



Borough Manager's Proposed 2016 Budget

Borough of Chambersburg
November 16, 2015



Borough Manager's Recommended 2016 Budget

- As is required by local law, I have prepared the budget document in a form that can be adopted by Town Council. The proposed 2016 operating budget is balanced; revenues and cash balances cover all necessary expenses.
- \$65, 693, 155 operating budget
- \$122,766,453 all funds budget
- Right sizing the all funds budget:
 - 2014 \$132.2 million, 2015 \$126 million, 2016 \$122.8 million



Budget Law

- Must be advertised for 30 days
- Must be adopted by December 31, 2015
 - May be amended in January 2016
- Tax Ordinance must be adopted by December 31, 2015
 - May not be amended until next December
- Must be in balance



Adoption Schedule

- Authorization to Advertise Inspection
 - November 16, 2015
- Receive Public Comments
 - November 23, 2015
- Approve Final Budget
 - December 21, 2015
- Extra meeting, if needed, not scheduled



What is a Budget

- It is not an accounting of money; that is an audit and it comes out each spring
- It is a strategic plan for the following year
- It is a spending plan for expenditures
- It is authorization for revenues & expenditures
- It is a sobering assessment of Borough finances



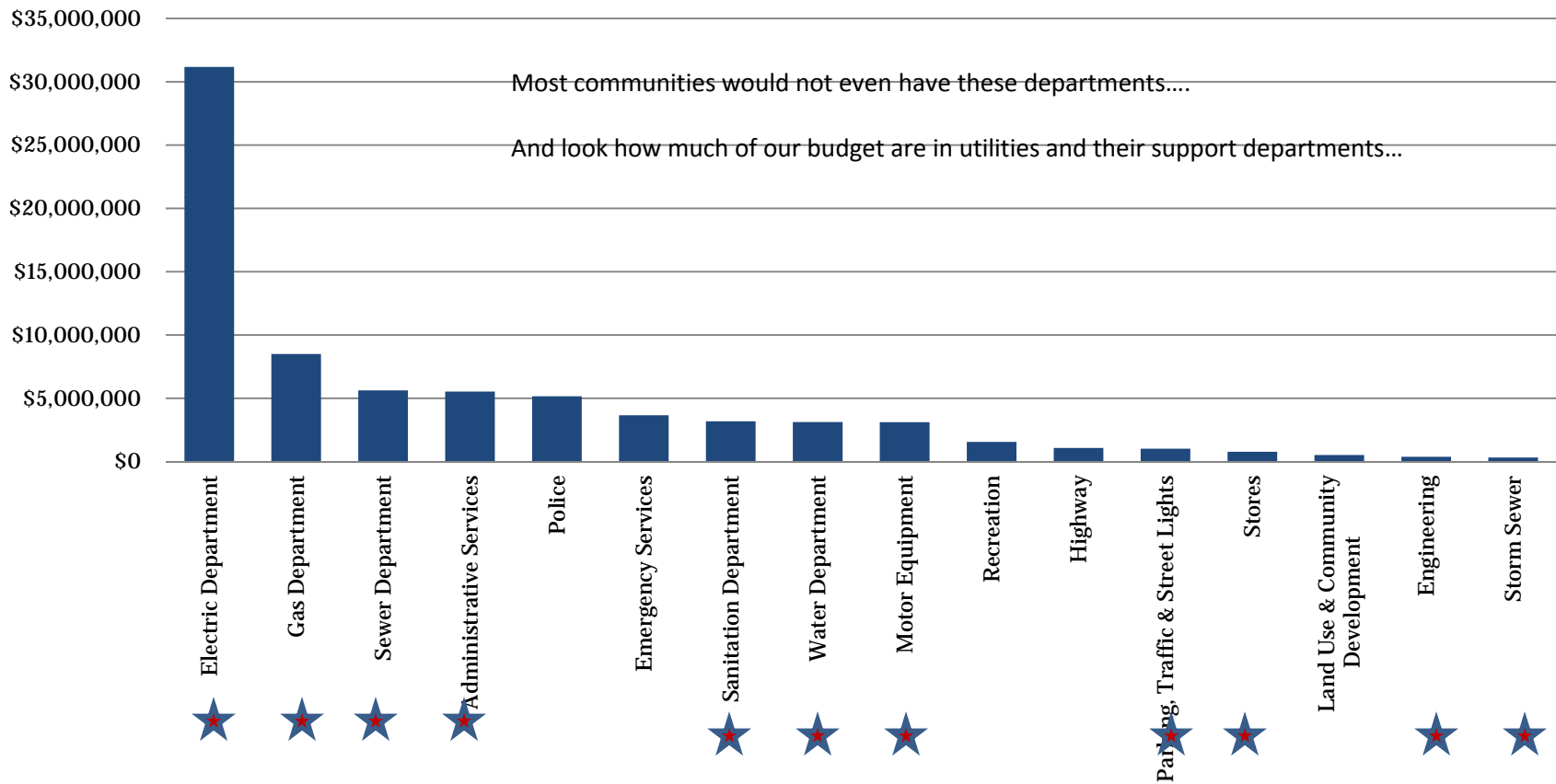
The Most Complex Budget

Chambersburg may look like Carlisle or Shippensburg or even Gettysburg which is more famous, but I assure you we are nothing like those other communities. In Greencastle, annual revenue is \$960,000. In Chambersburg we have \$89 million in receipts. In Carlisle, they have about the same number of Police Officers (similar sized town), but in Chambersburg we have a Finance Department that is 600% larger to handle our complex financial operations.



The Utilities Make the Difference

Relative Size of Borough Departments





Cost Based Accounting

We use cost based accounting. Like a law firm or doctor, many employees bill their time and equipment to the various functions upon which they are working. Many transactions are money being spent between the separate funds, to cover expenses; back and forth, thousands of internal transactions.



Most Common Example of Cost Based Accounting in Budget

All the vehicles of the Borough are owned by the Motor Equipment Fund (except some older police cars). These vehicles are rented to the departments that use them. Sometimes more than one department. The rental rates include enough money to reimburse the Motor Equipment fund for gas, maintenance, insurance, and depreciation. The depreciation is maintained as growing equity on that vehicle. When the vehicle reaches the end of its useful life, there should be enough money on account to pay cash and replace the vehicle. Each vehicle is individually tracked and the rental adjusted as needed annually. This allows each department to pay for the actual cost of using the vehicle. Almost no other town utilizes this motor pool concept, but everyone agrees it is brilliant.

Chambersburg does this for equipment, buildings and manpower.



What is the Theme of the Budget?

- This budget contemplates management of the Borough of Chambersburg in 2016 and a roadmap towards regionalization not yet supported by many.
- This budget contains several *2016 goals*, as reflected in a number of attributes of this budget, to work to expand our outstanding services, to upgrade our community and to expand regional cooperation.
 - **Expanding Municipal Services for the Mutual Benefit of the Townships**
 - **A Safe, Clean, Green and Healthy Community**
 - **Settling Big Infrastructure Issues**



But Wait! What About the Police Tax and the Fire Tax?

- But this budget is so much larger than these issues...
- Almost all the 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) 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.



All real estate taxes prior to 2014 were used exclusively to support the Police Department.

- No real estate taxes were used for any other purpose. Beginning in 2014, a portion of real estate taxes was also used to support equipment and vehicles for the Emergency Services Department. No portion of real estate taxes will be used for any other purpose other than the Police Department or to support equipment and vehicles for the Emergency Services Department.
- Not to pay for streets, or parks, or utilities, or any other employees of the Borough; such as the Borough Manager or anything else.



One Tool in Toolbox

- 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 set tax on wages earned by those who live inside the Borough; and the Deed Transfer Tax, which is a set tax when property inside the Borough is sold or transferred.
- We cannot create any other type of tax; such as a sales tax or a hotel tax. The State does not allow us the right to raise any other type of taxes. In 2014, the Town Council requested that the General Assembly allow Franklin County to raise the county hotel tax and share proceeds with Chambersburg. That proposal was not approved by the State.
- Our toolbox has one tool and it's called property taxes.



Why can you not just take utility money and pay for police officers and firefighters?

- 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. Nor would this be fair to utility customers.
- Also, the Electric Department and the Gas Department already making 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. However, they are tax exempt. So, instead, they pay their taxes to support your General Fund (police, fire, ambulance, highway, and recreation) activities. State law does not allow the Sewer Department to make similar payments. We could ask the Water Department to pay taxes but we have not done so in years.



Can we buy fewer trucks, do less construction, or lower the number of employees?

- No, in general all of our vehicles are owned by the Motor Equipment Fund and rented to the utilities, not the General Fund. The only vehicles rented by the General Fund are police vehicles, fire vehicles and recreation equipment. Your taxes do not pay for vehicles for the utilities. Your taxes go only to support the Police Department equipment and vehicles and to provide fire and EMS equipment and vehicles for the Emergency Services Department. Almost all the construction projects of the Borough other than street paving projects (and some of those too) are by our utility departments (Electric, Gas, Water, Sanitary Sewer and Storm Sewer) or our utility support department, Administrative Services. So really, when it comes down to the budget gap, it is a police, fire, recreation or street paving issue.
- The Police Tax pays for Police
- The Fire Tax pays for equipment of the Fire Department
- There is not any other type of property tax in Chambersburg
- Not responsible for school taxes or County taxes; call them...



What of the Utility Rates in 2016?

- No change to the electric rate (Avg. Residential \$100.90 per month)
 - Second year no increase after three straight decreases
- No change to the gas rate (Avg. Residential \$804 per year)
 - Least expensive residential heat gas in PA
- No change to the water rate (Avg. Residential \$15 per month)
 - No increase in the Water rate since 2001!
- No change to the sewer rate (Avg. Residential \$29.50 per month)
 - One of the lowest sewer rates in the area
- No change to the storm sewer pollution control fee
 - The second year with a fee of only \$3 per month per account



Needed Increase in Sanitation Rate

- **The 2016 Budget includes a proposal to increase the trash fee.** This would be the first **sanitation rate increase** since 2013 and only the second since 2005; **average residential rates would increase from \$14 per month to \$18.75 per month but only effective on Feb. 1, 2016; or less than all of the year.** Our sanitation rates are still much lower than the private rates charged by for profit trash haulers throughout the townships.
- For illustrative purposes, IESI - Progressive Waste currently charges \$22.00 per month, Parks Waste currently charges \$23.50 per month, and Waste Management currently charges \$45.30 per month per residential service location in the townships.



Needed Increase in Sanitation Rate

- *Green Yard Waste Recycling Center*
 - Added expenses, less traffic than hoped
- *Outsourcing Single Stream Curbside Recycling to a Private Contractor 2016*
 - Added expense but more service
- *Anticipated increase in landfill expenses*
- First increase since 2013 and only the second since 2005



Lowest Composite Utility Rate

Our utility departments drive the cost of operating for local businesses and other government units throughout the Borough and also the regional area. It is not always appreciated, but our sound fiscal management not only frees our citizens from the burden of high utility rates, but also frees our local employers to hire more workers and our local institutions, such as the Chambersburg Area School District and Chambersburg Hospital, to control their cost of operations and their need for revenues



Times Are Tough

- Our utility rates are awesome
- From the Pennsylvania Municipal Electric Association (PMEA-Utility Engineers) electric rate research this year we learned that in September 2015 a typical West Penn Power (WPP) residential bill for those living around (some inside) Chambersburg for a customer using 1,000 kWh/Month is **(WPP) \$112.40/month** or \$0.1124/kWh while the same customer on the Chambersburg electric system would be **(BOC) \$100.90/month**.
- Our “Price to Compare” is estimated at about 6.5 cents per kWh; an awesome fixed rate for our customers.



What of the Fire Tax in 2016?

- Chambersburg Emergency Services Department finances are not identical to the Chambersburg Police Department finances.
- Main difference is that the ES Department brings in significant revenue.
 - A regional provider of Basic Life Support (BLS) ambulance service inside the Borough and in parts of the surrounding townships
 - The Borough's Fire Code safety inspection service
- We have focused more on growing these revenue sources for the Fire Department rather than growing the Fire Tax



2016 Fire Tax

- **This budget has no increase in the Fire Tax;** which would remain at 2.5 mil for 2016.
- 100% of the Fire Tax goes to support the apparatus of the Chambersburg Emergency Services Department and not for any other department or function or employee or use.

-

Average Single Family House Inside The Borough	<u>2015</u>	<u>2016</u>
Fire Tax (to the Motor Equipment Fund)	\$41.84 \$0.11	\$41.84 \$0.11

- **The Fire Tax is deposited into the Motor Equipment Fund.** Upon receipt, a rebate is created and sent back to the General Fund to reimburse the Emergency Services Department for their equipment rental fees paid. In this manner, the Emergency Services Department is still paying its fair payments for their equipment, but that payment is balanced by the Fire Tax in the form of a rebate.



What of the Police Tax in 2016?

Chambersburg is the only one of the adjacent municipalities with a full local police department. It is a professional and successful law enforcement organization. It costs significant funds to operate a modern police department in 2016, but unlike our friends in 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.



No Township Police Tax

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.



Police Tax for Police Department

- We do not use any real estate taxes to support parks or recreation, highways or streets, any other employees such as the Borough Manager, or any other function or utility.
- Perhaps this explains why Greene, Guilford, and Hamilton townships have no local real estate tax. And still, the Borough does not collect enough Police Tax to pay for the cost of operating the Police Department



No Increase in 2015

- In the 2015 budget, adopted in December 2014, it was anticipated that the Borough Police Department would cost \$667,680 more than the yield from the 21 mil Police Tax. I recommended that Council consider some increase in the 21 mil Police Tax levy, but Council provided no relief.
- Instead, Council hired extra police officers.



Not Many Police Tax Increases

Real Estate Tax Rate	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Mil	17	20	20	20	20	20	20	20	21	21	?

The Borough of Chambersburg did not raise taxes between 2007 and 2013; and only once in the last decade. Perhaps your taxes were raised by others such as Franklin County or the Chambersburg Area School District. In 2014, the Borough did raise taxes and a new fire tax. In 2015, the Borough, once again, did not raise these or any taxes.



Needed Police Tax Increase

To properly balance the Police Department budget in 2016, the Borough will need a **Police Tax of 23 mil or an increase of 2 mil (9.5%)**. This will create a tiny 1% surplus on paper; a reasonable cushion for unforeseen Police Department expenses; such as hiring extra police officers as has been done several times in recent history.



Needed Police Tax Increase

- The average single family house inside the Borough has an assessed value of \$16,823.61; for illustration purposes, the average home owned by a member of Town Council has an assessed value of \$18,825.62 or slightly over the Borough average.
- In 2015, with a 21 mil Police Tax and a 2.5 mil Fire Tax, the average single family home paid \$353.29 in Police Tax and \$41.84 in Fire Tax; for a total annual tax bill of \$395.13 or \$1.08 per day.
- With this proposed increase to a 23 mil Police Tax (while keeping the Fire Tax at 2.5 mil), the average single family home will pay \$386.94 in Police Tax and \$41.84 in Fire Tax; for a total annual tax bill of \$428.78 (\$1.17 per day) or \$33.65 more real estate taxes (or effectively 8.5% more in total taxes).
- 100% of the Police Tax goes to support the public safety activities of the Chambersburg Police Department and not for any other department or function or employee or use.



Needed Police Tax Increase

Real Estate Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Mil	17	20	20	20	20	20	20	20	21	21	23

Average Single Family House Inside The Borough	2015		2016	
Police Tax (to the General Fund)	\$353.29	\$0.97	\$386.94	\$1.06
Fire Tax (to the Motor Equipment Fund)	\$41.84	\$0.11	\$41.84	\$0.11
<i>Total (per year)</i>	\$395.13	\$1.08	\$428.78	\$1.17

Price per day

A real life example of the impact



Real example of average Borough home:
 0.15 acre lot single family home
 Estimated value: \$154,500

Assessed value: \$16,850

	2015	2016
Police Tax	\$353.85	\$387.55
Fire Tax	\$42.13	\$42.13
Total Borough	\$395.98	\$429.68

For example, Council lives in very average homes and pays a very average tax just like this...



Needed Police Tax Increase

Total Police Operating Budget	\$ 5,168,725
Police Fines And Fees	\$ (150,000)
State Pension Grant*	\$ (509,000)
CASD Crossing Guard Grant	\$ (53,000)
Net	\$ 4,456,725
21 Mil Of Police Tax	\$ 4,085,000
23 Mil Of Police Tax	\$ 4,509,500

Police Department budget \$5,168,725

In 2016, approximately \$150,000 to \$154,500 in fines and fees

CASD school crossing guard program \$53,000

This will leave a Police Department budget need of about \$4,456,725

If Council leaves the Police Tax at 21 mil, there would be a shortfall of about \$371,725

* - By providing this grant to the Police Department, the utility departments must pay higher pension costs



Should the Police Tax pay 100% of operating the Police Department, or should some undesignated revenue which could be used for other worthwhile programs be used to balance the their budget instead?

- Stop diverting important money from other departments to pay for the Police
- If the Police budget needs \$4,456,725 then collect enough Police Tax to pay for it
- It is my opinion and recommendation that our Borough has arrived at a point where we need to fundamentally answer this question. Because the effect of “robbing Peter to pay Paul,” where Paul is the Police Department and Peter is all the other things we want to accomplish, is beginning to have a noticeable effect on the condition of our community.



The Police Budget

- A copy will be available on our website tomorrow for everyone to review
- This budget, presented by the Police Chief, is reasonable and customary
- There is no way to trim **\$371,725** out of this budget*
- That is about what would be needed to avoid a Police Tax increase



*There Must Be A Way to Avoid a Police Tax Increase

- Bad idea #1 ← **Don't do this**
- Chambersburg Police Department is supposed to have 31 officers per local law
- Town Council has hired 3 extra officers in advance of upcoming retirements
- In addition, Council hired a new bilingual community resource officer
- These were all extra positions for two to three years
- In addition to wages, health care and pension going up
- We could lay off all four employees
- If so, we could save the Borough \$303,545.25**
- These are outstanding new young members of the Department

**The Borough is self-insured for unemployment insurance. Therefore, in 2016, the Self Insurance Fund would pay unemployment benefits to the laid off employees. In 2017, the Police Department would be required to reimburse the Self Insurance Fund.



*There Must Be A Way to Avoid a Police Tax Increase

- Bad idea #2 ← **Don't do this**
- The 2016 Budget includes \$1,990,000 in paving projects
- This is barely enough to keep up with the condition of our streets & contemplates no paving of any alleys; once again
- To pay for this paving, the Borough will use \$969,616 from the liquid fuels state aid account and \$1,020,384 from fund balance sitting in the General Fund at the end of this year.
- Council will need to transfer this money before the end of the year
- If you do not transfer it all, you can do less paving and lower the tax increase (up to \$371,725 less paving) and adopt an **unbalanced** budget, using 2015 money to pay for 2016 Police Department operations
- This is a terrible idea and the bond rating agencies will punish the Borough for such a decision
- Further it just makes the issue worse for 2017, less paving money and still insufficient Police Tax to pay for the Police Department



Needed Police Tax Increase

- It is clear that the time has arrived to increase the Police Tax
- Do not lay off the future of the department
- Do not defer any more paving projects
- Let the Police Tax pay for the Police Department (plus a reasonable 1% surplus for unforeseen Police related expenses)



General Fund Budget

2016
Budget

Police	\$	5,168,725	38.4%
Emergency Services	\$	3,667,875	27.2%
Recreation	\$	1,559,575	11.6%
General Highway	\$	1,080,075	8.0%
General Borough	\$	1,221,550	9.1%
Land Use & Community Development	\$	519,925	3.9%
Civic and Downtown	\$	200,380	1.5%
Miscellaneous	\$	48,000	0.3%
Total Expenditures	\$	13,466,105	
Total Revenue	\$	13,466,105	

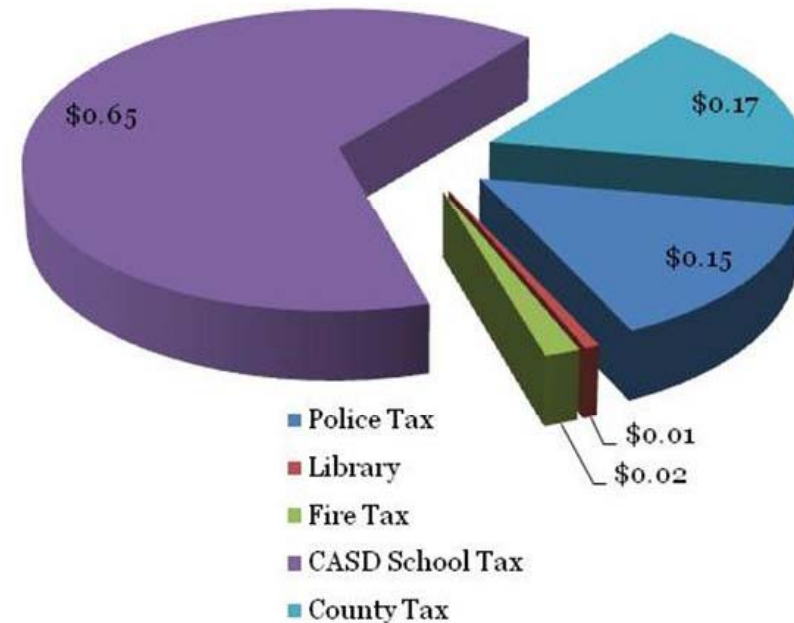
86% of the Police Department budget is wages and benefits for employees



Most Real Estate Taxes Go To the School District

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. In fact 65¢ of every dollar goes to the Chambersburg Area School District.

2016			
Franklin County	25.65 mil	\$429.27	16.96%
Library	1.05 mil	\$17.57	0.69%
Chambersburg Area School District	98.426 mil	\$1,655.88	65.41%
Police Tax	23 mil	\$386.94	15.29%
Fire Tax	2.5 mil	\$41.84	1.65%
Total	143.858 mil	\$2,531.50	100%





Why can't you bill people directly for police and fire instead of using real estate taxes?

State law prohibits the levy of taxes as a fee on persons (called per capita taxes). Instead, the law allows us only to use property as the sole means to determine how much tax to collect. So, if you rent your property, your landlord will pay the real estate tax and it will be reflected in the rent you pay. There is no other system allowed. The Ambulance Club is not a tax or fee; rather, it is more like a service. You provide us a gift and in exchange, we accept assignment insurance company if you need to use the Borough ambulance service.



Can the Borough get rid of our Police Department?

No, it is not practical or legal at this point. We are skeptical that in the future the Pennsylvania State Police would be sufficient to protect the townships alone; not to mention our Borough in decades to come.



If you need to raise the Police Tax, how can you afford projects like new windows in City Hall or buying houses or a City Hall expansion?

Your taxes do not pay for things like the upkeep of property. Your taxes go only to support the Police Department and to provide fire and EMS equipment and vehicles for the Emergency Services Department. Projects like restoration of our century old historic wooden windows were paid almost exclusively by the utility funds in proportion to their importance in our budget. No real estate taxes were used for this or any other similar purpose. The parking lots are paid by the Parking Department, a separate fund of the Borough, which receives no tax income. Almost all the projects of the Borough and most of the buildings are owned and operated by our utility departments (Electric, Gas, Water, Sewer and Sanitation Departments) and our utility support departments (Engineering, Motor Equipment, and Administrative Services). The exceptions to that rule are the parks and recreation areas, the firehouses, and the Police Department Annex on S. Second Street.



Doesn't every property owner contribute real estate taxes for police and fire?

- No, many types of properties are exempt under State law from paying real estate taxes. Those exempted properties include schools, colleges, churches, charities, and other government agencies. So, these property owners add to the economic vitality of our community but do not necessarily contribute any money to support police or fire services. However, some of these agencies (Chambersburg Hospital is a good example) make a voluntary contribution in support of the Borough's public safety services regardless of their tax exempt status. We encourage all tax exempt property owners to donate to the police and fire services every year.
- In 2015, we received \$26,975.50 in donations. In 2016, request for donation letters will be sent again.



Don't Forget, this Budget has a Theme & It is Not the Police Tax

- This budget contemplates management of the Borough of Chambersburg in 2016 and a roadmap towards regionalization not yet supported by many.
- This budget contains several *2016 goals*, as reflected in a number of attributes of this budget, to work to expand our outstanding services, to upgrade our community and to expand regional cooperation.
 - **Expanding Municipal Services for the Mutual Benefit of the Townships**
 - **A Safe, Clean, Green and Healthy Community**
 - **Settling Big Infrastructure Issues**



Goal A - Expanding Municipal Services

- *Work With Townships to Provide Expanded Sewer and Water Services*
- *Work With Townships to Provide Post-Construction Stormwater Management Services*
- *Work With Townships to Provide Additional Recreation Services for Their Residents*
- *Work With Townships to Provide Commercial Fire Code Inspection Services*
- *Work With Townships to Provide Additional Police Patrols in Commercial Areas*



Goal B - A Safe, Clean, Green and Healthy Community

- *Borough-Wide Camera and Security Project to Continue*
- *Downtown Custodian and Maintenance Worker to Start in January 2016*
- *New Third Street Parking Lot and New Central Avenue Parking Lot Designs*
- *Wilson College Streetscape Grant Project*
- *Pedestrian and Bicycle Improvements Plan & Healthy Communities Design Initiative*
- *Elm Street Neighborhood Master Plan*
- *Sustainable PA Community Certification*



Goal C - Settling Big Infrastructure Issues

- *Expanding City Hall*
- *Memorial Park Pool*
- *A Need to Fund Alley Improvements*
- *Waste Water Treatment Plan Project Enters Final Construction*
- *North Chambersburg Transportation Improvements Project*



Utility Capital Expenditures

- Electric Capital Reserve \$1,917,500
- Gas Capital Reserve \$1,260,000
- Water Capital Reserve \$2,244,000
- Sewer Capital Reserve \$12,197,500
- Sanitation Capital Reserve \$252,500
- Parking Capital Reserve \$4,351,000
- Storm Sewer Capital Reserve \$185,000



Conclusion

- No utility increase except sanitation increase from **\$14 per month to \$17 per month but only effective on June 1, 2016.**
- No Fire Tax increase; to remain at 2.5 mil
- Police Tax increase from 21 mil to 23 mil

Average Single Family House Inside The Borough	2015		2016	
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- Goal A - Expanding Municipal Services
- Goal B - A Safe, Clean, Green and Healthy Community
- Goal C - Settling Big Infrastructure Issues
- Significant Utility Capital Expenditures



11/16/2015