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2021 Budget Message

As Proposed for 2021 by Jeffrey Stonehill, Borough Manager



The Borough of Chambersburg

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To: Town Council

Submitted herewith for your consideration is the Borough Manager’s recommended 2021 budget. As is required by local law, I have prepared this document in a form that can be adopted by Town Council. The proposed 2021 operating budget is balanced; revenues and cash balances cover all necessary expenses.

This is my eleventh budget as your Borough Manager, and although 2020 has been the most challenging fiscal year in recent history, it remains 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.

Chambersburg has the largest operating budget of any Borough in the Commonwealth of Pennsylvania. In 2018, the latest year with records, Chambersburg had the 13th largest budget of any municipality.

Largest Municipalities in Pennsylvania (2018)			County	Total Revenue	Total Expenditures	Population
1	Philadelphia	City - 1st Class	Philadelphia	\$9,779,609,000	\$9,432,522,000	1,526,006
2	Pittsburgh City	City - 2nd Class	Allegheny	\$787,037,516	\$785,023,918	305,704
3	Lancaster City	City - 3rd Class	Lancaster	\$420,940,556	\$326,969,893	59,322
4	Allentown City	City - 2a Class	Lehigh	\$207,983,662	\$203,372,775	118,032
5	Reading City	City - 3rd Class	Berks	\$195,079,185	\$164,195,794	88,082
6	Limerick Twp	Second Class Township	Montgomery	\$150,113,946	\$123,182,618	18,074
7	Bethlehem City	City - 3rd Class	Northampton	\$145,838,228	\$139,472,372	74,982
8	Erie City	City - 3rd Class	Erie	\$136,402,938	\$144,192,983	101,786
9	Harrisburg City	City - 3rd Class	Dauphin	\$116,723,692	\$114,375,991	49,528
10	Lower Merion Twp	First Class Township	Montgomery	\$95,111,598	\$100,687,391	57,825
11	Upper Darby Twp	First Class Township	Delaware	\$90,548,728	\$95,797,894	82,795
12	Haverford Twp	First Class Township	Delaware	\$88,676,703	\$81,743,270	48,491
13	Chambersburg	Borough	Franklin	\$87,563,243	\$90,542,005	20,268
70	Carlisle	Borough	Cumberland	\$26,888,809	\$24,351,366	18,682
269	Waynesboro	Borough	Franklin	\$8,934,964	\$9,410,544	10,568
294	Shippensburg	Borough	Cumberland	\$8,198,554	\$6,455,263	5,492
299	Gettysburg	Borough	Adams	\$8,035,582	\$8,392,967	7,620

Source: Pennsylvania Department of Community and Economic Development

Chambersburg Borough has the most complex budget in Pennsylvania. We are unlike every other town, including big cities. Segregated from the other operations of the borough, our utility financial transactions are in over a dozen separate funds (accounts). Our unique size is due to our expansive utility operations (unmatched in Pennsylvania) and because of our complex utility support operations (internal service funds). To account properly for expenses, 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. Money spent between the separate funds, many transactions are to cover expenses, back and forth between accounts, and thousands of internal transactions. This makes Chambersburg a unique government organization, especially in the Commonwealth.

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 public gas utility. The other is Philadelphia, which does not operate an electric utility. Chambersburg is one of around 2,000 communities to have its own electric system and one of 1,000 communities to run a natural gas system, but one of only about 60 in the U.S. to operate both systems, out of 89,000 local governments. In addition, 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. Further, Chambersburg operates a trash utility, a parking utility, and a storm sewer utility. The Municipal Separate Storm Sewer System (MS4) Storm Sewer Utility was one of the first such storm sewer utilities to form under the 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 two competing realities recognized by Town Council. First, the COVID-19 health crisis has thrown asunder the regular plans, processes, and financial assuredness of our community. While we wait for things to settle back down, Town Council must continue to invest in infrastructure and emergency services. In order to make this continued financial commitment, this budget recommends a significant reduction in cash reserves. First, cash reserves exist just for such a necessity; second, this budget recommends reasonable use of cash reserves; and, finally, cash reserves can easily be replenished if 2021 or 2022 function as years that are more typical.

This budget includes no tax increase. In addition, we have been mindful to propose only minor and absolutely necessary fee changes. 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 third straight year. It maintains the Fire Tax, unchanged for a third straight year. It maintains the Recreation Bond Tax, unchanged for its fourth year. Finally, it continues the policy proposed in the last budget, to shift emergency medical funding from the now-repealed Ambulance Tax to the newly established Ambulance Fee, begun in 2020.

With approval of this budget, Town Council can proudly explain to our constituents that in 12 of the last 15 budget years, the Borough of Chambersburg has not raised local Borough taxes. I believe this is quite an accomplishment.

Given the economic uncertainty, as a result of the pandemic, this was a necessary policy recommendation.

Chambersburg real estate taxes remain earmarked only for police and fire operations. Real estate taxes are not the source of funding for any other department or employee. In fact, the Recreation Bond Tax is specifically for paying off the 2016 Recreation Bond, which is akin to a mortgage on a variety of recreation construction projects. One can reliably say, **“No real estate tax will pay for any operations of the Borough of Chambersburg other than police and fire.”** It is important to acknowledge that real estate taxes are not used in support of most departments, operations, or employees; 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. This has always been our financial plan for the Borough use of taxes.

Further, Chambersburg receives no sales taxes, no liquor taxes, no business taxes, nor hotel taxes. These types of taxes 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 Commonwealth 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.

Ancillary miscellaneous tax revenue available to the Borough of Chambersburg amounts to: a wage tax set to a State mandated maximum rate; a local services tax (worker tax), which is set to a State mandated maximum rate; and a deed transfer tax (for real estate transactions), which is also set to a State mandated maximum rate. These so-called Act 511 taxes are important, but cannot be adjusted year-to-year based on need or economic realities. Therefore, they are minor, appreciated, and set by the State.

In 2020, due to the impact of the health crisis, the Town Council extended the deadline for the payment of real estate taxes to December 1, without discount or penalty. This delay, necessary to help property owners adjust their budgets to address the complexity of the fiscal impact of the pandemic, resulted in an unusually slow payment of real estate taxes to the Borough. It is the hope that by the end of the fiscal year the Borough shall receive the typical annual yield.

If the extra time or the economy results in larger or more significant defaults on tax obligations, this budget may become less accurate. So, one warning is that were this to manifest itself, Council would be required **to address a more significant default in the payment in real estate taxes than historical trends would estimate, and additional mid-year budget decisions would then be required in 2021.**

There is uncertainty in the local economy and therefore uncertainty in municipal budgeting.

Finally, as of this date, the Borough has received virtually no Federal or State assistance to ride out the financial tempest created by the pandemic. Whether it be slower tax payments, slower utility invoice remittances, or additional health and safety expenses, the Borough (and therefore by extension our taxpayers and ratepayers) have been mostly on our own. States, large municipalities, and private businesses did receive aid such as the “Paycheck Protection Program” and CARES Act grant funding. To date, no equivalent has materialized for the Borough of Chambersburg.

Should we receive any significant grant funding in 2020 or 2021 that would only serve to improve our outlook. This budget anticipates no assistance.

Borough Manager's Statement:

When the previous budget was created at the end of 2019, for the 2020 fiscal year, there was, at that time, no way we could imagine what was about to unfold in our community and our nation. Scholars have described the events of 2020 as an once-in-a-lifetime confluence of political upheaval, natural disaster, pandemic health crisis, collapse of the world economy, civil unrest, and examples small and large of human endurance and personal bravery.

Not to overstate a cliché, but Chambersburg demonstrated how unique, special, and resilient our community could be in the face of these challenges.

The worldwide health crisis that has affected our nation created such uncertainty in the social structures of our community that we would be forgiven if we had chosen panic and alarm. However, we did not. In fact, I could not be prouder of our municipal organization, our leaders, our employees, and the rapid, thoughtful, and deliberate actions to maintain a sense of normalcy and prepare us for recovery.

We have lost citizens this year to the COVID-19 virus and businesses, schools, and community organizations have all closed, either shut down, curtailed, or become very fragile because of the crisis. Forever, these will be the lasting impacts of what occurred in 2020. Chambersburg, as a community, did things to weather the storm, protect public health, and protect our business community.

Rightfully, in hindsight, there is much to learn and room for constructive criticism. However, in comparison to other communities, those without resilience, or a more fragile social network, Chambersburg has endured.

We are such a unique community. We had resources that were called into action. We have volunteers who were proud to serve. We have non-profit organizations to provide support and food assistance. We have a town square to provide a gathering spot for public discourse. We have a local law enforcement agency to keep the peace and to set an outstanding example of community engagement. We have local leaders who hold opposing political philosophies, but who share a love of our community and a partnership in crisis. When the messages from Washington and Harrisburg were somewhat vague and unclear, the messaging from Chambersburg was crystal. We know our role in the crisis. We understand our responsibilities to take action. We fulfilled our obligation to protect health and safety. The net result was not unanimous that Chambersburg acted perfectly, but rather Chambersburg acted. When others were unable, we were mindful and deliberate.

The manifestation is in the small personal acts of our employees. I will remember 2020 for the economic development specialist working to keep a small business open, the restaurant inspector handing out food, the outreach coordinator encouraging interaction with our communities of immigrants, our emergency medical technicians walking into homes and nursing facilities ravaged by COVID-19, and our police officers handing out water bottles during public demonstrations.

We instituted programs to support the health of our workforce, the safety of our community, the financial support for small businesses, all while protecting the First Amendment right of free speech of our citizens.

In no other year has Chambersburg Memorial Square more epitomized the constitutional right of public assembly and free speech. We are proud to have hosted days of peaceful constitutional protest. Some citizens chose not to follow health and safety guidelines. Unfortunately, freedom sometimes results in

freedom to make unwise choices. Yet, most citizens were cognizant of the health crisis while exercising their right of free speech. Controlling the rate of infection, while preserving everyone's constitutional rights, was no easy balance. The Chambersburg Police Department and our special events staff were outstanding in 2020 navigating this balancing act.



Large assembly on the Square, while one quarter of Memorial Square barricaded for the development of the new Franklin County Courthouse - 2020
20 Straight Days of Protest

No violence, No Arrest, No damage
Community Policing and Building Relationships



The community should be proud. Proud of our ability to balance opposing viewpoints about public health, social justice, free speech, the role of law enforcement in civil society, and the need to protect the health and safety of our citizens.

As a member of the team, I am proud of what we accomplished in 2020.

Jeffrey M. Stonehill, Credentialed City Manager



Local children thanking volunteers for free food distribution

COVID-19 After-Action Report:

Chambersburg is unique in that it is the only municipality in the Commonwealth of Pennsylvania to operate most public utilities including electricity, water, sanitary sewer, storm sewer, natural gas, and sanitation. No other Borough is as heavily involved in the delivery of utilities as the Borough of Chambersburg. As the crisis unfolded, it was imperative that the Borough make plans to address the needs and challenges of the community, small businesses, food insecurity, emergency medical care, and the maintenance of utility service. Finally, we had to address the challenges of our residents, ratepayers, and customers.

On March 6, 2020, pursuant to Section 7301(c) of the Emergency Management Services Code, 35 Pa. C.S. § 7101, et seq., Governor Tom Wolf issued a Proclamation of Disaster Emergency, proclaiming the existence of a disaster emergency across the Commonwealth of Pennsylvania as a result of the spread of coronavirus or COVID-19.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic.

As of Friday, March 13, 2020, the Chambersburg Area School District, and all borough private schools, closed their doors to visitors, guests, students, and staff. For the first time in memory, school buildings were closed entirely and the school year came to an abrupt end. It threw the community into confusion as childcare, food issues, and needs arose instantly. Other institutions closed including the library, the YMCA, and many private offices and stores. For the next four weeks, much of Chambersburg was shuttered.

According to a proclamation issued by Mayor Walter Bietsch on March 18, 2020, “the COVID-19 virus has the potential to endanger the health, safety, and welfare of a substantial number of persons residing in the Borough of Chambersburg, and threatens to create problems greater in scope than the Borough of Chambersburg may be able to resolve through traditional measures.”

Many organizational and operational decisions were made as a result of the State of Emergency. The Borough began meeting daily, formulating plans, and communicating via press release to the public. For example, the Borough continued to send out late notices, late fees, and disconnection notices on utility accounts. These automated systems follow local and state laws associated with the timely requirement of payment and the legal requirement of notification. We did not end the issuance of notices. However, we did suspend all utility terminations, effective immediately, and shut the indoor teller windows.

Chambersburg is the largest public power system in the Commonwealth of Pennsylvania and we operate two “generation stations” which provide electricity to the regional grid. In addition, Chambersburg is the only municipality in Pennsylvania to operate both an electric system and a natural gas utility. Utility operations must continue 24/7 even during a crisis or emergency. Workers at our buildings continued to report and work; there was no choice. Our police and fire crews instituted tough new work rules immediately.

Finally, we began systematic disinfection of Borough equipment and vehicles. A handful of employees began to split their time with in person and remote work via telecommuting. That was the exception. Most job functions require in-person attendance at Borough worksites. However, we did adopt a slew of new personnel policies to acknowledge new Federal work rules adopted in response to the pandemic. We had to adjust our payroll system to acknowledge federally mandated COVID leave time and remote work.



Chambersburg engaged ServPro of Chambersburg to Disinfect Work Areas after Potential Exposure

Organized by the Borough of Chambersburg, as of Tuesday, March 24, ten Chambersburg Area Churches stepped forward to offer food supplies to any families that might become homebound because of the COVID-19 pandemic. With many businesses closed, the ability to feed families was in jeopardy.

The Borough has had a Pandemic Response plan in place for about 10 years now. One very important aspect of the plan was to prepare for citizens who become too sick to feed themselves or care for their families. We coordinated with local churches to provide the food they might need. Then, in cooperation with the school district food service, we hosted free distribution of food to school age children daily in Borough parks and elementary school parking lots.



In addition, the Borough released a mailing to all 11,000 utility customers explaining their options for contacting the Borough during the health emergency. Chambersburg prohibited access to all municipal buildings and facilities effective Monday, March 23, 2020. This included offices and park facilities. The town was quiet for much of March and April. Most businesses closed and all schools, churches, and civic events cancelled. The atmosphere was very similar to before a hurricane arrives.

For convenience and safety, the Borough encouraged the use of alternative methods of payment and communication to avoid physical in-person contact whenever possible. We suffered delays as customers attempted to use the single Drive-Thru Teller Window at City Hall rather than our lobby. Chambersburg Town Council cancelled various public meetings, but still met in person, with only a quorum of elected officials on hand.



Face coverings became the standard outfit for all citizens including the Borough Manager

In an attempt to encourage social distancing, the Borough suspended house-to-house meter reading on a temporary basis. As a result, utility bills sent in April 2020 were “estimated” based on an account’s historic usage. A reconciliation of “estimated” to “actual” happen after two months of the crisis; or, when a customer closed out their utility account. This action lessened the need for Borough employees to read meters. On Monday, April 27, Town Council approved a change to the system, and beginning in May

2020, most utility invoices returned to being calculated by actual utility consumption rather than an estimation. For the first time ever, for two months, all utility bills were estimated.

Over the first few months of the crisis, Borough employees had developed a protocol for safely reading most of the water, electric, and natural gas meters throughout the Borough.

Meter readers currently retrieve consumption information, throughout the Borough system, using hand held computer devices that require the meter reader to be near the meter device. In some systems, meter data is transmitted through radio waves or the internet to billing clerks. Chambersburg does not yet have such a system installed, but hopes to have one over the next few years.

We have a large number of older buildings throughout our community and we have meters in basements, crawl spaces, in vaults, and in some unusual spots. Sometimes moving the meter is expensive or impractical for the customer. Unfortunately, we cannot ask our personnel to go crawling through a customer's private interior spaces to read a utility meter during the health crisis.

Utility meters that are inaccessible, hard to reach, or require physical interaction with customers will continue to be estimated going forward. It is assumed that will be about 20% of all utility meters although no definitive list of customers with inaccessible meters currently exists. We then compiled a list on a case-by-case basis over the next month and customers who continue to get estimated utility invoices were notified with a letter explaining the reason.

Customers with estimated utility consumption in April 2020, but actual consumption measured in May 2020, was reconciled so their accounts will be accurate once again. The reconciliation process followed standard reconciliation rules previously established by the Borough. Town Council approved the reconciliation with the directive to estimate utility invoices when approved on March 30, 2020.



A testing tent for possible coronavirus patients had been set up outside of WellSpan Chambersburg Hospital to help prevent spread of the infection

During the last two weeks of March 2020, the Borough worked with Wellspan Health and Keystone Health to set up COVID-19 testing facilities in tents in various medical facility parking lots.

The Borough sent out a variety of health related data it collected through the Chambersburg Board of Health, to make the public aware of the growing threat from COVID-19.

On March 9, Dr. Raghavendra Tirupathi, Keystone Health, appeared before Town Council and presented a series of slides about the background of COVID-19 and suggested steps to address the health crisis.



On April 1, 2020, the Borough of Chambersburg stopped the practice of disconnecting utility services as a result of unpaid balances. In a typical year, there is a winter moratorium on residential disconnection from December 1 to April 1 for electric and natural gas service. Typically, there is no moratorium on the possible disconnection of water service or for commercial customers. However, on April 1, 2020, in response to the COVID-19 health crisis, the Borough directed that all terminations stop immediately regardless of unpaid balances. As a result, unpaid invoices increased far beyond typical levels.

On May 23, 2020, a peaceful rally was held in Chambersburg Memorial Square. Numerous residents and legislators rallied in on a Saturday morning to push for the reopening of Franklin County amid the coronavirus pandemic. News Talk 103.7 FM organized the rally that included Reps. Rob Kauffman and Paul Schemel, Franklin County Commissioner John Flannery and Sen. Doug Mastriano.



Photo by Denise Bonura/The Shippensburg News-Chronical

The questions arose as to whether Chambersburg Borough could enforce properly the rules established by the Pennsylvania Department of Health for face coverings and social distancing during the pandemic. In short, the most the Chambersburg Police Department could do under the law, was educate citizens and event organizers. If the Commonwealth had desired to pass stricter public health laws, laws with consequences and enforcement actions, they could. However, as typified by the peaceful rally in Downtown Chambersburg, the General Assembly had no desire to lend legislation to the strong recommendations of Governor Tom Wolf and Secretary of Health Rachel Levine.

In the end, the experience taught a valuable lesson about freedoms during a dangerous public health crisis and the limitations of the law and law enforcement. We are cognizant that these realities are not acceptable to everyone. However, through meetings, debates, and discussions, with citizens and lawyers, we gained a much firmer understanding of the difference between what is right and what is legal.

This was an important lesson of 2020 and would inform our official actions as the year unfolded.

On May 27, 2020, George Perry Floyd Jr., an African American man, was killed in Minneapolis during an arrest after a store clerk alleged he had passed a counterfeit \$20 bill. A white police officer named Derek Chauvin knelt on Floyd's neck for a period initially reported to be 8 minutes and 46 seconds. This seminal incident lent additional emphasis and purpose to the local social justice movement in Chambersburg.



Carley Bonk / Chambersburg Public Opinion

A protest demanding justice for George Floyd remained peaceful Monday afternoon, June 1, 2020, in downtown Chambersburg. Nikki Wilkerson, of Chambersburg, brought four young children with her to the protest. "They have to grow up in this world," she said. "If we're going to make change, we have to start by educating our children on how to see people past their skin color and treat people equally. We can't keep teaching our children to say, 'I see no color,' when we do see color. Kids just look deeper and they see what's in each other's hearts." The four kids surrounding her - Tyvin, Keller, Ruby and Serenity - are best friends, Wilkerson said.



Chambersburg Police Chief Ron Camacho oversaw protests in the square. "First of all, we at the Chambersburg Police Department don't condone what happened in Minneapolis," he said. "Training has been around for many, many years, in reference to how to safely arrest somebody. Putting a knee on the neck, that has been a no-go for many, many years."

Days of peaceful protest ensued with the goal of allowing our community to maintain its dignity and its voice in these times. The Chambersburg Police acted with utmost professionalism. While the number of patients from COVID-19 grew throughout the spring and early summer, the Borough concentrated its efforts on public health and safety, both in the town square and in all operations of the Borough.

This year, we learned the importance of community outreach and communications.

Former Lieutenant Morrissette with BLM Protestors in the Square



Temporary restaurant pick up parking spaces were installed in Downtown Chambersburg once to-go food was again permitted from the closed restaurants throughout the Borough. Then picnic tables were added to the Chambers Fort Park, to allow citizens to eat their to-go food along the Falling Spring.

Chambersburg Council wanted to find a way to provide additional time for utility customers who were struggling with the economic downturn caused by the current health crisis. It was their goal to balance customers' challenges, with household and business finances, without causing a fiscal strain to the overall Borough. In my opinion, Council did a yeoman's job of balancing the needs of the community with the fiscal reality of the current crisis. All disconnections resumed as normal on September 1, 2020.

This policy had a lasting and significant impact on the Borough's finances.

On Monday, March 23, Chambersburg installed digital information signs at the entrances to the town. The Borough added the signs so that we would have another means to disseminate public information. At

that time, we were unsure whether Governor Wolf would order stricter restrictions and we wanted to keep in touch with citizens and businesses and provide them with good information. The digital signs are another way to communicate. After Council discussed the matter, at the end of June, the signs were removed.

In addition, Deputy Borough Manager Phil Wolgemuth coordinated with food service retailers on enforcement of the restriction on eat-in dining establishments. Most licensees were very cooperative, adjusting their business practices, and complying with the directions issued by the Governor. We knew that these are challenging times for our community's small businesses, and we wanted to thank Downtown Chambersburg, Inc. for getting information out there as to how to support our local businesses in the downtown.

Chambersburg is proud to protect the health and safety of our residents and businesses.

As officials across the county took steps to help taxpayers during the COVID-19 pandemic, so did Chambersburg. In April 2020, Franklin County Commissioners voted 2 to 1 to extend the tax filing deadlines on both the discount and the face payments on county real estate and library tax bills. The board extended the 2% discount deadline from the end of April to the end of August and the face value due date to October 31. If paid in November or December, taxpayers will be assessed a 10% penalty.

In Franklin County, local Borough and Township real estate taxes appear on the same tax invoice as County real estate taxes and library real estate taxes. This combined bill goes out at the beginning of each year.

It would be difficult for a local Borough to have different deadlines than the County. The tax bill is the same so staff recommended that Town Council match the County Board's dates and deadlines so that we could be consistent.

The goal was to assist our real estate taxpayers as much as possible during this crisis. On Monday, April 27, Town Council approved a change to the deadlines for the 2020 Borough real estate taxes.

For all real property tax payments for taxable year 2020 in the Borough of Chambersburg, the two percent (2%) discount period is extended through August 31, 2020. This provision shall apply only prospectively. No discount will be retroactively provided for real estate payments made prior to the extension of the discount period.

The time by which real property tax payments must be paid without incurring a penalty has been extended to October 31, 2020. This time extension is only applicable for real property taxes assessed in 2020; no other tax years. In addition, to stay current, all 2020 taxes must be paid in full by December 31, 2020.

At the June 22 Regular Town Council meeting in Chambersburg Borough, a number of decisions were made to address the ongoing health crisis as a result of COVID-19. Previously, Council had twice before extended a State of Emergency, which was declared due to the crisis by Mayor Walter Bietsch on March 13, 2020.

Originally, the Borough made a number of significant steps to ensure the health and safety of the public and Borough workers. Over time, as the Borough has moved to the Green Phase of Governor Wolf's Plan

for the Reopening of Pennsylvania, many of these steps have been rolled back or modified. In each case, Chambersburg continued to follow the guidelines from the Pennsylvania Department of Health or the US Centers for Disease Control, whenever practical.

Town Council decided to end the State of Emergency in Chambersburg at 11:59 p.m. on Tuesday, June 30, 2020. It was pointed out that the Governor's statewide State of Emergency remains in effect for now and supersedes local declarations. Further, the Mayor and Town Council can re-declare a State of Emergency at any future time, should the conditions deteriorate or if it becomes necessary. Finally, it was pointed out that 99% of the policies and procedures adopted by the Borough of Chambersburg can continue, unabated, regardless of whether a declared State of Emergency is in effect.

Every day for the first six months of the crisis, staff worked on issues caused by the COVID-19 pandemic and their impacts on the Borough of Chambersburg operations and our community. No issue had consumed more time and discussion than the Chambersburg Aquatic Center.

On June 22, Town Council decided to open the Aquatic Center to the public beginning June 25. Chambersburg Borough has operated a state-of-the-art aquatic center at Memorial Park for the last two swim seasons. The facility, complete with multiple bodies of water, three slides, picnic pavilions, an events space, beach volleyball and skate park, has seen more than 1,000 visitors per day at the height of each swim season in 2018 and 2019.

Council adopted a new set of rules and policies in response to guidelines issued by the State Department of Health. To open, the Borough must limit occupancy, establish systematic disinfection protocols, limit or prohibit rentals, and address other operating issues. The approved set of policies and rules for the facility is available on the Recreation Department website at http://www.chambersburgpa.gov/rec_dep/index.php and was available at the Aquatic Center.

As the COVID-19 health crisis impacted each local government organization across Pennsylvania, it became clear that one of the most unique municipal facilities in Central Pennsylvania was going to be impacted as well. Chambersburg is in Franklin County, just north of Maryland, and the Aquatic Center draws crowds from Harrisburg to Martinsburg to Gettysburg. Pools are licensed facilities and must follow Department of Health guidelines. Once Chambersburg entered the Green Phase, as determined by Governor Wolf and the Pennsylvania Department of Health, the Borough was permitted to reopen the facility. That being said, citizens noticed some significant operational changes. We asked visitors to consider face coverings and social distancing while not in the water. Further, the facility occupancy was limited to only 500 guests, which is less than half of what the Aquatic Center can normally handle. There were limits to occupancy in the different pools as well. The season was shorter than typical, and more sparsely attended, but there was an Aquatic Center season.

Finally, Town Council decided to postpone the Day-In-The-Park celebration originally scheduled for July 4, 2020. This year was the first year that the Borough of Chambersburg Recreation Department was preparing to sponsor and host the Day-In-The-Park celebration for Independence Day. The daylong celebration and fireworks were first postponed, and then later cancelled.

As the Borough moved to the Green Phase of Governor Wolf's Plan for the Reopening of Pennsylvania, we gradually reopened and expanded recreation programs and allowed more participants in events.

Lessons learned so far...

One lesson is the need for decision making to be centralized and affirmative. Throughout the crisis, Council allowed the Borough Manager the authority to make many tough administrative and operational decisions. Without their support and my aggressiveness, easily the crisis could have resulted in chaos for Borough operations. I am grateful to the Council President and Mayor who provided me with an almost-daily sounding board on policies associated with PPE, testing, COVID leave time, facility operations, and community outreach.

Finally, Town Council had previously invested in the hiring of a full time Health and Safety employee to insure that our employees throughout the organization were meeting these important goals. As the health crisis hit, having a dedicated staff member who was knowledgeable and available to provide information, inspection, and training, was invaluable. Paul Flohr, who holds that position, quickly became an expert on CDC and PA Department of Health guidelines, supervised off-hour disinfection of buildings and vehicles, and managed individual employee cases when they or their family members were suspected of being exposed to or contracting COVID. We have had now seven employees test positive this year. Out of almost 300 employees, that was quite a feat. All infected employees suspect infection occurred off the job. We have been diligent and committed to safe workplaces and safety rules throughout the crisis. Paul has provided these services and it has made a considerable difference to have such a key person on staff.



When City Hall reopened to guests, a thermometer kiosk was added to insure no one entered the facility with a fever; this was in addition to required face coverings when interacting with the public

COVID-19 Fiscal Impact:

In a normal year, the Borough Manager and Finance Director do not deliver to Council a look at mid-year finances until after June 30. This is because Borough finances are very fluid and it is a challenge to derive much value at a financial analysis for one quarter or even a handful of months. However, 2020 was not a normal year. There was a significant concern that the COVID-19 health crisis has plunged the world, national, and local economy into a tailspin. As a result, Council met three times to discuss the ongoing fiscal status of the Borough: April, May, and July 2020. Council and the public stayed informed.

There were two main indicators that Council watched when reviewing the Borough fiscal health:

- What is the condition of revenues in the General Fund, the main governmental fund of the Borough; and
- What is the condition of receivables from utilities, the payment of outstanding utility invoices from Borough ratepayers

These two factors represent the two indicators necessary to track the health of the Borough's finances.

In summary, the general fund revenues were tracking below previous years throughout 2020, although by the end of the third quarter, less so than feared. Things were clearly weak in 2020. There was, at one point, serious concern that Earned Income Tax, Local Services Tax, and Deed Transfer Tax revenue would disappear because of the shutdown of most businesses and commerce in the spring. However, there were some very significant revenues in the first quarter of 2020, which helped the Borough get through 2020 in better shape. The first quarter was, in fact, a record quarter for revenue in the Borough. The second quarter was devastatingly bad.

Further, Council was quick to cut back significantly on General Fund spending by postponing projects and leaving two jobs unfilled. Council postponed a series of planned expenditures, helping cash flow greatly. By the time of this report, indications are that 2020 will be a bad fiscal year, but not the disaster that may have occurred.

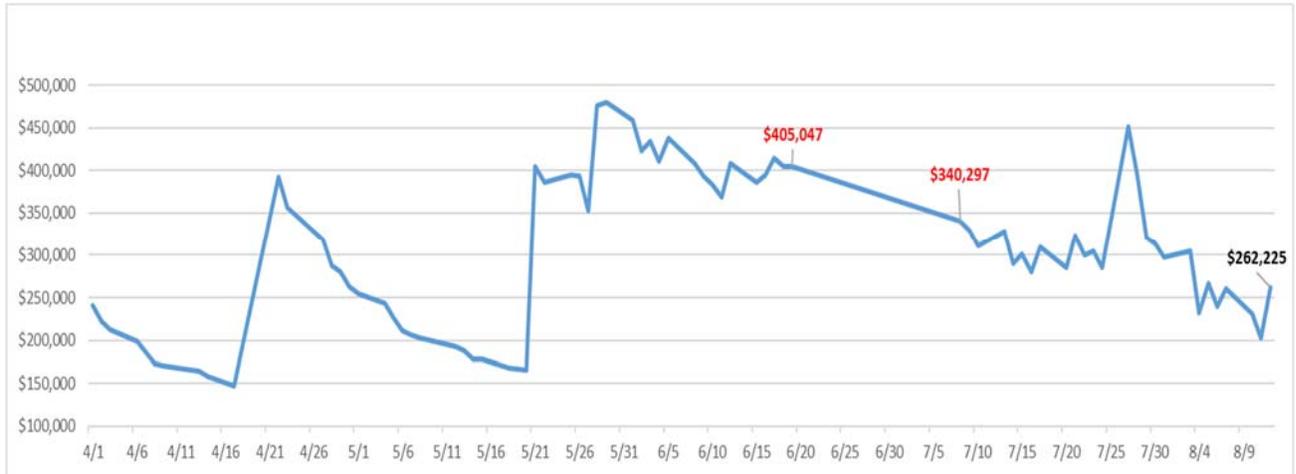
That being said, utility invoice receivables were in crisis throughout 2020. Council approved an extension on the prohibition on utility disconnection until July 13 for customers who were delinquent on April 1, but not until September 1, 2020 for all customers. Our outstanding receivables had grown significantly to highest levels and staff remains concerned this will be manageable for tenants, and the property owners that provide the security on many utility accounts.

As of September 1, the General Fund revenue categories are tracking to result in less revenue than 2019 by \$885,253 in a year with an anticipated small increase in revenue. Fortunately, the new Ambulance Fee (approved with the 2020 Budget) is on track to generate \$734,500 in new money to help the Fire Department in the current calendar year. So, while we will clearly have a down year overall, if real estate taxes are late (rather than not arriving at all) and if the economy continues a slight rebound (as opposed to further worsening) and with the additional help of the Ambulance Fee (Y-T-D \$258,179), we may be able to get through 2020. Of course, in any given year, the cost of operations increases to the following year. Therefore, even with very low inflation (CPI), there may still need to be tough decisions about 2021.

The Borough will clearly miss revenue expectations as were anticipated by the 2020 Budget.

Finally, it is unclear whether landowners will have the ability to pay off larger than normal debts accumulated by their tenants. In a typical year, a sizeable portion of disconnection leads directly to landlord payoffs. Approved delay of paying off those debts has allowed them to continue to grow and may endanger the solvency of the landlords. Any failure of landlords to pay off debts in larger numbers would be catastrophic for borough finances.

The impact on planning for 2021, not knowing how 2020 will end up, is significant. It is unlikely that the Borough will have a complete view of the impact of the pandemic on Borough finances until sometime in spring or summer 2021. However, a 2021 Budget must proceed.



Accrued Utility Delinquency April through August 2020

In response to the uncertainty, I have proposed a series of moves reflected in this budget:

- Withdraw accumulated cash balances from various operating accounts of the Borough to pay for necessary capital expenditures in 2021;
- Bolster the emergency medical services (ambulance) operations with additional revenue to balance the extraordinary needs associated with the pandemic;
- Make necessary advancements in technology for policing and community security despite the fiscal uncertainty;
- No cost of living increases for employees represented by the Chambersburg Police Officers' Association, the American Federation of State, County and Municipal Employees, and non-bargaining technical, clerical, and supervisory employees;
- Cancel the annual transfer of excess revenue from operating accounts to capital accounts, necessary to keep capital accounts well-funded for the future;
- No tax increase for property taxes for police and fire services;
- No utility rate increases except for storm sewer (see below);
- Delay the implementation of the new calculation methodology for the assessment of the monthly storm sewer pollution control fee; keep the fee a flat fee based on number of sanitary sewer connections instead, but allow the fee to increase to keep pace with the necessary investment in the system.

In 12 of the last 15 budget years, the Borough of Chambersburg has not raised local Borough taxes.

This budget includes no tax increase.

Borough Real Estate Tax Increases (Historical)		Increases
2007	14 years ago	No
2008	13 years ago	No
2009	12 years ago	No
2010	11 years ago	No
2011	10 years ago	No
2012	9 years ago	No
2013	8 years ago	No
2014	7 years ago	Yes
2015	6 years ago	No
2016	5 years ago	Yes
2017	4 years ago	No
2018	3 years ago	Yes
2019	2 years ago	No
2020	Last year's budget	No (slight decrease)
2021	This year's budget	No

Taxes

This is the twelfth budget in the last 15 years with no real estate or Act 511 tax 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, Town Council repealed the Ambulance Tax. This was in conjunction with the establishment of a new ready-to-serve mandatory Ambulance Fee on all water utility invoices (because water fees are attributed to the property owner or owner's assignee). A Police or Fire fee is specifically prohibited. However, emergency medical services is different. There will be a further explanation of the revised fee going forward. However, the fee, unlike a real estate tax, is broad-based. Utility customers of the Borough will continue to pay this flat fee. Only 73.6% of properties pay real estate taxes. Whereas, 100% of water customers 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.

The Borough has used debt to invest in infrastructure, not to balance the budget, considered good debt. "Good debt is investment debt that creates value," says Eric Gelb, CEO of Gateway Financial Advisors and author of "Getting Started in Asset Allocation." The last example was the sale of the 2016 Recreation Bond, which financed the construction of a variety of recreation improvements for the town. A dedicated real estate tax liquidates the bond, not to run the parks, but to pay for the construction loan.

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 2021, the Town Council is asked to approve year four of this twenty-five year commitment.

Debt to increase asset value is a smart use of debt, is common in business and industry, and is actually a recommended practice. In 2021, Town Council will be faced with a similar decision to the decision they made in 2016 to sell the Recreation Bond. In 2021, the Town Council needs to decide whether or not to proceed with the reconstruction of the Borough Police Station.

The COVID-19 health crisis has delayed the Borough Police Station decision. In the 2020 Budget, Council was asked to fund the final development of plans for the project. This was to result in a decision point, with the adoption of the 2021 Budget whether to proceed now or not with the Police Station Renovation. Due to the pandemic, Council has already decided to slow that project down by one-year. Originally, simultaneous with the adoption of the 2021 Budget, staff anticipated the final green light and funding decision for the Police Station project. Council will make a final decision sometime next year.

Contemplated in the 2021 Budget, SGS Architects/Engineers of Carlisle, Pennsylvania, will proceed with the final bidding 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.

In mid-2021, Town Council will need to decide on funding once they open the bids for the project. 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, with required utilization by 2022. Estimates are that an additional \$7.1 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 2022, there would likely be a new 2022 Police Station Bond Tax. This will require a community discussion throughout 2021 to determine whether such an investment has Town Council and community support. The reason this is logical is that the new Police Station will last thirty to fifty years, or much longer than the debt associated.

In Chambersburg, our citizens pay no dedicated Recreation Tax, no dedicated Highway Tax, and no taxes 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, the Borough of Chambersburg used exclusively 100% of the real estate taxes collected to support the Chambersburg Police Department. In 2014, Town Council added a small share to support the Chambersburg Fire Department. In 2018, the Borough Manager recommended, and Town Council approved, an increase in the Fire Tax for use by the Fire Department and its emergency medical service as well as an increase in the Police Tax. The 2018 increase in the Fire Tax (½ mil) was reversed out in 2020,

in order to shift Ambulance funding from this tax to a broad-based fee on utility invoices. In the 2020 Budget, the Borough Manager recommended repeal of the Ambulance Tax portion of the Fire Tax and Council agreed.

Within the Borough, all the real estate taxes collected are for the Police Department and the support of the Chambersburg Fire Department; none of this revenue is used to support any other department or operation. As of 2021, we will still only use real estate taxes to support police, 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 are paid using real estate taxes.

Of course, there are other types of taxes other than real estate taxes. Currently set at the maximum allowed by State Law, there is no possibility of adjustment. 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. Done with Highway Aid grant money, a grant from the State created by the sale of Liquid Fuels, and maybe if there is excess in prior year revenue, are Highway construction projects. 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 2021, this budget envisions a significant depletion of the Borough's capital reserve accounts. The Borough cannot replenish the capital reserves from excess revenue in 2020. There is no excess revenue. There will be no planned replenishment. However, capital investment must continue. Unlike previous years, the Borough will use previous deposits from the past. In addition, the Borough will not spend more than the Highway Aid received from the State for 2021 street maintenance.

In conclusion, there is no tax rate increase contemplated by this budget. It is important to acknowledge that there will be a proposal to institute a Police Station Bond Tax in the 2022 budget. Note that certain expenses such as streets and alleys are not receiving proportional funding. In addition, capital investment, especially in public safety technology must resume after the 2020 stoppage regardless of their being no new funding or 2020 contribution to cash reserves.

This year has seen the ebb and flow of revenues atypical from a normal fiscal cycle. Our biggest concerns were for tax revenue and utility invoice accounts receivable. Property owners were given additional time to pay their tax bills. This resulted in slower than usual tax payments. Utility customers were granted relief from the threat of disconnection for delinquency. This resulted in a larger than normal debt to the Borough and concerns for cash flow and liquidity unfamiliar to Borough operations.

Finally, due to the COVID-19 health crisis, Town Council entered into temporary labor contract extensions with two of our three labor unions. It is important to thank the Borough employees for their commitment to rise to the fiscal challenge as well. This year has been extraordinary. Faced with challenges unforeseen and insurmountable, staff rose to the occasion repeatedly to meet and exceed my expectations from performance in both their regular job duties and addressing the health crisis. Long-term,

Chambersburg has so much going for it as a community, a bright future, and many potential opportunities. Unfortunately, in the near term, we are in an unknown fiscal condition.

The Borough Manager's proposed budget includes no cost of living increases for employees represented by the American Federation of State, County and Municipal Employees Local #246 (AFSCME), the police union (the Chambersburg Police Officers' Association or CPOA), or non-bargaining employees such as clerical, technical, or supervisory employees. This includes Borough administration such as the Borough Manager. Regular longevity steps will occur as employees earn service time credit.

While I appreciate everyone's dedication to the organization and the community, limited filling of open positions and lower personnel spending from tax sources will be harsh necessities in 2021. Wages and benefits overwhelmingly make up the most significant part of our operating budget. Items such as health insurance and pension are unimaginably expensive. That is nothing new.

It is our hope that by this time next year we will have returned to financial stability. With Town Council's support and commitment to the future, the Borough will return to giving its employees regular and annual cost of living increases.



Source: Markell DeLoatch, Public Opinion

Utility Finances

In 2021, there will be almost no changes to Borough utility rates.

The Chambersburg Electric Department has had significant success driving down the cost of wholesale power. While sales have diminished significantly due to the COVID-19 shutdown of the economy, wholesale costs have come down in proportion. In 2020, the Electric Department decreased electric rates slightly to begin the year. According to our records, the department has, on average, the second lowest residential electric rates in the Commonwealth, slightly lower than our surrounding investor-owned utility. A 1.9% rate reduction, on average, resulted in the lowering of the average residential electric bill from \$100.90 per month to \$98.90 per month in 2020, although results will vary based on several factors including weather and home attributes. The Electric Department envisions no change to the retail electric rates in 2021.

The Water Department, the Sanitary Sewer Department, and the Gas Department envision no change in rates in 2021. 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. There is no planned Water Department rate increase in 2021. In the 2020 Budget, the Water Department received the third of several small annual

increases in consecutive years. While future small increases are likely, the Water Department has suggested not undertaking an increase in 2021. The Chambersburg Water Department still has some of the lowest rates in the region.

Chambersburg Sanitation Residential Rate (2021 unchanged): \$20.81/mo including recycling
Other Trash Systems:
Waste Management (2020):
\$47.48/mo
Including recycling
Parks (2020):
\$27.00/mo
Including recycling
Waste Connections (2020):
\$25.00/mo introductory rate
Plus recycling

There is no planned Sanitation Department rate increase in 2021. In the 2020 Budget, the Sanitation Department received a needed increase because of rising costs for personnel, vehicles, and bulky waste/e-waste recycling. This was the first such increase since 2016. The Borough's Sanitation Department rates remain some of the lowest in our region, and while it is likely that the fund may need to dip into cash reserves for capital improvements, which is an acceptable plan. The average residential trash fee will remain \$20.81 per month in 2021. This is a lower rate than every other trash service in our area.

The Chambersburg Storm Sewer Utility has undergone a three-year process to change their rate structure. In the 2020 Budget, Council approved a conversion to a new rate calculation. Then, as the pandemic hit, Council reversed course, and delayed implementation of the new calculation methodology. Choosing instead to maintain the simple formula that had been in place for many years. As originally contemplated by the 2014 study that necessitated their establishment, in 2020 the utility was to switch from a flat rate, per sanitary sewer connection, to a rate based upon impervious area as calculated for each non-residential lot.

This new methodology would 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 dramatic. Under the current system, only single-family residential customers are paying a "fair" fee. Once the change occurs, every type of property will pay their fair share based upon their *proportional 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?" The new rate will be expressed in single-family resident equivalent units or ERU. This will be the new yardstick for determining what every developed property inside the Borough contributes to the operation of the Municipal Separate Storm Sewer System (MS4) operation and capital investment. This new calculation methodology is commonplace and recommended by United States Department of Environmental Protection.

Council has now twice delayed implementation of the ERU methodology. Originally approved for July 2020, the new target date for implementation is January 2022. In 2022, the Storm Sewer Utility envisions the ERU value being set at \$5 per single-family home equivalent.

To prepare for the conversion in methodology, and to better fund the Storm Sewer Utility in the interim, this budget proposes an interim step to begin in January 2021. **All sanitary sewer customers will see their Storm Water Pollution Control Fee rise from \$4 per month to \$5 per month in January 2021.** Yet, there will be no introduction of the impervious calculation methodology planned for 2021. **This rise in the Storm Water Pollution Control Fee is necessary to maintain proper funding for the operation and capital investment in this large and neglected municipal system.** Further, it is an interim step to the planned change in calculation methodology now planned for January 2022.

In 2020, Town Council introduced an Ambulance Fee on all water customer invoices. That practice will continue in 2021. On December 16, 2019, the Borough of Chambersburg adopted an Ambulance Fee by Local Law. Ambulance service is a service that the Borough maintains as ready-to-serve for the residents and visitors of the Borough. If there is a call for service at any home, business, church, park, or government building in the Borough, the Borough's ambulance service will be dispatched. A fee may be charged in exchange for the Borough Fire Department's ambulance service under State law. We provide basic lifesaving ambulance services for our community. There is a significant cost to having ambulances staffed around the clock and ready-to-serve the Borough.

This Ambulance Fee helps defray the costs of the ambulance service being ready-to-serve. It is not a tax, as under State law taxes can only be assessed on the value of real estate. Approximately 40% of property owners are exempt from paying taxes. This is a fee in exchange for being ready to provide a service. When our residents and visitors call for an ambulance, they expect one to respond. Even with this fee, the Borough spends more on ambulance service than all the revenue it collects from the fee and other fees charged to ambulance patients.

For many years, the Borough has been prohibited from collecting fees invoiced to patients who are covered by Medicaid/Medicare. For example, each year the Borough is forced to "write-off" as uncollectible, due to Medicaid/Medicare rules, over \$1.5 million in normal service fees that patients with third party insurance would have paid. This is in addition to almost \$300,000 per year in unpaid fees for patients with no insurance or unpaid deductibles or copays. All ambulance companies in Franklin County are experiencing the same financial problem with some finding it difficult to stay in business.

The Ambulance Fee is a ready-to-serve surcharge appearing as a flat per invoice fee along with every water service invoice. The Borough is permitted to charge a fee in exchange for a service. 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 water utility customer a flat fee in support of the ambulance service, which is in the General Fund.

Can we not raise utility rates and fees, and pay for all police officers and firefighters in the General Fund? Unfortunately, no. 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

could reasonably ask for a fee. The ambulance service, in the General Fund, can have an additional fee to support it. This fee began in January 2020, modified in February 2020, and updated with this budget.

Unfortunately, the ambulance service is still unable to collect sufficient revenues from use of the ambulances. Exacerbated by COVID-19, EMTs worked overtime, and we spent resources on personal protective equipment (PPE). In six weeks, during the height of the response, the ambulances ran day and night. Much of that service resulted in little or no income for the Borough. **This budget contemplates a minor adjustment to the Ambulance Fee from \$7 in 2020 to \$7.50 in 2021.** Income from the fee will rise from \$784,000 to \$910,000; still far less than the \$1,697,183 uncollectable in 2019.

Residential Utility Rates 2021

Utility	2018 Cost	2019 Cost	2020 Cost	2021 Cost	2021 Change	Last Changed
Electric	\$100.90 per month	\$100.90 per month	\$98.90 per month	\$98.90 per month	No change	2020 (lowered)
Water	\$15.75 per month	\$16.50 per month	\$17.25 per month	\$17.25 per month	No change	2020
Sewer	\$29.50 per month	\$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	\$631 per year	No change	2013
Sanitation	\$18.75 per month	\$18.75 per month	\$20.81 per month	\$20.81 per month	No change	2020
Storm Sewer	\$4	\$4	\$4	\$5	\$1 per month	2017

**All water service customers will pay a \$7.50 per month ready-to-serve Ambulance Fee*

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

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

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



Local Chick-fil-a Franchisee Distributing Free Children’s Meals in Downtown Chambersburg

What of the Police Tax in 2021?

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 2021, 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 Fire 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. 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 17 mil to 24 mil. When averaged out over the fifteen years, that is a growth rate of a little over 2.4% per year. **In 2021, 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	2021
Mil	17	20	20	20	20	20	20	20	21	21	23	23	24	24	24	24

In 2021, it is estimated that the Chambersburg Police Department will cost \$73,674 more to operate than the revenues collected. To make the Police Tax cover this gap would have required a 0.35 mil increase.

Police Department Budget	2020	2021
Estimated cost of operations	\$5,379,360	\$5,606,645
Reimbursement from CASD for School Crossing Guards (estimated)	-\$54,000	-\$54,000
Estimated Yield from Fines and Fees	-\$159,000	-\$160,000
State Grant for Police Pension Costs	-\$598,082	-\$690,371
<i>Subtotal</i>	\$4,568,278	\$4,702,274
Tax Rate	24 mil	24 mil
Estimated yield of Police Tax (including tax liens & donations)	\$4,605,000	\$4,628,600
<i>Estimated Expenses over Revenue</i>	\$36,722	(\$73,674)

Therefore, in 2021, we are programming a deficit for the Police Department of \$73,674; 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 2021?

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. Moreover, in January 2018, the Borough increased the number of firefighters from 21 employees to 24 employees (not including the two 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. Since 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. In 2020, Town Council replaced that Ambulance Tax with the Ambulance Fee.

Unfortunately, in 2020 the Borough concluded that the Fire Tax was insufficient to pay for the cost of the Fire Department. There is no legal way to raise it. The Fire Tax cannot exceed 3 mil and the now-repealed Ambulance Tax cannot exceed ½ mil under State Law. In 2020, Town Council repealed the ½ mil Ambulance Tax in its entirety and adopted the Ambulance Fee on water invoices in its place.

There is no proposed change in the Fire Tax for 2021. An increase is not possible.

The long term funding issue of the Chambersburg Fire Department is not identical to the issue of the Chambersburg Police Department. The main difference is that the Fire 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 are paid (and mostly by insurance), those payments are significant. In addition, the Fire 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 Fire Department, this and the Fire Tax combined, are counted as a very respectable effort to close the gap in costs. The balance of the Fire 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 Fire 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.

Fire Department Budget	2020	2021
Estimated Cost of Operations	\$5,176,245	\$5,303,087
Local Services Tax Yield (set at State Maximum)	-\$840,000	-\$859,000
Fire Code Inspections	-\$60,000	-\$60,000
Ambulance User Fees	-\$2,402,100	-\$2,362,100
State Grant for Fire Pension Costs (grant shifted from utilities)	-\$382,766	-\$492,055
Subtotal	\$1,491,379	\$1,529,932
Tax Rate	3.0 mil	3.0 mil
Estimated yield of Fire Tax (excluding tax liens & donations)	\$614,680	\$616,540
Less required transfer to the Motor Equipment Fund (State Law)	-\$510,000	-\$511,725
Net Fire Tax Revenue for Operations	\$104,680	\$104,815
<i>Net Fire Department Operating Deficit</i>	(\$1,386,699)	(\$1,425,117)

In 2021, it is estimated that the Chambersburg Fire Department will cost \$1,425,117 more to operate than the revenues collected. The Borough of Chambersburg is not permitted to raise the Fire Tax to close this gap. To raise the Ambulance Fee to close this gap would necessitate an increase from \$7.50 per month (proposed for 2021) to \$19.25 per month (not recommended).

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 to 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. This is a very real fear throughout Pennsylvania.

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 Fire Department provides only Basic Life Support (BLS) services. Again, this year, for the third time, our partner, Holy Spirit EMS, a division of the Geisinger Health System, which provides ALS paramedic services for the Borough of Chambersburg, was sold. During the drafting of this budget, the Geisinger Health System 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 2021, 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. 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 protect our residents and businesses. If the system collapses, we are prepared to pick up the slack and spend resources.

In 2021, 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.

Fun Facts

There are approximately 29,705 Fire Departments in the United States. Each year thousands of these departments voluntarily submit their information for ranking into the National Run Survey. For the 2019/2020 Run Survey the Chambersburg Fire Department ranked the following:

Ranking based on the busiest unit/department/officer

# 31	For <u>Single</u> most Ambulance Responses
# 127	Overall Station Response
# 182	Overall Department Call Volume for a 2 Station Department
# 183	Chief Officers Emergency Responses
# 188	Ladder Truck Responses
# 202	Single Engine Responses

How much does 1 mil of real estate tax yield in 2021?

Total assessed value of taxable real estate, inside the Borough, for 2021 is estimated to be \$207,375,000; up slightly from last year. Therefore, the cash value of 1 mil would equal \$207,375. However, when factoring in our average collection rate for any given year, we should expect that same mil to yield \$192,859. This difference is a result of the average amount of taxes remitted on time, annually, versus the total that is levied. Note: 2020 has been a rough year for on-time payment of taxes.

Therefore, for budget purposes, **1 mil is equal to approximately \$206,986 in cash.** As explained, if you assume the standard percentage of taxpayers will fail to pay their taxes, 1 mil would equal \$192,859 in cash. If you assume some old outstanding tax liens from previous years may pay their debts in 2021, 1 mil might equal \$206,986 in cash. The value of a mil is therefore not precise.

	<u>2018</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>	<u>2020</u> <u>Estimated</u>	<u>2021</u> <u>Estimated</u>
Police Tax Yield	\$4,920,552	\$5,010,323	\$4,959,238	\$4,991,175
Mil	24	24	24	24
Fire Tax Yield	\$604,370	\$617,458	\$619,562	\$614,200
Mil	3	3	3	3
Ambulance Tax	\$97,757	\$101,913	-	-
Mil	0.5	0.5	-	-
Recreation Bond Tax	\$574,443	\$603,398	\$617,246	\$604,200
Mil	3	3	3	3
Value of 1 Mil	\$203,119	\$207,642	\$206,535 ⁱ	\$206,986
Est. Single Family House Tax				
Police Tax	\$406.14	\$407.05	\$410	\$416
Fire Tax	\$50.77	\$50.88	\$51	\$52
Ambulance Tax	\$8.46	\$8.48	-	-
Recreation Bond Tax	\$50.77	\$50.88	\$51	\$52

The Average Single-family Home in Chambersburg will see a cumulative increase of about \$8 per year, or 67¢ per month, in real estate taxes, as a result of the increased value of assessed property, which also increases the assessed value of the Average Single-family Home. 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. Even though taxes did not rise, the average house changed, moving the average tax bill.

Finally, we have heard a growing skepticism that these numbers presented do not represent the actual average real estate burden. To that end, let us clarify:

- Our statistics are measured upon the average (median) single-family home. We acknowledge that commercial, industrial, and multifamily housing will likely pay based on a different average.
- Our statistics are accurate for actual single-family homes inside the Borough of Chambersburg. When we state that the average single-family home will pay Borough real estate taxes of \$520 per year, which means that half of all single-family homeowners will pay more and half of all single-family homeowners will pay less.
- This is not the measure of what a home with a fair-market value of \$100,000 would pay. That statistic is nonsensical. The profile of a home with a real estate value of \$100,000 does not represent the average, typical, or common home. Further, fair-market values vary wildly based on physical location of the home. We use the real-life average home profile.
- Finally, this is a measure of the average home, and therefore, does not include empty lots.

Budget Project Highlights 2021:

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

Originally contemplated for 2020, this project was delayed until 2021 due to the COVID-19 health crisis.

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

Chambersburg is undergoing significant growth and changes. Despite the health crisis, development projects have continued unabated. 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 include continued growth: on Norland Avenue; on Wayne Avenue; plans for additional residential development in Laurich Meadows including Hollywell Avenue; apartments at Orchard and Progress; around the South Gate Shopping Center; a new residential community at Maple Run behind TB Woods; the marketing of one-half of the Lincoln Cemetery for residential development. In fact, so much development is planned, it is staggering.

There were over 100 new housing units built in the last few years in the Third Ward and another 200 units are anticipated over the next three to five years. The majority of planned development is residential (townhomes and multifamily), but this will drive commercial needs.

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. Continuing into 2021, this 2007-2008 Comp Plan will be updated.

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 2021.

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 a plan that provides action and results for our community. The 2021 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, in 2020, the Borough selected Michael Baker International as the consultant to undertake this process.

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, and 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 include, 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 Redevelopment Potential of the Southgate Shopping Center*

Long identified as a key site, the dilapidated and half-vacant Southgate Shopping Center has the potential to drive the redevelopment of Chambersburg. Currently privately owned, the Borough would like to either acquire the site or facilitate its private acquisition with a new emphasis on restoring the site to its original glory.

The Borough in collaboration with the Elm Street Advisory Council (ESAC) is embarking on a proposed long-term initiative to reclaim and redevelop the Southgate Shopping Center into a mixed-use residential neighborhood. We would like to reclaim the lost predominantly black working class neighborhood that was bulldozed to build the shopping center using Federal redevelopment funds in 1962. The goal is to pay respect to the families that were displaced in 1962 when the shopping center was built by creating a new sustainable neighborhood that promotes a mixture of uses to include housing, employment, retail and business services.

A redevelopment process has been outlined:



The Borough and shopping center owner, Paran, must mutually agree to the acquisition terms and execute an Agreement to purchase the property. The Borough will obtain inputs from Elm Street Neighborhood residents and stakeholders to recognize the community's (wants and desires) for the proposed mixed-use neighborhood. The Borough will develop a Request for Proposals (RFP), which will be used to solicit proposals from reputable and qualified third-party development partners. The redevelopment process will be achieved over a projected 10 – 20- year period based on supply and demand market factors and conditions for the various housing, employment, retail and business services products and uses.

Southgate is the home of one of the most important sites in American and African-American history; the pivotal last meeting of Frederick Douglass and John Brown before the fateful raid on Harpers Ferry, which helped ignite the abolitionist movement.

Southgate backs upon the Borough's beautiful Conococheague Creek, with no public access to this important water resource. Southgate is traversed by the Cumberland Valley Rail Trail, the Borough's linear recreation park. Southgate is not only in the PA DCED designated Elm Street Neighborhood, but it is also in a US HUD CDBG qualified low- and moderate-income household's census tract. Southgate is adjacent to public housing, new townhomes, two community churches, and the Boys & Girls Club of Chambersburg and Shippensburg. Finally, Southgate sits along Loudon Street, which is U.S. 30, a stretch of the Lincoln Highway. It has longed been identified as a lynchpin to our community's future.

Michael Baker International will help the Borough, and Building Our Pride in Chambersburg (BOPiC), develop a grassroots vision for what could be accomplished at the Southgate site.

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 2021, the Borough needs to move forward the implementation of these goals. This 2021 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 2021, 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 2021. **The 2021 Budget sets this as one of our priorities.**

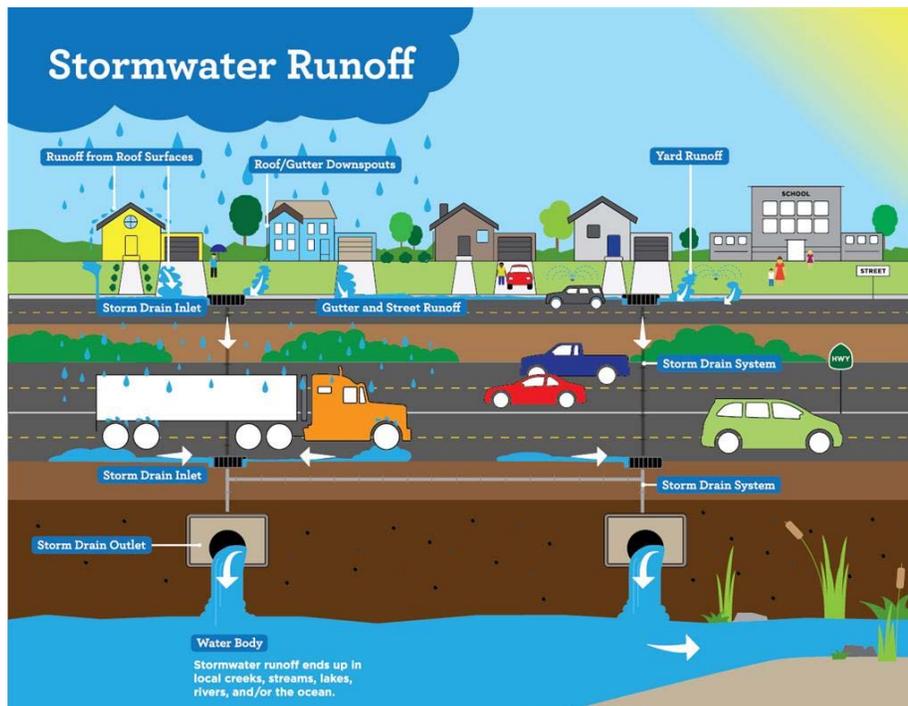
7. *Expand Post-Construction Stormwater Management to Prevent Pollution in Our Streams*

2021 will mark the seventh 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 2021, 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 2021, 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, 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 2021 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 2021.

9. The Police Station Renovation 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 another phase of the project originally conceived in 2013. The next 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. In 2007, 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. Built and opened to the public in 1972, the 1971 project, or the southern part of Borough Hall, provided 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. By the 1960s, converted to a Police Station for the Borough, the volunteer fire hall 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, a Council Member, 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 building add-on in what was once the drive-thru teller driveway next to the Police Station.

In 2020, Council decided that the area was insufficient for the building add-on. As a result, Council entered into a sales agreement to acquire 138 S. Second Street, the private house adjacent to the existing police annex, which itself was a private house, purchased by the Borough in 2009. This enlarged the project scope and cost. However, it made much more sense in the long run.

Back 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 grant must be expended by 2023.

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 impossible.

Throughout 2020, the project development proceeded to a final design. On March 9, 2020, Town Council authorized the acquisition of the adjoining property from Betty Lou Gehr, 138 S. Second Street, for \$200,000, related to the Police Station project, and told the development team to make changes to the plans to incorporate this additional property into the designs for the renovated police station. As of today, we have an executed sales agreement for the house, but we have still not completed the purchase.

As a result of the COVID-19 health crisis, Council made a decision to postpone or delay all capital projects underway during the calendar year 2020. In response, the design team was informed that instead of bidding out the construction project in the fall of 2020, for construction to begin in spring 2021, the earliest the project would proceed with construction is spring 2022.

Therefore, the project has not been bid. Further, no financing arrangement has been made.

The plan, approved by Council, is to bid the project in mid-2021 (rather than now). This will give Council an opportunity to make final decisions as to the project scope and costs. If this timeline continues, the final decision of Council to proceed with construction and financing will occur sometime in 2021. Furthermore, the financing for the project will likely come in the form of a Police Station Bond, which will have its own approval process. In the fall of 2020, it was estimated the project cost, including all expenses and alternatives, may be as high as \$7.4 million. In December 2020, that number will be updated for Council.

If in 2021, Council approves a Police Station Bond for this project, just as with the list of capital improvements associated with the 2016 Recreation Bond, this Police Station Bond would include a dedicated real estate tax (a Police Station Bond Tax), to liquidate the debt over the next twenty or twenty-five years. The first year of the new tax will be either in 2022 or 2023, dependent on the timing of the sale of the bond.

In November 2020, Council will hear the engineer's estimate of the cost of construction. This will be in addition to the cost of the additional real estate, additional engineering, construction management, construction inspection, furniture, finishings, and technology. There are still a number of unknowns associated with this project beyond financing. However, it is important to indicate that Council is heading to a decision point sometime in 2021.

The 2021 Budget contemplates completion of design and bidding of the project; as well as other associated development expenses.



10. 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. 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 Borough purchased the facility at 366 Wayne Avenue at the end of 2019, and the Chambersburg Sanitation Department acquired the site as a part of the 2020 Water Bond issue. The building and several adjacent parcel were purchased for \$1.2 million. A valuation completed by Apex Valuation Services of Shippensburg, Pennsylvania, indicated that the 3.78 acre site had 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 sell, someday, 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.

In 2020, the purchase of the vacant facility was completed, although there has yet to be any further progress.

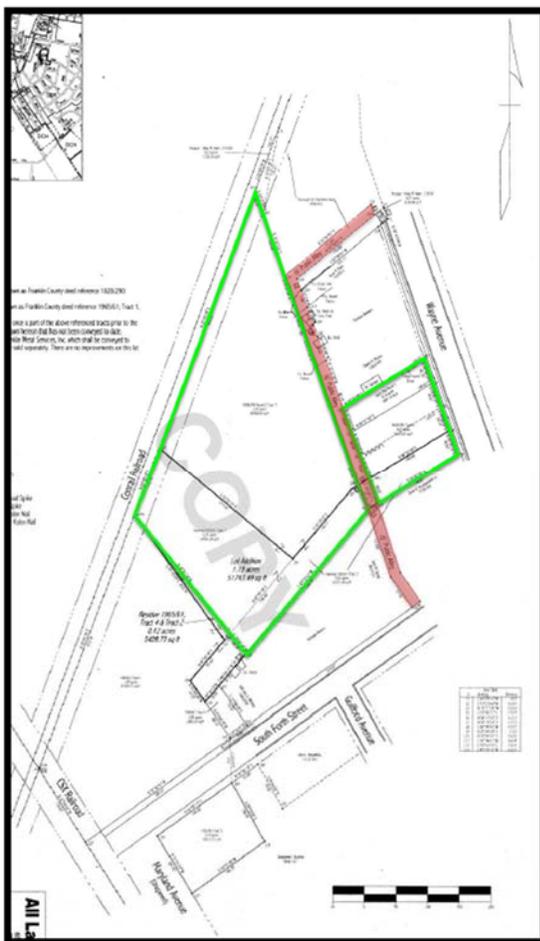
The Borough did engage SGS Architects/Engineers of Carlisle, Pennsylvania, to do a facility review and according to their principal, Dennis Sowers, the facility is in very good shape. A number of scenarios are being evaluated in order to accommodate the eventual uses as proposed by the Borough. The consultant was engaged in 2020, a building committee was established, and conceptual design began in earnest.

The building purchase and design stage have had no impact on taxes. The site will provide a much-needed new home for the Sanitation Department and public works, and provides a site, which over time, might be expanded to add other adjacent tax parcels. 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 the Southgate Shopping Center.

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.

At this point, it is unclear what renovation will occur at the site. It is assumed that project will occur in 2023. The decommissioning of the Loudon Street facility and construction of the new Conococheague Creek Park would then occur in 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.

Finally, staff has been in contact with adjacent property owners. We have explained the goals of the project and invited them to consider whether the sale of their property to enhance the project site might make sense. **The 2021 Budget includes resources for continuing site development as well as to explore the purchase of adjacent parcels.**



11. Wage Freeze for Most Employees:

In a series of negotiations that took place over the past several weeks, two of the Borough's employee unions accepted "no cost of living increases" for the 2021 fiscal year as a result of the COVID-19 health emergency and the unknown potential impact on Borough of Chambersburg finances.

On July 13, 2020, the uniform police officers represented by the Chambersburg Police Officers Association approved an extension on their current collective bargaining agreement, which would have expired at the end of 2020. That extension, approved by vote of the police officers and ratified by Chambersburg Town Council, extended the current labor pact for two more years, 2021 and 2022, with a 0% cost of living increase scheduled for 2021 and a 3% cost of living increase scheduled for 2022.

We were extremely pleased with this agreement. The police officers were very easy to work with and in these challenging times, with the state of the economy unknown, it is reassuring to agree that pay rates should not increase in 2021.

Police Officer and Chambersburg Police Officers Association President TJ Smith stated, "The CPOA understands the hardship that has been not only placed on the Borough during this difficult time, but the community as a whole. We as an association only wish to do all we can to support the Borough with maintaining financial security and continuing to provide the excellent services the community deserves."

On September 29, 2020, the non-uniform employees, mostly utility workers and utility support workers, represented by the American Federation of State, County and Municipal Employees Local #246, approved an extension on their current collective bargaining agreement, which would have expired at the end of 2020. The extension, approved by a vote of the rank and file and ratified by Chambersburg Town Council, extended the current union contract for two more years, 2021 and 2022. It provides a 0% cost of living increase scheduled for 2021 and a 3% cost of living increase scheduled for 2022. In addition, current employees, who have worked to keep the lights on, the water flowing, and the Borough operating during the pandemic this year, will receive a one-time "essential employee recognition incentive of \$800" paid either in January 2022 or upon retirement, if they retire before that date.

"We recognize the sacrifice our employees have undertaken in support of the community," added Council President Alice Elia. "Our employees continued to come to work every day so that we could seamlessly maintain continuity of services for the Borough and our utility customers. Our women and men are the epitome of essential workers, and we are pleased to provide them with this onetime bonus in compensation in 2022, to thank them for their service."

Generally, when the union and Council strike a deal, we extend the details of that labor agreement to the non-union employees of the Borough. Those employees would include the clerical, technical, and supervisory employees such as department heads, assistants, and field supervisors. Therefore, this 2021 Budget proposes that these non-union employees will also receive a 0% cost of living increase in 2021. That will be fixed by approval of the 2021 Budget.

The Borough of Chambersburg has four employee groups: the police officers; career firefighters represented by the International Association of Fire Fighters Local #1813; the non-uniform employees; and non-union clerical, technical, and supervisory employees. Wages and benefits are now settled for all four groups for the 2021 budget year.

The Borough of Chambersburg has seen the fiscal impact of COVID-19 wax and wane over the course of 2020. Originally, we had some deep concerns about the budget as real estate tax collection was significantly lagging as a result of a deadline extension approved, and utility receivables, folks paying their utility invoices, was also very poor, as a result of a policy to suspend disconnections for delinquency. That prohibition has now been phased out and we are finally seeing cash flow return to acceptable levels. We remain very optimistic for Chambersburg’s future, but we need to be cautious as we complete 2020 and move into 2021.

Unlike private utility companies, Chambersburg has so far received no federal assistance from the Paycheck Protection Program or the CARES Act. Unlike private utility companies across the U.S., providers of public utilities, such as Chambersburg, have been cut out of any packages to assist during the health crisis. We support the work of the American Public Power Association (APPA). APPA continues to advocate for public power’s priorities in a future COVID-19 relief bill, with our top priority being the inclusion of a forgivable loan program for public power utilities impacted by customer non-payments due to the pandemic. Again, many public power utilities, including Chambersburg, may never need to use this loan program, but we believe that it is important that it exist for those located in communities hit hard by the pandemic.

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.

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

	<u>2020</u>	<u>2021</u>
Chambersburg Police Officers Association The 2015 contract was extended by the parties in 2020 through 2022 Wages (cost of living adjustment to all steps) CPOA Collective Bargaining Agreement expires 12/31/2022	+1.95% more	No cost of living increase
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) IAFF Collective Bargaining Agreement expires 12/31/2021	+1.95% more	+1.95% more
American Federation of State, County and Municipal Employees Local #246 The 2015 contract was extended by the parties in 2020 through 2022 Wages (cost of living adjustment to all steps) CPOA Collective Bargaining Agreement expires 1/10/2023	+1.95% more	No cost of living increase
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	No cost of living increase

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.

Conclusion

On March 14, I had an uncomfortable conversation with my then fourteen-year-old son. I told him that schools were closed, likely for the remainder of the school year, that his freshman year of high school had abruptly ended just as he was getting comfortable, and that we were about to endure a lot of isolation and separation from friends, community, and society. Obviously, parents had similar conversations worldwide. It would be challenging to explain to anyone from the future the oddity and fear of 2020. It was an unsettling year, somewhat apocalyptic, although much of that fear turned to hope as the year progressed.



Military police protect the Lincoln Memorial from protestors

I am proud to live and work in this community. It is an honor to present this budget for Council's consideration.

In the proposed 2021 Budget, I have proposed no tax increase. I have proposed an increase in the ready-to-serve Ambulance Fee from \$7 per month to \$7.50 per month for water service customers. I have proposed an adjustment in the Storm Water Pollution Control Fee from \$4 per month to \$5 per month for sanitary sewer service customers. I am proposing no other utility fee increases. The average Borough Electric and Gas customer saves over \$1,000 per year by having Borough utilities when compared to other utility providers' rates.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u> <u>Proposed</u>
Police Tax Mil	21	23	23	24	24	24	24
Fire Tax Mil	2.5	2.5	2.5	3	3	3	3
Ambulance Tax Mil	-	-	-	0.5	0.5	0	0
Recreation Bond Tax Mil	-	-	-	3	3	3	3
Total Real Estate Tax Mil	23.5	25.5	25.5	30.5	30.5	30	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.”

Due to the COVID-19 health crisis, I am not following their advice. They wanted to see growth in available resources. Unfortunately, to address ongoing capital needs, I am suggesting a reduction and spending of available reserves. These reserves will only be spent on eligible capital investments, their proper use, but they will be liquidated nonetheless.

Finally, I think we need to accept the socioeconomic profile of our community despite Moody's concerns.

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 going forward is a new commitment by Council to pay for the Police Department and Fire Department budgets with Police Tax, Fire Tax, and now a new Ambulance Fee sufficient to those needs. Unfortunately, the 2021 Budget includes a continuing deficit in the operation of the Fire Department and Police Department operating budgets.

Council must either consider raising taxes for the Police Department and Fire Department budgets in 2022, or a potential lowering of the Boroughs' creditworthiness.

This 2021 Budget is balanced and there is no tax increase. 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 control conservatively 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 that 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 2021 Budget includes a proposal to add an additional computer programmer to the Administrative Services Department. In 2020, we decided to end our conversation to outside enterprise resource planning software and bring the project back inside the organization. To that end, we need a second programmer on staff. The 2021 Budget includes a proposal to add an Assistant Personnel Supervisor to the Administrative Services Department. In 2020, we had significant turnover in human resources, and we want to add a senior employee to the department in order to create some stability and institutional knowledge.

The 2021 Budget includes adding a new Traffic Signal Technician to the Parking, Traffic and Street Lights Fund. We will be undertaking the modernization and interconnection of traffic signals as well as the expansion of our camera network. A necessary in-house technician was important.

The 2021 Budget includes two new junior grounds worker positions in the Electric Department and a new junior Pit Supervisor in the Sewer Department to bring some youth into these utility operations. Finally, an Assistant Wastewater Treatment Chief Operator will be added for succession planning at the sewer plant. In addition, the 2021 Budget includes hiring additional fulltime firefighters to go to the Fire Academy months ahead of potential retirements, and similarly hiring extra Front Counter Tellers as several clerical employees are anticipated to retire in 2021 and 2022, and tellers tend to move throughout the organization.

In 2021, the Borough will have an ALL FUNDS BUDGET of \$110,720,580. In 2020, the ALL FUNDS BUDGET was \$113,856,095. This represents a 2.8% decrease, with no major changes to accounting or operational practices. This net decrease is primarily attributable to decreased expenses in the Enterprise Capital Reserve Funds.

In 2021, the Borough's OPERATING BUDGET will be \$88,720,692. In 2020, the Borough's OPERATING BUDGET was \$100,287,127. This represents an 11.5% decrease, with no major changes to accounting or operational practices. Approximately 97% of this decrease is attributable to decreased expenses in the Enterprise Capital Reserve Funds.

In 2021, the Borough's GENERAL FUND BUDGET will be \$16,376,676. In 2020, the Borough's GENERAL FUND BUDGET was \$16,079,970. This represents a 1.8% increase, and is likely a realistic gauge of actual growth in the Borough's spending plan, given the employment of the Police and Emergency Services Department.



Chambersburg Area School District handing out school lunches to local children

The Borough of Chambersburg

Use of Fund Balance 2021

	2020 Revenue	2020 Expenditures	Withdrawal/Deposit from Fund Balance	
General Fund Total	\$16,376,676			Balanced with \$7.50 per month per utility invoice Ambulance Fee
General		\$1,757,570		
Highway		\$1,311,814		
Fire/Ambulance		\$5,303,087		
Police		\$5,606,645		
Recreation		\$1,392,935		
Land Use/Community Dev		\$858,685		
Community Functions		\$145,940		
General Fund		\$16,376,676	-	Balanced
Electric	\$29,498,902	\$29,498,902	-	Balanced
Gas	\$8,296,685	\$8,296,685	-	Balanced
Water	\$4,856,858	\$4,856,858	-	Balanced
Sewer	\$6,922,243	\$6,922,243	-	Balanced
Sanitation	\$3,542,365	\$4,042,365	-500,000	Making a \$500,000 withdrawal from accumulated fund balance, to spend on operations, to avoid a rate increase
Parking Traffic	\$1,778,525	\$2,178,525	-400,000	Making a \$400,000 investment from accumulated fund balance, in downtown security & traffic cameras
Storm Sewer	\$538,700	\$538,700	-	Balanced with a rate increase from \$4 per sanitary sewer connection to \$5/month
Swimming Pool	\$1,206,265	\$1,206,265	-	Balanced
Motor Equipment	\$3,638,060	\$4,263,060	-625,000	Making an investment from accumulated fund balance from excess deposits in previous years, for equipment
Engineering	\$528,180	\$728,180	-200,000	Making a \$200,000 transfer to the General Fund from accumulated fund balance
Stores/Warehouse	\$1,570,000	\$1,570,000	-	Balanced
Admin Services Dept	\$7,269,995			Balanced
Utility Addition Operations		\$606,855		
Personnel & Payroll		\$485,895		
Info Technology		\$1,227,600		
Finance/Customer Service		\$2,541,400		
Clerical Pool		\$1,241,690		
General Admin & Supplies		\$795,170		
Admin Cap Projects		\$371,385		
Admin Services Dept		\$7,269,995	-	Balanced
General Capital Reserve	\$1,225,240	\$2,051,740	-826,500	Making a \$826,500 investment in capital utilizing existing cash reserves Normally Borough attempts to grow fund but due to COVID, this was not possible
Storm Sewer Capital	\$358,500	\$358,500	-	Balanced
Electric Capital	\$158,520	\$6,168,670	-6,010,150	Making an investment in capital utilizing existing bond proceeds on hand from the 2019 CIP Bond
Gas Capital	\$880,150	\$980,150	-100,000	Making an investment in capital from accumulated fund balance
Water Capital	\$412,056	\$3,828,056	-3,416,000	Making an investment in capital utilizing existing bond proceeds on hand from the 2020 CIP Bond
Sewer Capital	\$1,307,000	\$969,000	338,000	Deposit of funds into fund balance to pay for future capital projects
Sanitation Capital	\$250,360	\$250,360	-	Balanced
Parking Capital	\$2,690,880	\$2,890,880	-200,000	Making an investment in capital from accumulated fund balance
Self-Insurance Trust	\$920,660	\$920,660	-	Balanced
Workers Comp Trust	\$475,855	\$117,855	358,000	Deposit of funds into fund balance for future claims
Special Revenue Trust	\$753,630	\$766,630	-13,000	Withdrawal of funds based upon timing of grant project funding
Security Deposits Trust	\$18,190	\$18,190	-	Balanced
Recreation Tax Fund Holding	\$609,930	\$609,930	-	Balanced
Fire/Ambulance Tax Holding	\$620,540	\$620,540	-	Balanced
Liquid Fuels Holding	\$557,540	\$557,540	-	Balanced
Sister City	\$1,500	\$1,500	-	Balanced
Project H.E.A.T.	\$26,275	\$26,275	-	Balanced
	\$97,290,280			
		\$108,884,930		
Use of Accumulated Balances		-11,594,650	-	
Less Use of Electric & Water Bonds		\$9,426,150	-	Water Department 2020 Bond and Electric Department 2019 Bond
		\$2,168,500	-	Depletion of Cash Reserves

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

Use of Taxes to Fund 2021

In 2021, 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	2021
Mil	17	20	20	20	20	20	20	20	21	21	23	23	24	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 2021, it is the Borough Manager’s recommendation that the Borough not change the Fire Tax rate, currently at 3 mil.

Fire Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fire	0	0	0	0	0	0	0	0	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0
Ambulance	0	0	0	0	0	0	0	0	0	0	0	0	0.5	0.5	0	0
Total	0	0	0	0	0	0	0	0	2.5	2.5	2.5	2.5	3.5	3.5	3.0	3.0

Recall, the Fire Tax does not come close to covering the cost of the department, but cannot be increased.

Even with the slight increase in the Ambulance Fee, the Fire Department is anticipated to run a deficit of \$1,425,117, 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	2021
Mil	0	0	0	0	0	0	0	0	0	0	0	0	3	3	3	3

2021 will be the fourth year of the Recreation Bond Tax. It was approved by Council in 2016. It was structured to be delayed not 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 2020, the average single-family home has a Franklin County assessed value of \$17,099; obviously, that is the assessed value and not the single-family home market value.

Half of all single-family homes in the Borough have an assessed value higher, and half have an assessed value lower. Commercial, industrial and multi-family homes have different values.

According to Redfin.com, the average fair market value of all single-family homes sold in the Borough in 2020 was \$199,900. There were 83 homes sold year-to-date.

Average Single Family House Inside The Borough	2020	2021
Police Tax (to the General Fund)	\$410.37	\$416.02
Fire Tax (to the Motor Equipment Fund)	\$51.30	\$52.00
Recreation Bond Tax (to the Swimming Pool Fund & General Fund)	\$51.30	\$52.00
Total (per year)	\$512.97	\$520.02

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, cost them \$50 per month. That is not likely as the home with the highest Franklin County assessment value within the Borough of Chambersburg pays around \$20 per month for the Recreation Bond Tax, and every other home pays less. Similarly, township property owners often complain about the Borough Police Tax, Fire Tax, and Recreation Bond Tax. However, they do not pay those taxes on their property.

Of all the single-family homes inside the Borough, half pay more than \$520.02 per year in Borough taxes, and half pay less.



Single Family House

\$520.02 per year¹



Schools

No tax



Non-profits

No tax



Government

No tax



Commercial/Industrial

More

No government buildings, schools, charities, churches, or township property owners pay any Police, Fire, or Recreation Bond Tax on their property – average commercial or industrial property owners may pay more. In addition, 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 a 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.

In addition, 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.

¹ Not a precise measure as the value changes every year due to the assessed value of real estate – use for planning only

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, Kris Baker/ Acting Personnel Acting Supervisor, Phil Wolgemuth/Deputy Borough Manager, Jamia Wright/Borough Secretary, Danielle Keefer/Payroll, 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 could not have successfully managed the community this year without the support of Council, especially Council President Alice Elia, and Mayor Walter Bietsch.

Unlike last year, we will meet a week after this budget's presentation on November 2, 2020.

Therefore, I propose that Town Council authorize advertisement of this Proposed Budget when they meet on November 9, 2020. In addition, I suggest that Town Council receive public comments on the Proposed Budget on November 23, 2020.

Finally, I would propose that Council adopt it on December 14, 2020. 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
