

2022 Budget Borough Manager's Proposal

Presented to Council
October 25, 2021

2022 Budget

- A budget is not an actual accounting of money, that is the audit.
- A budget is a plan for next year. A strategic plan.
- It is a plan including all the expenditures the town will make and a plan to pay for those expenditures.
- You can call it a “spending plan”.
- It must be balanced, unlike the Federal budget. We do not print money.
- It is subject to adoption by Council and mid-year changes can be made.
- It is a legal document created by the Manager after three months of department presentations.
- It will be adopted by Ordinance by the end of 2021.

www.chambersburgpa.gov Click Transparency

- The entire proposed 2022 Budget is available on the Transparency Page at www.chambersburgpa.gov
- On Monday, October 25, 2021 the Borough Manager is presenting the proposed budget at a special public meeting.
- On Monday, November 8, 2021 Town Council to receive public comments on the proposed budget.
- On Monday, November 22, 2021 Town Council may receive additional comments.
- On Monday, December 13, 2021 Town Council to vote on the budget and local tax ordinance.
- State Law requires a balanced budget by December 31, 2021.

Balanced in a Form that Can be Adopted

- The Borough Manager's Proposed 2022 Budget is balanced.
- Revenues and cash balances equal all expenditures.
- The narrative is complete and available for review.
- The budget is a status quo budget with few surprises or changes.
- The budget is larger than 2021 due mostly because of the Police Station project and the American Rescue Plan Act funds.
- In 2020, the Borough of Chambersburg had the largest Borough operating budget in Pennsylvania, obviously due to the utilities.
- Chambersburg is the only town in Pennsylvania to operate a water, sewer, storm sewer, electric, and natural gas utility. All with some of the lowest rates in the State, saving businesses and residents money.
- Almost all the employees, equipment, and assets of the Borough are owned by the utilities or the utility support departments (i.e., engineering, administrative services, motor equipment, etc.). None are supported by taxes.

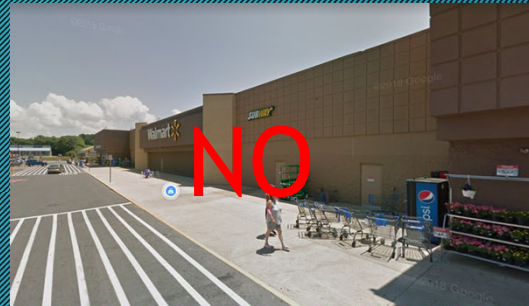
All Funds Budget

- In 2022, the Borough will have an ALL FUNDS BUDGET of \$129,721,991. In 2021, the ALL FUNDS BUDGET was \$110,920,580. This represents a 17% increase, with no major changes to accounting or operational practices). This increase is mostly due to American Rescue Plan spending and the Police Station Bond.
- Chambersburg has a unique budget. Not only is it very large, but it includes many separate funds (due to the utilities). Also, due to cost based accounting, it has many internal (Interfund) transactions. Finally, we utilize many internal service funds to account for the actual cost of operations. Most budgets do not have these extra attributes.
- Sometimes citizens are understandably confused by our budget, but the narrative is very comprehensive despite the complexity of the numbers.

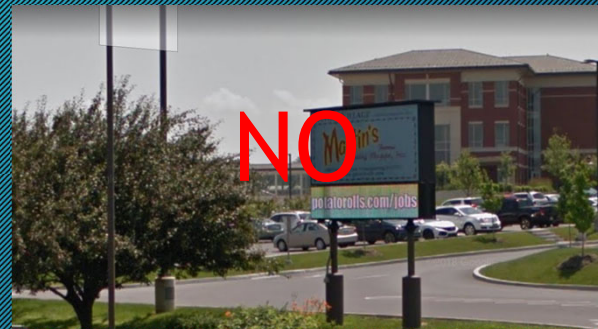
How Big is Chambersburg's Budget?

- 2019 is the last year with full statistics available.
- Chambersburg's budget is ranked #1 largest Borough in the State.
- Chambersburg's budget is the 14th largest municipal budget in PA.
- For example:
 - Carlisle Borough is ranked #68
 - Waynesboro Borough is ranked #250
 - Shippensburg Borough is ranked #336
 - Gettysburg Borough is ranked #374
- Chambersburg's budget is 13.6 x larger than Gettysburg's budget.
- All because of the utilities.

What is in Chambersburg Borough?



Wal-Mart is in
Guilford Township



Martin's Factory is
in Guilford
Township

Operating Budget

- In 2022, the Borough's OPERATING BUDGET will be \$108,622,527. In 2021, the Borough's OPERATING BUDGET was \$88,720,692. This represents a 22.4% increase, with no major changes to accounting or operational practices. The majority of this increase is attributable to revenue in the General, General Capital Reserve, and Special Revenue Funds, as a result of the American Rescue Plan Act and bond issue proceeds associated with the Police Station renovation bond and the Temporary Police Station.
- The operating budget view is a view of the 2022 Budget less certain required financial transactions.

General Fund Budget

- In 2022, the Borough's GENERAL FUND BUDGET will be \$17,928,830. In 2021, the Borough's GENERAL FUND BUDGET was \$16,376,676. This represents a 9.5% increase, and is a combination of a realistic gauge of actual growth in the Borough's spending plan, given the cost of the Police and Fire/EMS cost centers, and also represents the proceeds of a bond issue intended to fund the renovation of, and addition to, the existing Police Station.
- The General Fund is the account with Police, Fire, Recreation, Land Use & Community Development, and general Highway.
- Only one part of the budget, it typically gets extra attention.

2022 Tax Increase Only for Police Station

- This budget includes a 1 mil tax increase due exclusively to the Police Station project.
- If not for the renovation of the Borough Police Station on South Second Street there would have been no change in taxes proposed for 2022.
- This is only the fourth time there has been any Borough tax increase in the last 16 years.
- As was reported to Council by your financial consultants, interest rates are excellent right now. The new Police Station Bond Tax is set to 1 mil for 2022. It will be adjusted in 2023 based upon the final interest rates and final construction costs. Council has elected to phase-in this new tax.

Real Estate Taxes

- The Borough of Chambersburg collects four types of property taxes from landowners inside the Borough.
- Township property owners pay no real estate tax to the Borough.
- The Real Estate Tax pays only for police and fire operations, as well as the mortgage on the 2016 Recreation Bond, and now the 2022 Police Station Bond. No other operation, department, or employee is supported by real estate taxes.
- The Real Estate Tax does not pay for most Borough operations.
- The Real Estate Tax is the only tax the State permits us to adjust.

Police Tax 2022 - No change

- There is no change in the Police Tax; 100% of this tax goes to support the Police Department.

2015	2016	2017	2018	2019	2020	2021	2022	
21	23	23	24	24	24	24	24	mil
Avg. Single-Family House in the Borough								Per Year
Police Tax								\$417

Fire/Ambulance Tax 2022 - No change

- There is no change in the Fire Tax; State Law requires a split of this tax with 2.5 mil for apparatus & 0.5 for firefighting. There is no longer an Ambulance Tax.

	2015	2016	2017	2018	2019	2020	2021	2022	
Fire	2.5	2.5	2.5	3	3	3	3	3	mil
EMS	0	0	0	0.5	0.5	0	0	0	mil
	Avg. Single-Family House in the Borough								Per Year
	Fire Tax								\$52

Recreation Bond Tax 2022 - No change

- Approved in 2016, paying off this specific bond only, this tax does not pay for any of the operations of the Recreation Department, but to pay off specifically a bond that built various Recreation Department assets. This will not change in 2022.

2015	2016	2017	2018	2019	2020	2021	2022	
0	0	0	3	3	3	3	3	mil
Avg. Single-Family House in the Borough								Per Year
Recreation Bond Tax								\$52

Police Station Bond Tax 2022 - NEW TAX

- Proposed for 2022, paying off this specific bond only, this tax does not pay for any of the operations of the Police Department. Anticipated to rise in 2023 based on interest rates and final construction costs. Bond to be sold in early 2022.

2015	2016	2017	2018	2019	2020	2021	2022	
0	0	0	0	0	0	0	1	mil
Avg. Single-Family House in the Borough								Per Year
Police Station Bond Tax								\$17

All Borough Real Estate Taxes

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u> <u>Proposed</u>
Police Tax Mil	21	23	23	24	24	24	24	24
Fire Tax Mil	2.5	2.5	2.5	3	3	3	3	3
Ambulance Tax Mil	-	-	-	0.5	0.5	0	0	0
Recreation Bond Tax Mil	-	-	-	3	3	3	3	3
Police Station Bond Tax Mil	-	-	-	-	-	-	-	1
Total Real Estate Tax Mil	23.5	25.5	25.5	30.5	30.5	30	30	31

Average Single-Family Home

Average Single Family House Inside The Borough	<u>2021</u>	<u>2022</u>
Police Tax (to the General Fund)	\$412.45	\$417.00
Fire Tax (83% to the Motor Equipment Fund)	\$51.56	\$52.12
Recreation Bond Tax (for the 2016 Recreation Bond only)	\$51.56	\$52.12
Police Station Bond Tax (for the Police Station Project only)	\$0.00	\$17.37
Total (per year)	\$515.57	\$538.62

- When asked, some citizens wildly inflate the dollar value of the real estate taxes that they pay per year. 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 \$538.62 per year in Borough taxes, and half pay less.

Average Single Family Home

\$538.62 per year
before discount

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

- Our statistics are based 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. We state that the average single-family home will pay Borough real estate taxes of \$538 per year, which means that half of all single-family homeowners will pay more and half of all single-family homeowners will pay less.
- Your home's assessed value, set by Franklin County, and not double-checked since 1962, is public information. You can look it up online and check your Borough tax burden yourself.
- 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 from one town to the next or one block to the next. We use the real-life average home profile.
- Finally, this is a measure of the average home, and therefore, does not include empty lots.

Average Single Family Home

\$538.62 per year
before discount

- Go to <https://gis.franklincountypa.gov/taxparcelviewer/> to check your home. We did it for a home recently bought by the Borough.
- This year, Town Council approved the purchase of the owner-occupied single-family home at 138 South Second Street. This home had an assessed value of \$9,130. Therefore, the annual Borough tax bill would be \$273.90 per year before discount. That is significantly below the average single-family home tax bill of \$538.62 per year before discount.
- Town Council purchased the Gehr House in 2021 to be incorporated into the Police Station Project site.
- In conclusion, the cost of the tax increase for the new Police Station Bond Tax for the average single-family home in Chambersburg will be \$17 per year before discount. That is not an exaggeration. In addition, township property owners do not pay real estate taxes to the Borough of Chambersburg whatsoever.



Average Single Family Home

\$538.62 per year
before discount

- The Average Single-family Home in Chambersburg will see a cumulative increase of about \$22 per year, or \$1.83 per month, in real estate taxes, because of the increased value of assessed property, which also increases the assessed value of the Average Single-family Home, and the imposition of the new Police Station Bond Tax.
- Of course, most likely, the assessed value of YOUR home did not change, as the County has not undertaken a reassessment of real estate since 1962; the last County in the State to do this required recalculation. No, your value did not change, the average changed due to new construction. Therefore, assuming your assessed value did not change, the imposition of the new Police Station Bond Tax would result in an increase of \$17 per year in new taxes or \$1.42 per month. This assumes you did not pay early and get the standard discount on your taxes. This also assumes you did not get the full 100% rebate due you on your Federal income taxes (up to \$10,000 in State and Local taxes).

Available Taxes

- The Borough receives no sales tax, liquor taxes, business taxes, or any other local tax; they are not options under State Law. Township residents pay no taxes to the Borough other than the Local Services Tax, \$1 per week per worker, if they work inside the Borough.
- Doesn't the Borough get a lot of money for all the new businesses near Norland Avenue?
 - The Borough utilities sell a considerable amount of utility services in this new neighborhood, increasing the size of the Borough's independent utility accounts. However, these developments generate very little additional taxes to support the Borough. Most of the revenue they create is in the form of Sales Tax and in Pennsylvania, local municipalities receive no Sales Tax share. Further, the sale of alcohol generally provides almost zero income to the host municipality. The developments are very good for our community and create lower unemployment, but they do not generate income proportional to the responsibilities they create for police, fire, and traffic.

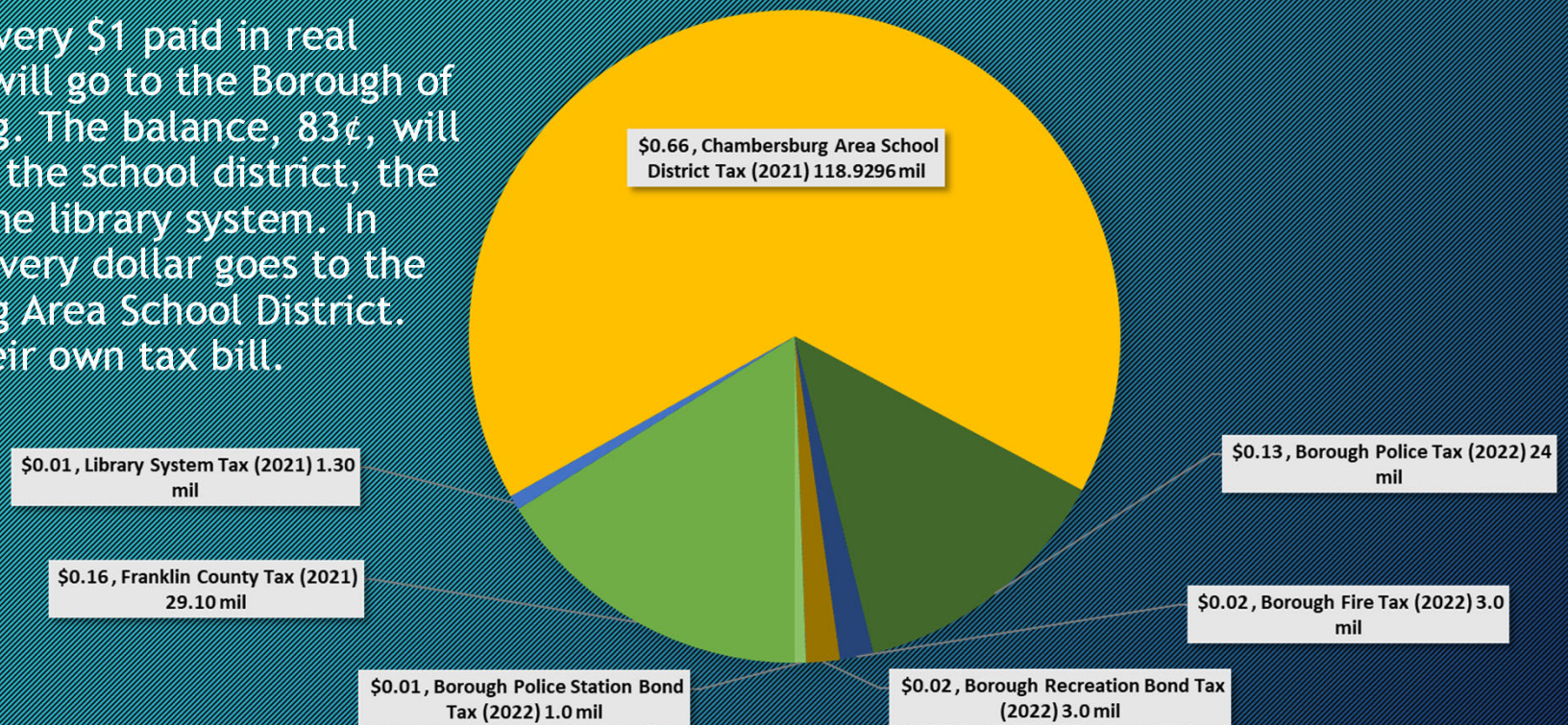
State Mandated Act 511 Taxes

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, set at the maximum since 2007;
- 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, set at the maximum since 1965;
- The Deed Transfer Tax, which is a ½ of 1% tax when property inside the Borough when it is sold or transferred, set at the maximum since 1987.

Property Tax Burden

Only 17¢ of every \$1 paid in real estate taxes will go to the Borough of Chambersburg. The balance, 83¢, will go to support the school district, the county, and the library system. In fact, 66¢ of every dollar goes to the Chambersburg Area School District. They send their own tax bill.



Property Tax Burden

<u>Taxing Authority</u>	<u>Mil Rate</u>	<u>Annual</u>	<u>Percentage</u>	<u>Value</u>
Franklin County (2021)	29.10 mil	\$505.61	16.14%	.16¢
Library System (2021)	1.30 mil	\$22.59	0.72%	.01¢
Chambersburg Area School District (2021)	118.9296 mil	\$2,066.39	65.95%	.66¢
Police Tax (2022)	24.0 mil	\$417.00	13.31%	.13¢
Fire Tax (2022)	3.0 mil	\$52.12	1.66%	.02¢
Recreation Bond Tax (2022)	3.0 mil	\$52.12	1.66%	.02¢
Police Station Bond Tax (2022)	<u>1.0 mil</u>	<u>\$17.37</u>	<u>0.56%</u>	<u>.01¢</u>
Total	180.3296 mil	\$3,133.20	100%	\$1

Average burden on a single-family type home inside the Borough of Chambersburg based on assessed value

Police Station Project

The Police Station Renovation Project will cause a temporary increase in the size of the budget. The bond will be sold in 2022.

The approved 2021 Budget included completion of design and bidding of the Police Station project as well as securing a temporary police station for their use. This 2022 Budget includes selling the bond, establishing the bond tax, and undertaking the project.



Council agreed to rent space and build a temporary Police Station at 1540 Orchard Drive.

Lowest Utility Rates

- The average Borough utility customer pays less for utilities than most customers outside the Borough.
- In fact, those residential customers with Borough gas and electric will save over \$1,000 per year in utility expenses, when compared to average gas and electric customers throughout the State of Pennsylvania.
- Borough gas, water, sewer, electric, and sanitation rates are much lower than other municipal and private sector utilities.
- Finally, the Electric and Gas departments make a Payment in Lieu of Taxes (PILOT) to support the Police and Fire departments.
- If not for the PILOTS, property owners would pay over 9 mil more in real estate taxes (although that would exceed the maximum tax rate permitted).

Utility Rates 2022

- No change to the Borough natural gas rate, same since 2013 (Average Home Pays \$804 per year; lowest in Pennsylvania).
- No change to the Borough electric rate, since drop in 2020 (Average Home Pays \$98.90 per month; second lowest in Pennsylvania).
- No change to the Borough sanitary sewer rate, same since 2012 (Average Home Pays \$29.50 per month).
- No change to the sanitation rate, same since January 2020 (Average Home Pays \$20.81 per month).
- Small change to the Borough water rate. Increase of 2¢ per unit. (In 2021, average family bill based upon consumption: \$17.25 per month). (In 2022, average family bill based upon consumption: \$17.85 per month). *Remains the lowest water rate in the region.*

Largest Public Utility System in Pennsylvania

Chambersburg is the largest public power system in Pennsylvania, and the only community with both municipal electric and natural gas.

This commitment adds millions of dollars in value to our community. It also protects businesses and other government entities from rate spikes.

By the end of 2021, the 15MW Chambersburg Solar Center, on West Commerce Street, in Hamilton Township, will be activated. It was built in partnership with Safari Energy and Sun Tribe Development, and will provide affordable and reliable clean energy to our neighborhoods. Provides enough power for 2,600 homes and at good rates for decades.

First Year of Chambersburg Solar Center

Chambersburg
28%
Renewable Energy

- In 2020, the Borough embarked upon adding a community solar energy project to the purchase power portfolio. This exciting project is another example of a generation resource addition through power purchase agreement (PPA). It will be injected behind the transmission service billing meter, serving our community and providing cost-lowering power supplies for the future. In a partnership with Suntribe and Safari Energy the Borough will be receiving starting in 2022 about 30,000 MWh of renewable power from this operation.
- The Borough presently enjoys approximately 18% renewable energy supply in the current “portfolio”; including the landfill gas plant contributing about 15%, with the New York Power Authority Niagara hydroelectric, and local roof mounted solar adding the remaining less than 3%. The Sun Tribe/Safari Community Solar project, when placed in service in 2021, will raise the annual renewable energy purchases in Chambersburg’s portfolio to an estimated 28%, or just over ¼ of the annual energy coming from renewable sources.

First Year of Chambersburg Solar Center

Chambersburg
28%
Renewable Energy



Chambersburg Solar Center –2021 Flip the Switch Event

Changes Coming to the Storm Water Pollution Control Fee in January 2022

ERU

- Beginning in 2022, every non-single-family-residential property (business, multifamily, industrial, commercial, or institution) will pay the fee based upon the actual impervious area on their lot. Called an ERU, each non-residential parcel will be measured against the “equivalent residential unit”, and then invoiced a multiple of ERUs based on your impervious surfaces at the per ERU rate.
- This plan requires the approval of the Town Council before the end of the year. If you own property that is not a single-family house, you should prepare for the change.
- **The currently flat per sanitary sewer connection fee of \$5 per month for each sewer connection will change to \$5 per month per ERU beginning in January 2022. Single-family homes are one ERU.**
- The new calculation methodology (ERU) is based on impervious surfaces and is a fairer system. Call the Storm Sewer System Manager, Andy Stottlemeyer, at 717-251-2434 to learn about your property's ERU value.

Ambulance Fee 2022

- In 2022, the fee will not change from \$7.50 per month per water service account.
- In 2020, Town Council introduced an Ambulance Fee on all water customer invoices, which will continue in 2022 with no change. This Ambulance Fee helps defray the costs of the ambulance service being ready-to-serve.
- Each year, Federal rules require ambulance companies to write-off invoices for Medicaid & Medicare patients. In 2020, the Borough wrote-off over \$1.4 million in billing.
- Ambulance companies are in crisis as a result of low revenue and no volunteers.
- This 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 property taxes. It is not the Ambulance Club.
- *The Ambulance Club is a voluntary donation program mailed separately.*

Essential Workers

- The Borough Manager would like to take a moment to thank all Borough employees. In what was a difficult year for everyone, our employees, who are also our friends and neighbors, stepped up and kept the Borough offices, police, fire, EMS, and utilities operating during some challenging times.
- In 2021, most employees volunteered to give up annual cost of living increases, which helped balance, this year's budget.
- In 2022, most employees will receive cost-of-living increases based upon already-agreed upon union contracts.

Cost of Living Increases 2022

The Borough Manager's proposed budget includes:

- A contractually required 3% cost of living increase for employees represented by the American Federation of State, County and Municipal Employees Local #246 (AFSCME);
- A contractually required 3% cost of living increase for employees represented by the police union (the Chambersburg Police Officers' Association or CPOA);
- A proposed 3% cost of living increase for non-bargaining clerical, technical, and supervisory employees. Council typically awards the same COLA as agreed-upon with AFSCME.

These employees all had a zero percent (0%) cost of living increase in the 2021 current year budget. We need to show our appreciation for their commitment to the community.

The current collective bargaining agreement with the professional firefighters represented by the International Association of Fire Fighters (IAFF) Local #1813 expires at the end of 2021. Negotiations are ongoing for a replacement contract. The final year of that contract, 2021, saw the firefighters receive a cost of living increase of 1.95%. As a result, for budget purposes only, this proposed 2022 Budget includes a subsequent cost of living increase of 1.95% for 2022. However, until an agreement is reached, or imposed upon the parties by binding arbitration, the Borough will recognize no change in the current collective bargaining agreement wages, benefits, or work conditions once it expires, as is required by law.

Most Employees Not Paid For With Taxes

The Borough has so many employees, so many trucks, is that where my tax money goes?

- 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, administrative services, which includes information technology, finance, and personnel). Your taxes do not support any utility operations, workers, equipment, or the support departments. Further, as the budget document reveals, the Borough's utility rates are very reasonable. Therefore, no, this is not where your tax money goes.

Why do Borough employees get such good wages and benefits; can't they be reduced?

- No, most Borough employees are represented by collective bargaining unions and those unions have negotiated labor agreements with Town Council or (in the case of the uniform employees of the police and fire service) could have had those labor agreements imposed on the Borough. The Town Council cannot unilaterally change the terms and conditions of employment. Nor can Town Council necessarily lay off employees. Certainly, we think we have great employees, and in most cases, their compensation is in proportion to what municipal workers across the Commonwealth are paid.

Conclusion

- It remains true that in Chambersburg, our citizens pay no dedicated Recreation Tax, no dedicated Highway Tax, and no taxes for economic development, civic activities, street paving, alleys, or traffic problems, and no property taxes at all to support any of the Borough's operations, employees, utilities, or utility support departments, other than police and fire.
- In 2022, it is estimated that the Police Department will cost \$282,525 more to run than the revenue it brings in. This includes the use of \$680,400 of the State Pension Grant shifted to assist the Police Department budget from other departments.
- In 2022, it is estimated that the Fire Department will cost \$1,807,240 more to operate than the revenues collected. This includes the Ambulance Fee and use of \$491,000 of the State Pension Grant shifted to assist the Fire Department budget from other departments.

Conclusion

- As in any deficit year, the Police Department and the Fire Department draws on the other resources of the General Fund to break-even.
- The 2022 Budget recommends no change in the Police Tax.
- The 2022 Budget recommends no change in the Fire Tax and none is permitted per State Law. To raise the Ambulance Fee to close the gap would necessitate an increase from \$7.50 per month (proposed for 2022) to \$21.62 per month (not recommended).
- After all, the General Fund is really one comingled fund with Police, Fire, Recreation, Land Use & Community Development, Civic, and Highway. Therefore, the Police Department and the Fire Department will break even at the expense of other departments and operations.
- While public safety is very important, quality of life suffers when Council fails to account properly for its costs in the Police Department or the Fire Department operations.

The General Fund is Balanced

- Despite the Police Department and Fire Department running a deficit, miscellaneous revenue balances the General Fund.
- Also, the Recreation Department always running a deficit, miscellaneous revenue balances the General Fund.
- Some General Fund operations must always rely upon miscellaneous revenue.
- Every dollar that the Police Tax fails to cover the cost of the Police Department operation, or the Fire Tax and ambulance fees fail to cover the cost of the Fire Department operation, results in less resources for parks, playgrounds, streets, bridges, alleys, economic development, or quality of life code enforcement.
- The time will come, when the only way to pay for the Police Department is to raise the Police Tax; perhaps in 2023.
- There is no similar easy answer for the Fire Department as the State prohibits any increase in the Fire Tax.

All Utilities Balanced

	<u>Revenue</u>	<u>Expenditure</u>		
Electric	\$31,625,997	\$31,625,997	-	Balanced
Gas	\$9,730,705	\$9,730,705	-	Balanced
Water	\$4,833,640	\$4,833,640	-	Balanced
With small 2¢ per unit water rate increase.				
Sewer	\$6,897,600	\$6,897,600	-	Balanced
Sanitation	\$3,554,200	\$3,779,200		-225,000
Withdrawal from accumulated fund balance, to avoid a rate increase*				
Parking	\$1,390,721	\$1,390,721	-	Balanced
Storm Sewer	\$1,327,875	\$1,327,875	-	Balanced
With change in Storm Water Pollution Control Fee calculation methodology.				

* - Sanitation Fund likely to need a rate increase in 2023 plus a discussion on the future of recycling.

Pleasure to be Your Borough Manager

- I have now been the Borough Manager for over 12 years.
- This is my 12th budget.
- It is an honor to serve this community.
- I am extremely optimistic about our future.
- We are growing and changing, but all for the better.
- I raised my family here and hope to continue to stay and serve.
- I am also proud of my profession. We are non-partisan government professionals, who avoid party politics. That's a refreshing change.
- Finally, I am proud of the fiscally conservative nature of our community budgets as well as the good and important work we continue to do as a team.

Questions?