough and AFSCME Local 246 which would modify the current COLA and add additional paid holidays in 2012.

Chapter 2 How to use this budget book

This budget document is one of a series of financial documents prepared annually by the Borough of Chambersburg. It is Town Council's plan for all Chambersburg activities in the following fiscal year. Our municipal government is a Borough, organized under the Borough Code of the Commonwealth of Pennsylvania. The Town Council is led by the Council President, elected by the body, who is the Chief Elected Official of the municipality. This budget was prepared by the Borough Manager, who is appointed by Town Council as the Chief Administrative Officer of the municipal government.

In a Pennsylvania Borough, the Mayor, elected at-large by the citizens, supervises the Police Department, confers with Town Council, executes local laws, and breaks tie votes of Town Council.

Chambersburg is unique among Pennsylvania municipalities. We are one of only thirty-five communities to own and operate our own electric pool for the benefit of the community. Our town is the largest municipal electric system by twice the size and the only municipal electric system in Pennsylvania to own and operate electric generating plants. We are one of only two communities to own and operate our own natural gas pool for the benefit of the community. The other community is the City of Philadelphia (Philadelphia Gas Works); and, Philadelphia does not own their own electric system. Therefore, our community is the only municipality to own both electric and gas systems. The community has a regional sewer and water system; not through an Authority but through the Borough itself. We provide a municipal trash system, parking system, as well as all other municipal services: police, fire, zoning, recreation, highway, etc.

I appreciate all suggestions which have assisted in the creation of this document. If you have any comments or questions, please contact my office:

Jeffrey Stonehill
Borough Manager
Chambersburg Borough
100 S Second Street
Chambersburg, PA 17201
www.chambersburgpa.gov

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2	How to use this budget book
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Glossary

The following glossary contains a number of terms which often arise in the administration of specialized municipal programs. The glossary, while not intended to be all inclusive, does contain terms often used by financial, planning, legal and technical specialists in their dealings with a municipal official.

Administrative - Pertaining to management of functions and activities, as opposed to legislative and judicial decision making.

Agency and Trust Funds - Such funds are established to account for cash and other assets held by a municipality as agent or trustee for another party such as Electric Department customer deposits. The two classes of funds are similar because the resources of the funds are not assets of the municipality but, through the operation of law or by agreement, the municipality is responsible for their accountability. An example of the agency fund is the Firemen's Relief Fund whose assets are received with the purpose of being paid to the Firemen's Relief Association. The Police Pension Fund, administered by the municipality, is an example of a trust fund.

Agenda - A list of items to be brought up at a meeting.

Budget Amendment - An alteration, addition or deletion which changes the meaning or scope of this original formal document. Often these are laws or regulations. However plans or specifications can also be amended.

Appropriation - The sum of money authorized by a legislative body to be spent for a certain purpose.

Assessment - The value placed on an item of real or personal property for property tax purposes. The rate of tax times the value equals the amount of charge levied on the property. It may also be a special charge levied on each property within a special assessment district for an improvement benefiting the property or for a service provided only within the district.

The property assessment for the Borough of Chambersburg, as calculated by the Franklin County Board of Assessment, as of September 23, 2011, is \$191,570,310.

Audit - An examination of the financial activities of the Borough and the report based on such examination by our independent auditors, Smith, Elliot, Kearns & Company, LLC.

Bond - A document issued by a person in exchange for money promising to pay money to the person who holds the document on a specific date for a specific purpose or unless a specific payment is not made. Bonds normally bear interest. They are both a common way of raising money for capital improvements and securing payment by developers and vendors for their obligations.

Budget - A plan for spending and receiving money to sustain municipal operations during a fiscal year together with related explanation. A capital budget is such a plan for financing purchase or construction of items of high cost and long life, such as fire apparatus, streets and buildings.

Building Permits (Including Use and Occupancy "U/O") - The Borough of Chambersburg requires any person constructing or improving a building to secure a building permit. The permit fee for Residential, Day Care, Certificate of Occupancy and Foster Home Inspection is \$400. Residential inspection prices are for dwellings 0 to 3,500 square feet. Dwellings over 3,500 square feet will be charged an additional \$10/100 square foot, which will be added to the total basic inspection fee.

Capital Reserve – Funds where expenditures are made to acquire fixed assets or additions known as capital outlays. These expenditures are recorded in their corresponding funds where the assets are to be used. Ultimately, under good property accounting, such assets acquired will be reflected in the general fixed assets group of accounts.

Capital Improvements Plan - A schedule of purchase or construction of items of high cost, such as fire apparatus, streets and buildings, with a useful life over five years, together with a plan for spending and receiving the money to pay for the items.

Certification - A formal, written declaration by the authorized officer that certain facts are true or valid.

Comprehensive Plan - Our comprehensive development plan consists of maps, charts and textual matter, and indicates the recommendations of the planning commission for the continuing development of the municipality. The comprehensive plan includes, but is not limited to, the following related basic elements: a statement of objectives, a plan for land use, a map or statement indicating the relationship of the municipality and its proposed development to the adjacent municipalities and areas.

Conditional Use Permit - A use which is not appropriate to a particular zone district as a whole, but may be suitable in certain localities within the district only when specific conditions and factors prescribed for such cases within the zoning ordinance are present. Conditional uses are allowed or denied by the Borough.

Constituent - A person served by an elected official, normally a resident or voter.

Council (Either Town or Borough) - The governing body of our municipality. The legislative and policy board of the community. Ten members (five wards with two members per ward) elected for four-year terms in alternating two year periods.

Debt Service - Payments to creditors, primarily the holders of municipal bonds. Debt service includes principal, interest and minor incidentals such as paying agents' fees.

Developer - Any landowner, agent of such landowner or tenant with the permission of such landowner, who makes or causes to be made a subdivision of land or a land development.

Easement - A right-of-way for public or quasi-public use. Normally, they are used for public utilities, trails, utility lines, floodways, and other purposes. The fee title to land in the easement areas remains tied to the adjacent land and the easement rights are relinquished when the public or quasi-public use ceases.

Effluent - A term applied to the water discharged from a sewage treatment device.

Eminent Domain - The concept of the power of certain governmental entities to acquire, for public use, privately owned real estate by means of legal processes and adjudicated compensation to the private owner.

Executive - The power to carry out laws and functions, veto legislation, appoint officers and perform other duties as prescribed by law. In Chambersburg, the Borough Manager maintains the administrative portion of the executive function.

Executive Session - A meeting closed to the public. They can legally be held only for certain limited purposes.

Feasibility Study - A preliminary survey to determine the design, aesthetics, construction and economic aspects of a proposed project.

Flood Plain - The area along a natural watercourse subject to periodic overflow by water.

General Fund - Used to account for all revenues and the activities financed by governmental activities, not accounted for in some special fund.

General Obligation Bonds - A financial instrument giving borrowing power to a municipality, based upon pledging of taxing power to retire debt and pay interest.

General Obligation Bond Funds - Established to account for the proceeds from bond sales and other revenues properly allocated to these funds and the costs of projects financed by them. Costs for public improvements are recovered from general revenues.

Governing Body - The Town Council.

Grants - The Borough anticipates receiving monies from the Department of Environmental Protection for recycling and additional monies from the Department of Conservation and Natural Resources for development of our parks.

Highway Aid - As provided by law, the local share of the State Liquid Fuels Tax and its use for expenditures is subject to the regulations of the Department of Transportation.

Improvements - Those physical changes to the land necessary to produce usable and desirable lots from raw acreage including, but not limited to, grading, paving, curbs, gutters, storm sewers and drains, improvements to existing watercourses, sidewalks, crosswalks, street signs, monuments, water supply facilities and sewage disposal facilities.

Job Description - An outline of the duties assigned a class of personnel positions together with the training and experience normally required to qualify for the class.

Land Development - The improvement of one lot or two or more contiguous lots, tracts or parcels of land for any purpose involving a group of two or more buildings or the division or allocation of land or space between or among two or more existing or prospective occupants to include streets, common areas, leaseholds, condominiums, building groups or other features; a subdivision of land.

Land Use Plan - The provisions for the development of a tract of land, including a subdivision plat, all covenants relating to use, location and bulk of buildings and other structures, intensity of use or density of development, streets, ways and parking facilities, common open space and public facilities.

Legislative - Pertaining to the power to make laws as opposed to administrative, executive and judicial.

Manager - The chief administrator of a municipality appointed by the Town Council to run its operations, to make suggestions of policy or process, and to carry out laws and directions.

Mayor - In Chambersburg, an elected official of borough government who represents the borough at certain official and ceremonial functions, and who supervises the police department under the Borough Code; and who sits with Town Council, executes legislation, and breaks tie votes.

Meeting - A gathering of elected officials set or called in accordance with prescribed laws and where business may be transacted.

Mill - A property tax equal to one dollar of tax per one thousand dollars of assessment.

Minimum Municipal Obligations (MMO) - In the United States, the state mandated smallest amount a municipality must contribute to any pension plan established for its employees. The amount is calculated using actuarial science to ensure that municipal pension plans are sufficiently funded. The Borough, regardless of the amount contributed by it, is also required to keep the pension plan solvent. If the pension funds become insufficient to meet obligations then the Borough must augment the pension funds using money from other sources. The general funds of the Borough are thus in effect guarantor and insurance policy against under-contributions by employees or poor performance of pension fund investments. However, the Borough is responsible for making up any shortfall between the MMO and the sum of contributions the Borough makes for each employee as a percentage of that employee's wages, plus realized earnings on the pension fund investments.

Modified Accrual Basis -The basis of accounting under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when received in cash except for material and/or available revenues, which should be accrued to reflect properly the taxes levied and revenues earned.

Nonconforming Use - A use, whether of land or of structure, not complying with the applicable use provisions in a zoning ordinance or amendment as enacted, where such use was lawfully in existence prior to the enactment of the ordinance or amendment or prior to its application to the location.

Nonconforming Structure - A structure or part of a structure manifestly not designed to comply with the applicable use provisions in a zoning ordinance or amendment as enacted, where the structure lawfully existed prior to the enactment of the ordinance or amendment. Such nonconforming structures include, but are not limited to nonconforming signs.

Official - A person who occupies a municipal legislative, quasi-judicial, administrative, executive or enforcement position.

Ordinance - A law or statute enacted by the Borough. See resolution.

Personnel - A method of recruiting, selecting and promoting people to perform the work of the Borough organization and the method of classifying and assigning a pay scale to their jobs together with related personnel activities and regulations concerning hours of work, training, grievance procedures and labor relations.

Planning - A process of deciding what is to be done and how it is to be accomplished; the process of deciding how land should be used and where public facilities should be located.

Planning and Zoning Commission - A planning agency, authorized by law to prepare and recommend plans for the development of physical, social, economic and cultural resources and facilities within a political subdivision.

Plat - The official map of a subdivision of land.

Public Hearing - A meeting or portion of a meeting set up to give members of the public a chance to speak on a particular subject such as the provisions of a proposed ordinance.

Referendum - A vote by the people of our municipality or an area on an issue. A referendum may be started by a governing body or initiated by petition.

Regulation - A rule, procedure or other formal requirement passed to carry out the purpose of a law. It carries the same legal power as the law. However, the rule or formal requirement may only be used to carry out the purpose of the law under which it is passed.

Revenue Bonds - A borrowing tool with higher interest rates than general obligation bonds, but does not need voter approval. Repayment of the bonds is guaranteed by revenues generated by the project and not municipal taxing power.

Resolution - A decision, opinion or directive of the Town Council expressed in a formally drafted document but not having the force or effect of law.

Revisions - Written or added changes, corrections or improvements to a plan, specification or drawing.

Revolving Loans - Special purpose funds providing a constant source of funds for assessable public improvements. Often involves grants.

Right-of-Way - Any area reserved by law or by common consent to a public or municipal use. Streets and easements are typical examples.

Specifications - The written instructions which accompany and supplement the drawings in a contract.

Subdivision - The division of a single tract or other parcel of land into two or more lots. (Specific definitions will vary in specific ordinances or regulations).

Subdivision and Land Development Ordinance (SALDO) - Procedures and requirements which must be met before the subdivision or development of land is permitted.

Utilities - These funds account for the financial transactions of utility services rendered to the general public financed by specific user charges (electric fund, water fund, sanitation fund, sewer fund).

Special Exception - The granting of a modification of the provisions of a zoning ordinance as authorized in specific instances listed, and under the terms, procedures and conditions prescribed in the specific ordinance. Special exceptions are administered by the zoning hearing board.

Special Revenue Funds - These funds are established to account for revenues specifically raised for a particular purpose. A special fund is usually created for each purpose (fire tax fund, library tax fund).

Variance - The permission granted by the zoning hearing board, following a public hearing, for an adjustment to some regulation in a zoning ordinance to alleviate an unnecessary hardship. The permission granted must not be contrary to the public interest and must maintain the spirit and original intent of the ordinance.

Zoning - The restrictions of certain land areas for specific uses and the control of these uses by legal restrictions.

Chapter 3 Mission, Policies, and Organization of the Borough

BOROUGH OF CHAMBERSBURG

Our Mission

The Borough of Chambersburg is a municipal government in south central Pennsylvania committed to the well being of those people who live, work, play and travel in the community. We will strive to:

- Furnish such quality service as our citizens' want and are willing to pay for.
- Manage our human, financial and physical resources in the most efficient and effective manner.
- Treat our employees, citizens and visitors with fairness, respect and equality.
- Protect persons, property and quality of life.
- Operate in accordance with the laws and constitutions of the Commonwealth of Pennsylvania and the United States of America.
- Make Chambersburg the model for Pennsylvania communities.

Borough Fiscal Calendar
(Borough Code is cited below as B.C.)

www.newpa.com/get-local-gov-support/local-government-law-library/index.aspx

Fiscal Year:	January 1 through December 31
Prepare Proposed Budget: (B.C. Section 1307)	Beginning at least 30 days prior to adoption of budget.
Publish Notice of Proposed Budget: (B.C. Section 1308)	Before a 10-day public inspection period.
Public Inspection of Proposed Budget: (B.C. Section 1308)	For 10 days after notice.
Adopt Budget and Tax Ordinance: (B.C. Section 1310)	Budget must be adopted not later than December 31; tax ordinance to be adopted after adoption of budget.
Amending budget in years following municipal election (November of the odd numbered year): (B.C. Section 1311)	During month of January.
Proposed amended budget available for public inspection: (B.C. Section 1311)	10 days after notice is published.
Adopt amended budget: (B.C. Section 1311)	On or before February 15.
Issue tax duplicate to tax collector: (B.C. Section 1305)	Within 30 days after budget adoption or receipt of assessment roll, whichever is later.
Tax billing by tax collector: (Local Tax Collection Law)	Within 30 days after receiving tax duplicate, or 15 days if received after June 16.
Completion of audit by auditors or controller: (B.C. Section 1041[b])	Within 90 days after close of fiscal year.
File copies of audit report with borough secretary, clerk of court of common pleas, Department of Community and Economic Development and Department of Transportation: (B.C. Section 1041[d])	Not later than 90 days after close of fiscal year.
Auditors publish concise financial statement: (B.C. Section 1043)	Within 10 days after completion of the audit.
Appeal to court of common pleas from report: (B.C. Section 1044)	Within 40 days after filing of the auditor's report in court of common pleas.

**BOROUGH OF CHAMBERSBURG
FINANCIAL POLICY STATEMENT**

The Borough of Chambersburg has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the adequate funding of services as desired by the public through their elected representatives, the Town Council. The financial goals and policy statement of the Borough is adopted concurrently with the formal adoption of the annual budget.

BOROUGH OF CHAMBERSBURG
FINANCIAL GOALS

Financial goals are broad and fairly timeless statements of the financial position of the municipality. The financial goals of the Borough of Chambersburg are as follows:

- To deliver quality services effectively and efficiently providing full value for each tax dollar, service fee, or other income collected;
- To maintain an adequate financial base to sustain the desired municipal services of the community; thereby preserving quality of life;
- To have the ability to withstand local and regional economic trends, to adjust our needs and requirements accordingly, and to respond to changes in a proactive and aggressive manner;
- To be conservative in our approach to financial management, to be open, transparent, and communicative whenever possible;
- To plan for impacts on future generations, to manage growth and change, and to never be impulsive with the people's trust.

BOROUGH OF CHAMBERSBURG
OPERATING POSITION POLICY

Operating position refers to the Borough's ability to (1) balance its budget on a current basis, (2) maintain reserves for emergencies, and (3) maintain sufficient cash to pay its bills in a timely basis (liquidity).

- The Borough will pay all current operating expenditures with current operating revenues. Budgetary procedures that fund current expenditures at the expense of future needs will be avoided.
- The Borough will establish a contingency reserve in the annual operating budget to: a) provide for non-recurring unforeseen expenditures of an emergency nature; b) provide orderly budgetary adjustments when revenues are lost through the actions of other governmental bodies; c) provide the local match for public or private grants that may become available; and d) to meet unexpected small increases in service delivery costs. This reserve will be maintained at one percent (1%) of the general operating budget.
- The Borough will strive to maintain the unreserved, undesignated fund balance of the General Fund at a level of at least equal to five percent (5%) of the total General Fund budget.
- The Borough will use fund balances for one-time capital or emergency expenditures only if: a) they are surplus balances remaining after all reserve and fund allocations are made; or b) the Borough has made a rational analysis with justifying evidence that it has an adequate level of short- and long-term resources.
- The Borough will prepare a cash-flow analysis of all funds on a regular basis. Disbursements, collections and investments will be managed to provide sufficient cash for daily financial needs.
- The Borough will prepare quarterly reports summarizing operating revenues and operating expenditures, as well as major balance sheet items to the extent practical.

**BOROUGH OF CHAMBERSBURG
REVENUE POLICY**

Revenues determine the Borough's capacity to provide services.

- The Borough will strive to maintain a diversified and stable revenue base as protection from short-term fluctuations in any one revenue service.
- The Borough will project revenue for the General Fund and all operating funds each year for at least the next three years. Each existing and potential revenue source will be re-examined each year. Revenue estimates will be conservative and developed in an objective and reasonable manner.
- The Borough will strive to reduce reliance on the property tax by: a) expanding and diversifying the Borough tax base; b) seeking to develop additional revenue sources; c) seeking enabling legislation for alternate local taxes; and d) being aware of and considering all meaningful, appropriate grants for which it is eligible.
- The Borough will strive to maintain the annual rate of property tax collections at 99%.
- The Borough will carefully and routinely monitor receivables and manage collection of amounts due.
- The Borough will use one-time or special purpose revenues to finance capital projects or for expenditures required by the revenue, and not to subsidize recurring personnel, operating or maintenance costs.
- Proceeds from the sale of Borough surplus properties, when not otherwise earmarked or legally designated to another fund, will be transferred to the capital reserves.
- The general governmental functions will strive to recover, on average, a minimum of 35% percent of total costs by generating revenues through fees and charges for special programs or the use of Borough facilities and equipment.
- Our Enterprise Funds will generate revenue sufficient to support the full direct and indirect costs of not only utility operation but a Payment in Lieu of Taxes (PILOT) contribution to the General Fund.
- The Borough will periodically review its financial structure and related administrative measures to ensure that they act as appropriate deterrents to acts by the public which violate the Borough's local Code of Ordinances.

BOROUGH OF CHAMBERSBURG
EXPENDITURE POLICY

Expenditures are rough measures of the Borough's service output. The expenditure policy also attempts to measure how effective the services are and how efficiently they are delivered.

- The Borough will maintain a balanced annual operating budget in all governmental funds.
- The Borough will pay for all current operating and maintenance expenses from current revenues and other financing sources.
- The Borough will integrate performance and productivity measures into the budget where possible.
- The Borough will determine the cost of all internal services, including overhead, and seek complete reimbursement of such services.
- The Borough will provide adequate funding for all employee benefits in the annual operating budget.
- The Borough will maintain a budgetary control system which will enable it to adhere to the adopted budget.
- The Borough will maintain a payment review and approval process with special emphasis on large payments to ensure accuracy.
- The Borough will encourage the delivery of services, in whole or in part, by other public and private organizations whenever and wherever greater efficiency and effectiveness can be expected.
- The Borough will utilize technology and productivity advancements that will help reduce or avoid increasing personnel costs.
- The Borough will maintain an effective risk management program to minimize losses and reduce insurance costs.
- The Borough will seek arrangements to share services with other municipalities where costs are reduced.

BOROUGH OF CHAMBERSBURG
DEBT POLICY

Debt is an effective way to finance capital improvements, but its misuse can cause serious financial problems.

- The Borough will not use short-term borrowing to finance operating needs except in the case of extreme financial emergency. Short-term borrowings include budget, tax and revenue anticipation notes.
- The Borough will use long-term debt for only those capital improvements that cannot be readily financed from current revenues.
- The final maturity date for any long-term debt will not exceed the expected useful life of the capital improvement so financed.
- The net (non-self supporting) general obligation debt of the Borough will not exceed 5% of the total assessed value of taxable property; or \$500 per capita.
- The Borough will use special assessments, revenue bonds, and/or any other available self-liquidating debt instruments instead of general obligation bonds whenever possible and appropriate.
- The Borough will encourage and maintain good relations with Finance and Bond rating agencies, and will follow a policy of full and open disclosure on every financial report and bond prospectus.

**BOROUGH OF CHAMBERSBURG
CASH POLICY**

The timely deposit and investment of Borough monies are an important fiscal responsibility.

The Borough's investment policy is guided by four fundamental principles: legality, safety, liquidity and yield.

- The Borough will deposit its monies only in bank or trust companies located and authorized to do business in Pennsylvania; and authorized as an official Borough depository by the Town Council.
- The Borough will invest its monies only in those investment vehicles authorized by State statutes.
- The Borough will collateralize all deposits and investments at 105% of the market value of such deposits and investments.
- The Borough will prepare a cash flow analysis of all funds on a regular basis.
- Disbursements, collections, deposits and investments will be managed to ensure maximum cash availability.
- The Borough will pool cash from its various funds to obtain the maximum possible return on its investments. Interest will be credited to the source of the invested monies.
- Interfund cash loans will be recognized and repaid as if the loans were with outside agencies.

BOROUGH OF CHAMBERSBURG
LIQUID INVESTMENTS POLICY

The Borough maintains liquid financial resources and those resources are invested while in holding. The following, other than State law, guides this practice:

- The Borough will not invest in the following:
 - Options or futures contracts;
 - Non-marketable securities;
 - Un-registered securities;
 - Derivatives;
 - Private placements;
 - Speculative Real Estate (excluding diversified REIT mutual funds);
 - Short selling or the purchase of securities on margin or swaps;
 - Commodities other than those necessary for operating;
 - Oil, gas, timber, or natural resource properties or other mineral rights;
 - Warrants;
 - Venture capital;
 - Securities lending;
- The on-going monitoring of investments must be a regular and disciplined process. It is the mechanism for revisiting the investment option selection process and confirming that the criteria originally satisfied remain so and that the investment continues to be a prudent investment. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process. The Finance Director shall periodically monitor and address the criteria used in the investment selection process. It is possible that for a short period of time a recommended investment may fall outside of the range of the investment guidelines. This investment will be scrutinized closely to determine the reason for fluctuation, the amount of divergence, and the time period that is anticipated the investment will remain at levels outside of the guidelines. Any exception to the investment guidelines will be properly documented.

LIQUID INVESTMENTS POLICY Continued

- The Finance Director shall submit a report that will highlight the investment guidelines set forth in this Investment Policy. Any exception to the investment guidelines and a recommended course of action will also be addressed in writing. The Town Council may review the investments in a timely manner. The Town Council may, on a quarterly basis, evaluate each investment in terms of its performance compared to relevant market indices and peer groups over trailing three-, five-, and ten-year periods. Greater weight will be given to five- and ten-year performance, since longer-term market cycles are more meaningful. Investments consistently under-performing in terms of risk and return will be carefully scrutinized to determine if action is warranted. Both the Finance Director and Town Council will maintain a copy of this policy for their files.

Fund Balance Reporting and Governmental Fund Type Definitions Policy
In Accordance With
Governmental Accounting Standards Board (GASB)
Statement No. 54

Purpose

In accordance with the Governmental Accounting Standards Board statement number 54, the Borough of Chambersburg hereby adopts this fund balance policy. The Borough hereby establishes and will maintain reservations of fund balance in the manner further described herein. This policy is limited to the Borough's "governmental funds". The components of the fund balance will be identified and reported as non-spendable, restricted, committed, assigned and unassigned amounts. These components within the fund balance are used to identify the availability of resources and the corresponding limitations on spending decisions.

Another purpose of this policy is to establish guidelines for maintaining a sufficient fund balance to mitigate the financial risk that can occur from unforeseen revenue fluctuations and unanticipated expenditures. An adequate fund balance also provides cash liquidity necessary for the smooth operation of the general fund.

Definitions

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities within a fund.

The amounts within the fund balance are classified by the relative strength of restraints placed upon those funds. This is a categorization of the purposes for which those specific amounts can be spent. Starting with the most "binding" constraints with which the fund balance amounts shall be reported, the following are the required classifications of fund balance:

Non-spendable - amounts that cannot be spent because they are not in a spendable form or are limited by contract and are legally required to remain intact. Examples of non-spendable assets are: inventories, prepayments, and the principal of a permanent fund

Restricted - amounts limited by external parties or legislation. Examples of restricted assets are grants and donations with certain limitations.

Committed - amounts limited by Borough Council policy or their specific action. An example of a committed resource would be an allocation of funds for an anticipated purchase or project.

Assigned - amounts earmarked for a particular purpose and specifically intended to be used at some time in the future.

Unassigned - amounts available for expenditure and not at all restricted or limited in any manner. This would include any residual funds remaining at year end.

Order of Spending

Restricted and unrestricted funds

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Borough's policy is to spend those resources the following order:

1. Restricted
2. Unrestricted

Unrestricted - Unassigned, Assigned, Committed

Unless Borough Council or their designated committee or official approves use of committed or assigned resources, the Borough policy is to spend unrestricted resources in the following order:

1. Unassigned
2. Assigned
3. Committed

Delegation of Responsibility

The responsibility for designating funds to specific classifications shall be as follows:

1. Restricted - may be determined by Borough Council
2. Committed - may be assigned by Borough Council
3. Assigned - may be assigned by Borough Council

Minimum Fund Balance Requirements

A minimum of 5% of the total budgeted expenditures (including interfund transfers out) shall be budgeted as the residual unassigned fund balance at year end.

Whenever a situation occurs whereas the minimum required fund balance will not be attained, whether in the budget process or during operation of the current year, certain actions shall be ordered by Borough Council. The three methods that can be employed in increasing the fund balance would be the following:

1. Increasing general fund revenues via tax or other revenue increases. These would basically be increases in tax rates and/or charges for services.
2. Decreasing general fund expenditures.
3. Increasing transfers (not requiring repayment) from other Borough funds.

Organization

2012 Functions and Departments (Sorted by Department)

Clerical Pool	Admin. Services Dept.	Admin. Services Fund
Cust. Service & City Hall	Admin. Services Dept.	Admin. Services Fund
Finance & Account.	Admin. Services Dept.	Admin. Services Fund
General & Admin. - Admin Services	Admin. Services Dept.	Admin. Services Fund
Information Technology	Admin. Services Dept.	Admin. Services Fund
Meter Reading & Parking Enforcement	Admin. Services Dept.	Admin. Services Fund
Personnel & Payroll	Admin. Services Dept.	Admin. Services Fund
Cust. Account. & Collecting - Electric	Electric Dept.	Electric Operating Fund
Diesel Production Maint.	Electric Dept.	Electric Operating Fund
Diesel Production Operation	Electric Dept.	Electric Operating Fund
Distribution System Maint.	Electric Dept.	Electric Operating Fund
Distribution System Operation	Electric Dept.	Electric Operating Fund
General & Admin. - Electric	Electric Dept.	Electric Operating Fund
Purchase Power Operation & Maint.	Electric Dept.	Electric Operating Fund
Transmission System Operation & Maint.	Electric Dept.	Electric Operating Fund
Engineering Field Expenses	Engineering Dept.	Engineering Fund
General & Admin. - Engineering	Engineering Dept.	Engineering Fund
Stormwater Engineering	Engineering Dept.	Engineering Fund
Street Sidewalk Engineering	Engineering Dept.	Engineering Fund
Ambulance	Emergency Services Dept.	General Fund
Ambulance Committee	Emergency Services Dept.	General Fund
Emergency Management Coordinator	Emergency Services Dept.	General Fund
Fire Code Enforcement	Emergency Services Dept.	General Fund
Fire Fighting & Prevention	Emergency Services Dept.	General Fund
Cust. Account. & Collecting - Gas	Gas Dept.	Gas Operating Fund
Gas Distribution Maint.	Gas Dept.	Gas Operating Fund
Gas Distribution Operation	Gas Dept.	Gas Operating Fund
Gas Transmission Maint.	Gas Dept.	Gas Operating Fund
Gas Transmission Operation	Gas Dept.	Gas Operating Fund
General & Admin. - Gas	Gas Dept.	Gas Operating Fund
Purchase Gas Operation & Maint.	Gas Dept.	Gas Operating Fund

21st Century Partnership	General Borough	General Fund
Administration - Council & Manager	General Borough	General Fund
Civic Services	General Borough	General Fund
Civil Service Commission	General Borough	General Fund
Council of Governments	General Borough	General Fund
Highway Maint.	Highway Dept.	General Fund
Snow Removal	Highway Dept.	General Fund
Stormwater Maint.	Highway Dept.	General Fund
Board of Health	Land Use & Community Dev	General Fund
Building Code Hearing Board	Land Use & Community Dev	General Fund
Curb & Sidewalk Compliance Committee	Land Use & Community Dev	General Fund
Downtown Chambersburg, Inc.	Land Use & Community Dev	General Fund
Economic Dev.	Land Use & Community Dev	General Fund
Fire Code Board of Appeal	Land Use & Community Dev	General Fund
Housing Commission	Land Use & Community Dev	General Fund
Planning & Dev.	Land Use & Community Dev	General Fund
Planning & Zoning Commission	Land Use & Community Dev	General Fund
Property Maint.	Land Use & Community Dev	General Fund
Zoning Enforcement	Land Use & Community Dev	General Fund
Zoning Hearing Board	Land Use & Community Dev	General Fund
Garage Operation	Motor Equipment	Motor Equipment Fund
General & Admin. - Motor Equipment	Motor Equipment	Motor Equipment Fund
Motor Vehicle Upkeep	Motor Equipment	Motor Equipment Fund
Downtown Parking	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
Downtown Parking Committee	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
General & Admin. - Parking & Traffic	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
Parking Traffic & Street Light Committee	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
Traffic & Street Lights	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
Police	Police Dept.	General Fund
Parks & Recreation	Recreation Dept.	General Fund
Recreation Advisory Board	Recreation Dept.	General Fund

Cust. Account. & Collecting - Trash	Sanitation Dept.	Sanitation Fund
Fall Leaf Collection	Sanitation Dept.	Sanitation Fund
General & Admin. - Sanitation	Sanitation Dept.	Sanitation Fund
Mowing, Weed Control & Vector Control	Sanitation Dept.	Sanitation Fund
Recycling Program	Sanitation Dept.	Sanitation Fund
Street Sweeping	Sanitation Dept.	Sanitation Fund
Trash Collection System	Sanitation Dept.	Sanitation Fund
Trash Disposal System	Sanitation Dept.	Sanitation Fund
Cust. Account. & Collecting - Sewer	Sewer Dept.	Sewer Operating Fund
General & Admin. - Sewer	Sewer Dept.	Sewer Operating Fund
Sewer Collection System	Sewer Dept.	Sewer Operating Fund
Sewer Treatment Plant	Sewer Dept.	Sewer Operating Fund
General & Admin. - Stores	Stores Dept.	Stores Fund
Warehouse	Stores Dept.	Stores Fund
Cust. Account. & Collecting - Water	Water Dept.	Water Operating Fund
General & Admin. - Water	Water Dept.	Water Operating Fund
Water Distribution System	Water Dept.	Water Operating Fund
Water Supply System	Water Dept.	Water Operating Fund
Water Transmission System	Water Dept.	Water Operating Fund
Water Treatment System	Water Dept.	Water Operating Fund

Chapter 4 Enterprise Funds

These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

These funds are proprietary funds, used to account for activities similar to those found in the private sector, where the focus of proprietary funds is on the determination of net earnings and capital maintenance; and goods or services from such activities that are provided either to outside customers, such as citizens or businesses (enterprise funds).

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

The Borough's enterprise funds consist of:

Electric Department – Provides electric power and related services to the Borough of Chambersburg and all customers, both residential and commercial, throughout the Borough.

Gas Department – Provides natural gas and related services to the Borough of Chambersburg in addition to its residential and commercial customers throughout the Borough and within its proximity.

Water Department – Provides water and related services, including laboratory analyses, to the Borough of Chambersburg, its residents, business establishments and various customers within the proximity of the Borough.

Sewer Department – Provides wastewater treatment services for the Borough of Chambersburg, its residents, commercial establishments and various customers located within the neighboring areas of Greene Township, Guilford Township, Hamilton Township and Letterkenny Township.

Sanitation Department – Provides trash and garbage removal for the Borough of Chambersburg, its residents and commercial establishments throughout the Borough.

Parking, Traffic & Street Lights Department – Regulates and controls vehicle parking, traffic control devices and street lights throughout the Borough of Chambersburg.

This year, the Parking, Traffic & Street Lights Department was formed by transferring Traffic and Street Lights functions from the General Fund. As a result, this fund and department are now much larger and much more significant. The Borough's Electric, Gas, Water, and Sewer departments are also considered major enterprise funds. The Sanitation Department is considered non-major.



The Chambersburg Electric Department using character, competence, and collaboration will provide to our customers valuable energy products and services that are safe, reliable, and competitively priced. The Electric Department will produce economic and other benefits to the Borough, its citizens, its employees, and its customers while operating in a professional and courteous manner within a structure of local accountability and local control.

Department Head: Ronald Pezon, PE		<u>2011 Budget (for example)</u>
Proposed Revenue for 2012:	\$32,980,332	\$31,972,200
Proposed Expenditures for 2012:	\$33,093,645	\$33,043,550
Excess (Deficit) for 2012:	(\$113,313) .34% deficit	(\$1,071,350) 3.24% deficit

In 2012, the Chambersburg Electric Department is proposing a deficit for the second year in a row. In 2011, the proposed deficit was \$1,071,350. However, it is likely that the Electric Operating Fund will instead finish in surplus in 2011 due to fine fiscal management of expenses and additional revenue from our electric mitigation tools not otherwise anticipated. We can only hope 2012 turns out the same.

This is a challenging time for Chambersburg's largest utility. Two factors have influenced a negative trend in electric fiscal stability for the first time in history. First, the Borough finds itself in the tail end of an electric supply agreement that is not favorable. Since the agreement's inception, the market rate of wholesale electricity has significantly decreased. Such market movement was the result of the downturn in the economy. As such, and in an attempt to remain competitive with regional investor owned utilities, Chambersburg has taken an aggressive stance to run a deficit for a fixed period of time until the agreement ends and subsequent agreements begin in 2013. Second, the economic downturn has both decreased the Borough's load as well as our revenue from generation and financial tools (combined referred to as mitigation tools). Revenue has seen a flat, downward slope, while expenses have increased. The Borough's current unfavorable contract is now playing a more significant role in our purchase price of electricity, as we cannot take less delivery and therefore must instead take less from the spot market.

The positive news is three fold. First, due to Town Council's aggressive stance, our customers have not had to burden the downturn as significantly as the Borough. Town Council adopted a plan to lower the variable retail electric rate (known as the Power Supply Adjustment) so that our customers effective rates actually decreased; hence the budgeted deficits. Further, staff undertook a significant change in the manner in which we purchase our wholesale electricity. Instead of buying everything from one supplier for one fixed length of time, this time, Town Council approved three separate purchase power agreements; each very different. This diverse portfolio will benefit the Borough and our customers beginning in 2013 when the new contracts begin. Finally, staff continues to reduce expenses related to

outside consultants and engineers. Once the fiscal position of the Borough improves, such moves are likely to appear even more beneficial. To this end, in 2012, the Electric Department is actually suggesting an expansion of its staff by 1.5 FTE (full time-equivalents). By bringing more services in-house, the Electric Department feels it is actually saving money.

So, 2012 will appear very similar in many respects to 2011. We don't anticipate any significant changes until at least 2013.

Major items for 2012:

- Staff is recommending no electric retail rate change, no change in the Power Supply Adjustment, in 2012.
- The proposed budget includes \$2 million for the acquisition and development of the new right-of-way to connect the Cree Substation to the new Landfill Gas power station being developed by PPL at the landfill in Scotland, PA.
- The proposed budget includes \$1.028 million in capital improvements to the Electric Department infrastructure; the second lowest annual investment in recent years.
- The proposed budget includes the addition of two (2) full time employees to the Electric Department so that substation and property maintenance can be done in-house thereby saving expenses, the elimination of one (1) part time maintenance employee, and the redressing of several positions to increase their importance to the mission.
 - The first full time position has a net value of \$61,657 of additional expense
 - The second full time position has a net value of \$70,318 of additional expense
- The proposed budget is balanced using reserves rather than revenues; however, it is anticipated that these reserves will be repaid in future years.
- The proposed budget includes a PILOT payment to the General Fund of \$950,000 but because the finances do not now allow, the annual reservation of \$750,000 for future capital projects has been canceled for 2012.



The Chambersburg Gas Department will provide our customers with prompt, professional service; a reliable and safe system with reasonable and stable rates. We exist to generate benefits for the community we serve.

Department Head: John Leary		<u>2011 Budget (for example)</u>	
Proposed Revenue for 2012:	\$9,080,900	\$8,631,100	
Proposed Expenditures for 2012:	\$8,433,020	\$8,442,350	
Excess (Deficit) for 2012:	\$647,880	7.68% surplus	\$188,750 2.24% surplus

In 2012, the Chambersburg Gas Department is proposing to maintain a path of strong operating margins. Chambersburg has the lowest natural gas rates in Pennsylvania: an average residential bill of \$802 for the past twelve months vs. \$1,174 at private utility rates; as approved by the Pennsylvania Public Utilities Commission.

Our system, licensed by the Federal government is still exempt from most Pennsylvania regulations however this year, additional safety and operational mandates were added as the result of unfortunate accidents that occurred in other utility systems. A regular and aggressive upgrade and preventive maintenance schedule has so far prevented such occurrences in Chambersburg.

The Gas Department is actively searching for additional ways to market natural gas. The cost of line extension is prohibitive or the Gas Department would be moving into new neighborhoods. One way they have expanded sales has been through a low cost loan program from our municipal consortium, the Municipal Gas Authority of Georgia. As a major non-Georgia member, Chambersburg has taken full advantage of this program to convert oil-based appliances to clean, safe and affordable natural gas.

Another initiative of the Gas Department is the exploration of Natural Gas Vehicle (NGV) technology. In 2011, Town Council adopted a policy that Chambersburg should search out opportunities to become a leader in providing NGV refilling for fleets and municipalities in Franklin County. We are working with many developments planned for 2012.

So, 2012 will appear very similar in many respects to 2011. We don't anticipate any significant changes unless the NGV initiative really takes off.

Major items for 2012:

- Staff is recommending no gas retail rate change, no increase again in 2012.
- The proposed budget includes \$542,000 in capital improvements to the Gas Department infrastructure; including the replacement of old gas mains and services.
 - 70 Miles of main (cast iron 14 miles; 10 miles of cast iron) replaced in past 11 years.
- The proposed budget includes the same number of employees; no additional employees.
- The proposed budget includes a PILOT payment to the General Fund of \$400,000 and the reservation of \$600,000 for future capital projects.

Water Department



The Chambersburg Water Department provides high quality drinking water, fire protection flow, and public sewer service for Borough customers, including the Bear Valley Authority, through cost effective operation and maintenance of our infrastructure while meeting the ever-changing challenges of continual growth and environmental protection.

Department Head: Lance Anderson, PE		<u>2011 Budget (for example)</u>
Proposed Revenue for 2012:	\$2,991,800	\$3,018,550
Proposed Expenditures for 2012:	\$2,972,671	\$4,021,850
Excess (Deficit) for 2012:	\$19,129 .64% surplus	(\$1,003,300) 24.95% deficit

In 2012, the Chambersburg Water Department is proposing to return to a path of strong operating margins. Chambersburg has not raised their retail water rates since 2001 (ten years). The average water bill remains one of the lowest in Franklin County and the fiscal condition of the fund is stable. In 2011, the Water Department reserved \$1,200,000 in operating revenue for future capital projects, thereby creating a \$1,003,300 proposed deficit. In 2012, that reservation has been canceled for this fiscal year.

Our system supplied, treated, transmitted, and distributed 1.43 billion gallons of water in 2010. The system is mostly exempt from Pennsylvania Public Utilities Commission regulations (except our Guilford Township customers) and staff is working on a number of cooperative initiatives with the Guilford Water Authority to improve that situation.

There are a number of pressing issues facing the water system. Specifically, the Julio D. Lecuona Water Treatment Plant is still plagued by repeated shut-downs due to turbidity and color issues with the raw water coming into the plant. This so-called Iced Tea issue still needs to be addressed. However, a promised review of engineering consultants has delayed the implementation of any fix. Second, the Borough still has maintenance issues at the Long Pine Reservoir, the Raw Water Intake, and throughout the distribution system.

In 2011, Lance Anderson was promoted from Assistant Superintendent to Superintendent. His successor as Assistant continues to be sought. However, a number of other personnel moves have solidified the team in the Water Department. Additionally, AECOM, the Borough's Wastewater Treatment Plant Engineer is addressing an ongoing wastewater issue at the Water Treatment Plant.

Aggressive capital improvement needs may lead to the need for debt financing.

2012 will appear similar in many respects to 2011. We don't anticipate any significant changes other than the final selection of a consulting engineer and a new system Assistant Superintendent.

Major items for 2012:

- Staff is recommending no water retail rate change, no increase again in 2012. However, if a major project, such as a fix to the Iced Tea situation is implemented, staff recommends Town Council seriously consider a rate increase tied specifically to that project.
- The proposed budget includes \$2,767,000 in capital improvements to the Water Department infrastructure; including:
 - Long Pine Reservoir Control Tower Improvements and Dam Emergency Plan
 - “Ice Tea” Water Treatment
 - Design of Intake Facility Repairs
 - Sand Filter Maintenance/Upgrades
 - Street Overlay Projects
- The proposed budget includes the same number of employees; no additional employees.
- However, the proposed budget includes the partial transfer of the current Superintendent’s Assistant to the Highway Department to become the Assistant Public Works Director. This new title will incorporate the work of *both* the Superintendent’s Assistant position in the Water Department *and* the Highway Department’s Street Supervisor who retired in 2011.
- The proposed budget includes a PILOT payment to the General Fund of \$72,000 but the annual reservation of \$1,200,000 for future capital projects has been canceled for 2012. In its place, a debt issuance may be contemplated although such issuance will not have an effect on 2012.

Sewer Department



The Chambersburg Sewer Department is committed to its fundamental objective of providing the highest quality municipal wastewater service for its residential, commercial and industrial users at a reasonable price; and to meet that objective, the Sewer Department will adhere to the following principles:

- Providing effective collection and treatment of wastewater which complies with all state and federal regulations
- Working with the regional community to plan for future capacity to ensure the long-term success, public health and environmental quality of the area
- Providing prompt and effective customer service
- Staffing the organization with qualified professionals
- Striving for excellence with each employee participating as a team member to continually improve the performance of the organization

Department Head: Lance Anderson, PE		<u>2011 Budget (for example)</u>
Proposed Revenue for 2012:	\$5,088,800	\$5,394,300
Proposed Expenditures for 2012:	\$4,774,220	\$4,741,050
Excess (Deficit) for 2012:	\$314,580 6.59% surplus	\$653,250 13.78% surplus

In 2012, the Chambersburg Sewer Department is proposing to maintain a path of strong operating margins. Having raised rates in 2009 and 2010, the average sewer bill remains one of the lowest in Franklin County and the fiscal condition of the fund is stable. As of 2011, the cash balance of the Sewer Operating Fund had been depleted and surplus is needed to rebuild equity in the system.

The cause of rate increases has been additional mandates placed upon the system by the Pennsylvania Department of Environmental Protection (PA DEP). In 2011, the Borough began our first full year under the Borough's Second Consent Order and Agreement with PA DEP. With this agreement, the Borough accepted the challenge to investigate and determine sources of inflow (rainwater) and infiltration (groundwater) entering into the sewer system. Extensive agreement activities include:

- A semiannual DEP report to be published
- Extensive sewer flow meter monitoring throughout our system
- Smoke and dye testing of sewer lines: 7,749 linear feet in 2011
- Home/basement surveys: 675 Surveys, 34 violations in 2011
- Manhole inserts – add waterproof seals
- Wet weather night surveys: 1,063 manholes; 290.5 hours of labor in 2011
- Televised inspection of the sewer system: 3,423 linear feet in 2011

The agreement requires that the Borough physically inspect 20% or 45,000 feet of sewer lines per year. Therefore, this activity takes considerable time and effort. In 2011, sewer video equipment was purchased by the Borough to assist.

In 2011, the Borough's consulting engineer made great strides in the design of necessary and required upgrades to the J. Hase Mowrey Regional Wastewater Treatment Facility. It is anticipated that the capacity of the facility will expand from 6.8 million gallons per day to 11.28 million gallons per day and a process upgrade will be added for nitrogen and phosphorus removal to meet Chesapeake Bay rules. This is the largest public works project in Chambersburg history with an anticipated capital cost of \$35,200,000 (\$5,420,800 Borough share with the balance from the neighboring townships), which represents a significant reduction from the original estimates of \$40 - \$45 million in 2010.

It is likely that the Borough will require a debt issuance to cover our share of this project. At this point, that debt issuance is estimated to occur sometime in 2012. When it occurs, based on available rates in the market, it is likely that a sewer rate increase will coincide. I am recommending that customers brace for an 18% increase in August of 2012 as a direct result of the Treatment Plant project.

Our system collected, treated, and released 2.072 billion gallons of wastewater in 2010. The system provides treatment for Borough residents and businesses as well as customers of the Greene, Guilford and Hamilton Sewer Authorities. In the past two years, staff has worked on a number of cooperative initiatives to improve our intermunicipal relationships.

In 2011, Lance Anderson was promoted from Assistant Superintendent to Superintendent. His successor as Assistant continues to be sought. However, the addition of AECOM as the Borough's Wastewater Treatment Plant Engineer and CET as the Borough's Wastewater Collection System Engineer has significantly improved our operations.

2012 will appear similar in many respects to 2011 as we move towards the big project; any day the first phases of that project will begin in earnest and construction will continue for well over eighteen months.



Major items for 2012:

- Staff is recommending an 18% sewer retail rate change in August 2012 to coincide specifically to the Borough's cost to undertake our share of the J. Hase Mowrey Regional Wastewater Treatment Facility.
 - This rate increase is estimated and a separate act of Town Council will be required to institute the increase later in the year once actual costs are known
- The proposed budget includes \$6,464,000 in capital improvements to the Sewer Department infrastructure; including:
 - \$5,420,800 for the Treatment Plant
 - \$1,043,200 for Collection/Conveyance System Upgrades
- The proposed budget includes the same number of employees; no additional employees.
- However, as with the Water Department, the proposed budget includes the partial transfer of the current Superintendent's Assistant to the Highway Department to become the Assistant Public Works Director. This new title will incorporate the work of *both* the Superintendent's Assistant position in the Sewer Department *and* the Highway Department's Street Supervisor who retired in 2011.
- The proposed budget does not include a PILOT payment to the General Fund or the annual reservation of \$100,000 for future capital projects, which has been canceled for 2012. In its place, a debt issuance will be contemplated.

Sanitation Department



The Sanitation Department pursues a commitment to provide a safe, efficient, and effective municipal solid waste collection and disposal system that protects the natural environment, citizens of Chambersburg and businesses. We also strive to preserve the quality of life of our citizens and their environs today and in the future.

Our Goals:

- To safely and efficiently collect residential solid waste and dispose of it at the landfill
- To safely and efficiently collect residential recyclable materials for processing and reuse
- To provide general cleanliness to the Chambersburg community

Department Head: David Finch		<u>2011 Budget (for example)</u>
Proposed Revenue for 2012:	\$2,178,600	\$2,070,650
Proposed Expenditures for 2012:	\$2,235,744	\$2,272,600
Excess (Deficit) for 2012:	(\$57,144) 2.56% deficit	(\$201,950) 8.89% deficit

The Chambersburg Sanitation Department is proposing to run another annual deficit, as is the norm, in anticipation of a rate increase in 2013 or 2014. In order to eliminate annual rate increases, the Sanitation Fund is set up to run a large surplus and then whittle it down over the intervening years. This process avoids an annual adjustment. Subscriptions to this pooled service are doing well and therefore, we anticipate we will have at least one more fiscal year until the fund balance requires replenishment through a rate increase.

As of now, the Sanitation Department has 7,261 residential customers and 655 commercial customers.

As a pool, the Sanitation Department is less than perfect. Currently, there are two categories of users that the Borough does not serve: roll off construction dumpsters and compactor dumpsters for large retailers. It is proposed that in 2012 the Borough consider adding these services by contracting with an outside vendor to provide this service on the Borough's behalf. Such a move would require a Request for Proposals to select a contractor, a change to our local law, and a time line to migrate existing customers away from other contractors that they might be using for this service. By pooling and controlling these functions, just as we do with other trash and recycling, the Borough can ensure consistency, lower rates, and revenue.

In 2012, the Sanitation Department will also explore two other areas of discussion: yard waste and recycling. The Borough of Chambersburg meets all state requirements for yard waste and recycling but there are often calls to expand these services. There are operating costs associated with both, but it is contemplated that Town Council would like to receive a detailed report of its options related to yard

waste and recycling in 2012; so as to make an informed decision as to whether to expand customers' options.

In 2011, Bob Wagner retired as Public Works Director and Assistant Manager David Finch added Mr. Wagner's duties to his own. Arnold Barbour continues on as Mr. Finch's supervisor of the Sanitation Department.

Other than a management change, 2012 will appear similar in many respects to 2011.

Major items for 2012:

- Staff is recommending no trash retail rate change, no increase again in 2012.
- No changes to the recycling program
- No changes to the residential and dumpster collection programs
- No changes to the Spring Clean Up Days at the old landfill
- No changes to street cleaning or leaf collection
- The proposed budget includes \$36,500 in capital improvements to the Sanitation Department infrastructure; including:
 - Improvements to the old landfill
 - Purchase of containers and recycling equipment
- The proposed budget includes the same number of employees; no additional employees.
- However, Town Council is requested to add the Director of Public Works title to Mr. David Finch's Assistant Borough Manager's position as he will add the duties vacated by the retirement of Mr. Bob Wagner; at no additional compensation.
- The proposed budget does not include a PILOT payment to the General Fund or the annual reservation for future capital project.

Parking, Traffic and Street Lights



Until 2012, this unit was actually three sections, a Downtown Parking Department with its own operating fund, a Street Lights cost center housed in the General Fund, and Parking & Traffic cost center also housed in the General Fund. As of 2012, these three areas of concentration will be maintained in their own enterprise fund: Parking, Traffic and Street Lights.

- Downtown parking meters and parking lots
- Traffic control devices, traffic signals, and speed control devices
- Street lights, illumination, and public lighting

Similarly, in 2012, it is proposed that Town Council consolidate the two advisory committees related to the functions (Downtown Parking Advisory Committee and the Parking, Traffic and Street Light Committee) into one Parking, Traffic and Street Light Committee. This budget contemplates such a move.

Funding for this new department comes from parking meter and permit revenue as well as a leaseback payment from the Electric Department for the traffic signals and street lights.

Finally, this department is an interagency fund calling upon personnel from the Highway Department, Administrative Services Department, Engineering Department, and Electric Department to operate. It has no personnel of its own.

Department Heads: David Finch, Phil Wolgemuth, & Jeffrey Stonehill		<u>2011 Budget (for example)</u>
Proposed Revenue for 2012:	\$744,150	\$871,950 (sum of 3 cost cntrs)
Proposed Expenditures for 2012:	\$744,128	N/A
Excess (Deficit) for 2012:	\$22	N/A

These changes were done in order to accomplish the following tasks:

- To better account for the utility (enterprise) nature of parking and traffic services
- To better organize the workflow of the Borough by creating a centralized pool of parking and traffic related activities previously spread out through various agencies of the Borough
- To better organize the decision making, supervision and management of these resources
- To better account for the actual costs associated with these functions

The new department is proposing to merely cover its expenses rather than create additional equity. However, if Town Council is inclined to invest more resources in parking or traffic, it would become clear that additional revenue sources would need to be developed in coordination with such plans.

Unfortunately, such a significant reorganization temporarily invalidates any annual trends. Therefore, in order to better transmit an accurate explanation of the budget effect in measure with previous years, it is important to communicate that this reorganization did not result in the addition of any employees, no new services, nor did it raise expenses; it merely redistributed costs in a more accurate manner.

In addition, in 2011, Bob Wagner retired as Public Works Director and Assistant Manager David Finch added Mr. Wagner’s duties to his own. This Department functions as an interdepartmental area of concentration. As such, David Finch (as Public Works Director), Phil Wolgemuth (Engineering Department), and Jeffrey Stonehill (Director of Utilities) will co-manage this operation. Assistance will be provided by Ms. Nancy Foster and Mr. Jeffrey Heverley.

Major items for 2012:

- Staff is recommending no parking rate change, no increase again in 2012.
- No additional parking lots
- The proposed budget includes \$268,000 in capital improvements to the Parking, Traffic and Street Lights Department infrastructure; including:

Traffic signal upgrade Washington/Cedar St.	\$ 200,000
Add left turn signal Norland Ave./St. Paul Dr.	\$ 25,000
Add left turn signal Norland Ave./Parkwood Dr.	\$ 20,000
Mount radar speed indicator southbound Fifth Ave.	\$ 5,000
Mount radar speed indicator eastbound Mill Rd.	\$ 5,000
Mount radar speed indicator northbound Brumbaugh Ave.	\$ 5,000
Memorial Square sign upgrade and street painting.	\$ 8,000
Total	\$ 268,000

- The proposed budget includes no employees; employees work for other departments and bill their time to this fund as needed.
- The proposed budget does not include a PILOT payment to the General Fund or the annual reservation for future capital project.

Chapter 5 Internal Service Funds

Often, governments wish to allocate the cost of providing certain centralized services (e.g., motor pools, data processing, warehouses) to the other departments of the government entity that uses the services.

An internal service fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service through user charges to other departments.

The Borough of Chambersburg's six internal service funds are used by management to charge the costs of certain activities, such as insurance, motor equipment, engineering, and others, to individual funds. A portion of these assets and liabilities of the internal service funds are included in the governmental activities and are allocated based on the usage of those funds by the governmental funds.

The Borough's internal service funds consist of:

Stores Fund – The Stores Department is responsible for the purchase, storage, and disbursement of inventory which is used to support the construction and maintenance functions of the Borough utilities.

Administrative Services Fund – Administrative Services was synonymous with the Finance Department which is responsible for the complete financial, utility meter reading, and parking meter operations as well as the operation and maintenance of Borough Hall. This year a new function will be added to Administrative Services: the clerical pool of employees. As a result, this fund is much more significant than in prior years.

Motor Equipment Fund – This fund supports the activities of the Motor Equipment Department which manages a rolling stock of more than 120 vehicles.

Self-insurance Fund – This fund is used for the purpose of funding risk which the Borough does not transfer to commercial insurance carriers or insurance pools.

Engineering Fund – This fund supports the activities of the Engineering Department which is responsible for furnishing engineering, surveying, drafting, and utility location information to other departments. The department also designs and inspects public works projects.

Worker's Compensation – This fund underwrites the risks to the Borough resulting from job-related injury or illness to its employees.

For the purposes of this narrative, this Chapter will focus only upon the Stores/Warehouse Department, the Administrative Services Department, the Motor Equipment Department, and the Engineering Department. The balances of these funds are covered in statistical format only.

Stores/Warehouse Department



The Stores/Warehouse Department provides the public with exceptional customer service for both emergency and routine calls through the Customer Service Center, as well as provides each utility operation with an efficient and effective purchasing and warehousing system.

Department Head: John Leary		<u>2011 Budget (for example)</u>
Proposed Revenue for 2012:	\$1,034,800	\$732,400
Proposed Expenditures for 2012:	\$740,611	\$690,750
Excess (Deficit) for 2012:	\$294,189 39.72% surplus	\$41,650 6% surplus

The Chambersburg Stores/Warehouse Department might appear to be proposing an unusually large surplus in 2012 but, in fact, 2011 might end the year closer to a deficit rather than the \$41,650 surplus proposed. This is because an unusually large purchase by the Electric Department will straddle the two fiscal years. In net, both 2011 and 2012 will be typical years where the Stores/Warehouse Department helps the utility operations and provides a call center in exchange for financial support from the other Borough operations.

In 2011, Carol Kellogg replaced Nick Jacobs as supervisor of the Customer Service Center. Mr. Jacobs is still supervisor of the Gas Department Street Crew and Ms. Kellogg remains supervisor of the Warehouse. The Customer Service Center provides 24/7 call center services to employees (i.e. help desk), citizens (i.e. complaints, concerns, utility issues), contractors (i.e. dig issues, utility service issues), and other government agencies (i.e. Franklin County, Penn DOT, etc.). In 2010, they processed 7,840 service orders and trouble reports.

The Warehouse/Stores operation handles most purchasing for utility operations (i.e. gas, electric, water, sewer, etc.). They provided a centralized purchasing and inventory management system. Warehouse items can be stored until needed for Borough utility emergencies and normal operations with well over \$1.2 million supplies in stock.

Unfortunately, in 2011, Warehouse/Stores employee Rob Wells passed away suddenly.

Other than a management change, 2012 will appear similar in many respects to 2011.

Administrative Services Department



Chambersburg's Administrative Services Department preserves and protects the Borough's financial, technology, and human resources, in order to attract, select and retain an effective workforce and to facilitate the effective use of the City Hall, Borough staff and our community resources.

Our Goals:

- To provide accurate, timely and meaningful reports on the Borough's financial status
- To attract and retain quality team members and to assure that municipal services are provided in an effective manner
- To develop and manage cost-effective programs for loss prevention, self-insurance, compensation, and benefits
- To minimize the Borough's exposure to financial risk and overall liability
- To continually develop and enhance the professionalism and service orientation of our personnel
- To manage the data, technology, and information systems in a cost-effective manner

Department Heads: Casimir Rzomp Jr., Jeffrey Stonehill & David Finch 2011 Budget (for example)

Proposed Revenue for 2012:	\$3,542,619	\$2,469,700
Proposed Expenditures for 2012:	\$3,174,840	N/A
Excess (Deficit) for 2012:	\$367,779 11.58% surplus	N/A

In 2012, the Administrative Services Department is scheduled to be changed and enlarged in many ways. This was done in order to accomplish the following tasks:

- To better account for the shared services provided by the Administrative Services Department by reevaluating all the administrative type services of the Borough and determining whether they best belong in this internal service fund
- To better organize the workflow of the Borough by creating a centralized Clerical Pool of clerical employees who can be loaned out to various agencies of the Borough
- To better organize the Human Resource and Information Technology functions as working directly under the supervision of the Borough Manager
- To better recognize that customer service includes personnel as diverse as Meter Readers, Parking Enforcement Officers and Front Counter Personnel

As a result, employees and expenditures previously accounted for under other cost centers in other funds will be transferred to the Administrative Services Department beginning in 2012. For example, the Borough Secretary and Assistant Borough Secretary, previously under General Government, are now

more properly accounted for under Administrative Services – Clerical Pool because they do work for all departments. The following are the new areas of concentration under Administrative Services:

- Personnel and Payroll - Jeffrey Stonehill, Supervisor
- Information Technology - Jeffrey Stonehill, Supervisor
- Accounting - Casimir Rzomp Jr., Supervisor
- Customer Service & Meter Reading - David Finch, Supervisor
- Clerical Pool - Jeffrey Stonehill, Supervisor

This new department structure is more akin to the actual work process of City Hall. These functions have always shared a close relationship. They are mostly in one facility, work together on most administrative functions, and provide services to the other agencies of the Borough.

As with all internal service funds, other Borough departments provide all the funding for the Administrative Services Department. In order to complete the reorganization, the Administrative Services Department is proposing a new charge-back formula for its expenditures. The new formula results in the following shared expenses:

ELECTRIC OPERATING FUND	\$	1,236,679
GENERAL FUND	\$	607,882
WATER FUND	\$	516,871
GAS OPERATING FUND	\$	371,470
SEWER FUND	\$	254,670
MOTOR EQUIPMENT FUND	\$	196,142
SANITATION FUND	\$	113,594
STORES FUND	\$	36,731
ENGINEERING FUND	\$	11,903
PARKING TRAFFIC STREET LIGHTS	\$	10,578

Based upon the proposed 2012 budget

Unfortunately, such a significant reorganization temporarily invalidates any annual trends. Therefore, in order to better transmit an accurate explanation of the budget effect in measure with previous years, it is important to communicate that this reorganization did not result in the addition of any employees, no new services, nor did it raise expenses; it merely redistributed costs in a more accurate manner.

Motor Equipment Department



The Motor Equipment Department maintains and repairs the Borough’s fleet, and provides safe and affordable internal services to Chambersburg Borough departments. Further, it is the Motor Equipment Department's intention to provide these services in an efficient, economical, and safe work environment for Borough employees.

Department Head: David Finch		<u>2011 Budget (for example)</u>
Proposed Revenue for 2012:	\$2,091,100	\$1,994,700
Proposed Expenditures for 2012:	\$1,300,542	\$1,515,800
Excess (Deficit) for 2012:	\$790,558 60.79% surplus	\$478,900 31.59% surplus

The point of keeping motor equipment in a separate fund and renting that equipment back to the other Borough agencies is so that sufficient equity may accumulate to acquire new equipment with cash on hand rather than debt. To that end, the Motor Equipment Fund regularly earns a surplus. In 2012, the surplus is due to grow but that is more a result of the recent acquisition of new vehicles, which allowed for readjusted rental income payments.

There are 126 pieces of equipment owned by the Department including everything as diverse as riding lawn mowers, bucket trucks, ambulances, and police cars. In 2012, only three (3) vehicles are scheduled for replacement:

Replacement Vehicles

- Electric Department’s 2000 Ram Van
- Recreation Department’s 1996 GMC 1-Ton, Dual Wheel, Ext Cab Stake Body Truck
- Recreation Department’s 1984 Owens Trailer

Addition to the Fleet

- Electric Department – Chevrolet Pickup Truck

In 2012, there is not a request to replace any police cars, fire trucks or ambulances.

In 2011, Bob Wagner retired as Public Works Director and Assistant Manager David Finch added Mr. Wagner’s duties to his own. Arnold Barbour continues on as Mr. Finch’s supervisor of the Motor Equipment Department.

Other than a management change, 2012 will appear similar in many respects to 2011.

Engineering Department



The Engineering Department reviews the design process and inspection of all public works and utility projects. Such projects include, but are not limited to storm sewers, streets, and sidewalks. In general, the Engineering Department provides support services to all Borough departments from preliminary layout to final completion, construction inspections services and guidance for proposed internal development. In conjunction with the Borough's Land Use and Community Development Department, the Engineering Department maintains a record of all assets within the public right of way.

Department Head: Phil Wolgemuth		<u>2011 Budget (for example)</u>
Proposed Revenue for 2012:	\$266,900	\$173,750
Proposed Expenditures for 2012:	\$267,003	\$206,100
Excess (Deficit) for 2012:	\$103	(\$86,350) 41.9% deficit

The 2011 operating budget for the Engineering Department included the one-time purchase of Geographic Information System (GIS) equipment, which necessitated a deficit. The equipment, now installed, will serve to produce additional projects and additional revenue for the Engineering Department. The Borough's utility locator is responsible for locating all underground utilities owned by the Borough. Underground utilities include: storm sewer, sanitary sewer, water, gas, and electric services. In addition, the new GIS equipment will be used to conduct a tree inventory of the Borough and a street sign inventory.

In 2011, Bob Wagner retired as Public Works Director and Land Use and Community Development Director Phil Wolgemuth added Mr. Wagner's duties to his own. Brian Fogal continues on as Mr. Wolgemuth's supervisor of the Engineering Department.

Other than a management change, 2012 will appear similar in many respects to 2011.

Chapter 6 General Fund

The General Fund is the principle fund of the Borough, the main governmental fund, and the fund most like the operation of other communities. There are seven (7) main sources of revenue in the General Fund (real estate taxes, earned income tax, local services tax, deed transfer tax, ambulance receipts, recreation receipts, and police fines) and the PILOT payments received from the utilities. In addition, the fund receives the annual transfer from the Liquid Fuels tax to offset some highway related expenses.

The General Fund is comprised of six (6) departments:

General Government – The General Government Department is, in essence, the Town Council, administration activities, and civic activities, under the Administration of the Borough Manager.

Police Department – The law enforcement division of the Borough, under the Supervision of the Police Chief, and the Administration of the Mayor.

Emergency Services – Formerly, three cost centers, the Emergency Services Department combines the Fire Department, the Fire Code Department and the Ambulance Department. It is under the Supervision of the Emergency Services Chief, and the Administration of the Borough Manager.

Recreation Department – Management and supervision of community resources such as the parks, playgrounds, Cumberland Valley Rail Trail, Recreation Center, and the community swimming pool; under the Supervision of the Recreation Superintendent, and the Administration of the Borough Manager.

Land Use & Community Development – Formerly in three cost centers, the Land Use & Community Development Department combines the Planning, Zoning, Property Maintenance Code Enforcement and Engineering Department (separate Internal Service Fund). It is under the Supervision of the Land Use & Community Development Director, and the Administration of the Borough Manager.

Highway Department – The maintenance and street crew of the Borough, which operates closely with the Sanitation (separate Enterprise Fund), Motor Equipment (separate Internal Service Fund) and Engineering Department (separate Internal Service Fund). This crew handles street maintenance, storm response, stormwater maintenance, and other street related functions. It is under the Supervision of the Assistant Borough Manager/Public Works Director, and the Administration of the Borough Manager.

In addition to the General Fund, the Borough maintains other non-major governmental funds including Special Revenue Fund(s) for grant projects, the Liquid Fuels Fund for receipt of Liquid Fuels taxes, the Capital Reserve and other smaller entries which are covered in statistical format only.

Revenues

The major story of 2009-2012 is the lack of growth in General Fund revenues. The major revenue categories of the Borough have seen no measurable growth over the last few years while expenditures have continued to grow. Where once there was optimism that the revenue stagnation might have been cyclical; now comes fatalism that this is “the new normal.”

As a result, the General Fund needs to do one of two things going forward:

- Raise taxes and raise revenues
- Lower spending and cut employees/services

This stark and challenging decision has come to Chambersburg, as it has come to many other towns across our land. We are fortunate that many of our employees work for our utilities and the utilities are holding their own. We are secure in that we are not overloaded with debt or waste because wise decisions were made in years past. But, now there is no more delay and the inevitable has arrived.

This budget contemplates **cuts** and not **taxes**. But, as the public and Town Council gauges the **cuts**, decisions regarding taxes may become more palatable.

This budget must be balanced. As such, cuts were used to balance. The Borough’s fiscal pressures, the doldrums of our current financial condition, are reflected clearly in the General Fund and specifically in the revenue categories and the effects forced upon Town Council.

	<u>2007 ACTUAL</u> TOTAL	<u>2008 ACTUAL</u> TOTAL	<u>2009 ACTUAL</u> TOTAL	<u>2010 ACTUAL</u> TOTAL	<u>2011</u> BUDGET	<u>2012</u> BUDGET
REAL ESTATE TAXES - CURRENT YEAR	3,327,598	3,449,745	3,521,879	3,527,832	3,600,000	3,565,000
REAL ESTATE TAXES - PRIOR YEAR	41,094	71,773	62,292	56,330	82,000	55,000
SPECIAL PURPOSE TAX - CURRENT YEAR	-	-	-	-	-	-
LOCAL SERVICES TAX	1,136,765	770,773	804,923	727,887	860,000	775,000
SPECIAL PURPOSE TAX - PRIOR YEAR	-	-	-	-	-	-
TAX LIENS	102,586	68,972	103,758	117,020	90,000	90,000
DEED TRANSFER TAX	802,419	561,431	275,141	255,899	240,000	260,000
WAGE & EARNED INCOME TAX	1,749,457	1,731,357	1,540,228	1,501,053	1,650,000	1,500,000
PAYMENTS IN LIEU OF TAXES	10,570	11,682	12,616	13,408	13,000	13,000
FEDERAL RECEIPTS	-	-	-	-	-	-
STATE PENSION REIMBURSEMENTS	712,607	686,525	693,614	719,896	779,400	681,400
OTHER INTER-GOVERNMENTAL REIMBURSEMENTS	-	-	141,362	141,341	145,000	145,000
MERCHANDISE AND JOBBING WORK	165,393	166,444	95,257	206,848	110,000	110,000
STATE SALES TAX	2,744	2,755	2,700	2,525	2,500	2,500
INTEREST INCOME	172,744	114,751	73,919	26,266	20,000	18,000
SNOW/ICE REMOVAL FINES	1,950	3,412	5,850	4,418	4,000	4,000
POLICE FINES AND COSTS	131,369	146,726	120,996	128,398	120,000	120,000
POLICE ESCORTS	-	-	-	-	-	-
FALSE POLICE & FIRE CALLS	13,125	17,025	11,700	10,100	11,000	10,000
OTHER POLICE DEPARTMENT RECEIPTS	16,713	26,125	6,420	9,379	10,000	4,000
PROPERTY MAINTENANCE CODE VIOLATION FINES	1,249	150	575	2,163	1,400	1,000
PROPERTY MAINTENANCE - OTHER FEES	-	-	-	18	-	-
RECREATION DEPARTMENT RECEIPTS	325,326	337,664	323,647	356,218	320,000	350,000
RECREATION VENDING, CONCESSION & CONSIGNMENT	63,373	60,442	68,626	58,082	65,000	60,000
PROPERTY MAINTENANCE INSPECTION FEES	98,490	100,340	107,363	109,237	110,000	110,000
PLANNING - FEES	10,406	4,314	3,366	2,880	3,000	3,000
FIRE CODE PERMITS & FEES	6,531	5,268	3,455	5,140	3,500	3,500
ZONING PERMITS & FEES	7,398	5,188	6,710	5,711	5,000	5,000
CONTRIBUTIONS FOR AMBULANCE SERVICE	41,690	38,250	42,290	47,525	35,000	46,000
AMBULANCE SERVICE RECEIPTS	669,983	660,398	721,456	793,630	725,000	800,000
AMBULANCE CLUB MEMBERSHIP FEES	118,073	119,210	118,423	120,960	110,000	118,000
SCHOOL CROSSING GUARDS	32,904	31,839	34,969	29,233	30,000	30,000
CABLE T.V. FRANCHISE	268,473	295,093	317,834	317,253	300,000	325,000
REFUNDS	15,094	18,404	28,904	47,116	25,000	30,000
PROPERTY RENTALS	12,108	17,606	10,838	12,698	12,000	11,000
CONTRIBUTIONS FROM PRIVATE SOURCES	3,926	8,842	2,255	4,031	2,000	2,000
MISCELLANEOUS	8,963	8,842	15,338	76,764	10,000	10,000
SALE OF SCRAP	-	-	-	14	-	-
TRANSFERS FROM OTHER FUNDS	-	-	-	-	155,000	-
TRANSFERS FROM ELECTRIC DEPARTMENT	775,000	800,000	825,000	850,000	900,000	950,000
TRANSFERS FROM WATER DEPARTMENT	66,000	72,000	72,000	84,000	72,000	72,000
TRANSFERS FROM GAS DEPARTMENT	335,000	350,000	365,000	375,000	375,000	400,000
TRANSFERS FROM LIQUID FUELS TAX FUND	-	-	145,443	600,000	1,000,000	400,000
TRANSFERS FROM GENERAL CAPITAL RESERVE	-	-	-	-	-	-
TRANSFERS FROM ENGINEERING DEPARTMENT	25,000	25,000	32,000	25,000	25,000	25,000
TRANSFERS FROM MOTOR EQUIPMENT	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>
	\$11,322,121	\$10,838,346	\$10,768,147	\$11,421,273	\$12,070,800	\$ 11,154,400

This table demonstrates that the anticipated revenues of 2012 are actually less than revenues in 2007. Further, if not for sizeable transfers from Liquid Fuels, the General Fund would not come close to be balanced.

Real Estate Taxes – There is no proposed increase, the real estate tax income is less than the cost of operating the Police Department, and the income has not grown in years.

Local Services Tax – The worker tax paid by all workers in the Borough regardless of residence has seen a significant drop in yield from \$1.13 million in 2007 to an anticipated \$775,000 in 2012.

Deed Transfer Tax – Paid upon the sale or transfer of real estate this tax has seen a significant drop in yield from \$802,419 in 2007 to an anticipated \$260,000 in 2012.

Earned Income Tax – The tax paid by all residents upon their earned income has seen a significant drop in yield from \$1.7 million in 2007 to an anticipated \$1.5 million in 2012.

Recreation Department Receipts – The Recreation Department has seen little or no growth in fees collected having earned \$325,326 in 2007 and anticipated to earn \$350,000 in 2012.

Police Department Fines – The Police Department has seen little or no growth in fees collected having earned \$131,369 in 2007 and anticipated to earn \$120,000 in 2012.

State Pension Grants – One of the last forms of state assistance, our state pension grant income for the General Fund non-uniform plan municipal obligation offset has seen little or no growth. The grant yielded the General Fund \$712,607 in 2007 and is anticipated to yield \$681,400 in 2012.

Cable Television Franchise Fee – Our Comcast fee has risen as Comcast raises its fees from a minor \$268,473 in 2007 to an anticipated \$325,000 in 2012.

Ambulance Service Receipts – The Emergency Services Department has done an excellent job of expanding our ambulance and EMS service, it is the main support for that area. In 2007, the department earned \$669,983 in receipts and is anticipated to earn \$800,000 in 2012. Unfortunately, there has been significant growth in Emergency Services expenses at the same time.

Overall – The General Fund is anticipated to have revenue of \$11,154,400 in 2012 in contrast to revenue of \$11,322,121 in 2007. While expenses increase, with transfers not diminishing, the General Fund is at a critical juncture.



General Government functions include a variety of activities from the organization and management of Town Council to various intergovernmental activities (Council of Governments, 21st Century Partnership, etc.) to civic activities such as the maintenance of the downtown, community events, and the Shade Tree Commission.

Department Head: Jeffrey Stonehill

2011 Budget (for example)

Proposed Expenditures for 2012: \$1,181,857

\$941,350

Major items for 2012:

- Elected officials compensation remains fixed with no increase (per State law)
- Borough Solicitor compensation scheduled to rise 2%
- The Borough Manager and balance of managerial staff will have no cost of living increase in 2012; a wage freeze other than normally scheduled step increases
- The Borough will add five (5) official office holidays in 2012, in exchange for a 2% reduction in the scheduled AFSCME cost-of-living-adjustment (COLA) from 4% to 2%
- Additional legal fees anticipated for impasse resolution with the IAFF and negotiations with AFSCME
- No additional staff will be hired and the Assistant Borough Manager will add Public Works Director duties for no additional compensation
- The same arrangement with Downtown Chambersburg Inc. for the maintenance of the downtown, with no annual increase or change in payments
- The same budget for the Shade Tree Commission, the 21st Century Partnership, civic events, and downtown events; with no changes proposed
- The proposed budget includes \$30,000 in capital improvements to the City Hall
 - New divider walls for Council Chambers
 - New sound system for Council Chambers
- The proposed budget includes the reservation of \$30,000 for future capital projects



Highway Department functions include a variety of activities from snow and ice removal to patching streets, overlaying streets and alleys, and cleaning and maintaining the Borough's municipal separate storm sewer system (MS4). Lending a hand to the Sanitation Department (separate enterprise fund) or the Motor Equipment Fund (separate internal service fund), Highway Department personnel are out fixing signs, cleaning storm drain inlets or patching holes almost every day.

Department Head: David Finch

2011 Budget (for example)

Proposed Expenditures for 2012:	\$971,150	\$944,450
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Major items for 2012:

- Members of AFSCME receive a 2% AFSCME cost-of-living-adjustment (COLA)
- The Assistant Manager/Director of Public Works and balance of managerial staff will have no cost of living increase in 2012; a wage freeze other than normally scheduled step increases
- The Borough will add five (5) official office holidays in 2012, in exchange for a 2% reduction in the scheduled AFSCME cost-of-living-adjustment (COLA) from 4% to 2%
- Bob Wagner, former Public Works Director retired in 2011 and was not replaced. Instead, the Assistant Borough Manager will add Public Works Director duties for no additional compensation
- In addition, the proposed budget includes the partial transfer of the current Water/Sewer Superintendent's Assistant to the Highway Department to become the Assistant Public Works Director. This new title will incorporate the work of *both* the Superintendent's Assistant position in the Water/Sewer Department *and* the Highway Department's Street Supervisor who also retired in 2011. The net will be savings in the Water Department, the Sewer Department and the Highway Department
- No major purchases contemplated in 2012, no capital expenditures, no vehicles
- The same arrangement with the Engineering Department to perform design services for the Highway Department and construction supervision even though the Highway Department and the Engineering Department will now have different supervisors
- The proposed budget includes no reservation for future capital projects



The Chambersburg Police Department will work hand in hand with members of the community in order to improve and enhance the richness of our quality of life consistent with the following principles: Respect for human rights, reduction of crime and disorder, employee, personal and professional well-being, community safety, high standards for excellence and continuous improvement.

Department Head: Chief David Arnold 2011 Budget (for example)

Proposed Expenditures for 2012: \$4,143,210 \$4,221,825

Town Council should seriously consider linking the levy of real estate taxes to the Police Department's operating budget. This would be wise because it is a fair and equitable use of a real estate tax; to protect the community. Second, it would eliminate the annual evaluation of the real estate tax because the tax would, be earmarked for, and set to, the cost of operating the Police Department. Third, the Police Department budget rises due to items not under the Town Council control (i.e. Act 111 arbitration decisions, police pension plan, unfunded mandates) and Town Council would be able to offset those costs with an automatic real estate tax adjustments. Finally, there would be no misconception as to why Chambersburg has a local real estate tax and other municipalities do not; it is to fund the Police Department.

This proposed budget does not contemplate any tax increases but it does contain significant Police Department cuts.

1. To avoid such cuts, a linkage between the real estate tax and the Police Department budget would be necessary (details to follow); and
2. If other unforeseen expenses, not contemplated by this budget, arise, then avoiding a real estate tax increase will be impossible

How to link the Police Department budget to the Real Estate Tax rate:

For example, in 2010 the Borough levied a real estate tax rate of 20 mills. This costs a property owner with an assessed value of \$100,000 a full non-discounted tax bill of \$2,000 per year. In Franklin County, it is difficult to determine your property's assessed value without checking at the County offices. This levy generated \$3,527,832 in revenue for the Borough. In 2010, the cost of operating the Chambersburg Police Department was (actual) \$4,283,080 or \$755,248 **more** than the yield from the real estate tax.

In 2012, the Police Department budget, after cuts, is anticipated to cost \$4,143,210 to operate.

As such, logically Town Council should set the tax rate at 23.5 mills or an increase of 3.5 mills.

If Town Council wishes to reverse the cuts in this proposed budget, they should add \$247,334 to make the Police Department proposed budget \$4,385,544 or 25 mills, an increase of 5.0 mills.

Finally, if the forthcoming Act 111 interest arbitration decision comes back unfavorably, in the opinion of Town Council, such an increase in the real estate tax rate specifically for the Police Department will be impossible to avoid.

On November 21, 2011, the Act 111 interest arbitration decision was published. In summary, the award details a five year agreement with wages rising from a 0% pay increase in 2011 to a 4.5% increase in 2015. Further, the award contains an employee contribution to the pension plan and an employee share of health insurance premiums. In general, the pension contribution begins in 2012 at 2% of gross wages, rising to 4% of gross wages in 2015. Similarly, the employee share of health insurance premiums begins in 2012 with an average contribution of 0.8% of gross wages, rising to an average 1.3% of gross wages contribution in 2015.

	2011	2012	2013	2014	2015
Wages	0.0%	2.5%	3.5%	4.0%	4.5%
Employee contributions pension plan	0.0%	-2.0%	-2.0%	-3.0%	-4.0%
Median employee share of health insurance	0.0%	-0.8%	-1.0%	-1.2%	-1.3%
Net changes in wages and benefits	0.0%	-0.34%	0.35%	-0.36%	-1.07%

The affect of the award is that an employee with wages and benefits valued at \$75,000 in 2010 will see his net wages and benefits drop to \$74,736 over the five year span – a net reduction in costs for the Borough.

Major items for 2012:

- ~~• This proposal assumes that members of the Chambersburg Police Officers Association will be awarded a 1.5% cost of living adjustment (COLA) for 2012, through arbitration. Any Act 111 interest arbitration decision that awards a net cost greater than 1.5% (including possible contributions to pension and/or health insurance premium share) is not covered by this budget~~
- The two open police officer positions are, effective with this budget, permanently eliminated
- ~~• One additional police officer position is funded for only six months. We anticipate at least one additional officer will retire in 2012 and they will not be replaced. By the end of 2012, the Police Department will have sacrificed three full time police officer positions~~
- One of the Police Department’s three (3) K-9 units will be disbanded in 2012; leaving Chambersburg with only two (2) K-9 units; although the police officer will be retained
- The one open clerical non-uniform position in the Police Department will be, effective with this budget, permanently eliminated
- The Chambersburg Special Equipment and Tactics (SET) Team roster will be, effective with this budget, reduced by eliminating participation by the two (2) Chambersburg Fire Department employees. Otherwise, the SET Team remains funded in full for 2012

- No major purchases contemplated in 2012, \$20,000 in police equipment but no vehicles
 - New laptop computers for police cars
 - New bullet resistant vests
 - A revenue neutral grant for expanded video surveillance equipment
- The proposed budget includes a reservation of \$3,000 for future capital needs



The Chambersburg Recreation Department provides quality recreation experiences for our community through well organized and diverse programs, as well as, a properly maintained park system

Department Head: Guy Shaul

2011 Budget (for example)

Proposed Expenditures for 2012:	\$1,359,550	\$1,377,050
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In Chambersburg, we are fortunate, that our Memorial Park Pool does not cause a significant drain on the Borough's finances. In fact, in both 2010 and 2011, the pool covered all its expenses with operating revenue. Of course, the same cannot be said for the many beautiful and important park facilities of the Borough or our well-used Eugene Clarke, Jr. Community Center. Overall, the Recreation Department covers 75% of their facility maintenance expenses and they earn a small margin on programming. The balance of the Recreation Department operations comes from a Chambersburg Area School District grant, scheduled to end in 2014, and General Fund tax revenue. As such, like all General Fund departments, the Recreation Department is forced to make a large and significant personnel cut in 2012.

This proposed budget does not contemplate any tax increases but it does contain a significant Recreation Department cut.

- To avoid such a cut, the real estate tax, already suggested to be used *only* for the Police Department budget, would need to be raised in order to help recreation needs.

How to use the Real Estate Tax rate to help the Recreation Department:

For example, in 2010, the Borough levied a real estate tax rate of 20 mills. This costs a property owner with an assessed value of \$100,000 a full non-discounted tax bill of \$2,000 per year. In Franklin County, it is difficult to determine your property's assessed value without checking at the County offices. This levy generated \$3,527,832 in revenue for the Borough. In 2010, the cost of operating the Chambersburg Police Department was (actual) \$4,283,080 or \$755,248 **more** than the yield from the real estate tax.

Therefore no real estate taxes went to support the Chambersburg Recreation Department. Instead other taxes such as Earned Income Tax or Deed Transfer Tax can be said to have helped cover this department's needs. Those other taxes cannot be adjusted by the Borough.

If Town Council wishes to reverse the cuts in this proposed budget, they should add \$61,657 to make the Recreation Department proposed budget \$1,421,207. In order to fund this size budget an additional 0.5 mills (1/2 mill) increase in the real estate tax levy would be needed (an additional \$50 per household with an assessed value of \$100,000 per year).

The other way to avoid such a cut would be to find a new revenue source (i.e. land lease, advertising, etc.) with this value. To date, no such alternate source has been found.

Major items for 2012:

- Members of AFSCME receive a 2% AFSCME cost-of-living-adjustment (COLA)
- The Superintendent, Assistant Superintendent and clerical Office Manager will have no cost of living increase in 2012; a wage freeze other than normally scheduled step increases
- The Borough will add five (5) official office holidays in 2012, in exchange for a 2% reduction in the scheduled AFSCME cost-of-living-adjustment (COLA) from 4% to 2%
- The Recreation Department Maintenance Crew Leader, non-bargaining unit position, will be eliminated in 2012. The current employee will be offered a transfer to another department. Amongst his other duties, the Superintendent will have to become the Crew Leader

- In 2012, the same number of seasonal workers will be hired as in 2011; additional park guards as was implemented in 2011
- In 2012, the Memorial Pool operations will be the same as in 2011
- In 2012, the Recreation Department will continue maintenance of the expanded Cumberland Valley Rail-Trail
- In 2012, no new parklands will be added to the Recreation Department inventory
- In 2012, no renovations are contemplated to fix the deteriorated Henninger Field and Playground
- In 2012, no additional playgrounds will be built (including no amenities at Nicholson Square Park, John A. Redding Jr. Memorial Park, or Mill Creek Acres Park) other than what has been approved in 2011
 - Should donations be collected, significant enough for not only the capital cost of improvements but, also for long term maintenance, Town Council may reconsider this plan
 - Further, should a proposal to lease parkland for a private recreation purpose be offered, Town Council may reconsider this plan
- In 2012, no improvements to the deteriorating Memorial Park Tennis Courts

- In 2012, no plan to build or construct a Chambersburg Dog Park
- In 2012, improvements through grants (CDBG and DCNR) at Mike Waters Park
- In 2012, improvements to the Memorial Park Fountain to make it functional
- Otherwise, no major purchases contemplated in 2012, no additional capital expenditures, no vehicles
- The proposed budget includes a reservation of \$30,000 for future capital projects

Land Use and Community Development Department



The Chambersburg Land Use and Community Development Department includes the planning, zoning, community and economic development functions in the Borough as well as enforcement of the building, health, and property maintenance codes. The personnel help plan the Borough's form and character, support community values, preserve the environment, promote the wise use of resources, and protect public health and safety.

Department Head: Phil Wolgemuth

2011 Budget (for example)

Proposed Expenditures for 2012: \$357,300

\$375,900

The Chambersburg Land Use and Community Development Department provides high quality service when you need it. The Department will:

- Listen to understand your needs
- Give clear, accurate and prompt answers to your questions
- Explain how you can achieve your goals under the Borough's rules or the uniform code
- Help resolve problems in an open, objective manner
- Maintain high ethical standards
- Work to improve our service

Community planning involves: citizens, neighborhood groups, businesses, stakeholder, land developers, and contractors along with Borough staff, appointed and elected officials. The Town Council are elected officials. The Town Council appoints citizens to serve on the Planning and Zoning Commission, the Zoning Hearing Board, the Building Code Hearing Board, the Fire Code Hearing Board, the Parking, Traffic and Street Lights Committee, the Curb and Sidewalk Compliance Committee, and the Board of Health. These groups help process various parts of the planning and community development process. The Land Use and Community Development Department staff works with everyone to insure that the process is well executed. The Assistant Borough Solicitor is appointed to work with this department as well.

There are three (3) main areas of concentration in this department:

- Planning
- Zoning
- Property Maintenance and Other Codes Enforcement

In 2010, Phil Wolgemuth, will assume responsibility for management of the entire department as well as oversee the Engineering Department (separate Internal Service Fund).

Property Maintenance and Other Codes Enforcement includes overseeing the Systematic Rental Inspection program as well as a liaison to the Borough's Building and Health Code outside agent, Commonwealth Code Inspection Services (CCIS).

Major items for 2012:

- The Land Use and Community Development Director and balance of managerial and clerical staff will have no cost of living increase in 2012; a wage freeze other than normally scheduled step increases
- The Borough will add five (5) official office holidays in 2012, in exchange for a 2% reduction in the scheduled AFSCME cost-of-living-adjustment (COLA) from 4% to 2%
- David Finch, the Assistant Borough Manager will add Public Works Director duties to his title and therefore Phil Wolgemuth will supervise this entire department
- Long time veteran Property Maintenance Code Enforcement Officer Bill Lockbaum retired in 2011 and was replaced by the former Deputy Emergency Services Chief, Bill Dubbs
- Otherwise, the proposed budget includes the same number of employees; no additional employees
- No major purchases contemplated in 2012, no capital expenditures, no vehicles
- The same arrangement with the Engineering Department to perform design services for the Community Development Block Grant funded projects
- The proposed budget includes no reservation for future capital projects



The Chambersburg Emergency Services Department is an all-hazard incident management department, which delivers fire prevention/suppression and emergency medical service to protect the lives and property of the citizens that live, work or visit the Borough of Chambersburg.

Department Head: Chief William FitzGerald 2011 Budget (for example)

Proposed Expenditures for 2012: \$3,132,750 \$3,302,450

The time has come to evaluate the size and cost of the Chambersburg Emergency Services Department against the community need for public safety. This is not an easy measure but, given the extreme lack of growth in General Fund revenues, to ignore this measure would be foolish.

The Emergency Services Department provides three main service areas:

- Fire prevention/suppression
- Fire code enforcement
- Ambulance (basic life support)

There has been significant growth in receipts from our Ambulance service. In 2012, it is anticipated that the Ambulance service will have receipts of \$800,000. This is *only possible* if we adopt a significant and major reassignment of Emergency Services Department personnel (detailed below). If we do not accomplish this reassignment, the estimated receipts from the Ambulance service would be \$725,000.

In addition, the Emergency Services Department generates fees of \$3,500 and subscriptions of \$118,000. In total, the Emergency Services Department covers about 1/3 of its costs, with the remaining funding coming from other General Fund revenue sources. Chambersburg collects less real estate tax than the cost of operating the Police Department. Therefore, 2/3 of the cost of operating the Emergency Services Department comes from other taxes (deed transfer tax, earned income tax, and the PILOT payments from utilities). Given the poor performance and lack of flexibility in these tax categories, the Emergency Services Department is faced with an enormous challenge; large cuts to balance their budget.

This proposed budget does not contemplate any tax increases but it does contain significant Emergency Services Department cuts.

1. To avoid such cuts, a new separate earmarked unique **fire tax** would be necessary (details to follow); or
2. The focus and personnel of the Emergency Services Department will need to be changed and reassigned to focus more on Ambulance and less on Fire prevention/suppression. This is the proposal, the Status Quo Plan or a Change in Focus Plan:

Two Possible Plans for ES Department in 2012:

First, these plans are subject to implementation discussions with our employees. Selecting a plan is up to Town Council, but implementing a plan requires cooperation; or potential litigation.

Status Quo	Change in Focus
<ul style="list-style-type: none"> Emergency Services Chief and Deputy 	<ul style="list-style-type: none"> Delete Deputy ES Chief position
<ul style="list-style-type: none"> 18 firefighters and 3 captains 	<ul style="list-style-type: none"> 8 firefighters and 5 captains
<ul style="list-style-type: none"> 24-hour shifts with 48-hours off 	<ul style="list-style-type: none"> Police schedule: 12-hour shifts
<ul style="list-style-type: none"> 5 firefighters per shift 24/7 	<ul style="list-style-type: none"> 5 firefighters daylight shift, 2 on overnights
<ul style="list-style-type: none"> 5 firefighter minimum manning 	<ul style="list-style-type: none"> 4 weekday daylight; as few as 2 overnight
<ul style="list-style-type: none"> 1 ambulance in service 	<ul style="list-style-type: none"> 2 ambulances in service

The Change in Focus Plan would require the elimination of the Deputy ES Chief position. In December 2011, the position was vacated. It is my hope that an interim solution will be agreed upon by Town Council and the International Association of Fire Fighters, Local 1813; while discussions on the future continue.

The Change in Focus Plan would require the elimination of 8 firefighter/captain positions (net 21 positions reduced to net 13 positions).

The current Collective Bargaining Agreement with Local 1813 is at impasse. Therefore, the changes necessary to implement the Change in Focus Plan would need to be settled with the contract before implementation. It is therefore the recommendation of this budget to **keep the Status Quo Plan through June 30, 2012 and implement the Change in Focus Plan effective July 1, 2012**. This budget does *not* contemplate keeping the Status Quo Plan through the end of 2012. To do so would not be financially viable unless a new separate earmarked unique **fire tax** is adopted in December 2011; not included in this budget.

The Change in Focus Plan is not viable unless the neighboring volunteer fire companies within and beyond the Borough assume a greater role in Fire prevention/suppression. If such a role cannot be agreed upon before June 30, 2012, the Change in Focus Plan is not viable. Public safety can be maintained but **only with the cooperation and participation of our volunteer firefighters**.

Status Quo	Change in Focus
<ul style="list-style-type: none"> Budgeted for 1/1 through 6/30/2012 	<ul style="list-style-type: none"> Budgeted for 7/1 through 12/31/2012
<ul style="list-style-type: none"> Requires no tax increase for this period 	<ul style="list-style-type: none"> Requires no tax increase for this period
<ul style="list-style-type: none"> Requires a fire tax be implemented in December 2011 in order to extend Plan or a fire tax to be agreed upon for 2012 	<ul style="list-style-type: none"> Requires no fire tax Requires increased participation by volunteer fire companies within and beyond the Borough
<ul style="list-style-type: none"> Fire tax can only be implemented in Dec. 	<ul style="list-style-type: none"> Ambulance fees sufficient to cover budget

For example, in 2010 the Borough levied a real estate tax rate of 20 mills. This costs a property owner with an assessed value of \$100,000 a full non-discounted tax bill of \$2,000 per year. In Franklin County, it is difficult to determine your property's assessed value without checking at the County offices. This levy generated \$3,527,832 in revenue for the Borough. In 2010, the cost of operating the Chambersburg Police Department was (actual) \$4,283,080 or \$755,248 **more** than the yield from the real estate tax.

Therefore no real estate taxes went to support the Chambersburg Emergency Services Department. Instead other taxes such as Earned Income Tax or Deed Transfer Tax can be said to have helped cover this department's needs. Those other taxes cannot be adjusted by the Borough.

If Town Council wishes to keep the Status Quo plan beyond July 1, 2012, they should add \$315,186 to make the Emergency Services Department proposed budget \$3,447,936. In order to fund this size budget a separate earmarked unique and new **fire tax** of 1.75 mills of real estate tax levy would be needed (an additional \$175 per household with an assessed value of \$100,000 per year).

Major items for 2012:

- This proposal assumes that members of Chambersburg Firefighters Local 1813 will receive a 0% cost-of-living-adjustment (COLA) for 2012. Any Act 111 interest arbitration decision that awards a net cost greater than 0% (including possible contributions to pension and/or health insurance premium share) is not covered by this budget
- However, the Change in Focus Plan assumes that Chambersburg Firefighters Local 1813 will earn the same net pay for working the Police-type schedule as they do currently working their unique 24-hour schedule which results in a higher per hour rate effective July 1, 2012
- The Deputy ES Chief position, vacant as of December 2011, will not be filled but, the budget does include the addition of one (1) captain position effective January 1, 2012, in order to provide Fire Code Enforcement duties – not a managerial position
- In order to adopt the Change in Focus Plan, effective July 1, 2012, increased participation by volunteer fire companies within and beyond the Borough is required
- The budget includes a repayment of \$236,400 to cover Workers Compensation claims for injuries sustained by career and volunteer firefighters 2009-2011. This includes a claim from the Hamilton Township fire victims in 2011. This is a required repayment to the Self-insurance Fund; net of an offer from Hamilton Township to cover the first \$40,000 in expenses. The amount, \$236,400 is based on 2009-2011 average claims and a 53% estimated replenishment schedule to the Self-insurance Fund; as is our standard practice.

It is important to recognize that per State law, the Borough is responsible for all Workers Compensation claims for all career and volunteer firefighters in all fire companies assigned to work first due or mutual aid in the Borough. This includes our career firefighters as well as volunteers at the various companies including the Franklin Fire Company Station 4. Further, the

cost of private Workers Compensation insurance with annual premiums would far exceed this cost, which with proper risk management, could be controlled in future years.

Unfortunately, the replenishment schedule is unavoidable based upon the significant claims:

<u>2008-09</u> <u>Claims</u>	<u>2009-10</u> <u>Claims</u>	<u>2010-11</u> <u>Claims</u>	<u>Avg</u>	<u>Required</u> <u>Cash</u> <u>Balance</u>	<u>Actual</u> <u>Cash Balance</u>	<u>Required</u> <u>Replenish</u>	<u>53%</u>
\$114,005	\$55,432	\$310,432	\$159,956	\$191,948	(\$253,998)	\$445,945	\$236,400

A similar expense will exist in 2013 and, if more claims occur, beyond.

- No major purchases contemplated in 2012; only \$76,000 in fire equipment anticipated from alternate funding sources:
 - Donated used emergency generators but the Borough pays for interconnection
 - Self-contained breathing apparatus upgrades but a request to Firemen’s Relief to assist
 - The McKinley Street Fire Station first floor addition roof but a grant request from Community Development Block Grant (CDBG) funds
- The proposed budget includes no new vehicles or apparatus
- The proposed budget includes no reservation of funds for future capital needs despite the looming need to possibly buy a new Aerial Ladder Truck (estimated value \$1.6 million) in 2014

Chapter 7 Conclusion

In 2011, Chambersburg was able to stave off fiscal calamity by using our accumulated financial reserves, our rainy day funds, to prevent cuts or revenue increases. The enterprise funds are sound and addressing their individual challenges. Overall the Borough is fiscally healthy but our General Fund, the main governmental fund, has to either increase revenue or decrease expenses in 2012. Transfers are no longer an option.

Staff is proposing a budget that includes the following highlights:

- No change to the electric rate
- No change to the gas rate
- No change to the water rate unless a major capital project is approved and if so, adopt a rate increase to pay for such a project
- A planned increase of 18% for sewer fees based upon the upgrade of the Waste Water Treatment Plant

The current average residential sewer user pays \$25.75 - \$27.00 per month, with an 18% increase; the average residential user would pay \$30.50 – \$32.00 per month. The average increase will be \$4.25 – \$5.00 per month or about \$60.00 per year.

With respect to the General Fund, the 2012 Borough Manager's proposed budget contains no tax increases but significant cuts in personnel. But, as the public and Town Council gauges the cuts, decisions regarding taxes may become more palatable.

1. Should Town Council link the real estate tax levy to the Police Department operating budget?
2. Should Town Council restore the proposed cuts in the Police Department by raising the real estate tax?
3. Should Town Council restore the proposed cut in the Recreation Department by raising the real estate tax?
4. Should Town Council restore the proposed cuts and the adoption of the Change in Focus Plan in the Emergency Services Department by adopting a fire tax?

This budget does what it can without raising taxes. It eliminates a net eight (8) positions overall. It has a wage freeze for non-bargaining unit employees; other than normally scheduled step increases. By agreement, it reduced a previously scheduled cost-of-living adjustment for members of ASCME Local 246 from 4% to 2%, in exchange for five (5) additional Borough holidays. It eliminates most reservations for future capital project needs. Finally, it is balanced despite the challenge.

I would like to take this opportunity to thank all involved in preparing this proposed budget, especially Casimir Rzomp Jr., Finance Director, Rachel Krum, Staff Accountant Janine Shoap, Budget Analyst, Jamia Wright, Borough Secretary, Jody Mayer, Assistant Borough Secretary, Kristine Baker, Human Resources, and Shawn Chilcote, Computer Programmer/Network Specialist. I would also like to thank those members of Town Council who provided ideas and guidance through this process.

I propose that Town Council authorize advertisement of this Proposed Budget on November 14, 2011. Once the public has had adequate time to review the document, I propose Council adopt it on December 12, 2011. I promise staff's full cooperation as we try, together, to be fiscally prudent with the finances of our community as we plan for its future.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey Stonehill', written in a cursive style.

Jeffrey Stonehill

Borough Manager

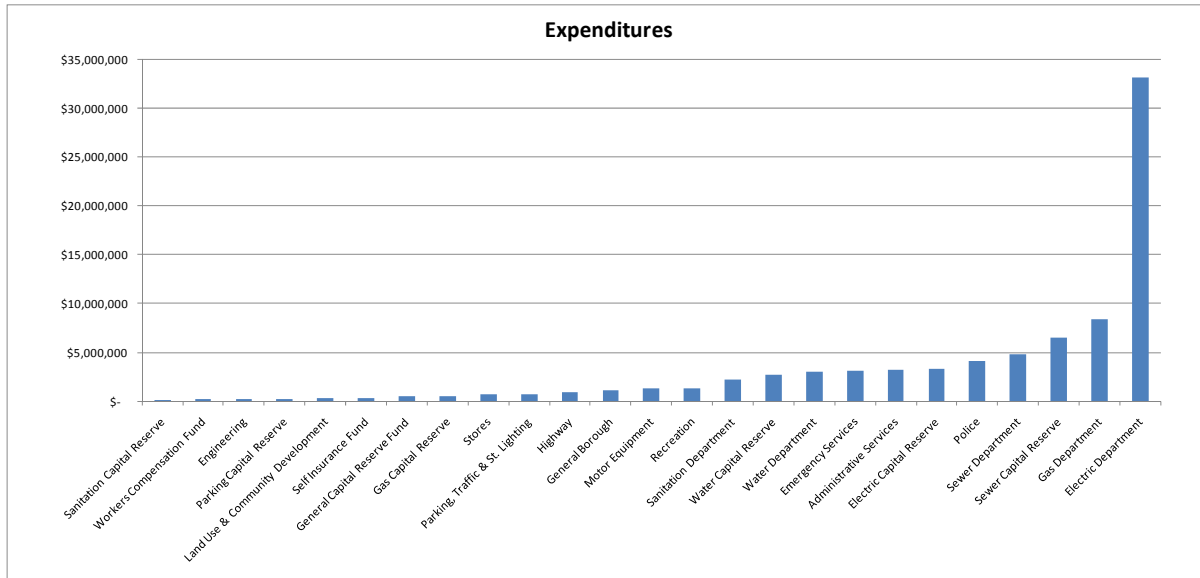
Chapter 8 Charts and Tables

A -2012 Revenues and Expenditures by Fund:

This table represents the summarized budget of the Borough of Chambersburg:

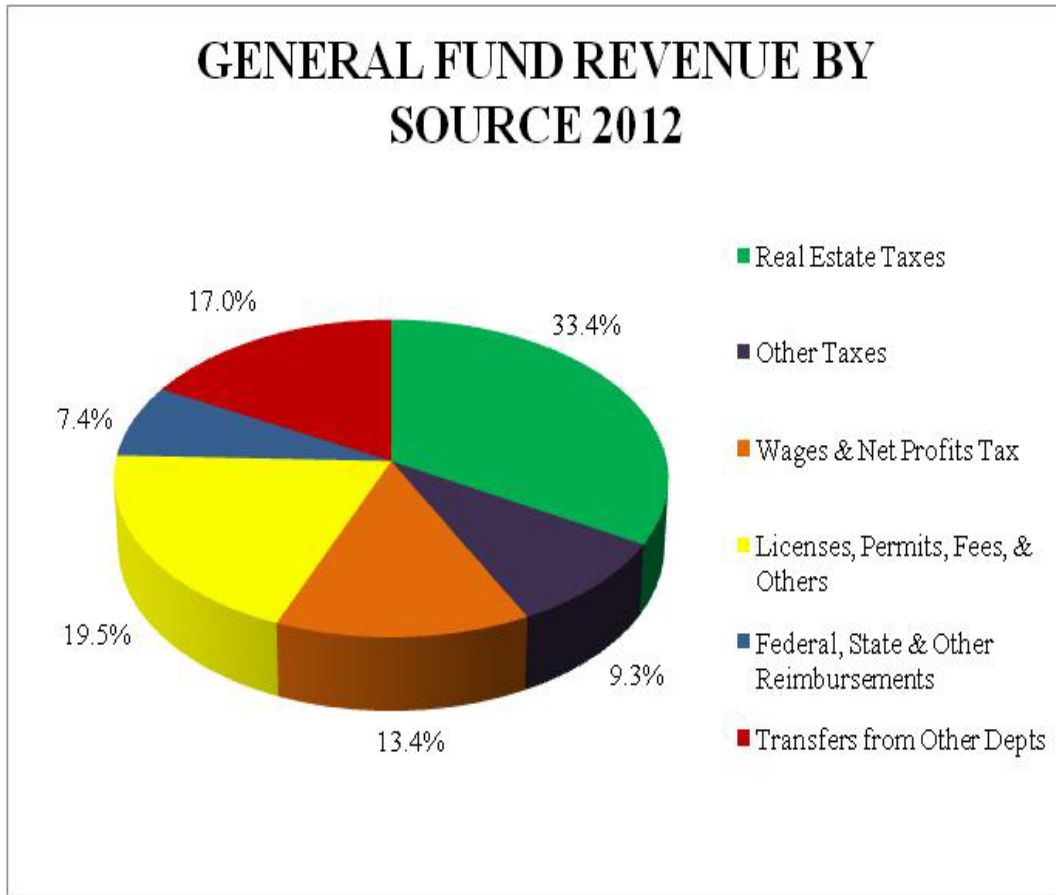
2012 Revenues Proposed Budget			2012 Expenditures Proposed Budget		
General Operating Fund:			General Operating Fund:		
General Borough Operating Income	9257400		General Borough Operating Expenses	1009732	
Interfund Transfers to General Borough	1897000		Interfund Transfers from General Borough	22625	
			Highway	971150	
			Emergency Services	3132750	
			Police	4143210	
			Recreation	1359550	
			Planning	65300	
			Zoning	36600	
			Property Maintenance Code	225400	
			Miscellaneous	119500	
			Special Interfund Transfers	30000	
Total General Operating Fund Revenues		\$ 11,154,400	Total General Operating Fund Expenditures		\$ 11,115,817
General Capital Reserve Fund:	168140		General Capital Reserve Fund:	531090	
Other General Fund:			Other General Fund:		
Special Revenue Fund	1000154		Special Revenue Fund	1294473	
Liquid Fuels Tax	383777		Liquid Fuels Tax	400000	
Surplus Operating Fund	150		Surplus Operating Fund	150	
		\$ 1,384,081			\$ 1,694,623
Trust and Agency Funds:	14299065		Trust and Agency Funds:	14423905	
Enterprise Operating Funds:			Enterprise Operating Funds:		
Electric Department	32980332		Electric Department	33093645	
Gas Department	9080900		Gas Department	8433020	
Water Department	2991800		Water Department	2972671	
Sewer Department	5088800		Sewer Department	4774220	
Sanitation Department	2178600		Sanitation Department	2235744	
Parking, Traffic & St. Lighting	744150		Parking, Traffic & St. Lighting	744128	
		\$ 53,064,582			\$ 52,253,428
Enterprise Capital Reserve Funds:			Enterprise Capital Reserve Funds:		
Electric Capital Reserve	2018000		Electric Capital Reserve	3288000	
Gas Capital Reserve	604000		Gas Capital Reserve	542000	
Water Capital Reserve	908500		Water Capital Reserve	2767000	
Sewer Capital Reserve	6007500		Sewer Capital Reserve	6464000	
Sanitation Capital Reserve	3500		Sanitation Capital Reserve	36500	
Parking Capital Reserve	268700		Parking Capital Reserve	268000	
		\$ 9,810,200			\$ 13,365,500
Internal Service Funds:			Internal Service Funds:		
Stores	1034800		Stores	740611	
Motor Equipment	2091100		Motor Equipment	1300542	
Engineering	266900		Engineering	267003	
Workers Compensation Fund	351100		Workers Compensation Fund	196300	
Administrative Services	3542619		Administrative Services	3174840	
Self Insurance Fund	359650		Self Insurance Fund	338275	
		\$ 7,646,169			\$ 6,017,571
Total 2012 Budget Revenues		\$ 97,526,637	Total 2012 Budget Expenditures		\$ 99,401,934

B - 2012 Operating Expenditures by Operation:

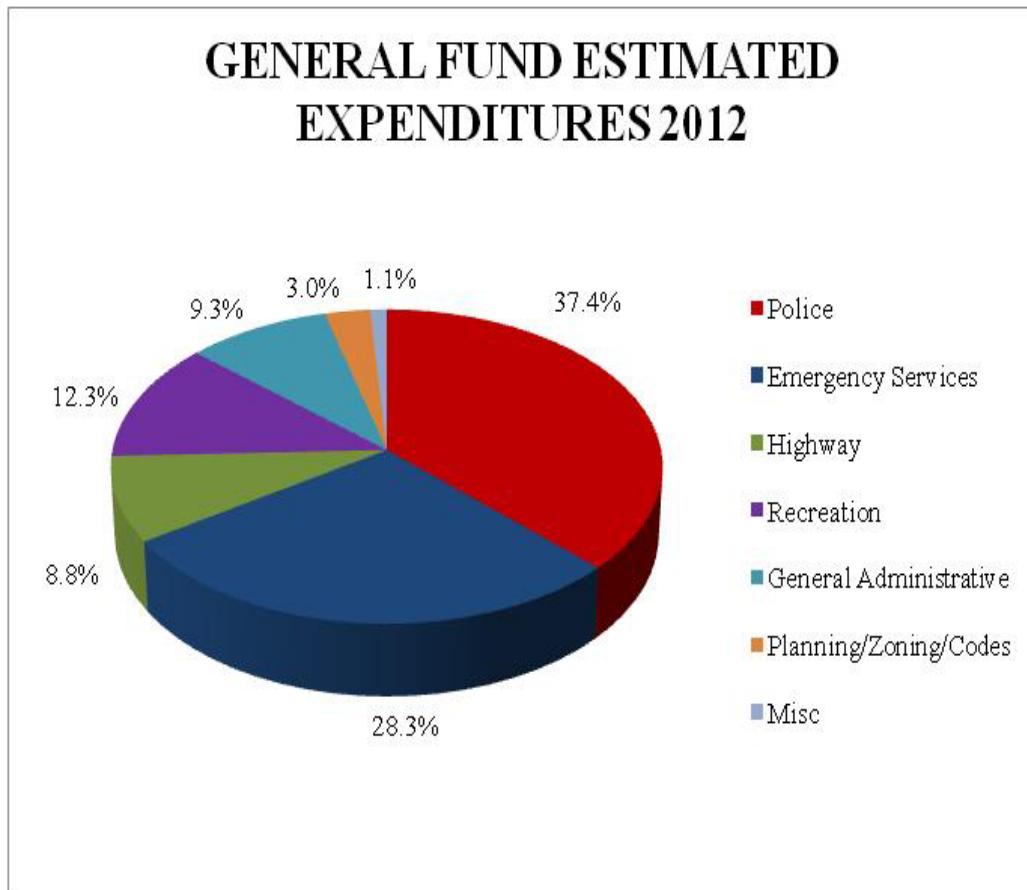


<u>Fund</u>	<u>Expenditures</u>	<u>%</u>
Electric Department	\$ 33,093,645	39.76%
Gas Department	\$ 8,433,020	10.13%
Sewer Capital Reserve	\$ 6,464,000	7.77%
Sewer Department	\$ 4,774,220	5.74%
Police	\$ 4,143,210	4.98%
Electric Capital Reserve	\$ 3,288,000	3.95%
Administrative Services	\$ 3,174,840	3.81%
Emergency Services	\$ 3,132,750	3.76%
Water Department	\$ 2,972,671	3.57%
Water Capital Reserve	\$ 2,767,000	3.32%
Sanitation Department	\$ 2,235,744	2.69%
Recreation	\$ 1,359,550	1.63%
Motor Equipment	\$ 1,300,542	1.56%
General Borough	\$ 1,129,232	1.36%
Highway	\$ 971,150	1.17%
Parking, Traffic & St. Lighting	\$ 744,128	0.89%
Stores	\$ 740,611	0.89%
Gas Capital Reserve	\$ 542,000	0.65%
General Capital Reserve Fund	\$ 531,090	0.64%
Self Insurance Fund	\$ 338,275	0.41%
Land Use & Community Development	\$ 327,300	0.39%
Parking Capital Reserve	\$ 268,000	0.32%
Engineering	\$ 267,003	0.32%
Workers Compensation Fund	\$ 196,300	0.24%
Sanitation Capital Reserve	\$ 36,500	0.04%

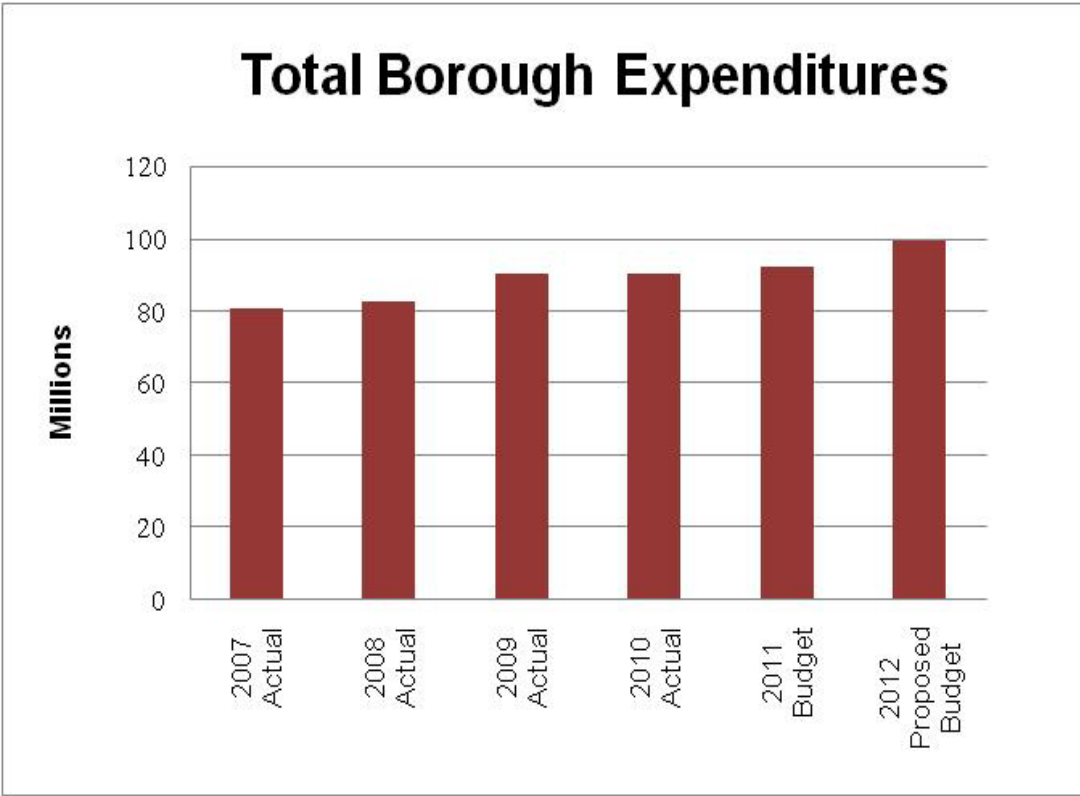
C - 2012 General Fund Revenues by Source:



D - 2012 General Fund Expenditures by Type:



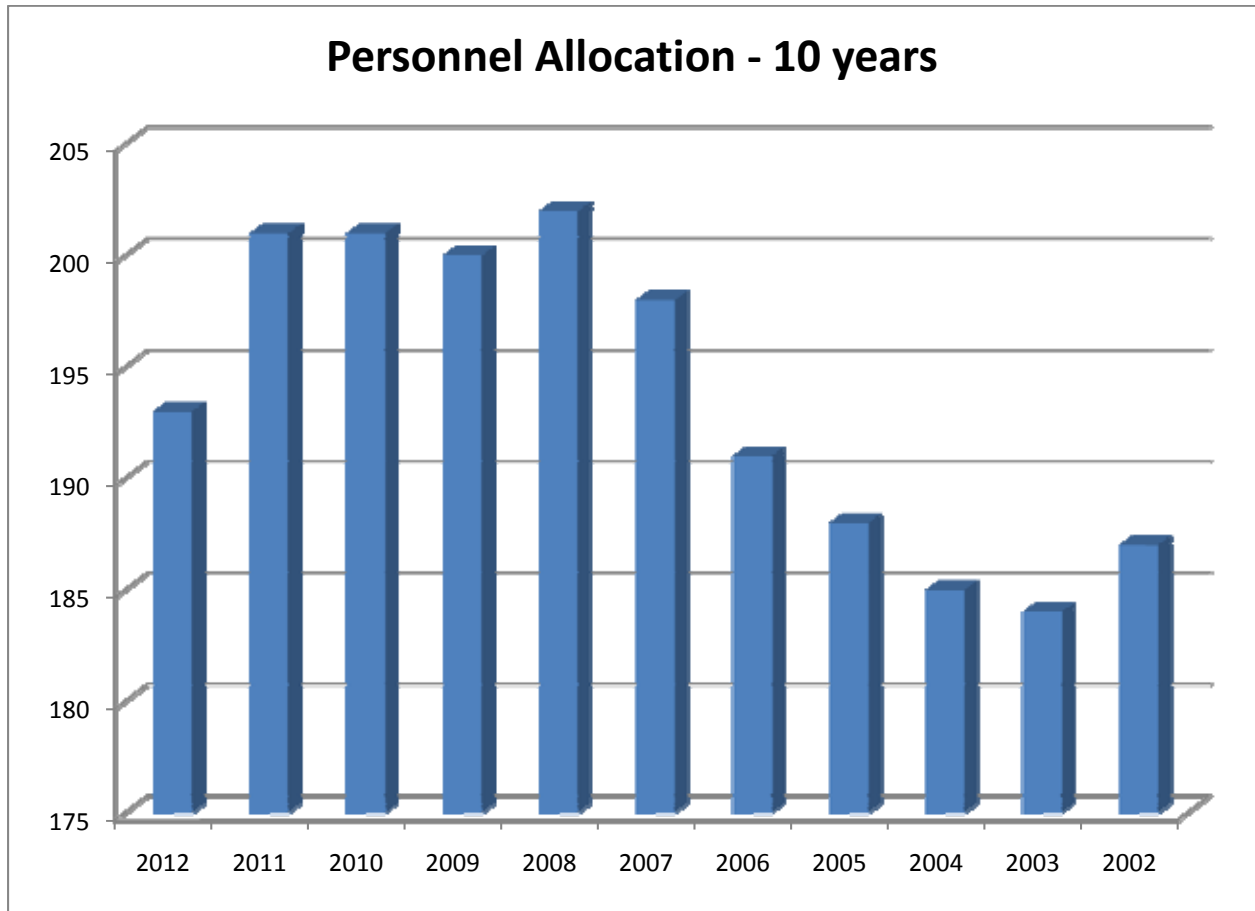
E - 2007-2012 All Funds All Expenditures:



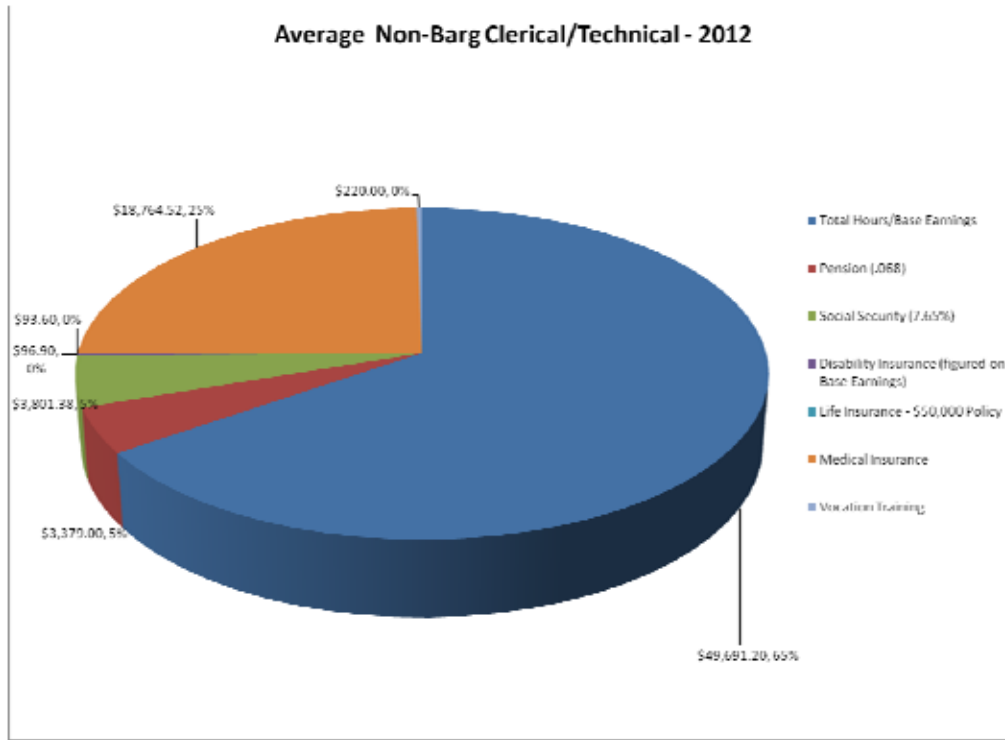
F - 2002-2012 Personnel:

Schedule 20											
Borough of Chambersburg, PA											
Full-Time Equivalent Municipal Employees by Function/Program											
Last Ten Years											
Year	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Function/program											
General Government:											
Administration	4	4	4	5	4	4	4	4	4	4	4
MIS	5	5	5	5	5	5	5	5	4	4	4
Finance	22	22	22	22	22	22	22	22	22	22	24
Public Information	0	0	0	0	0	0	0	0	0	0	0
Community Development:											
Economic Develop/Planning	2	2	2	2	2	2	1	1	1	1	1
Inspections	2	4	4	4	4	4	4	4	5	6	6
Public Works:											
Administration	2	2	2	2	2	2	2	2	2	2	2
Maintenance/Labor	24	26	26	26	25	25	22	22	22	24	24
Human Services:											
		0	0	0	0	0	0	0	0	0	0
Public Safety:											
Police Officers	31	33	33	33	33	33	30	30	30	30	29
Police Civilians	3	4	4	4	4	4	4	4	4	4	4
Fire	21	21	21	21	22	21	21	18	18	18	21
Fire Civilians	2	3	3	3	3	3	3	3	3	2	2
911		0	0	0	0	0	0	0	0	0	0
Recreation:											
Management	6	7	7	5	5	5	5	5	5	5	5
Seasonal	0	0	0	0	0	0	0	0	0	0	0
Pool	0	0	0	0	0	0	0	0	0	0	0
Tennis	0	0	0	0	0	0	0	0	0	0	0
Park	0	0	0	0	0	0	0	0	0	0	0
Utilities (5):											
Administration	13	13	13	13	17	14	14	14	14	14	14
Maintenance/Operations											
Electric Department	19	18	18	18	19	19	19	19	17	16	16
Gas Department	13	13	13	13	8	8	8	8	8	8	7
Water Department	14	14	14	14	11	11	11	11	11	10	10
Waste Water Treat. Plant	9	9	9	9	15	15	15	15	14	13	13
Parking Department	1	1	1	1	1	1	1	1	1	1	1
Totals	193	201	201	200	202	198	191	188	185	184	187

F (Continued) - 2002-2012 Personnel:

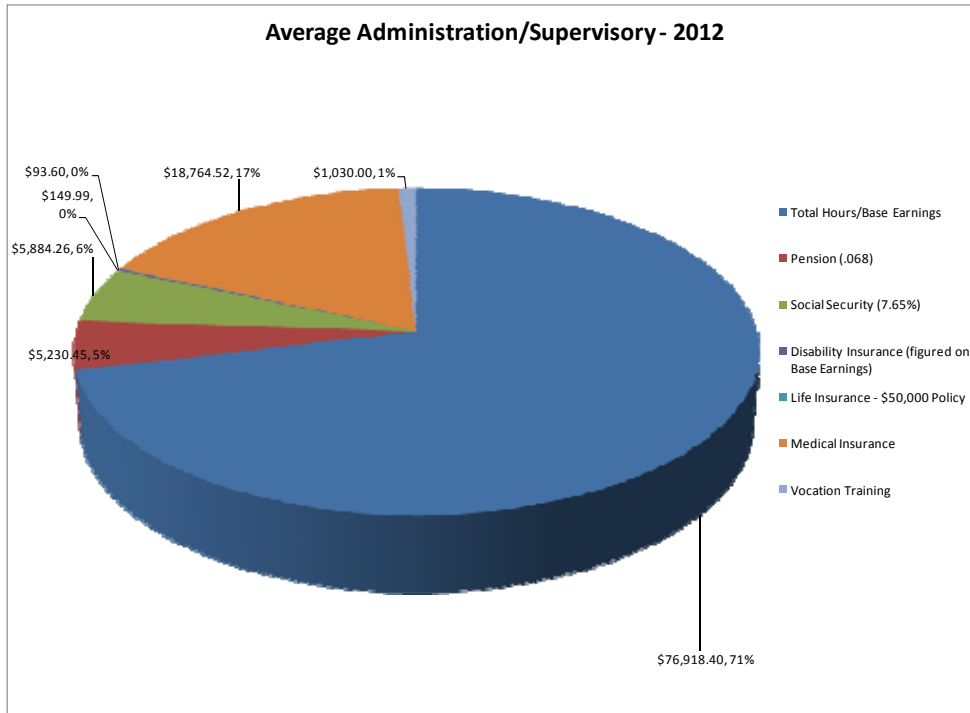


G - Average Employee – Non-bargaining/Clerical:



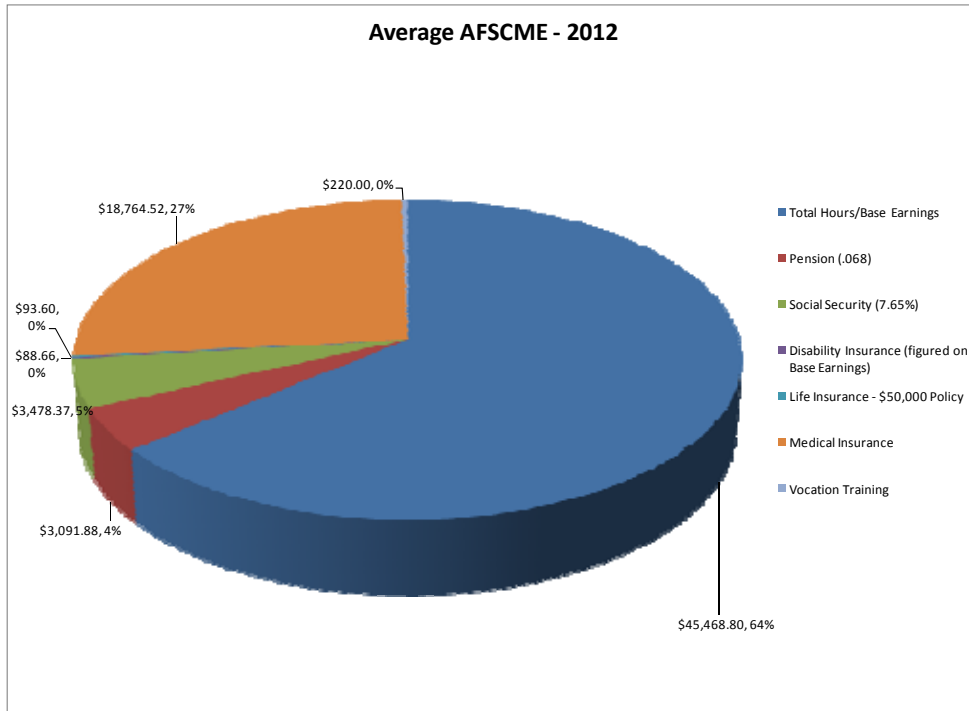
AVERAGE NON BARG CLERICAL/TECHNICAL		
2012		
estimate only		
Background		
Pay Rate	\$23.89	
Base Earnings	\$49,691.20	
Overtime Earnings	\$0.00	0.00%
Total Earnings	\$49,691.20	
Base Earnings Breakout		
	Hours	Earnings
Holidays	0	\$0.00
Vacation Leave (includes Personal)	0	\$0.00
Sick Leave	0	\$0.00
Other Leave (Funeral, Training, etc)	0	\$0.00
Total Paid Time Off	0	\$0.00
Total Time Worked	2080	\$49,691.20
Total Hours/Base Earnings	2080	\$49,691.20
Benefits		
Pension (.068)		\$3,379.00
Social Security (7.65%)		\$3,801.38
Disability Insurance (figured on Base Earnings)		\$96.90
Life Insurance - \$50,000 Policy		\$93.60
Medical Insurance		\$18,764.52
Vocation Training	Avg	\$220.00
Total Benefits		\$26,355.40
Overtime Earnings		\$0.00
Total Earnings and Benefits		\$76,046.60

H - Average Employee – Administrative/Supervisory:



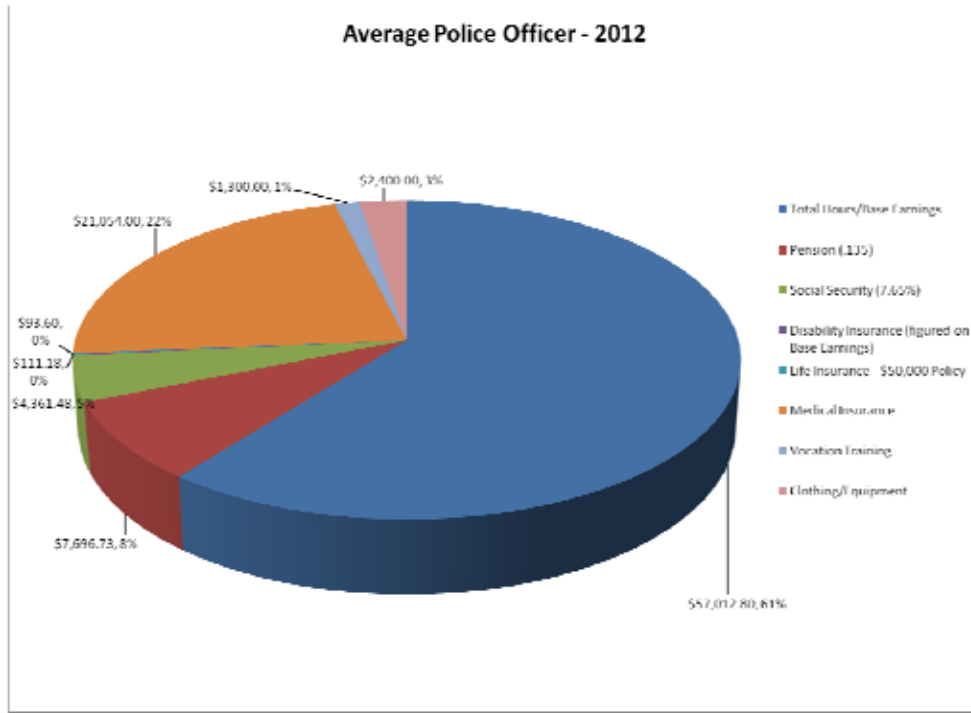
AVERAGE ADMINISTRATIVE/SUPERVISORY		
2012		
estimate only		
Background		
Pay Rate	\$36.98	
Base Earnings	\$76,918.40	
Overtime Earnings	\$0.00	0.00%
Total Earnings	\$76,918.40	
Base Earnings Breakout		
	<u>Hours</u>	<u>Earnings</u>
Holidays	0	\$0.00
Vacation Leave (includes Personal)	0	\$0.00
Sick Leave	0	\$0.00
Other Leave (Funeral, Training, etc)	0	\$0.00
Total Paid Time Off	0	\$0.00
Total Time Worked	2080	\$76,918.40
Total Hours/Base Earnings	2080	\$76,918.40
Benefits		
Pension (.068)		\$5,230.45
Social Security (7.65%)		\$5,884.26
Disability Insurance (figured on Base Earnings)		\$149.99
Life Insurance - \$50,000 Policy		\$93.60
Medical Insurance		\$18,764.52
Vocation Training	Avg	\$1,030.00
Total Benefits		\$31,152.82
Overtime Earnings		\$0.00
Total Earnings and Benefits		\$108,071.22

I - Average Employee - AFCME:



AVERAGE AFSCME		
2012		
estimate only		
Background		
Pay Rate	\$21.86	
Base Earnings	\$45,468.80	
Overtime Earnings	\$0.00	0.00%
Total Earnings	\$45,468.80	
Base Earnings Breakout		
	<u>Hours</u>	<u>Earnings</u>
Holidays	0	\$0.00
Vacation Leave (includes Personal)	0	\$0.00
Sick Leave	0	\$0.00
Other Leave (Funeral, Training, etc)	0	\$0.00
Total Paid Time Off	0	\$0.00
Total Time Worked	2080	\$45,468.80
Total Hours/Base Earnings	2080	\$45,468.80
Benefits		
Pension (.068)		\$3,091.88
Social Security (7.65%)		\$3,478.37
Disability Insurance (figured on Base Earnings)		\$88.66
Life Insurance - \$50,000 Policy		\$93.60
Medical Insurance		\$18,764.52
Vocation Training	Avg	\$220.00
Total Benefits		\$25,737.03
Overtime Earnings		\$0.00
Total Earnings and Benefits		\$71,205.83

J - Average Employee - Police Officers Association:



AVERAGE POLICE OFFICER		
2012		
estimate only		
Background		
Pay Rate	\$27.41	
Base Earnings	\$57,012.80	
Overtime Earnings	\$0.00	0.00%
Total Earnings	\$57,012.80	
Base Earnings Breakout		
	Hours	Earnings
Holidays	0	\$0.00
Vacation Leave (includes Personal)	0	\$0.00
Sick Leave	0	\$0.00
Other Leave (Funeral, Training, etc)	0	\$0.00
Total Paid Time Off	0	\$0.00
Total Time Worked	2080	\$57,012.80
Total Hours/Base Earnings	2080	\$57,012.80
Benefits		
Pension (.135)		\$7,696.73
Social Security (7.65%)		\$4,361.48
Disability Insurance (figured on Base Earnings)		\$111.18
Life Insurance - \$50,000 Policy		\$93.60
Medical Insurance		\$21,054.00
Vocation Training	Avg	\$1,300.00
Clothing/Equipment	Avg	\$2,400.00
Total Benefits		\$37,016.98
Overtime Earnings		\$0.00
Total Earnings and Benefits		\$94,029.78