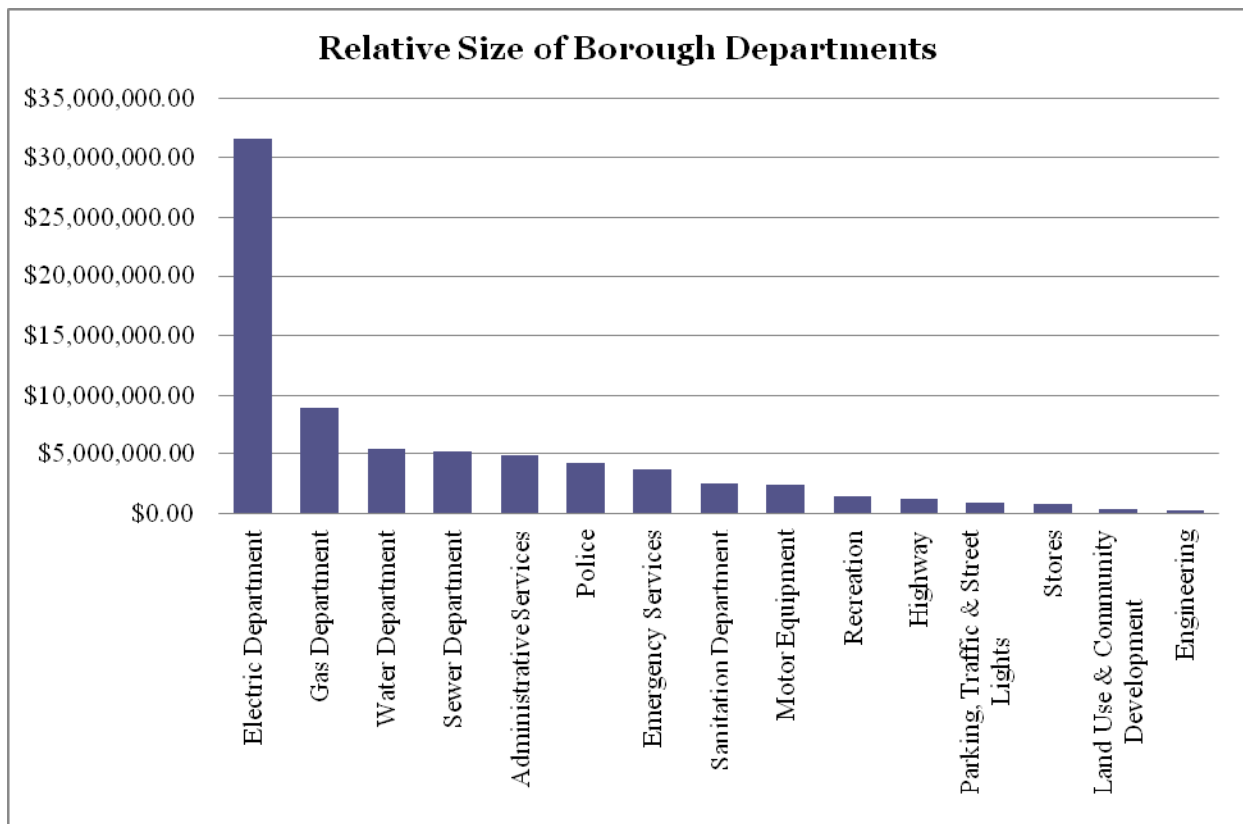


## UTILITY SUMMARY

- **Electric:** Lower rates 5% again in 2014 (Just lowered 10% in 2013)
  - Effectively, each residential customer will see their electric bill drop from \$104.23 per month to \$99 per month during 2014 or an approximate annual savings of \$62.76 per year.
- **Water:** staff is proposing no rate increase, no increase since 2001; average residential water bill of \$15 per month.
- **Sewer:** staff is proposing no rate increase; the last rate increase was in December 2012; average residential sewer bill of \$29.50 per month.
- **Gas:** staff is proposing no rate increase; the lowest residential gas heat rate in Pennsylvania; Chambersburg residents pay average 30% lower gas bills than local private gas utilities with an average gas bill of \$720 per year.
- **Trash:** staff is proposing no rate increase; the last rate increase was in January 2013; the residential trash bill is \$14 per month.
- When combined, the average annual residential utility bill will drop in 2014 to \$2,523 per year from \$2,586 per year in 2013. Some residential users and commercial accounts would see different results.

**It is important to remember that almost all the Borough facilities, equipment, personnel, projects, and departments, are funded by utility rates.**



## PERSONNEL SUMMARY

- No layoffs; no new employees

## General Fund

### 2014 General Fund Revenues (Excerpt)

|  | 2009<br>ACTUAL | 2010<br>ACTUAL | 2011<br>ACTUAL | 2012<br>ACTUAL | 2013<br>BUDGET | 2014<br>PROPOSED<br>BUDGET |
|--|----------------|----------------|----------------|----------------|----------------|----------------------------|
| POLICE TAX (to rise to 21 mil in 2014)           | \$ 3,700,545   | \$ 3,714,590   | \$ 3,731,681   | \$3,765,299    | \$3,720,000    | \$3,808,000                |
| LOCAL SERVICES TAX ON WORKERS                    | \$804,923      | \$727,887      | \$758,809      | \$748,586      | \$700,000      | \$650,000                  |
| DEED TRANSFER TAX ON REAL ESTATE SALES           | \$275,141      | \$255,899      | \$251,816      | \$305,466      | \$245,000      | \$230,000                  |
| WAGE & EARNED INCOME TAX ON RESIDENTS            | \$ 1,540,228   | \$ 1,501,053   | \$ 1,578,210   | \$1,715,736    | \$1,500,000    | \$1,700,000                |
| PAYMENTS IN LIEU GROSS RECEIPTS TAX - ELECTRIC   | \$825,000      | \$850,000      | \$900,000      | \$950,000      | \$1,010,580    | \$1,060,580                |
| PAYMENTS IN LIEU GROSS RECEIPTS TAX - GAS        | \$400,000      | \$400,000      | \$400,000      | \$400,000      | \$400,000      | \$400,000                  |
| PAYMENTS IN LIEU GROSS RECEIPTS TAX -WATER       | \$72,000       | \$72,000       | \$72,000       | \$72,000       | \$72,000       | -                          |
| POLICE FINES & FEES                              | \$127,416      | \$137,776      | \$118,413      | \$131,465      | \$130,000      | \$140,000                  |
| AMBULANCE FEES & CHARGES                         | \$839,878      | \$914,590      | \$935,822      | \$966,135      | \$1,000,000    | \$1,160,000                |
| SAFER GRANT                                      | -              | -              | -              | \$130,012      | \$766,165      | \$605,000                  |
| MOTOR EQUIPMENT FUND REBATE (FIRE TAX) (2.5 mil) | -              | -              | -              | -              | -              | \$480,000                  |

- **Local Services Tax:** Set at State maximum (\$52 per worker per year) – Dropping in yield
- **Deed Transfer Tax:** Set at State maximum (1%) – Dropping in yield
- **Earned Income Tax:** Set at State maximum (0.5%) – Virtually no growth over last decade
- **Police Fines and Fees:** Very small growth
- **Ambulance Fees and Charges:** Significant growth
- **PILOTS:** Lost the Water Department Pilot in 2014; increase Electric Department Pilot again
- **SAFER Grant:** Due to run out in summer 2014
- **Police Tax:** Require an increase in the Police Tax for first time since 2007
  - The Borough Manager and the new Finance Director have reviewed the budget and determined that, for the first time since December 2006, a Police Tax rate increase is unavoidable:

| <u>Real Estate Tax Rate</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| mil                         | 17          | 17          | 20          | 20          | 20          | 20          | 20          | 20          | 20          | 21          |

- This budget includes a Police Tax increase from 20 mil to 21 mil. This increase is, at this point, not optional. In the intervening years since the December 2006 tax increase, the wages and benefits of the uniform employees of the Police Department have been raised seven times without an increase in revenue. Council did everything possible to delay this increase.
- The average single family house inside the Borough pays \$336.20 in 2013. Their Police Tax will rise by \$16.81 per year to a total Police Tax of \$353.01
- The Chambersburg Police Department is currently carrying two (2) extra uniform police officers\* who are attending the Police Academy. Town Council has stated their intention to not replace the next two (2) police officers who retire; thereby bringing the complement of police officers back to thirty-one (31).
- If Town Council adopts this 2014 budget with the 21 mil Police Tax, the Borough will hire no additional officers, no changes to operations, no replacement of the two officers who retired in 2011, will not fund the SET Team, and the budget anticipates two additional retirements in 2014. The budget assumes a reasonable operating deficit of -\$48,565.

|                 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013<br>Budget | 2013<br>Actual | 2014<br>Budget |
|-----------------|------|------|------|------|------|------|------|------|----------------|----------------|----------------|
| <b>Chief</b>    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1    | 1              | 1              | 1              |
| <b>Clerical</b> | 3    | 3    | 3    | 3    | 3    | 3    | 3    | 2    | 2              | 2              | 2              |
| <b>Officers</b> | 30   | 30   | 33   | 33   | 33   | 33   | 33   | 31   | 33*            | 31             | 31             |

### Police Tax Options for 2014

This proposed budget includes an increase of 1 mil in the Police Tax from 20 mil to 21 mil for 2014

- Police Tax – 21 mil - \$353 per average single family house in Chambersburg  
If Town Council adopts this 2014 budget with the 21 mil Police Tax, the Borough will hire no additional officers, no changes to operations, no replacement of the two officers who retired in 2011, will not fund the SET Team, and the budget anticipates two additional retirements in 2014. The budget assumes a reasonable operating deficit of -\$48,565.
- Police Tax – 20 mil - \$336 per average single family house in Chambersburg  
If Town Council adopts the 2014 budget with only a 20 mil Police Tax, the Borough will need to make some serious cuts:
  - For example, layoff the two new Police Officers currently at the academy; or
  - eliminate up to 13% of the non-personnel related costs of the Police Department;
  - eliminate up to 40% of the overtime in the Police Department budget

To balance the budget at 20 mil, one must remove \$194,240<sup>1</sup>; not to mention the \$48,565 deficit

- Police Tax – 21.5 mil - \$361.40 per average single family house in Chambersburg  
If Town Council adopts the 2014 budget with a 21.5 mil Police Tax, the Borough can either:
  - Keep the two (2) new Police Officers in the police academy class and replace the next two (2) Police Officers who retire thereby keeping the complement at thirty-three (33); or
  - Keep the two (2) new Police Officers in the police academy class and return funding for the SET Team.

- Fire Tax:**

- o **The Town Council has already voted and approved a new Fire Tax for 2014:**

| Average Single Family House Inside The Borough | 2013     | 2014     |
|--|----------|----------|
| Police Tax (to the General Fund)               | \$336.20 | \$353.01 |
| Fire Tax (to the Motor Equipment Fund)         | \$0      | \$42.03  |
| <i>Total (per year)</i>                        | \$336.20 | \$395.04 |

- o To be clear, the real estate tax will therefore be split beginning in 2014 into two parts: first, a general levy, which is used exclusively for the Police Department; and second, a fire levy, which will be used exclusively to provide fire and EMS equipment and vehicles for the Emergency Services Department. These will be the only uses of real estate taxes in the Borough budget.
- o As the new fire tax is used only for equipment and vehicles, it has no direct impact on the General Fund. Proceeds from the fire tax will be given directly to the Motor Equipment Fund; the motor pool of the Borough, which is a separate fund from the General Fund. However, in the Motor Equipment Fund, all those proceeds will be used only for the Emergency Services Department motorized equipment fleet; fire apparatus and ambulances. This will, in turn help the General Fund, by allowing a rebate on its annual contribution to support fire apparatus and ambulances; so, an indirect benefit for the General Fund.
- o **In 2014, the Fire Tax rebate from Motor Equipment Fund is scheduled to be \$480,000<sup>2</sup>**

<sup>1</sup> \$194,240 represents the whole value of 1 mil whereas the Borough tends to collect only about 93% of the levy

<sup>2</sup> The rebate will be \$480,000 regardless of how much actual tax revenue is collected

**THE VALUE OF 1 MIL OF REAL ESTATE TAX**

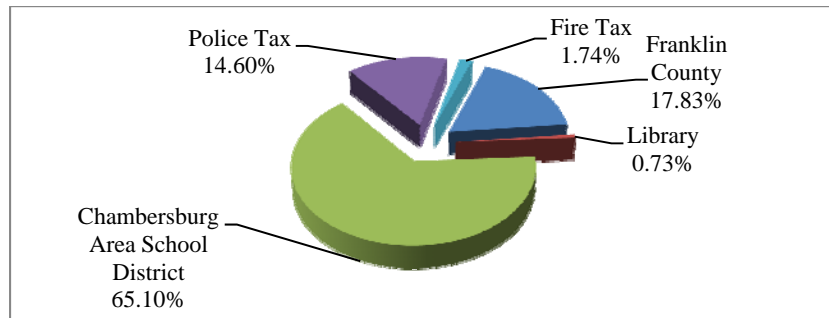
Real estate taxes yield different revenue per fiscal year because of changes in assessed value of real estate:

|                              | <u>2011</u><br><u>Actual</u> | <u>2012</u><br><u>Actual</u> | <u>2013</u><br><u>Estimated</u> | <u>2014</u><br><u>Estimated</u> |
|------------------------------|------------------------------|------------------------------|---------------------------------|---------------------------------|
| Police Tax Yield             | \$3,731,681                  | \$3,765,299                  | \$3,720,000                     | \$3,808,000                     |
| Mil                          | 20                           | 20                           | 20                              | 21                              |
| Fire Tax Yield               |                              |                              |                                 | \$480,000 <sup>3</sup>          |
| Mil                          |                              |                              |                                 | 2.5                             |
| Value of 1 Mil               | \$186,584                    | \$188,265                    | \$186,000                       | \$194,220 <sup>4</sup>          |
| Est. Single Family House Tax |                              |                              |                                 |                                 |
| Police Tax                   | \$325.79                     | \$329.08                     | \$336.20                        | \$353                           |
| Fire Tax                     |                              |                              |                                 | \$42                            |

**Estimated 2014 Real Estate Taxes (Average Single Family House Assessed Value: \$16,809.78)**

| <u>2014</u>                       |                    |                   |             |
|-----------------------------------|--------------------|-------------------|-------------|
| Franklin County                   | 25.65 mil          | \$431.17          | 17.83%      |
| Library                           | 1.05 mil           | \$17.65           | 0.73%       |
| Chambersburg Area School District | 93.658 mil         | \$1,574.37        | 65.10%      |
| Police Tax                        | 21 mil             | \$353             | 14.6%       |
| Fire Tax                          | 2.5 mil            | \$42.02           | 1.74%       |
| <b>Total</b>                      | <b>143.858 mil</b> | <b>\$2,418.22</b> | <b>100%</b> |

This is an unadjusted non-discounted full invoice. Actual bills will vary by assessed value. Real estate taxes are fully deductible on Federal Income Tax returns.



One misconception that confuses the issue of these real estate taxes is how to translate the rate (proposed to rise to 23.5 mil) into actual dollars. In Franklin County, the “assessed value” of one’s property may be radically different from the “fair market value” of one’s property. For example, within the Borough limits, the average single family house has an assessed value of \$16,810; obviously you cannot buy a house for that little. That is because our County has not re-assessed real estate since 1961. Regardless, the average single family house, inside the Borough, will pay a full value real estate tax bill of \$395; based upon an assessed value of \$16,810 in 2014. This figure was determined by combing through the tax rolls and extracting each single family house (as opposed to commercial, industrial, or multi-family buildings). Your Borough tax bill will vary.

Government buildings, schools, charities and no township property owners pay any Borough taxes on their property – commercial property owners may pay more. Also, for many folks, 100% of this cost is deductible on your Federal Income Taxes, returned to you in your tax refund every year.



**Single Family House**  
\$395 per year<sup>5</sup>



**Schools**  
No tax



**Non-profits**  
No tax



**Government**  
No tax



**Commercial/Industrial**  
More

<sup>3</sup> The rebate will be \$480,000 regardless of how much actual tax revenue is collected – We generally only collect 93% of levy

<sup>4</sup> Not a precise measure as the value changes every year due to the assessed value of real estate – use for planning only

<sup>5</sup> Based upon the average assessed value of a single family home inside the Borough or \$16,810; your cost may differ