

11/12/2019



# 2020 Budget Message

*As Proposed for 2020 by Jeffrey Stonehill, Borough Manager*



The Borough of Chambersburg

# 2020 Budget Message

*As Proposed for 2020*

To: Town Council

Submitted herewith for your consideration is the Borough Manager's Recommended 2020 Budget. As is required by local law, I have prepared this document in a form that can be adopted by Town Council. The proposed 2020 operating budget is balanced; revenues and cash balances cover all necessary expenses.

This is my tenth budget as your Borough Manager, and although recent fiscal history has been challenging, it is an honor to prepare this document as a strategic plan for our community. Our fiscal year, our budget year is the same as the calendar year. Therefore, each fall, the Borough needs to make important decisions to set in motion for the following year. A budget is a plan - it is not an accounting of money, but rather a forecast of how much revenue the Borough anticipates it will collect, and how many expenses it plans on incurring. One might call it a spending plan. The accounting or record of past transactions is called the audit. In Chambersburg, our annual audit or Comprehensive Annual Financial Report (CAFR) is published each spring. For many years the Borough's audit has been award-winning. However, Town Council must adopt the budget in December. Therefore, each fall the Borough makes important decisions for the upcoming year based on forecasts, trends, analysis of revenues, and the expenses that are anticipated for the upcoming year.

Largest Municipalities in Pennsylvania (2017)			County	Total Revenue	Population	Rev Over Exp
1	Philadelphia City	City 1st Class	Philadelphia	\$8,859,954,000	1.581 million	\$97,064,622
2	Pittsburgh City	City 2nd Class	Allegheny	\$729,104,568	302,407	\$51,751,660
3	Allentown City	City 2A Class	Lehigh	\$199,375,912	121,300	(\$8,837,310)
4	Bethlehem City	City 3rd Class	Northampton	\$173,458,007	75,710	\$12,776,302
5	Reading City	City 3rd Class	Berks	\$158,716,331	88,423	\$21,416,992
6	Lancaster City	City 3rd Class	Lancaster	\$157,235,692	59,708	(\$3,803,658)
7	Erie City	City 3rd Class	Erie	\$1402,04,092	97,369	\$1,012,476
8	Scranton City	City 3rd Class	Lackawanna	\$105,980,353	77,605	\$17,566,305
9	Harrisburg City	City 3rd Class	Dauphin	\$102,233,552	49,192	\$7,350,348
10	Wilkes Barre	City 3rd Class	Luzerne	\$93,121,669	40,806	\$5,889,434
11	Lower Merion Twp	Township 1st Class	Montgomery	\$93,857,454	59,089	\$2,613,823
12	Upper Darby Twp	Township 1st Class	Delaware	\$91,139,236	82,910	\$3,529,151
13	York City	City 3rd Class	York	\$89,585,819	44,132	\$3,916,533
14	Chambersburg	Borough	Franklin	\$77,295,723	20,878	\$4,134,466

Source: Pennsylvania Department of Community and Economic Development

Chambersburg Borough has the most complex budget in Pennsylvania. Unlike every other town, including big cities, Chambersburg has over a dozen separate funds (accounts) because all the utilities are kept segregated from the other operations of the Borough. Chambersburg's fiscal size is the fourteenth largest in the State of Pennsylvania, the eighth highest revenue over expenditures, and the largest Borough; because of the utilities. We use cost-based accounting. Like a law firm or doctor, many employees bill their time and equipment to the various functions upon which they are working. Many transactions are money being spent between the separate funds, to cover expenses; back and forth, thousands of internal transactions. This makes Chambersburg a unique government organization.

Chambersburg is one of 35 Boroughs in Pennsylvania to own and operate an electric utility. Chambersburg is the largest municipal electric utility in the State, twice as large as the second largest, Ephrata, Lancaster County, and the only one to operate multiple generation stations. Chambersburg is one of two municipalities in Pennsylvania to own and operate a gas utility. The other is Philadelphia, which does not operate an electric utility. Chambersburg is one of around 2,000 communities to own an electric system and one of 800 communities to own a gas system; but one of only about 50 in the U.S. to own both. Chambersburg operates a regional water system and a regional sanitary sewer system; not through an independent Authority or an intermunicipal board, but under Town Council control directly. Chambersburg operates a trash utility, a parking utility, and a new storm sewer utility; one of the first storm sewer utilities to form under the new Federal mandate to regulate stormwater.

Almost all employees of the Borough and most of the equipment of the Borough, is owned and operated by our utility departments (Electric, Gas, Water, Sanitary Sewer, Storm Sewer, and Sanitation Departments) and our utility support departments (engineering, motor equipment, and administrative services). Your taxes do not support any utility operations, personnel or equipment. Further, as the budget document reveals, the Borough's utility rates are very reasonable.

This budget reflects a need by Town Council to continue to invest in infrastructure and emergency services; this is expensive. However, utilizing utility fees and charges, rather than taxes, whenever possible, provides broad-based support for Borough functions and facilities, and avoids taxes, which are regressive, oppressive, and target taxpayers based solely on real estate assessed value, which is an arcane and imprecise system.

**This budget includes no tax increase. In fact, it offers a small decrease and shift of funding from a tax to a fee.** With respect to taxes, it includes the same basic tax structure as all budgets in the recent past. It maintains the Police Tax, unchanged for a second straight year. It maintains the Fire Tax, unchanged for a second straight year. It maintains the Recreation Bond Tax, unchanged for its third year. Finally, it recommends the repeal of the Ambulance Tax, a small tax, which had provided some emergency medical services funding in prior years.

There will be a further explanation of the proposal for a new Ambulance Fee to replace the Ambulance Tax.

Chambersburg real estate taxes remain earmarked only for police and fire operations. No other department or employee is funded through real estate taxes. In fact, the Recreation Bond Tax is specifically for paying off the 2016 Recreation Bond, one can reliably say, **“no real estate tax will pay for any operations of the Borough of Chambersburg other than police and fire.”** No other department, operation, or employee; not parks or street maintenance or the Borough Manager, are paid for using real estate taxes. The only use of these taxes are police and fire, and to pay off the 2016 Recreation Bond.

Chambersburg receives no sales taxes, liquor taxes, business taxes, or other type of local taxes and they are not an option under State Law. In other states, these other types of taxes are the foundation to the fiscal health of local government. In Pennsylvania, the General Assembly denies them as an option to communities like Chambersburg. Town Council has a toolbox with one tool inside (real estate taxes) and it is a dull and poorly honed tool, but that is the only tool given to them by the laws of the Commonwealth of Pennsylvania.

### Borough Manager's Statement:

There is so much going on with Chambersburg Borough municipal government, it is tough to summarize it in a budget message. This organization has undergone striking changes over the last decade, shuffling employees and departments, venturing into new areas of service delivery, setting dramatic and far-reaching goals for the utility departments, re-stating several times priorities and policies, and their impact on budget and spending, and most importantly making up for decades of needed investment in infrastructure, public safety, and economic development. In summary, the message of this budget, as with many in recent history, is that there are so many projects, initiatives, plans, and processes being undertaken in the Borough, the town is booming, and our organization is in constant motion.

Constant motion requires several factors to avoid chaos. First, we are blessed with quality organizational leadership from top to bottom. According to the Organization for Economic Cooperation and Development, human capital is defined as: "the knowledge, skills, competencies and other attributes embodied in individuals or groups of individuals acquired during their life and used to produce goods, services, or ideas in market circumstances". Chambersburg Borough government is mostly about our personnel. It is about their skills to produce the services, which our community depends upon, or their skills, to organize and efficiently run the largest Borough organization in the Commonwealth.

I am not concerned that our workforce, like our community, has grown larger, more complex, more specialized, and highly productive. The services demanded by our community requires this response. Those who seek to devolve government would be the first to agree that our services, based mainly on an enterprise model of government, are highly successful, rivals our for-profit and governmental peers, and is as cost effective as any government workforce. Therefore, when our utility fees must gently rise, or a new fee for public safety is required, we can still be proud of not only the personnel, their ability to accomplish the mission, but also the frugality of the way this organization operates.

Once, the consensus was that we were undertaking a boom in infrastructure construction. I have now come to believe that the so-called "boom" is the new normal. When the Waste Water Treatment Plant Expansion Project was completed, it was the largest public works project in Chambersburg history. Since its completion, we have invested several million dollars in street projects; millions in pipes for water, sewer, and natural gas. The Borough completed the construction of a new Utility Departments' Addition to City Hall, a new Aquatic Center along with new playgrounds, one new park, and tennis courts throughout the neighborhoods of the Borough. Every year the Borough completes electric system substation upgrades, water system upgrades, traffic signal upgrades, and more. Now, the Borough is planning to upgrade the Chambersburg Police Station and soon build a new public works facility.

Therefore, I have concluded that we are "generation build." I suspect this has occurred several times in history. A generation of community leaders are challenged with the need to address many projects, all simultaneously. It must go in cycles; and this is a build-cycle.

Recently, the new Storm Sewer Utility clarified their need to undertake ten projects costing approximately \$8.6 million throughout the community in order to meet the mandated requirement to clean up the Chesapeake Bay. Their plan, approved by the Pennsylvania Department of Environmental Protection, added these construction projects to the typical mandate to maintain the storm sewer system and keep pollution from entering our creeks. The mandated development of a list of expensive construction projects imposed upon the Borough came as no surprise to staff. After all, we are "generation build."

This budget includes funding to move forward the plan to reconstruct the existing Chambersburg Police Station, built in 1971-1972. This budget includes funding to move forward the plan to someday relocate the Borough's public works facility from Loudon Street to Wayne Avenue. This budget includes funding to build a new maintenance facility for the Electric Department at the existing S. Franklin Street service center. This budget plans to build many more projects and fund many more services.

In 2020, the Borough will re-assume the Health Code/Food & Restaurant Inspection program, outsourced to a private third-party vendor years ago. This new service, like many new initiatives, forces an increase in the number of Borough employees, the human capital to produce these service outcomes. However, no increase in taxes is proposed. Fees are mostly utilized in enterprise type operations. We want the community to appreciate all the services performed by Borough employees.

The Health Code/Food & Restaurant Inspection program was one of two outsourcing experiments, which ended in 2019. The Town Council also decided to end the third party collection of residential (and residential type) recycling. Re-entering the recycling collection and processing field was a challenge for the Sanitation Department. However, both "re-integration back to Borough employee" projects lend a lesson for our community:

Chambersburg Borough employees are as well capable, well accomplished, similarly cost effective, and wildly better at customer service and dealing with the public than for-profit vendors in the area. So, this budget includes additional growth of personnel and functions.

In conclusion, the town is booming, and our organization is in constant motion. Constant motion requires human capital to avoid chaos. Our workforce, like our community, has grown larger, more complex, more specialized, and highly productive. We are "generation build," undertaking the new normal in infrastructure construction. This budget plans to build many more projects and fund many more services including returning previously out-sourced services back to be handled by Borough personnel.

Additionally, we are planning on the future, taking steps to be prepared for this rate of activity to continue. We are updating our Comprehensive Plan and integrating our other long-term planning documents into a new Comprehensive Plan. By the end of the year, a new Curb and Sidewalk Master Plan will add another chapter to our Comprehensive Plan. We have hired our first Diversity, Outreach, and Employment Resources (DOER) employee, who is developing methods of community engagement in both human resources to bolster our human capital and citizen engagement; to insure our activities meet community expectations. Finally, there is so much construction underway or soon to be underway, including supporting Franklin County, and their efforts to reshape Memorial Square and Downtown Chambersburg. So much motion.

Jeffrey M. Stonehill, Credentialed City Manager



*In 11 of the last 14 budget years, the Borough of Chambersburg has not raised local Borough taxes.*

**This budget includes no tax increase. In fact, it offers a small decrease and shift of funding from a tax to a fee.**

Borough Real Estate Tax Increases (Historical)		Increases
2007	13 years ago	No
2008	12 years ago	No
2009	11 years ago	No
2010	10 years ago	No
2011	9 years ago	No
2012	8 years ago	No
2013	7 years ago	No
2014	6 years ago	Yes
2015	5 years ago	No
2016	4 years ago	Yes
2017	3 years ago	No
2018	2 years ago	Yes
2019	Last year's budget	No
2020	This year's budget	No (slight decrease)

*Taxes*

This is the eleventh budget in the last 14 years with no increase. The Borough of Chambersburg did not raise real estate taxes between 2007 and 2013; then there was an increase in 2014, a second increase in 2016, and a third in 2018. **Chambersburg has not raised the real estate tax rate in most years, in recent history.** Others often raise taxes on our taxpayers, such as Franklin County or the Chambersburg Area School District; and, that sometimes leads to confusion. In 2014, 2016, and 2018, the Borough raised the real estate tax rate, but only to fund police and fire services, and in 2018 to begin paying off the 2016 Recreation Bond. Beginning a decade ago, and through 2020, there is a constant theme in our finances: real estate tax increases were rare and only dedicated to funding police and fire services.

In 2020, this budget proposes a small tax decrease, and a shift from an Ambulance Tax to an Ambulance Fee. A fee can be charged for this service under State Law. This is not always true. A Police or Fire fee is specifically prohibited. However, emergency medical services is different. There will be a further explanation of the new proposed fee going forward. However, the fee, unlike a real estate tax, is broad-based. Utility customers of the Borough will pay this new flat Ambulance fee on their utility invoice. Similar to when the State added an E-911 service charge to telephone bills a generation ago.

Taxes, especially real estate taxes, are paid by a smaller percentage of our citizens and businesses than fees. Under State Law, 26.4% of all properties inside the Borough are exempt from paying real estate taxes. So only 73.6% of properties will pay a real estate tax. Whereas, 100% of utility accounts will pay a fee placed on utility invoices.

If there was a more broad-based tax available (i.e. a sales tax), that might be a more appropriate tax to fund an emergency service such as our struggling Ambulance Service. That is not a possibility under State Law.



“Good debt is investment debt that creates value,” says Eric Gelb, CEO of Gateway Financial Advisors and author of “Getting Started in Asset Allocation.”

Paying a tax for a bond issue, as was decided by Town Council, is not the same as paying a tax for the operation of the Borough. For example, it is a similar difference to opening a mortgage to buy a house or fix the roof, in contrast to using a credit card to pay the telephone bill. Debt should only be used to add asset value. Whether citizens agree with the Town Council, or their decision to not hold a referendum in 2016, the basic fact remains, the Recreation Bond Tax, the new tax started in 2018, is not to pay for any Recreation Department operations. It will pay off, over twenty-five years, the debt to build the new Chambersburg Aquatic Center at Memorial Park and other playground and park improvements. In 2020, the Town Council is asked to approve year three of this twenty-five year commitment.

In 2019, the proceeds obtained in 2016 were used to refinish new tennis courts at Henninger Field and Memorial Park, to build a new community park at Nicholson Square, to add new HVAC and a roof at the Recreation Center, and there are a few more projects coming in 2020; before the bond proceeds run out.

**Debt to increase asset value is a smart use of debt**, is common in business and industry, and is actually a recommended practice. In 2020, Town Council will be faced with a similar decision to the decision they made in 2016 to sell the Recreation Bond. In 2020, the Town Council needs to decide whether or not to proceed with the reconstruction of the Borough Police Station.

In the 2020 Budget, it is contemplated that SGS Architects/Engineers of Carlisle, Pennsylvania, will proceed with the final design of the Police Station renovation, including some alternatives, which may not make the final project, including a full refurbishment of the Borough's historic Clock Tower.

Once the plans are completed, they can be issued for competitive bid, to find the lowest qualified contractor to undertake the project. It is envisioned the bidding will occur in the fall of 2020. Once bidding is complete, Town Council will need to decide on funding. In 2019, the Borough was lucky to obtain, through the competent work of our consultant GMS Funding Solutions, a State grant of \$1.7 million to offset construction costs. It is estimated that an additional \$6.4 million (including technology, furniture, and security systems, and including the Clock Tower) may be necessary.

The only way to fund the balance of this project would be with a Police Station Bond. A bond would require a dedicated tax, over twenty or twenty-five years, to pay it back to the bond issuers. Similar to the 2016 Recreation Bond Tax, if Town Council proceeds, beginning in 2021, there would likely be a new 2021 Police Station Bond Tax. This will require a community discussion throughout 2020 to determine whether such an investment has Town Council and community support.

In Chambersburg, our citizens pay no dedicated Recreation Tax, no dedicated Highway Tax, and no taxes at all to support any of the Borough's operations, utilities, or utility support departments other than police and fire. Our taxes are very limited, yet misinformation is abundant on this topic.

Until 2014, 100% of the real estate taxes collected by the Borough of Chambersburg were used exclusively to support the Chambersburg Police Department. In 2014, a small share was added to support the Chambersburg Emergency Services Department. This budget proposes a small decrease in the tax that had been dedicated to Ambulance operations.

In 2018, the Borough Manager recommended, and Town Council approved, an increase in the Fire Tax for use by the Fire Department and its Ambulance operations; as well as an increase in the Police Tax. This small increase ( $\frac{1}{2}$  mil) is proposed to be reversed out, in order to shift Ambulance funding from this tax to a broad-based fee on utility invoices. In this 2020 Budget, the Borough Manager is recommending no additional changes to taxes or tax rates other than this small decrease.

Within the Borough, all the real estate taxes collected are for the Police Department and the support of the Chambersburg Emergency Services Department; none of this revenue used to support any other department or operation. As of 2020, we will still only use real estate taxes to support police and fire; and to pay off the 2016 Recreation Bond. No real estate tax will pay for any operations of the Borough of Chambersburg other than police and fire; no other department, operation, or employee; not parks or street maintenance or the Borough Manager, paid for using real estate taxes.

Of course, there are other types of taxes other than real estate taxes. However, they are set by the State, cannot be adjusted, and are currently at the maximum allowed by State Law. We use the other taxes of the Borough (such as Earned Income Tax and Deed Transfer Tax) to pay for the Highway Department operations, Land Use & Community Development, and the Recreation Department operations. The Sanitation Department is a separate utility (not unlike the Electric, Gas, Water, or Sewer Departments) and they keep the streets clean, free of leaves, and well swept. Highway construction projects are normally done with Highway Aid grant money (a grant from the State created by the sale of Liquid Fuels) and maybe if there money is left over from the previous fiscal year. Our Highway Aid grant only pays for

construction on Borough owned streets and not much of that at all. Keeping up with all highway maintenance on Borough streets without a dedicated funding source has always been very challenging. Street repair is extremely expensive and Highway Aid is very small.

In 2020, this budget envisions a significant depletion of the Borough's capital reserve account. First, those expenses related to the design and development of the Police Station project will need to be paid for using available savings. No proposed bond sale is contemplated until 2021. Second, the Highway Department is contemplating a major repair of the Glen Street Fountain. While it may be possible to raise money for that project, the budget contemplates proceeding either way. Finally, a number of projects are necessary, or grant matches for projects are necessary, which would come from capital reserve, including matching a grant for new Fire Department radios, Highway Department bridge repairs, and new technology investment. In all, \$1.38 million in spending will reduce the capital reserve. It is our hope to end 2019 with a cash infusion into the capital reserve to offset this spending. Only time will tell, as there is significant potential expenses remaining in 2019.

Therefore, in 2020, the Borough will not use the capital reserve to have a street maintenance program, unlike previous years. Instead, the Borough will not spend more than the Highway Aid received from the State, and will have a smaller-than-typical street program in 2020. Smaller despite the growing needs for street maintenance or the need to address the condition of Borough-owned alleys. Alleys are not getting addressed at all and Council has been urged to take action.

In 2020, the Borough Manager is proposing a study to find a new way to fund alley paving with the formation of a new committee. Once the Curb and Sidewalk Master Plan is published (estimated to be before the end of 2019), the Engineering Department should transition, from the study of curbs and sidewalks, to the study of alleys. Further, staff is recommending a comprehensive funding scheme be developed to address the serious condition of back alleys. The Borough owns many (although not all) of the many back alleys. It appears we own more back alleys than communities of similar size.

In conclusion, while there is no tax rate increase contemplated by this budget, in fact a small tax reduction, it is important to acknowledge that there will be a proposal to institute a Police Station Bond Tax in the next budget, and certain expenses, such as streets and alleys are still not being addressed properly.

Finally, within the next year or two, Town Council will reopen negotiations with our labor unions for future collective bargaining agreements. If history is any indication, those agreements result in labor agreements that necessitate the increase of taxes and fees for Borough taxpayers and ratepayers. It is unlikely to be any different in this negotiation cycle. The only question remains, to what degree will labor agreements drive up taxes and fees.

*Utility Rates*

In 2020, there will be changes to Borough utility rates.

The Chambersburg Electric Department has had significant success driving down the cost of wholesale power. While sales have also diminished (likely due to energy efficiency by residents and businesses), costs have finally come down low enough to allow a small temporary rate decrease. This will be the third time that the Electric Department will decrease electric rates. According to our records, the department has, on average, the lowest residential electric rates in the Commonwealth, slightly lower than our surrounding investor-owned utility. A 1.9% rate reduction, on average, will result in the lowering of the average residential electric bill from \$100.90 per month to \$98.90 per month, although results will vary based on several factors including weather, and home attributes. The Electric Department envisions that the average residential customer will save \$2 per month in 2020.

The Sanitary Sewer Department and the Gas Department envision no change in rates in 2020. The Sanitary Sewer Department is working diligently on controlling costs to maximize the existing revenue from our customers. The Gas Department has the lowest residential heat rate in the State of Pennsylvania and successfully manages its finances.

As you know, in the 2019 Budget, the Sanitation Department discussed a rate increase. Every few years, the Sanitation Department has needed an increase because of rising costs for personnel, vehicles, and bulky waste/e-waste recycling. There has not been an increase in Sanitation Department rates since 2016. While we anticipate the new residential recycling plan may save money (or breakeven), that did not result in enough savings to avoid a small, necessary increase. The Borough's Sanitation Department rates remain some of the lowest in our region, but an 11% increase in fees is required.

Other Trash Systems:
Chambersburg (2019): \$18.75/mo
Chambersburg (2020): \$20.81/mo
Waste Management (2019):
\$46.55/mo
Progressive Waste (2019):
\$29.33/mo
Parks (2019):
\$25.33/mo

A required 11% increase will raise the average residential trash fee from \$18.75 per month since 2016 to \$20.81 per month in 2020 (an increase of \$2.06 per month). These would still be lower than every other trash service in our area.

Once again, the Water Department needs a very small rate increase this year; as envisioned and presented to Town Council in previous years, this will be the third small increase in consecutive years, and the series of small increases will likely continue for several years as water infrastructure improvements are made.

The Water Department envisions a 1¢ per unit increase for 2020, which would result in an increase for the average single-family house of 0.75¢ per month in their water bill. The Chambersburg Water Department still has some of the lowest rates in the region, this increase will vary based on several factors including weather, and home attributes.

The Chambersburg Storm Sewer Utility has undergone a two-year process to change their rate structure. As originally contemplated by the 2014 study that necessitated their establishment, in 2020, the utility will switch what has been a flat rate, per sanitary sewer connection, to a rate based upon impervious area. This new methodology will result in a significant change for commercial, industrial, and institutional customers (shopping centers, schools, churches, the hospital, etc.), which will all see significant changes in their Storm Water Pollution Control Fee. The change for single-family residential customers will not be

as dramatic. Under the old system, only single-family residential customers were paying a fair fee. Now, every type of property will pay their fair share based upon their relationship to the impervious area of a single-family residential home. Customers will need to obtain from the Borough, if their property is not a single-family residence, “how-many-single-family-homes is my property equivalent?” Beginning in 2020, the new rate will be expressed in single-family resident equivalent units or ERU.

In July 2020, half way through the calendar year, the Storm Sewer Utility envisions the ERU value being set at \$5 per single-family home equivalent. Therefore, the average single family home will see their Storm Water Pollution Control Fee rise from \$4 per month to \$5 per month in July 2020. The results for commercial, industrial, and institutional customers may be much more significant; based on the size of their lot and their structures. For example, if your commercial building is the equivalent of five single-family homes, your rate may increase from \$4 per month to \$25 per month (\$4 x 1 sanitary sewer connection to \$5 x 5 ERU). This budget contemplates this transition in July 2020. It is suggested that commercial, industrial, and institutional customers determine their ERU values now.

**These utility fees will be in addition to a proposed new Ambulance Fee on every utility invoice.** This is a flat per invoice fee, which will appear on each bill, in order to fund EMS services. We are not permitted to use utility fees to underwrite the cost of General Fund operations. However, there are exceptions. A town is permitted to charge a fee in exchange for a service. So, we charge fees for Recreation Department programs in the General Fund. We charge fees for the Code Office’s Residential Rental Inspection Program in the General Fund. We charge fees for using the Borough’s ambulance service in the General Fund. Since the ambulance service writes off over \$1.6 million per year in these fees, due to Federal law, we believe it is legally sustainable to charge every utility customer a flat fee of \$7 per month, in support of the Ambulance Service, which is in the General Fund.

Can we not raise utility rates and fees, and pay for police officers and firefighters in the General Fund? Unfortunately, no, because the Borough cannot wholesale move funds from utilities, which are kept in separate accounts, to the General Fund to pay for fire, police, or parks. Further, we cannot charge a fee for regular Police Department or Fire Department operations in the General Fund. Finally, to raise a utility fee (i.e. water fees) not to pay for a utility service (i.e. water consumption) would be unfair to utility customers. Staff has determined that we should charge a fee for every service in the General Fund that we can reasonably ask for a fee. The Ambulance service, in the General Fund, can have an additional fee to support it.

Finally, the Electric Department and the Gas Department already make a Payment in Lieu of Gross Receipts Taxes (PILOTs) to the General Fund. If these two departments were private corporations, they would pay taxes to the Commonwealth; as such, they are tax exempt. So instead, they pay their taxes to support your General Fund (police, fire, ambulance, highway, and recreation) activities. State Law does not allow the Sewer Department to make similar payments. We could ask the Water Department to pay taxes but we have not done so in years.

In 2016, the American Public Power Association (APPA), which counts Chambersburg as a member, did a survey of 171 public power entities, just like Chambersburg’s Electric Department. In the survey, 136 of the 171 entities made a payment in lieu of taxes even though they were tax-exempt entities. Further, of the 136, 38 entities (or 22%) used the tax type commonly called Gross Receipts Tax, as the calculation for their PILOT payment. This is the method that Chambersburg utilizes to determine the PILOTs from the

Electric Department and the Gas Department. This budget contemplates the continuation of a Payment in Lieu of Gross Receipts Taxes (PILOTs) to the General Fund from these two departments.

*Water rate increase proposal:*

What does a 1 cent increase in the Water Rate mean?

- The average residential customer uses 185 gallons of water per day
- This usage equates to 75 “units” per month (1 “unit” = 74.8 gallons)
  - 2019 usage charge: \$.14/unit
  - 2019 average monthly billing: \$16.50
    - 2020 usage charge: \$.15/unit
    - 2020 average monthly billing: \$17.25



Other Water Systems:

Chambersburg (2019): \$16.50/mo  
 Chambersburg (2020): \$17.25/mo  
 Shippensburg: \$30.39/mo  
 Guilford Water: \$30.86/mo  
 Waynesboro: \$32.37/mo  
 Washington Twp: \$36.59/mo  
 Greencastle: \$53.43/mo  
 Bear Valley: \$69.06/mo  
 LIDA: \$78.00/mo

*Make note of the Storm Sewer Utility Pollution Control Fee Proposal:*

- What is the current Pollution Control Fee?  
 Every sanitary sewer customer pays \$4 per month per sanitary sewer connection although there is no relationship between sanitary sewer connections (toilets, sinks, etc.) and the storm sewer system.
- What is impervious area (IA) and why use IA to figure what customers should pay?  
 Impervious Area is the actual amount of paved or building area on a tax parcel. Using IA to measure your property is a “fair” way to distribute the costs associated with the system.
- Does not every property have a different amount of impervious area?  
 Yes, but for single-family homes (regardless of whether rental or owner occupied) the Borough will use the typical (or average house) instead of measuring each house. For non-single family homes, the Borough will measure every lot. For multi-family buildings, one ERU per apartment.
- Why should every house pay the single-family residence (SFR) IA calculation whereas commercial, industrial, and institutional uses pay actual IA?  
 First, 80% of utility customers will pay the same rate as each other, making it simpler to figure things out. Second, most homes in Chambersburg are actually almost the average, so there is little to be gained by breaking SFR into tiers or measuring their actual IA.
- One (1) ERU to be set at whatever per ERU rate per month. This 2020 Budget envisions the ERU rate to be set at \$5 for July 2020. This per ERU will change in the future.
- What will commercial, industrial, and institutional customers pay?  
 They will pay a multiple of ERUs. Each property has been measured in order to figure out their equivalent ERUs, how many equivalent homes are their property. Call to find out yours.

Utility	2018 Cost	2019 Cost	2020 Cost	2020 Change	Last Changed
Electric	\$100.90 per month	\$100.90 per month	\$98.90 per month	\$2.00 less	2014 (lowered)
Water	\$15.75 per month	\$16.50 per month	\$17.25 per month	\$0.75¢ more	2019
Sewer	\$29.50 per month	\$29.50 per month	\$29.50 per month	No change	2012
Gas	\$631 per year	\$631 per year	\$631 per year	No change	2013
Sanitation	\$18.75 per month	\$18.75 per month	\$20.81 per month	\$2.06¢ more	2016
Storm Sewer	\$4	\$4	\$5*	\$1 in July 2020	2017
*The Storm Sewer Fee will change in July 2020 to a Per ERU fee. This will result in \$1 more per month for single family residential customers, but maybe significant changes for commercial, industrial, and institutional customers.					

Chambersburg will still have the lowest composite residential utility monthly bill in Pennsylvania.

*Other Tax Details:*

Types of Taxes Allowed for Boroughs under State Law

<b>Real estate taxes</b>	<i>Various limits on type, size and use – may be changed once per year</i>
<b>Deed Transfer Tax</b>	<i>Set at maximum since 1987</i>
<b>Earned Income Tax</b>	<i>Set at maximum since 1965</i>
<b>Local Services Tax</b>	<i>Set at maximum since 2007</i>
<b>Mercantile/Privilege Tax</b>	<i>Prohibited if not adopted by 1988</i>
<b>Amusement Tax</b>	<i>Vending machine tax seen as nuisance in today's environment</i>

There are no other types of taxes allowed under State Law.

*What of the Police Tax in 2020?*

In our area, Chambersburg is the only municipality with a full service, round the clock, local police department. It is a professional and successful law enforcement organization. In 2016, Town Council appointed a new Police Chief. Ron Camacho joined the Borough in mid-2016; a highly qualified law enforcement professional, he has installed a series of upgrades in the organization and their standard operating procedures since joining Chambersburg. In 2020, it will continue to be very expensive to operate a high performing police department, but unlike our neighbors who have chosen to rely on the Pennsylvania State Police, the Chambersburg Police Department plays a much more proactive role in public safety within the corporate boundaries of the Borough of Chambersburg.

Many township residents have no idea that they have no local police in their community. I have nothing but respect for the Pennsylvania State Police, but they are not a local police force and they cannot provide the exact same response or services provided by the Chambersburg Police Department.

Until 2014, 100% of the real estate taxes collected by the Borough of Chambersburg were used exclusively to support the Chambersburg Police Department. In 2014, a small share was added to support the Chambersburg Emergency Services Department. While the Police and Fire tax rate grew in 2018, this remains the sole operational use of real estate taxes.

Perhaps this explains why Greene, Guilford, Letterkenny and Antrim townships have no local real estate tax. The Borough collects almost enough Police Tax to pay for the cost of operating the Police Department. Every dollar of designated revenue from the Police Tax is used wisely by the Police Department.

In December 2017, Town Council raised the Police Tax from 23 mil to 24 mil. **In this 2020 Budget, Council is not being asked to raise it at all.** By keeping the rate at 24 mil, Council is committing to a steady, but manageable, rate of growth in the Police Tax rate. Overall, since December 2006, the Police Tax rate has risen from 20 mil to 24 mil. When averaged out over the fourteen years, that is a growth rate of a little over 1.4% per year. While no one wants to see taxes go up, this overall growth rate seems reasonable for such an important tax, which pays for such an important service.

In 2020, it is estimated that the Chambersburg Police Department will cost \$202,925 more to operate than the revenues collected.

<b>Police Department Budget</b>	<b>2019</b>	<b>2020</b>
Estimated cost of operations	\$5,163,250	\$5,379,360
Reimbursement from CASD for School Crossing Guards (estimated)	-\$52,000	-\$54,000
Estimated Yield from Fines and Fees	-\$159,000	-\$159,000
State Grant for Police Pension Costs	-\$318,538	-\$358,435
<b>Subtotal</b>	<b>\$4,633,712</b>	<b>\$4,807,925</b>
Tax Rate	24 mil	24 mil
Estimated yield of Police Tax (including tax liens & donations)	\$4,637,000	\$4,605,000
<i>Estimated Expenses over Revenue</i>	<b>\$3,288</b>	<b>(\$202,925)</b>

Therefore, in 2020, we are programming a deficit for the Police Department of \$202,925; with no increase in the Police Tax. In 2019, for the first time in decades, the Police Tax generated enough revenue to pay for approximately 100% of the Police Department (when including other police related revenues). As was pointed out in this budget, it will be impossible to avoid next year's Police Tax rate increase.

Please keep in mind that we are operating the Police Department with very little margin for error. Unforeseen costs such as a major detective caseload, a major public safety event, additional unforeseen overtime, additional training, or adding more employees in advance of other future retirements, can easily throw the Police Department budget into a more unstable place.

*What of the Fire Tax in 2020?*

The Borough of Chambersburg once had no Fire Tax. In 2014, a so-called neutral arbitrator imposed upon the Borough and the International Association of Fire Fighters Local #1813 a labor pact (the infamous "Kasher Decision"). Town Council was forced to add a Fire Tax. That tax was set at 2.5 mil and remained unchanged through 2017. In exchange for this tax, and implementing the Kasher Decision, there was relative labor peace for the years following this decision.

In May 2017, the Borough and the International Association of Fire Fighters Local #1813 reached a negotiated labor deal thereby avoiding arbitration. We were able to avoid the cost of arbitration (lawyers, expert witnesses, and the Borough paying 100% of the arbitration panel expenses) by accepting a compromise. The 2017 deal, executed in the form of a Memorandum of Understanding, established a proposed labor contract to fix the wages and benefits between the Borough and our professional fire fighters for the years 2017 through 2021.

This five-year contract included sweeping organizational changes sought from Borough employees for a generation.

As a result, and affecting the 2018 Budget, the Borough hired both extra qualified part time firefighters to work on our two ambulances as well as supplementing fire suppression operations. And in January 2018, the Borough increased the number of firefighters from 21 employees to 24 employees (not including the 2 Fire Chiefs). Finally, we added one additional captain.

It was the hope of the 2018 Budget that sufficient resources to hire and equip the part timers and extra full timers would be offset by an expectation that the revenue that they generate will pay for all their costs.

So far, this has not happened. In 2018, finding and recruiting enough part time firefighters has been a significant challenge. Despite generous pay offers and advertising, only a handful of qualified part timers has been identified. As a result, and due to the new work schedule, overtime has increased and ambulance revenue has not kept pace. In 2018, the Borough added a small (½ mill) Ambulance Tax to supplement the existing Fire Tax.

Unfortunately, we have now concluded, the Fire Tax is insufficient to pay for the cost of the Emergency Services Department. Unfortunately, there is no method to suggest raising it. The Fire Tax, currently set at 2.5 mil and the Ambulance Tax, currently set at 0.5 mill at are the maximum allowed under State Law. Therefore, in 2020, the Borough Manager is suggesting that Town Council repeal the ½ mil Ambulance Tax in its entirety.

This budget envisions a \$7 per month per utility invoice Ambulance Fee rather than any Ambulance Tax. This cannot be done with Fire services. State Law does not permit a fee to pay for Fire services. Therefore, it is the proposal to properly use the Ambulance service to collect the fee, thereby allowing the Fire service to consume as much of the Fire Tax as possible. In the end, even the combination of the Fire Tax and the new Ambulance Fee is insufficient to pay to support this department's operations.

**This proposed 2020 Budget, therefore, includes a decrease to the Fire Tax. It will drop from the State Maximum of 3.5 mil for 2019 to 3.0 mil for 2020.** This is because the Borough Solicitor advises us that we should not have both an Ambulance portion of the Fire Tax and an Ambulance Fee; and this budget proposes an Ambulance Fee.

The long term funding issue of the Chambersburg Emergency Services Department is not identical to the issue of the Chambersburg Police Department. The main difference is that the Emergency Services Department brings in significant revenue. Specifically, the Fire Department is a regional provider of Basic Life Support (BLS) ambulance service inside the Borough and in parts of the surrounding townships. While less than 50% of ambulance invoices get paid (and mostly by insurance), those payments are significant. In addition, the Emergency Services Department acts as the Borough's Fire Code safety inspection service. Done on a tri-annual basis for most commercial businesses (and annual basis for some types of businesses), this service results in fewer fires or loss of life and provides some income for the Fire Department.

While the revenue from the ambulance service and the Fire Code safety inspections is not enough to pay for the cost of operating the Emergency Services Department, this and the Fire Tax combined are counted as a very respectable effort to close the gap in costs. The balance of the Emergency Services Department operating expenses is closed by undesignated General Fund revenue above and beyond the Fire Tax. Every dollar of undesignated revenue used to close the gap between these revenues and the Emergency Services Department budget is one less dollar that can be used for parks or recreation, highways or streets, or other functions such as economic development or new initiatives in community development.

	2019 Budget	2020 Budget
Fire Code Permits & Fees	\$65,000	\$60,000
Contributions For Ambulance Service	\$43,000	\$43,000
<b>New Ambulance Fee on Utility Invoices</b>	-	\$847,000
Ambulance Service Receipts	\$1,109,000	\$1,402,100
Ambulance Club Membership Fees	\$110,000	\$110,000
<i>Total Revenue from ES Department Operations</i>	\$1,327,000	\$2,462,100

The world of EMS is in such flux, we do not see any reason to not stay the course, and give the process another year to unfold. Many believe the entire EMS system is on the verge of catastrophic failure.

More concerning than our fiscal status, or the delays in finding part time firefighters, is the abject failure of volunteer ambulance companies (and some paid companies) to find employees/volunteers, staff ambulances, and answer calls. There is reason to fear that the entire EMS system in Pennsylvania is on the verge of a breakdown. If such an expectation comes to fruition, Chambersburg would remain in a strong and safe position. As a result of our commitment to professionalism, our use of firefighter personnel, and our willingness to use taxes and fees to supplement EMS operations, our community and our citizens are somewhat insulated from, what may turn out, to be a breakdown in emergency medical operations regionally or statewide.

How this may impact us is both in an increased demand for our ambulance(s) to leave the Borough and provide regional mutual aid; and, second, by seeing a need to once again explore with whom the Borough contracts for Advance Life Support (ALS) paramedic services. As you know, the Chambersburg Emergency Services Department provides only Basic Life Support (BLS) services. Currently, Holy Spirit EMS, a division of the Geisinger Health System, provides ALS paramedic services for the Borough of Chambersburg. During the drafting of this budget, we found out that the Geisinger Health System has recently merged with the Penn State Hershey Medical System. While that entity operates the Life Lion and University EMS systems, the future of our ALS partnership remains unclear.

In 2020, we hope that these relationships, and our partnership, and the other BLS providers in our neighboring communities, all remain strong and stable. We hope, but we are prepared to act, just in case someone falters, and we must act to protect the emergency medical systems in Chambersburg. Therefore, while no one wants to pay a new fee to support Ambulance services, please understand that such a fee is increasingly important, there are no alternatives, and if there is a regional or statewide collapse of the EMS system, it will be Chambersburg, and our commitment to funding, which will allow us to weather the storm.

In 2020, it is suggested that Town Council support initiatives in Harrisburg to reform and change the EMS system in Pennsylvania. Support reforms that bring resources, clarify billing rules, increase billing options, and force regionalism of ambulance systems. In addition, urge Washington to fix EMS billing rules in Medicaid and Medicare. These rules, debated often by professionals and Congress, are hurting systems throughout our country.

*How much does 1 mil of real estate tax yield in 2020?*

The total assessed value of taxable real estate inside the Borough for 2020 is estimated to be \$205,607,440 by Franklin County; down very slightly from last year. Therefore, the cash value of 1 mil would equal \$205,607. However, when factoring in our average collection rate for any given year, we should expect that same mil to yield \$201,929. This difference is a result of the average amount of taxes remitted on time, annually, versus the total that is levied.

Therefore, for budget purposes, **1 mil is equal to approximately \$205,353 in cash.** As explained, if you assume the standard percentage of taxpayers will fail to pay their taxes, 1 mil would equal \$201,929 in cash. If you assume some old outstanding tax liens from previous years may pay their debts in 2020, 1 mil might equal \$205,353 in cash. The value of a mil is therefore not precise.

	<u>2017</u> <u>Actual</u>	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Estimated</u>	<u>2020</u> <u>Estimated</u>
Police Tax Yield	\$4,706,641	\$4,920,552	\$4,894,483	\$4,960,600
Mil	23	24	24	24
Fire Tax Yield	\$505,848	\$604,370	\$609,914	\$610,000
Mil	2.5	3	3	3
Ambulance Tax	-	\$95,757	\$101,454	-
Mil	-	0.5	0.5	-
Recreation Bond Tax	-	\$574,443	\$600,485	\$590,000
Mil	-	3	3	3
Value of 1 Mil	\$204,411	\$203,119	\$203,486	\$205,353
Est. Single Family House Tax				
Police Tax	\$388.20	\$406.14	\$407	\$410
Fire Tax	\$42.20	\$50.77	\$51	\$51
Ambulance Tax	-	\$8.46	\$8	-
Recreation Bond Tax	-	\$50.77	\$51	\$51

With the elimination of the Ambulance Tax, the typical single-family home in Chambersburg will see a cumulative decrease in taxes. The decrease will be about \$5 per year or 42¢ per month in real estate taxes. Your house will likely see that decrease, but each year, the median house (the average house by measure) shifts a little bit. In 2020, there will be a \$3 increase as a result of the increased value of assessed property (shifting the median house), which also impacts the assessed value of the Average Single Family Home, being offset by an \$8 reduction to the median home as a result of eliminating the Ambulance Tax. Of course, your payment of taxes for your property, rather than the average home, is based on Franklin County's determination of your home's assessed value. The median home may change, but your home is an actual home, not a statistical median home, and your taxes will likely drop by around 1%.

*What of the Utility Rates in 2020?*

**From time to time, utility rates need to be adjusted.** This is a requirement in 2020. **In the proposed 2020 budget, there is a proposed decrease in the electric rate.** There is no proposed change for the sanitary sewer or natural gas rates. **In the proposed 2020 budget, there is a proposed small increase in the water rate and a timely increase in the trash rate.** **In the proposed 2020 budget, the Storm Water Pollution Control Fee** will change the method in which it is calculated.

In addition to these rate changes, a flat \$7 per utility invoice Ambulance Fee will be added to each bill.

*Budget Project Highlights 2020:*

*1. Begin the multi-year process of updating the Borough's Comprehensive Plan*

Over the course of 2007 and 2008, the Borough of Chambersburg led a comprehensive planning process that resulted in the November 2008 adoption of a new Comprehensive Plan. The Comprehensive Plan (Comp Plan) was developed through a collaborative planning process that integrated technical analysis with community input. The Comp Plan provides a vision for the future with a planning horizon of 20 years addressing community enhancement and development/redevelopment opportunities within the Borough.

The Plan was developed using information, analysis, and conclusions from research of current Borough programs, services and policies, existing conditions, analysis of build-out and summary of community input. The Comp Plan builds upon current Borough plans and policies in effect in 2008, including but not limited to the Franklin County Comprehensive Plan, Pennsylvania's Keystone Principles & Criteria for Growth, Investment & Resource Conservation, and Pennsylvania Municipalities Planning Code (MPC) requirements.

The Comp Plan includes elements such as:

- an explanation of plan purpose, methods, and planning process;
- summary of community input;
- description of community development policy with plan goals and objectives;
- identification of Special Planning Districts;
- a Downtown Revitalization Plan;
- overview of the Borough's Elm Street Neighborhood Revitalization Strategy;
- a Future Land Use Plan;
- a Future Transportation Plan;
- Community Facilities, Services and Utilities Plan;
- a Housing Plan;
- an Economic Development Strategy; and
- Implementation Plan

Continuing into 2020, this 2007-2008 Comp Plan will be updated. Chambersburg is undergoing significant growth and changes. These are exciting times. Projects include downtown redevelopment, the new Franklin County Judicial Center on North Main Street, the Central School Project, on West Queen Street, and development growth along the Grant Street Corridor. These areas, and the continued growth on Norland Avenue, on Wayne Avenue, and plans for additional residential development in Laurich Meadows, along Hollywell Avenue, along Progress Avenue, around the South Gate Shopping Center, and near Maple Run, will ensure that Chambersburg will dramatically grow and change over the next twenty years.

The time has come to update our plans, our vision, and incorporate all the other planning that has been completed into a new Comprehensive Plan for our community.

According to Denny Puko, from the PA DCED Governor's Center for Local Government Services, creating a new Comp Plan must follow the basic guidelines of the State Law, the Municipalities Planning Code; but, within that code, there exists flexibility to develop a creative comprehensive examination of the

municipality. The Municipalities Planning Code (MPC) is the enabling law that gives local governments the powers and procedures for planning, zoning, subdivision, and land development. It also enables local governments to create planning commissions, departments, and hire staff. The MPC is not a comprehensive plan template.

According to Michael Chandler in his analysis “Preparing an Implementable Comprehensive Plan”, community planning is a part of a continuum of community action, not a snapshot in time. An “implementable comprehensive plan” is a plan for innovation and action to better the community. This is the type of plan that the Borough began exploring in 2019.

Michael Chandler is a planning consultant based in Richmond, Virginia. He is a former Professor and Community Planning Extension Specialist at Virginia Tech in Blacksburg, Virginia, and co-founder of the Virginia Institute for Planning Commissioners. Chandler has for many years conducted planning commissioner training programs across the country, and is a frequent speaker at planning workshops.

According to Mr. Chandler “The ten questions that follow should help ensure that when your commission develops -- or updates -- the comprehensive plan, you end up with an implementable plan that will improve the quality of life enjoyed by residents of your town, city, or county.”

1. Is the plan realistic?
2. Is the plan comprehensive? ...
3. Is the plan specific? ...
4. Is the plan linked with related functions? ...
5. Does the plan link public and private interests? ...
6. Is the plan citizen-focused? ...
7. Is the plan understandable? ...
8. Is the plan problem- and solution-specific? ...
9. Is the plan change-specific? ...
10. Is the plan current? ...

The goal is to develop this plan that provides action and results for our community. The 2020 Budget contains a planned expenditure of up to \$100,000 in total costs, including internal and legal costs, to develop a new Comprehensive Plan for Chambersburg.

This project will touch most everything that the Borough is undertaking. It gathers together efforts related to Economic Development, engineering, land use, sidewalks & curbs, bicycles & pedestrians, street maintenance & traffic, downtown issues, issues of community outreach and diversity. The Borough utility systems and infrastructure planning are a part of the process. Finally, the process includes integration of plans from our partners including the Chambersburg Area School District, Chambersburg Health/WellSpan Health, Wilson College, Downtown Chambersburg, Inc., and Building Our Pride in Chambersburg (BOPIC). For the next two years, the Comprehensive Plan process will consume significant organizational resources.

By the end of 2019, it is our plan, that a consultant/partner will be selected by Town Council. Therefore, in 2020, most of the work developing the plan will take place.

## 2. Use Citizen Engagement and Public Outreach to Involve the Community in the Planning Process

The goal is to nurture a new Comp Plan with public policy sufficiently specific to be tied to governmental action. A comprehensive plan is a roadmap to policy-making and actions to be taken upon completion of the planning process.

According to Richard Burby in “Making Plans that Matter, Citizen Involvement and Government Action”, “... stakeholder advocacy is the critical factor in moving ideas forward from proposals made in plans to actual actions undertaken by governments.” Citizen engagement is not just a buzz word, but a process to ensure that our Comp Plan does not end up sitting on a shelf. Burby said, “With broad participation in plan making, planners develop stronger plans, reduce the potential for latent groups who oppose proposed policies to unexpectedly emerge at the last moment, and increase the potential for achieving some degree of consensus among affected interests.”

Our framework, like many other communities, will include copious citizen outreach. Each planning objective will commence by asking the community questions that all can answer like, “*What do you want to see in your neighborhood?*”

The Borough will develop ideas and concepts from grassroots engagement with residents, social organizations, neighborhood groups, and local businesses. The Borough will ask the community the broader policy questions, compile public input on current conditions and desired goals; then, develop ideas and solutions. The ideas and solutions will first be developed by the community at large, rather than Town Council, its advisory boards, and Borough staff. Some previous questions asked or feedback sought includes, but are not limited to:

1. What uses do you want in your neighborhood?
2. How would you use public resources to improve community transportation?
3. What types of business should be located in each area?
4. How would we solve the problems you identify in our community?
5. What are the factors that you would be willing to see government change?

The format could be a three part approach. At times, all three steps may be accomplished in a single session. Other times, these steps may take multiple sessions to complete. The generalized steps include the following:

1. Scoping Meeting – Ask the community the question and identify prioritized issues and opportunities
2. Develop Ideas and Solutions – these are to be developed collaboratively
3. Agree on Preferred Ideas and Solutions – develop consensus around results

We need to focus on relevant, real community issues. An assessment of community issues should scope beyond the “conventional formula”. We should get participation, not survey the community for generation of information/data that is not particularly relevant.

We need to use neighborhood meetings, social media, and interactive digital polling, to access community feelings on these issues.

### 3. *Incorporate Other New And Existing Plans Into An Overall Action Plan For Our Community*

The Borough of Chambersburg has been exploring a series of other plans, which are either completed or in development, which can be rolled together into a new comprehensive planning process. These plans include, but are not limited to:

- Downtown master planning
- Elm Street neighborhood strategic planning
- Long range transportation planning
- Curb and Sidewalk Master Plan/Map
- Official Map of Future Transportation Needs
- Bicycle and Pedestrian Master Plan
- Retail Recruitment and Retention Plan
- Side Street and Alley Development Plan
- Storefront Protection Plan
- Housing Rehabilitation Plan
- Recreation Master Plan
- Smart City Initiatives and Complete Streets Policies

Some of these documents exist and others need to be created or updated to be current. The goal would be to create an implementable Comprehensive Plan that addresses the goals of each of these planning efforts.

The Borough should explore whether we can incorporate the principles of New Urbanism into our downtown: No buildings less than two inhabitable floors, no residential uses on first floor unless townhouse single family residential use, require stoops and steps (and ADA), require street wall, no parking lots or yards allowed on street side unless behind barrier (i.e. fence, hedge, etc.), require public creek access, etc.

The Borough needs to explore three areas that are controversial as a part of this process:

- A. Historic preservation and the limitation on uses of private property to protect their history
- B. Creating a downtown improvement district and limiting the use of downtown buildings and forcing downtown property owners to pay for downtown improvements
- C. Setting community aesthetic standards in certain neighborhoods and forcing private property owners to obtain permission before an Architectural Review Board before making alterations that impact neighborhood aesthetics

These issues limit property owners in favor of community standards with which they may not always agree. They cause extra costs but also raise property values.



#### *4. Exploring the Next Steps for Downtown Chambersburg*

In 2015, Downtown Chambersburg Inc. (DCI) completed their updated Downtown Master Plan. This document was completed with a generous grant from the Borough of Chambersburg and several other donations from area corporations and organizations. The DCI plan will become the basis for DCI to apply to the Pennsylvania Department of Community and Economic Development (DCED) for certification of the downtown as a part of the Keystone Communities program. Town Council needs to support this effort with in-kind participation in the program.

In 2020, it is envisioned that the Borough and DCI will explore what initiatives are needed to move the Downtown forward. Following construction of the new Franklin County Judicial Center, on Memorial Square, in 2021, the Downtown will be at a crossroads. A plan is needed to address certain goals and objectives:

- Expansion of Downtown Chambersburg events and event spaces
- Need for Downtown Chambersburg Class A office space
- Integration of Downtown Chambersburg with Wilson College
- Long-term plan to provide either Replacement or Rehabilitation of older building stock
- Sustainable financial model that does not rely on taxpayer funding for Downtown

While many of these concepts are already in the works, including the recent acquisition of the F&M Bank building by the Chambersburg Area Development Corporation, the long-term planning of a strategy for economic development success in the Downtown needs to begin in 2020.

It cannot be a top-down Borough or DCI planning process. It should include stakeholders including potential guests and customers for the Downtown. Finally, a future discussion regarding Downtown aesthetic guidelines and a carrot/stick approach to building rehabilitation/replacement must be had with property owners.

It would be the goal of this project to develop a consensus strategy for Downtown Chambersburg to be implemented by the time the new courthouse is completed.

#### *5. Explore Pedestrian and Bicycle Improvements & Healthy Communities Design Initiative*

In 2018, the Borough of Chambersburg adopted the Pedestrian and Bicycle Improvements Plan. The plan recommended policies, including:

- A new complete streets initiative for all future sidewalk installations
- Pedestrian street-crossing safety enhancements
- Development of a network of bicycle routes to include extension of the existing Rail Trail, and connections between the network and existing public areas such as parks, downtown, community centers, government facilities and streams
- Creation of a public education campaign designed to encourage walking and bicycling as alternative modes of transit, and at the same time, making those activities safer

The plan recommended projects, including:

- Expanding the Rail Trail
- Creating bicycle friendly connections to places of interest and commerce, for example Memorial Park, to Downtown and Third Ward to Norland Avenue

- Review current policies on sidewalk use for bicycles
- Look for opportunities for bicycle/pedestrian “shared use” when expanding or re-configuring sidewalks or adding bicycle lanes to existing streets
- Developing bicycle friendly areas in existing recreation facilities
- A bicycle self-guided tour of Chambersburg
- Bicycle furniture, public drinking fountains, and bicycle rental resources

This plan addresses factors as they relate to pedestrian and bicycle travel and recreation within the Borough as well as considers opportunities for connection to the surrounding region. The plan also considers Complete Streets Policy adoption that results in a comprehensive and integrated network of transportation with connections to recreation facilities that are safe and convenient for people of all ages and abilities traveling by all modes including pedestrians and bicycles.

Local Complete Streets Policy shall provide:

- Reference to a Complete Streets Policy as part of the goals in the Comprehensive Plan, Neighborhood Plans, Transportation Plan and other plans and implementation strategies.
- Smart Growth land use policies that encourage bicycling and pedestrian travel in addition to traffic control systems.
- Bicycling and walking facilities incorporated into all new development, redevelopment and transportation projects unless exceptional circumstances exist.
- Sidewalks, shared use paths, street crossings (including over and under-crossings), pedestrian signals, signs, street furniture, transit stops and facilities, and all connecting pathways shall be designed, constructed, operated and maintained so that all pedestrians, including people with disabilities, can travel safely and independently along, within and across corridors.
- Safe routes for children to and from school.
- Better access to employment and educational opportunities in all neighborhoods regardless of income or ethnicity as equitable transportation solutions.
- Facilities designed to the best currently available standards and guidelines to provide:
  - Vehicular speeds and congestion compatible with the character of the neighborhood.
  - Usability and safety of well-maintained on/off-street bicycling/pedestrian facilities.
  - A well interconnected street network.
  - Intersection design addressing safety and convenience for bicyclists and pedestrians.
  - Quality, safe and convenient bike parking options at destinations community-wide.
- Borough policies, staff training program, policy checklist, and compliance procedures/performance measures.
- Education and public awareness program for the traveling public, bicyclists, and pedestrians.

National studies indicate that the way we design, build and retrofit our neighborhoods affects our physical and mental health. Decision-makers must consider options that promote walkability, bikeability and livability such as:

- Provide adequate public facilities such as parks, bike trails, recreation centers and outdoor plazas that give people a place to be active and encouraging outdoor physical activity.
- Finding creative ways to address health issues through the design and retrofit of neighborhoods and streets.
- Improve the health of vulnerable populations and access to health care.

- Ensure that sidewalks and streets are in good repair and streets are safe for pedestrians and bicyclists.
- Offer more healthy and affordable food choices readily available and accessible to all neighborhoods.
- Assure land use policies support issues of healthy retail, farmers markets, urban agriculture, restaurants and education.
- Incorporate crime prevention through environmental design (CPTED) standards into ordinances and design standards where appropriate to create an environment that promotes safety. Feeling safe in your surroundings plays an important role in mental and physical health.
- Establish a Good Neighbor strategy that provides expectations for becoming a good neighbor to other residents and adjacent businesses as well as becoming a partner to local government.
- Create a welcoming and friendly environment through social events, citizen engagement and develop the next generation of community leadership.
- Promote environmental stewardship and protection with residents, businesses, developers, and government.
- Adopt a complete streets policy and amend ordinances and design standards to require public and private investment comply with this policy; add reference to the Subdivision and Land Development local law.
- Create identified corridors that provide safe and accessible mobility for multiple forms of transportation (cars, trucks, bicycles, pedestrians, etc.)

In 2020, the Borough needs to move forward the implementation of these goals. This 2020 Budget envisions that the Borough will adopt a Complete Streets Policy as a part of the Comp Plan process. In addition, the plan to address alleys might also provide an opportunity to address bicycle and pedestrian issues throughout the community.

Finally, as the issue of driverless cars becomes more prominent in community dialogue, the issue for Chambersburg may be less about parking issues and more about how to encourage citizens to use the existing street infrastructure in different ways.



## *6. Sustainable PA Community Certification*

In 2014, the Pennsylvania Municipal League (PML), with whom the Borough of Chambersburg is a member, began the Sustainable PA Community Certification Program. The certification acknowledges the steps taken by municipalities to achieve sustainability. It is designed to provide further reinforcement—and the inspiration (and funds) to go even bigger. That recognition goes a long way: Pennsylvania municipalities that are distinguished in applying sustainable policies in order to advance community prosperity while reducing carbon footprint get kudos, support and even grant money to expand programs. The program also serves as a mechanism for sharing best practices for creating a more sustainable Pennsylvania.

In 2016, the Borough formed a partnership with the Shippensburg University Center for Land Use and Sustainability. The Center's vision is to become a nationally recognized interdisciplinary center that leverages the expertise of faculty, staff, and students to promote sustainable land use, economic development, and communities at local, regional, and global scales. The evaluation is based on 130 criteria in the following nine categories:

- Governance and Community Engagement
- Healthy Communities
- Diversity, Equity and Inclusion
- Education
- Energy Use, Conservation and Green Building
- Environmental Stewardship
- Housing
- Land Use and Transportation
- Local Economy

The Sustainable PA Certification is broken down into five categories: platinum, gold, silver, bronze, and associate, which are meted out according to points earned based on criteria met at a specific point in time when submitted for review or updated. Previously, the certification was only available to the southwest region of the state, but in 2014, the program was expanded to include all municipalities across Pennsylvania through a partnership between Sustainable Pittsburgh and PML.

In 2017, the Borough of Chambersburg was recognized at the Gold level of certification for meeting the program's rigorous performance criteria which tracks 131 policies and practices that define a sustainable community.

"We are delighted to see the Borough of Chambersburg distinguished among local governments that are leading the way in applying sustainability to both their operations and management as well as within the community," said Anne McCollum, Director of Training and Development, Pennsylvania Municipal League.

In 2020, the Borough of Chambersburg will begin to implement policy and program changes to be consistent with the goals of the Sustainable PA Community Certification Program. We need to formalize our relationship with Shippensburg University, aim for Platinum certification, and make this a goal in 2020. **The 2020 Budget sets this as one of our priorities.**

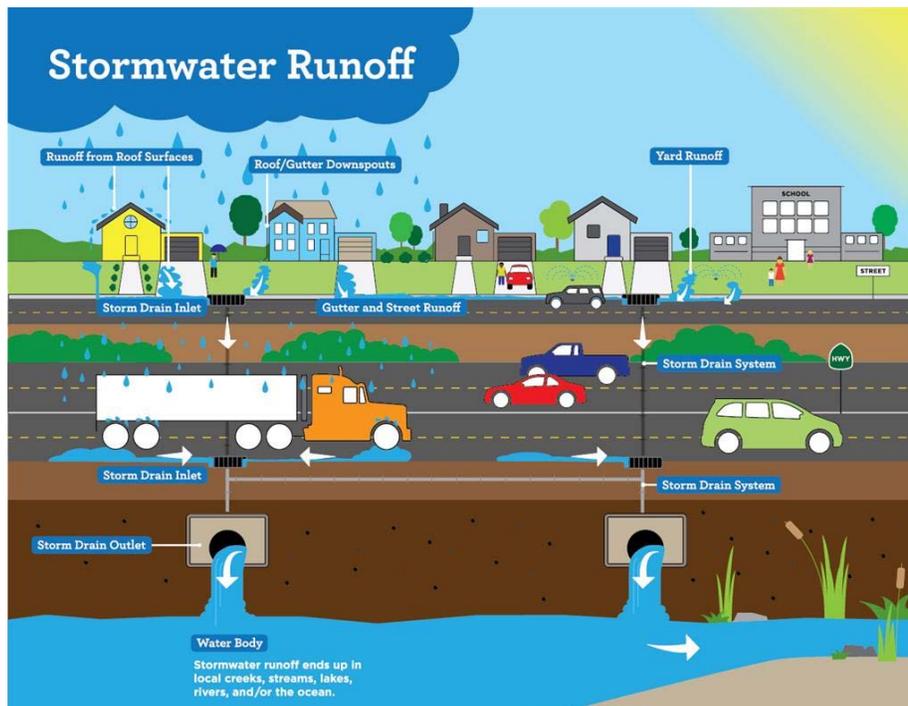
*7. Expand Post-Construction Stormwater Management to Prevent Pollution in Our Streams*

**2020 will mark the sixth year of existence of a Municipal Separate Storm Sewer System (MS4) utility;** one of the first such municipal utilities in the Commonwealth of Pennsylvania. Our storm sewer utility allows Chambersburg to better manage stormwater by creating a designated fund for stormwater management, Federal mandates, and system upgrades. The storm sewer utility provides personnel to be responsible for compliance with the MS4 Permit’s “Minimum Control Measures”. Secondly, beyond MS4 Permit administration, there are other important program components that our utility offers. Like a water or sewer utility, the storm sewer utility will generate revenue through user fees that beginning in 2020 will be based on the amount of stormwater generated on a property; which is determined by an impervious surface calculation.

The last thing we need in Franklin County is three, four, or five separate storm sewer utilities. We do not need to have as many storm sewer utilities as we currently have water systems or sanitary sewer systems. We need to encourage intermunicipal cooperation. In 2019, the Borough began working with Hamilton Township and St. Thomas Township to migrate this program beyond the borders of the Borough of Chambersburg. It is our hope to add more communities to our program, joining to work towards compliance with their MS4 permit from the Department of Environmental Protection.

This budget encourages other MS4 Boroughs and Townships to partner with Chambersburg in the same manner. We believe Chambersburg, and our staff, are well situated, to provide contract MS4 services to other regional municipalities.

These services include public education and outreach on stormwater impacts, illicit discharge detection and elimination, post-construction stormwater management in new development and redevelopment, pollution prevention and good housekeeping, development of storm sewer system maintenance needs and the establishment of capital improvement plans, and monitoring and modeling of stormwater system flows to the local creeks.



### *8. Expand Fire Safety Programs into the Townships*

In 2020, we should continue to push my proposal that Hamilton, Guilford, and Greene Townships adopt the International Fire Code and contract with the Borough ES Department as a third party Code Agency for Commercial Fire Code Inspection Services. This would be just like when the townships adopted the Uniform Construction Code in 2004 and contracted with Commonwealth Code Inspection Services (CCIS) to provide third party Code Agency services for those codes.

In 2015, the Borough and most of the townships shifted their third party Code Agency services from Commonwealth Code Inspection Services (CCIS) to the Pennsylvania Municipal Code Alliance (PMCA) through a Request for Proposals (RFP) process and deliberation of who was the best contractor.

Yet still, to date, no agencies in any of the townships are providing commercial fire code inspection. The Volunteer Fire Companies generally are unequipped to do inspections. Although PMCA can do these inspections, we have discussed letting our ES Department, where every firefighter is a certified code inspector, do these inspections on a systematic basis. I believe that PMCA would support this plan.

Beginning in 2015, the Borough updated our local Fire Law, written by Assistant Solicitor Welton Fischer, and adopted the new International Fire Code. In the Borough, businesses must be inspected (some annually & some tri-annually) for code violations. We believe that this is a big fire prevention program, in that it actually prevents fires, saves lives, and property. In the Borough, the ES Department charges businesses for this important inspection program (revenue goes to support only inspections and prevent fires). In many cases, the businesses' property insurance may be reduced because of these inspections.

It is our hope and desire that the townships will contract with the Borough to expand our successful fire code inspection program to township businesses at no cost to their taxpayers. As with inside the Borough, the townships' businesses would pay for the program. The businesses and the community would be safer.

We cannot believe that the townships would not support the adoption of a systematic Fire Code inspection program, with the goal of preventing fires, saving lives, and property. In addition, part of the inspection fee would be shared with the local volunteer fire company responsible for protecting each business. That provides a further incentive to establish this program.

It would take 6 to 8 months to negotiate a program – only the townships can adopt the program and set the fees. The portion of revenue collected, which would be shared with the townships, can be decided during discussions. This important new ES Department program will begin with a meeting with stakeholders to explore how this program may function.

This is not about Chambersburg or the Chambersburg Fire Department. This is about saving lives and property in the townships. Chambersburg has this program regardless. We see the value. We have seen the number of fires reduced as a direct result of the program. In an era where the volunteer fire companies are struggling, there is absolutely no reason that the townships would not invite the Borough to bring this program into their municipalities. There is no one else available to provide the program. This is not competition, this is a smart move for each of the townships.

The 2020 Budget includes a commitment to this goal. Finally, the Mayor has offered to carry the torch, to reach out to the townships, and to help promulgate the lifesaving program, in 2020.

### *9. City Hall Renovations, Phase 2, the Police Department Project*

As the construction of the Utility Departments' Addition for City Hall finished at the end of 2018, a second Building Committee formed to discuss Phase 2 of the project originally conceived in 2013. The Second Phase would be a return to the old Borough Hall building and discussion on the future of the space utilized by the Chambersburg Police Department. Originally, the first priority was the Police Department. However due to several reasons, including the lack of available physical space, as well as funding, the issue of how to provide the Police Department with adequate space was placed on the back burner.

The goal of the first phase, the Utility Departments' Addition for City Hall, was to provide updated office and meeting space for the utility departments, Town Council, and the utility support departments; and, more importantly, to provide extra space in the old Borough Hall building in order to allow the Police Department to expand their footprint.

In 2017, the Borough entered into a professional services agreement with SGS Architects/Engineers to do a utilization study of the Chambersburg Police Department, determine their needs, and to evaluate the condition and opportunity in the 1971 existing addition to Borough Hall. The 1971 project or the southern part of Borough Hall, was built and opened to the public in 1972 to provide for a police station for the Police Department on the first floor and basement, and a meeting space for Town Council, on the second floor. Since 1972, this has been the programming in this addition; the site of the old Borough Fire Hall, which used to sit on this site, south of the Market House, on South Second Street. The Fire Hall had been converted to the a Police Station for the Borough, and by the 1960s, it had become clearly inadequate for Police Department operations. This is becoming true of the 1971 addition as well. By moving Town Council out of the 1971 addition, and relocating other office space to the Utility Departments' Addition, the Police Department could expand and make better use of the 1971 addition.

The second building committee consisted of the Borough Manager, the Mayor, the Police Chief, the Water/Sewer Superintendent, police staff, and the architects. The committee studied police station design concepts and visited projects in other communities including Derry Township, Dauphin County, York City, Baltimore City, and a newly renovated similar sized community police station during a conference in Texas. This information, and other information provided by the architect led to a design plan for a renovated Police Station to fill the 1971 addition to Borough Hall, plus a small building add-on in what was once the drive-thru teller driveway next to the Police Station.

Beginning in 2020, Phase Two project development will include development of a final design and bidding in order to determine actual costs. However, even by the end of 2020, we will not have an exact decision on how to pay for construction. In 2019, our partner GMS Funding Solutions was able to obtain for the Borough a \$1.7 million Redevelopment and Capital Assistance Program (RCAP) Grant from the Commonwealth Financing Authority. This is a great achievement. In 2019, Town Council accepted the grant, obligating the Borough to spend, no less than three times this amount on the project.

The balance of the cost of this project will be beyond the ability of the General Fund (home of the Police Department) or the General Capital Reserve (home of Police Capital Projects) to afford in cash. Avoiding real estate tax impact from the construction of a renovated Chambersburg Police Station is next to impossible. For example, just for capital project budgeting perspective, the deferment of one year of street paving frees approximately \$500,000 in cash (in exchange for little or no street paving for that calendar year). Highway construction projects are done with Highway Aid grant money (a grant from the State

created by the sale of Liquid Fuels) and whatever money is left over from the previous fiscal year. Our Highway Aid grant only pays for construction on Borough owned streets and not much of that at all. In any good year, the money left over from the previous fiscal year could be used towards this project, but that is not enough to support the whole project, and deferment of street paving might provide 20% of the resources needed to renovate the Police Station.

The Phase Two project also includes some alternate parts such as replacing the slate roof over the original Market House part of City Hall and repairs to the historic clock tower. Those needs are important but not specifically a part of the needs of the Police Department.

The architect estimates the total cost of Phase Two would be approximately \$6.4 million.

These plans are years in the making. In 2007, Council contemplated plans to build a standalone Police Station in the rear parking lot of City Hall for an estimated cost of \$5 million (in 2007 money). For the last 11 years, the elected officials, staff, and the police have worked towards a goal of a new facility for the Police and this project envisions a retrofit and expansion of the existing station rather than a new standalone facility.

At this point, the price tag is just an educated estimate. Over the course of 2020, we want public input into the project, a discussion of the project details, and research into ways to fund this project. We do not anticipate any action until the 2021 budget year.



The Plans for Phase Two include a Fully Renovated Police Station, a small addition in what is now the drive-thru teller driveway, and a restoration of the roof and clock tower of the original Market House.

### *10. UGI Gas Transportation Partnership and Other Energy Projects*

On August 27, 2018, Chambersburg Town Council agreed in principle to an arrangement that would bring gas supply to underserved portions of neighboring Greene Township through a transportation agreement with UGI Central Penn Gas of Reading, Pennsylvania.

The Borough operates one of only two municipal natural gas systems in the State of Pennsylvania. Pursuant to State Law, the Borough is generally prohibited from serving gas to customers outside of the Borough. In 2005, the Gas Department was granted a rare exception, allowing it to serve gas to Menno Haven's Northgate Commons building in Greene Township. This one building was permitted after the two neighboring investor-owned gas systems, UGI Central Penn Gas and Columbia Gas, both consented to this arrangement.

In 2017, Menno Haven began a significant multi-year project to upgrade a series of facilities, mostly in Greene Township. While the campus straddles the boundary between the two municipalities, the rules are clear. Unlike the Northgate Commons building, the Borough of Chambersburg could not serve natural gas to other new or proposed facilities in Greene Township. While working with Menno Haven, the facility approached the two neighboring gas companies to request service, but there were no gas lines as close to Menno Haven as Borough of Chambersburg natural gas.

In discussions between Menno Haven and UGI Central Penn Gas, the two decided to approach the Borough of Chambersburg and request a transportation arrangement. The concept was, UGI Central Penn Gas would buy its own gas supply and have it transported to the Borough's natural gas interconnection on the Texas Eastern pipeline. Chambersburg would transport that gas through the Borough system to the Greene Township line, and UGI offered to pay the Borough for the transportation. UGI would then take possession of its gas at the Borough border, then distribute to Menno Haven. In the end, Menno Haven gets gas service, UGI gets a gas customer, and UGI pays the Borough a fee for transportation of natural gas through the Borough system.

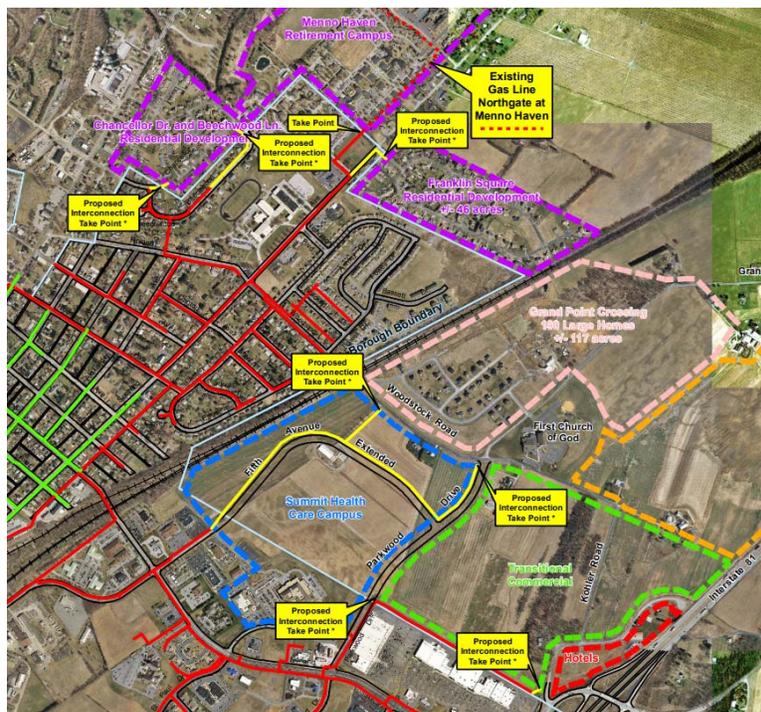
While working out this arrangement for Menno Haven, the Borough of Chambersburg decided a similar arrangement could work for dozens of homes and businesses in Greene Township. The Borough suggested, and UGI Central Penn Gas agreed, that gas could be made available to: the Grand Point neighborhood, the growing Summit Health campus on Parkwood Drive, undeveloped land along I-81 near Exit 17, the Franklin Square residential neighborhood, and the Chancellor Drive/Beechwood neighborhood as well. The Borough of Chambersburg could transport UGI gas from the Texas Eastern pipeline to Greene Township in these areas, in addition to the Menno Haven campus, and UGI could sell its gas to new customers in these sections of Greene Township. UGI would pay the Borough a fee for the transportation of its gas.

**This project includes the addition of new pipelines on the north end of the Borough natural gas system, paid in part from a grant from the Pennsylvania Commonwealth Financing Authority.**

On July 17, 2018, the Borough of Chambersburg received a notice of award for a \$584,100 Pipeline Investment Program (PIPE) grant from the Commonwealth Financing Authority (CFA). The grant will be used to partially fund the Chambersburg Natural Gas Pipeline Project, a critical infrastructure project offering natural gas to underserved neighborhoods both within the Borough of Chambersburg and in

Greene Township. The sections of Greene Township affected by this project include newly served areas around the Menno Haven non-profit continuing care retirement community and the Grand Point section of Greene Township. Chambersburg Borough is partnering with UGI Central Penn Gas to deliver gas to these homes and businesses through a unique inter-municipal public/private partnership. Additionally, the pipeline extension will effectively serve the impending Summit Health healthcare campus. The gas line extension is expected to build upon the North Chambersburg Improvements Project – the aforementioned infrastructure development project that extended Parkwood Drive and Fifth Avenue from the Borough to Greene Township to facilitate future development.

The UGI interconnection, as well as future water and sewer projects, are all related to this future development.



### *11. Wagner Supply Building and New Wayne Avenue Public Works Facility*

At the end of 2019, the Borough had the opportunity to acquire a vacant commercial building at 366 Wayne Avenue in order to plan the relocation of the Loudon Street Sanitation Department, Motor Equipment Department, and Highway Department facility.

The site, recently the home of Wagner Supply Depot, will be renovated over time to eventually replace the existing Borough public works facility located on Loudon Street, at the corner of S. Franklin Street. The existing facility on Loudon Street is reaching the end of its useful life, has a number of problems, including vehicle maintenance bays that are too small for today's modern trucks, poor equipment and materials storage, no room to grow, and is along the Conococheague Creek, in the floodplain.

The facility at 366 Wayne Avenue is owned by the Wagner Family and the Borough has entered into a conditional sales agreement for the Chambersburg Sanitation Department to acquire the site, which

includes the building and several adjacent parcels, for a sales price of \$1.2 million. A valuation recently completed by Apex Valuation Services of Shippensburg, Pennsylvania, indicated that the 3.78 acre site has an “as-is” market value of \$1.2 million.

The plan is to have the Sanitation Department buy the site and renovate it over time to include facilities for their use as well as the motor equipment maintenance operation of the Borough, and some facilities for the Highway Department. This is the same basic function as now housed at the Loudon Street facility, which will be relocated sometime in the future, after renovations are completed. Once the move is over, the Borough plan is to someday sell part of the existing Loudon Street facility, and to build a creek access park adjacent to the Loudon Street Bridge on a remaining parcel now used to store motor equipment, such as dump trucks.

The facility at 366 Wayne Avenue has “good bones”. The Borough did a facility review by SGS Architects/Engineers of Carlisle, Pennsylvania, and according to their principal, Dennis Sowers, the facility is in very good shape and can be renovated to accommodate the eventual uses as proposed by the Borough.

The Chambersburg Sanitation Department intends on using an upcoming bond sale in early 2020 to finance the acquisition costs. Town Council had already given tentative approval for the Chambersburg Water Department to sell a bond in early 2020 to finance a Water Department construction project at the Julio D. Lecuona Water Treatment Plant in Greene Township. The Sanitation Department will add this site acquisition on to that same bond and pay it off using trash fees, and no taxes, over the next twenty years.

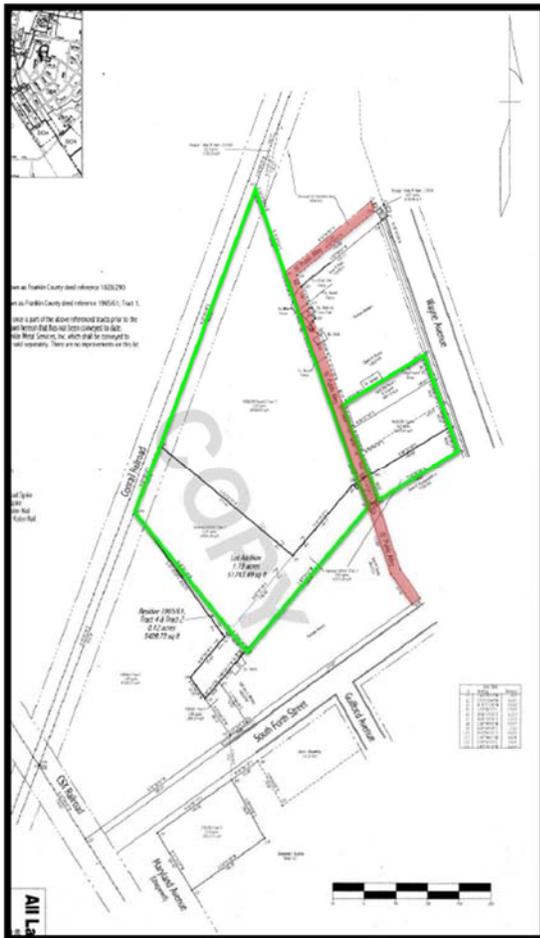
This building is being purchased with no impact on taxes. It provides a much needed new home for the Sanitation Department and public works, and provides a site, which over time, we hope to expand to add other adjacent facilities. It is also very exciting that at the end of this project, a new park, near the Conococheague Creek will encourage access to the creek near downtown.

Currently, the property is improved with a one-story light industrial building. In total, the building is 18,348+/- square feet which includes a total of 1,370+/- square feet of office space. There is approximately 5,000 square feet of conditioned space including office area, showroom, conference room (which is located in a small mezzanine area), small kitchenette and restrooms. The majority of the square footage is considered to be warehouse space which contains two (2) loading docks and a 14-foot drive-in door. The structure was reportedly constructed in 1918 with a comprehensive renovation and the loading dock addition completed in 2002. The Borough Gas Department already owns an adjacent site along the railroad tracks and there is a truck entrance to the facility off a State Highway, Wayne Avenue. The site is zoned for commercial uses including government operations.

It is anticipated that SGS Architects/Engineers will be engaged in 2020 and a building committee will develop a concept plan to update the site. Construction would not begin until at least 2021 and full occupancy is estimated to be in 2023. The decommissioning of the Loudon Street facility and construction of the new Conococheague Creek Park is estimated for 2024. The new Borough recycling transfer station nor any trash storage will be at this site. Those type of functions, with trash and recycling, would not be appropriate at this location. We want the neighbors to know that we do not foresee this location housing, even on a temporary basis, trash or recycling. This facility will be used for offices, trucks, truck

maintenance, equipment, equipment repair, and the storage of dumpsters and other Sanitation Department items.

We hope that we can improve this neighborhood and be a good neighbor to the homes and businesses around Wayne Avenue and S. Fourth Street. I am confident the Sanitation Department facility will be screened from neighbors' backyards and we will work with the neighborhood to clean up some other area issues.



The 2020 Budget includes sufficient resources to pay the architect/engineer to develop conceptual plans for how this site will be utilized after renovations.

*12. In 2020, Bringing Enforcement of the Health Code and Restaurant/Food Inspection In-House*

On Monday, August 26, 2019, the Chambersburg Town Council selected a plan to bring restaurant, food service licensing, and health code enforcement in-house, to be managed by Borough employees, beginning in January 2020. At the meeting, there were four options presented by staff to Council. A large group of citizens and restaurant owners weighed in on the discussions, which lasted over an hour, as Council deliberated on what to do with this system going forward.

There are almost 200 municipalities throughout Pennsylvania, which manage their own restaurant, food service licensing, and health code enforcement systems; including most major cities and two counties. Chambersburg has been unique in that since 2005, the system developed by the Borough, included management by a third-party private code enforcement agency. In June 2019, Council, in response to objections about the customer service experience at the third-party private code enforcement agency, decided to issue a Request for Proposals, to determine whether any other private company would like to provide these services on the Borough's behalf.

The existing contractor, the Pennsylvania Municipal Code Alliance (PMCA) of Chambersburg, was the only respondent to the Request for Proposals. However, staff outlined several options for Council to consider. The status quo was not an option going forward as the current contractor had put in a proposal, but their response would have changed the current system to one managed by Borough staff, where the contractor would for a fee, provide only inspection services, and not manage the permit and licensing system.

In the arrangement in place through 2019, PMCA managed the entire system, collected the fees directly from the local food service businesses, and the Borough set the fee schedule, but was otherwise not involved in the management of the system, the collection of fees, or paying for the cost of the system. This was to end in 2020 regardless of what option Council selected.

One option outlined by staff was turning the entire system over to the Pennsylvania Department of Agriculture. That is the system in 90% of municipalities in Pennsylvania. There was some concern that Borough residents and visitors would be disappointed with the level of enforcement provided by the State, given that for the last forty years the Borough has been dedicated to local enforcement. In the end, it was pointed out that the Borough staff can run a system that is fair and equitable for businesses and safe for consumers.

Some citizens voiced concern about the cost of managing the system. This 2020 Budget includes costs associated with the need to hire new personnel. Council considered that impact when deciding whether to bring the program back in-house, as it once was managed, from 1976 to 2005. However, there is a "synergy" as the personnel added in this budget to the Land Use and Community Development Department would also help with other functions. Those functions include the Borough's increasing responsibilities as host to dozens of street fairs and community events; and, administration of Chambersburg's growing Storm Sewer Utility, which had also indicated the need for more personnel in 2020 regardless of the decision on the health code.

The additional personnel costs are reflected in this proposed 2020 Budget.

There are currently 320 permittees in the system, including restaurants, school cafeterias, churches, food stores, special events, food trucks, and farmer's market booths. Staff estimates the system will cost

approximately \$161,580 per year to manage in-house and generate income of about \$50,000. However, with the addition of other functions, such as inspection scheduling and permitting for the storm sewer utility, the Borough could spread the cost of the employees on other revenue sources, such as storm sewer fees.

After considerable discussion, Town Council approved the concept to bring the system in-house beginning in January 2020.

*13. Changes in Wages and Benefit Costs across-the-board:*

On November 9, 2015, the Borough settled a new labor pact with the Chambersburg Police Officers Association (CPOA) for the years 2016 through 2020. As such, a CPOA negotiation must begin in Spring 2020. On December 7, 2015, the Borough settled a new labor agreement between the Borough and Local #246 of the American Federation of State, County and Municipal Employees, who represent the Borough’s highway and utility workers. On Wednesday, May 3, 2017, representatives of the fire union executed a landmark proposed labor contract to fix the wages and benefits between the Borough and our professional fire fighters for the years 2017 through 2021. It is assumed that Town Council will provide those non-bargaining non-uniform Clerical, Technical, and Management employees the same wages and benefits as agreed to with AFSCME Local #246.

As such, we have made the following assumptions included in this budget:

	<b>2019</b>	<b>2020</b>
Chambersburg Police Officers Association		
A new contract was approved by the parties in 2015		
Wages (cost of living adjustment to all steps)	+1.95% more	+1.95% more
CPOA Collective Bargaining Agreement expires 12/31/2020		
International Association of Fire Fighters (IAFF) Local #1813		
A new contract was approved by the parties in 2015		
Wages (cost of living adjustment to all steps)	+1.95% more	+1.95% more
IAFF Collective Bargaining Agreement expires 12/31/2021		
American Federation of State, County and Municipal Employees Local #246		
A new contract was approved by the parties in 2015		
Wages (cost of living adjustment to all steps)	+1.95% more	+1.95% more
CPOA Collective Bargaining Agreement expires 1/10/2021		
Clerical, Technical, and Management Employees		
These employees have no contract & this represents Manager’s proposal		
Wages (cost of living adjustment to all steps)	+1.95% more	+1.95% more

*Pension Plan Reform & Health Insurance*

For the first time in generations, all non-uniform employees will have a choice, stay in the traditional government pension plan and contribute money to the plan for its fiscal health or withdraw from the traditional plan and open a new 401(k) style individual retirement account. Federal law prohibits government employees from having 401(k) accounts. They get similar 401(a) accounts. This new option went into effect in the fall of 2016 and many employees have already switched out of the pension plan system. The addition of 401(a) accounts is logical. They will continue to grow in popularity in the future.

In addition, with respect to health care in the 2020 Budget, the Borough continues our successful relationship with the self-insurance trust called the Pennsylvania Municipal Health Insurance Cooperative (PMHIC) operated by Benecon Benefit Administrators. Unfortunately, we had a serious

number of ill employees in 2019, thereby affecting our rates in 2020. In 2020, our contributions to the PMHIC pool will rise approximately 6.2%. That is an above average growth rate. United Concordia, our provider for dental insurance, anticipates a 2.5% premium rate increase in 2020. OneAmerica, our provider for life insurance and long-term disability coverage confirmed that they will have no increase in premium costs for 2020 coverage.

*Conclusion*

It is with great confidence that I deliver this enclosed budget. In 2020, it is necessary to adjust some of our utility rates, with the electric rate slightly dropping and other rates increasing. We will still have the lowest aggregate utility rates in the Commonwealth.

In the proposed 2020 Budget, I have included a \$7 per month per utility invoice Ambulance Fee. It is a flat broad-based fee, which would hit every utility customer fairly and equally. This is highly recommended and very necessary. It is far better than a tax increase and our very low utility bills would remain very low. The average Borough Electric and Gas customer saves over \$1000 per year by having Borough utilities, when compared to other utility providers' rates.

This budget includes no tax increase. In fact, it includes a small tax decrease with the elimination of the Ambulance Tax (shifted instead to an Ambulance Fee).

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020 Proposed</u>
Police Tax Mil	21	23	23	24	24	24
Fire Tax Mil	2.5	2.5	2.5	3	3	3
Ambulance Tax Mil	-	-	-	0.5	0.5	0
Recreation Bond Tax Mil	-	-	-	3	3	3
Total Real Estate Tax Mil	23.5	25.5	25.5	30.5	30.5	30

In April 2014, Moody's downgraded Chambersburg's General Obligation credit rating from **Aa2** to **Aa3**. They stated that our financial outlook remains stable. "Chambersburg's financial position has stabilized after four years of decline, with positive operations in fiscal 2012..." They added "Significantly increased General Fund balance and growth in available reserve levels" would improve our credit rating. They added that they are looking for "Substantial growth in the borough's tax base and socioeconomic profile."

By adding additional taxes in 2016 and 2018, Council addressed added costs in the General Fund without reliance on transferring money from unrelated budget areas. What Moody's will seek is a commitment by Council to pay for the Police Department and Emergency Services Department budgets with Police Tax, Fire Tax, and now a new Ambulance Fee sufficient to those needs. Unfortunately, the 2020 Budget includes a continuing deficit in the operation of the Fire Department and Police Department operating budgets.

Finally, the 2020 Budget contains a dramatic drawdown in our Capital Reserves. Unless replenished, this would mark a near fatal blow to our capital account used for General Fund departments.

While it may appear that debt should be avoided, spending cash balances on projects that will last for generations is actually not the preferred method of financing. Generally, all the operations of the Borough are well balanced.

**To that end, the 2020 Budget includes a recommendation for the Water Department and Sanitation Department to issue jointly a bond in early 2020.**

The Water Department will need to issue this bond in order to fund the upgrades necessary at the Julio D. Lecuona Water Treatment Plant in Greene Township. The Sanitation Department will use this bond to acquire the property at 366 Wayne Avenue for a future public works facility. These are both worthwhile uses of debt. Approval of the proposed 2020 Budget, includes approval of this debt financing.

**This 2020 Budget is balanced and there is a small tax decrease. It does add additional personnel and make personnel changes to the Borough staff;** and, it continues staffing changes previously approved. It is true that our organization has become larger and more complex than in the past. Yet, as demonstrated by our ability to conservatively control the increase in needs for taxes and the increase in utility rates, the budget demonstrates that adding staff, if done smartly, can be done with little or no impact on painful tax increases or rate increases. One might say, we manage the staffing within the margins of the growth allotted to us by the success of the community, and the controlling of other expenses.

The 2020 Budget includes the additional personnel to manage the enforcement of the health code and restaurant/food inspection in-house. It also includes the additional Sanitation Department employees needed to reintegrate the residential (and residential type) recycling program back into Borough operations. The 2020 Budget includes the recent promotion of the Assistant to the Borough Manager to Deputy Borough Manager. The 2020 Budget includes the recent classification upgrades to the Police Chief and Fire Chief positions. The 2020 Budget includes several changes for the Electric Department, including provisions to add a new Assistant to the Electric Superintendent for Maintenance and Operations, an additional Line Worker Trainee and Diesel Maintenance Mechanic Trainee, to supplement the youth of the workforce. The Electric Department budget also includes a plan to transition the current Maintenance Supervisor into a lower position slot once the incumbent employee retires. The Parking Fund includes the addition of a Part Time Parking Enforcement Officer. The Administrative Services Department includes the addition of a new Full Time Accounting Technician, to increase the size of the bookkeeping staff. Finally, there will be an additional clerical employee helping with food inspection and storm sewer system rate maintenance. A request for a second clerical employee in the Fire Department and a clerical employee in the Personnel Office were not included in this budget.

In 2020, the Borough will have an ALL FUNDS BUDGET of \$113,856,095. In 2019, the ALL FUNDS BUDGET was \$123,111,370. This represents a 7.5% decrease, resulting from a change in budgeting format, in which the Payroll Fund and Trust Fund & Utility Deposits Fund is no longer included in Operating Budget figures, as it does not accurately reflect unique revenue or expenditures.

In 2020, the Borough's OPERATING BUDGET will be \$100,287,127. In 2019, the Borough's OPERATING BUDGET was \$104,415,418. This represents a 3.9% decrease, resulting from a change in budgeting format, in which the Payroll Fund and Trust Fund & Utility Deposits Fund is no longer included in Operating Budget figures, as it does not accurately reflect unique revenue or expenditures.

In 2020, the Borough's GENERAL FUND BUDGET will be \$16,079,970. In 2019, the Borough's GENERAL FUND BUDGET was \$15,157,375. This represents a 6.0% increase, and is likely a realistic gauge of actual growth in the Borough's spending plan, given the expansion of the Emergency Services Department revenue plans.

Use of Fund Balance 2020

	2020 Revenue	2020 Expenditures	Withdrawal/Deposit from Fund Balance	
General Fund Total	\$16,079,970			Balanced with a new \$7 per month per utility invoice Ambulance Fee
General		\$1,689,135		
Highway		\$1,335,205		
Fire/Ambulance		\$5,176,245		
Police		\$5,379,360		
Recreation		\$1,351,390		
Land Use/Community Dev		\$831,220		
Community Functions		\$317,415		
General Fund	\$16,079,970		-	Balanced
Electric	\$29,711,437	\$29,711,437	-	Balanced with \$2 rate decrease
Gas	\$9,218,080	\$9,218,080	-	Balanced
Water	\$4,234,390	\$4,234,390	-	Balanced with 1 cent rate increase
Sewer	\$6,563,825	\$6,563,825	-	Balanced
Sanitation	\$3,574,140	\$3,574,140	-	Balanced with \$2.06 rate increase
Parking Traffic	\$1,850,840	\$1,850,840	-	Balanced
Storm Sewer	\$1,007,090	\$1,007,090	-	Balanced with a switch to \$5 per ERU in July 2020
Swimming Pool	\$1,153,125	\$1,203,125	-50,000	Withdrawal from the balance of the 2016 Recreation Bond transferred to the General Capital Reserve Fund
Motor Equipment	\$4,007,725	\$2,977,725	+1,030,000	Addition to fund balance for future motorized equipment purchases
Engineering	\$539,040	\$739,040	-200,000	General Fund Transfer in 2020
Stores/Warehouse	\$1,287,150	\$1,287,150		Balanced
Admin Services Dept	\$6,892,940			Balanced
Utility Addition Operations		\$626,825		
Personnel & Payroll		\$470,675		
Info Technology		\$993,575		
Finance/Customer Service		\$775,400		
Clerical Pool		\$1,532,725		
General Admin & Supplies		\$1,115,325		
Admin Cap Projects		\$1,378,415		
Admin Services Dept		\$6,892,940	-	Balanced
General Capital Reserve	\$1,306,640	\$2,686,640	-1,380,000	End of 2018 transfer scheduled \$1 million
Storm Sewer Capital	\$684,140	\$693,173	-9,033	Use of accumulated fund balance to pay for capital projects in 2020
Electric Capital	\$-	\$6,782,860	-6,782,860	Use of accumulated fund balance/2019 Bond to pay for capital projects in 2020
Gas Capital	\$1,365,330	\$2,015,000	-649,670	Use of accumulated fund balance to pay for capital projects in 2020
Water Capital	\$10,383,090	\$5,012,000	5,371,090	Deposit of balance from 2020 Bond to pay for future capital projects
Sewer Capital	\$1,028,730	\$575,000	453,730	Deposit of funds into fund balance to pay for future capital projects
Sanitation Capital	\$890	\$1,312,000	-1,311,110	Use of accumulated fund balance/2020 Bond to pay for capital projects in 2020
Parking Capital	\$3,362,750	\$3,442,750	-80,000	Use of accumulated fund balance to pay for capital projects in 2020
Self-Insurance Trust	\$700,955	\$1,585,595	-884,640	Use of fund balance for claims due to poor health insurance performance in 2019
Workers Comp Trust	\$471,935	\$428,935	43,000	Deposit of funds into fund balance for future claims
Special Revenue Trust	\$352,125	\$352,125	-	Balanced
Security Deposits Trust	\$25,820	\$25,820	-	Balanced
Recreation Tax Fund Holding	\$595,100	\$595,100	-	Balanced
Fire/Ambulance Tax Holding	\$621,080	\$621,080	-	Balanced
Liquid Fuels Holding	\$625,685	\$625,685	-	Balanced
Sister City	\$1,500	\$1,500	-	Balanced
Project H.E.A.T.	\$25,120	\$25,120	-	Balanced
	\$107,670,642			
		\$112,120,135		
		-4,449,493	-	
		\$9,750,000	-	Water Department and Sanitation 2020 Bond Issue
		\$5,300,507	-	Revenue Over Expenditure

All governmental funds are balanced and capital funds are making a significant drawdown on reserves

*Use of Taxes to Fund 2020*

**In 2020, it is the Borough Manager’s recommendation that the Borough not change the Police Tax rate, currently at 24 mil.**

Police Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mil	17	20	20	20	20	20	20	20	21	21	23	23	24	24	24

In doing so, this means that since 2006, the Police Tax will have increased 7 mil in 14 years. An understandable rate of growth for such an important tax and such an important service.

**In 2020, it is the Borough Manager’s recommendation that the Borough not change the Fire Tax rate, currently at 3 mil; and eliminate the Ambulance Tax rate, currently at 0.5 mil.**

Fire Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Fire	0	0	0	0	0	0	0	0	2.5	2.5	2.5	2.5	3.0	3.0	3.0
Ambulance	0	0	0	0	0	0	0	0	0	0	0	0	0.5	0.5	0
Total	0	0	0	0	0	0	0	0	2.5	2.5	2.5	2.5	3.5	3.5	3.0

Recall, the Fire Tax does not come close to covering the cost of the department.

Emergency Services Department Budget Deficit	2019	2020
Estimated cost of operations	\$4,781,705	\$5,176,245
Local Services Tax Yield (set at State Maximum)	-\$835,000	-\$840,000
Fire Code Inspections	-\$65,000	-\$60,000
Ambulance Fees	-\$1,262,000	-\$2,402,100
State Grant for Fire Pension Costs	-\$234,219	-\$382,800
<i>Subtotal</i>	\$2,385,486	\$1,491,345
Tax Rate	3.5 mil	3.0 mil
Estimated yield of Fire/Ambulance Tax (excluding tax liens & donations)	\$713,660	\$618,580
Less required transfer to the Motor Equipment Fund (State Law)	-\$504,860	-\$510,000
<i>Net Fire Tax Revenue for Operations</i>	\$208,800	\$108,580
<i>Emergency Services Department Deficit Before New Ambulance Fee</i>	-\$2,176,686	-\$1,310,765
New \$7 PER UTILITY INVOICE AMBULANCE FEE	N/A	\$847,000
<i>Emergency Services Department Deficit</i>	-\$2,176,686	-\$463,765

Even with the new Ambulance Fee, the Emergency Services Department is anticipated to run a deficit of \$463,765, requiring the use of general revenues to cover additional expenses. We are lucky that our General Fund has enough undesignated miscellaneous revenue to close this gap. However, long term, we need to explore ways to increase funding for Fire and EMS. The system is truly broken.

Recreation Bond Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Mil	0	0	0	0	0	0	0	0	0	0	0	0	3	3	3

2020 will be the third year of the Recreation Bond Tax. It was approved by Council in 2016. It was structured to be delayed to begin until 2018. This tax is earmarked only to pay off the 2016 Recreation Bond, but no operations of the Borough. This was a bond sold for the capital investment in assets (the Aquatic Center, the playgrounds, and other parks projects). In the 2020 Budget, the remaining proceeds of the 2016 Recreation Bond are scheduled to be spent on a small list of park improvement projects.

Every year, due to slight changes in the value of the real estate in the Borough, the mil rate equals different dollar payment amounts, even if the mil rate is unchanged.

In Chambersburg, in 2019, the average single-family home has a Franklin County assessed value of \$17,097.69; obviously, that is the assessed value and not the single-family home market value.

<b>Average Single-Family House Inside The Borough</b>	<b>2019</b>		<b>2020</b>	
<b>Police Tax (to the General Fund)</b>	\$407.05	\$1.12	\$410.34	\$1.13
<b>Fire Tax (to the Motor Equipment Fund)</b>	\$50.88	\$0.14	\$51.29	\$0.14
<b>Recreation Bond Tax (to the Swimming Pool Fund &amp; General Fund)</b>	\$50.88	\$0.14	\$51.29	\$0.14
<b>Total (per year)</b>	\$508.81	\$1.40	\$512.92	\$1.41

When asked, some citizens wildly inflate the dollar value of the real estate taxes that they pay per year. Recently, a citizen said to me that the Recreation Bond Tax equated to \$50 per month. That is not likely unless their house was the most expensive house in Franklin County. The median single family home pays a total (of all types of Borough real estate taxes) of \$512.92 per year.

The average house has increased in value over the last year, so their tax bill changed as well.



**Single Family House**

\$512.92 per year\*



**Schools**

No tax



**Non-profits**

No tax



**Government**

No tax



**Commercial/Industrial**

More

No government buildings, schools, charities or township property owners pay any Police, Fire, or Recreation Bond Tax on their property – average commercial or industrial 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. Please understand the importance of the SALT (State and Local Tax) deduction, and when your Congressman talks of its elimination from Federal tax policy, understand the impact.

The other state mandated taxes are set by law and are not changed year-to-year. They include the Local Services Tax, which is a \$1 per week tax on workers inside the Borough; the Earned Income and Wage Tax, which is a ½ of 1% tax on wages (not investments or retirement benefits) earned by those who live inside the Borough; and the Deed Transfer Tax, which is a ½ of 1% tax when property inside the Borough is sold or transferred. Together, along with fees and fines, these categories make up the only revenues.

Also, the Electric Department and the Gas Department make a Payment in Lieu of Gross Receipts Taxes (PILOTs) to the General Fund. If these two departments were private corporations, they would pay taxes to the Commonwealth; as such they are tax exempt. So instead, they pay their taxes to support your General Fund (police, fire, ambulance, highway, and recreation) activities.

The Borough's finances are sound and I respectfully request you adopt my proposed spending plan.

I would like to take this opportunity to thank all involved in preparing this proposed budget, especially Jason Cohen, Finance Director, Carol Ehrenreich, Personnel and Payroll, Deputy Borough Manager Phil Wolgemuth, Jamia Wright, Borough Secretary, Kristine Baker, Assistant Borough Secretary, and our amazing management staff. I would also like to thank those members of Town Council who provided ideas and guidance through this process.

I would also like to thank Council Members Herb Dolaway and Samantha Bietsch who will be leaving Council at the end of 2019. It was a pleasure working with them and I thank them for their service to our community.

I propose that Town Council authorize advertisement of this Proposed Budget after my presentation on November 12, 2019. I suggest that Town Council receive public comments on the Proposed Budget on November 18, 2019. If necessary, there can be an extra Town Council meeting to hear comments on November 25, 2019.

Otherwise, I would propose that Council adopt it on December 16, 2019. I promise staff's full cooperation as we try, together, to be fiscally prudent with the finances of our community, and as we plan for its future.

Sincerely,



Jeffrey Stonehill  
Borough Manager/Director of Utilities