

Chambersburg: The State of the Borough

I want to thank the members of Town Council for their confidence in my ability to lead Council for the next two years. We are continuing on a journey into uncharted territory. There are no trails or safe passages that will lead us to our uncertain destination. Make no mistake; Council will get the Borough of Chambersburg to where we need to be.

2011 has been a year of **RECOGNITION** and **MILESTONES**.

Assistant Fire Chief Norman Reitz was commended for his heroic actions at a house fire on Lincoln Way West.

Sen. Rich Alloway and Rep. Rob Kauffman were recognized for their efforts in helping the Borough receive a \$2 Million H2O Grant for our Sewer System Upgrades.

The Rail-Trail was extended from South Street to South Main Street.

An understanding was reached with the Chambersburg YMCA concerning the development of the Coldbrook School property.

Lance Anderson was appointed as the Water and Sewer Superintendent.

The Chambersburg Cardinals were recognized for bringing Championship football back to Chambersburg.

Dr. Barbara Mistick was welcomed as the 19th President of Wilson College. We wish her only success in her leadership of Wilson and on her efforts to create new relationships and linkages with the Greater Chambersburg Community.

We mourned the passing of Bill Pukmel, the former editor of the Public Opinion and the editor of the Borough's Annual Report. Bill was a genuine character held in high esteem by those in the public eye who possessed both a thick skin and a sense of humor.

On December 19th Town Council passed the **BUDGET FOR 2012** that recognizes the Borough's current fiscal situation and our national economic reality. It was a difficult and painful process, and unless there is a substantial improvement nationally, one we will be forced to repeat in the future. Budget forecasting for 2013, 2014 and 2015 has already begun. If Council Members, Department Supervisors or members of the public have suggestions that will reduce expenditures, please contact the Borough Manager. Employees are encouraged to work with their Departmental Supervisors.

ECONOMIC DEVELOPMENT may appear to be in slow motion during a down economy, but there are some exciting opportunities going on below the surface. The Borough of Chambersburg is committed to supporting efforts to attract economic development projects that enhance job opportunities in our region.

There have been a number of **BRIGHT SPOTS** in the Borough in 2011.

It appears that **VENTURA FOODS** is proceeding with plans to expand its Chambersburg operation. This expansion could add up to 50 new jobs as Ventura diversifies its lines and increases production.

An Inter-Municipal Liquor License was approved, as well as land development plans, for a **TEXAS ROADHOUSE RESTAURANT** on Walker Road. This was coupled with the construction and opening of the **CANDLEWOOD SUITES HOTEL**.

Planning is underway for the construction of an **OLIVE GARDEN** and **LONGHORN STEAKHOUSE** at the corner of Walker Road and Norland Avenue. The developer has purchased two liquor licenses on the open market. Inter-municipal liquor license transfer hearings will be scheduled in the near future. No economic development licenses will be used in this project.

This combined hotel and restaurant development represents a total investment of approximately \$15 Million with the potential creation of approximately 200 full and part-time jobs. We applaud the investment and job opportunities created in Chambersburg by these private enterprises given the current economic climate.

The **BOROUGH'S UTILITY OPERATIONS** have been a particularly bright spot in 2011.

NATURAL GAS RATES for 2012 will be at levels last seen in 2002. With the development of the Marcellus Shale fields in Pennsylvania, there is more gas on the market, which has lowered gas prices and should stabilize the market over the next few years.

A partnership with **MGAG (MUNICIPAL GAS AUTHORITY OF GEORGIA)**, our gas supplier, has provided Borough residents with over \$200,000 in interest free loans so that they could convert their heating source from high cost electric and oil heating to clean, economical, efficient gas heating.

In 2011, Council approved investigating construction of a **NATURAL GAS VEHICLE FUELING FACILITY**. The process is moving forward. The concept has been well received by several, potential, high volume customers.

For the **BOROUGH ELECTRIC DEPARTMENT**, this is the last year of our contract with **DTE**. We have entered into a series of new electric supply contracts.

The most exciting contract is with **PP&L** for the development of a **LANDFILL GAS GENERATION and EXTENSION CHORD PROJECT** at the IESI Landfill in Scotland. This development will provide between 6 to 8 megawatts of power, which represents 10-12% of our total

power requirements or 25-33% of our base load requirements. This renewable energy source will make Chambersburg one of the greenest communities around while reducing costs significantly. This contract is at a fixed-rate for 10 years at approximately 19% below current cost. This energy source is also “behind the meter” power that is not subject to transmission costs or **PJM CONGESTION CHARGES**.

We have also entered into a power supply agreement with **EXELON**. This contract is for 5 megawatts for 7 years. At \$59.60 per megawatt, this is approximately 23% below current pricing.

Our largest power purchase agreement is with **FIRST ENERGY** for our fixed shape load requirements. This 2-year agreement at \$51 per megawatt represents a 35% reduction over current cost.

These new contracts will allow the Borough to restructure consumer rates (**LOWER THEM**), while allowing us to replenish the capital in the Electric Capital Reserve Account. Electric capital has been used over the past several years to subsidize consumer rates as wholesale rates have escalated.

The design phase for the improvement and expansion of the **WASTEWATER TREATMENT PLANT (WWTP)** is on schedule. Current cost estimates are approximately \$10 Million below the original cost estimates. Relations with our municipal partners, Guilford, Greene and Hamilton Townships and their Municipal Authorities, have been strengthened by the consultative planning approach. Our relations with the

PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION (DEP) have also improved significantly. Better communication between Borough staff and our new consultants with DEP, coupled with quicker response times and providing better, more accurate, information by the Borough has helped immeasurably. Mutually improved attitudes and elevated levels of respect have been the by-product of more open and transparent communication.

Work has begun on the selection of a **WATER RESOURCES, TREATMENT and DISTRIBUTION CONSULTANT**. Upgrades and capital improvements are needed in the water system in order to maintain and improve the system and protect the people of Chambersburg in the future.

In 2011, the Water and Sewer Department purchased a video camera system for the inspection of our underground pipes. This equipment will be a valuable tool for checking for leaks and Infiltration & Inflow into the system and will allow us to isolate issues before they become bigger problems. This acquisition will save the borough over \$100,000 in rental fees annually and allow us to respond more rapidly.

While many communities across the country have allowed their infrastructure to deteriorate and decay, Chambersburg has continued and will continue to make prudent investments and improvements to our system.

Except for a previously anticipated increase in sewer rates due to the projected cost of the WWTP project, there will be no rate increases in 2012 for water, natural gas, electric or refuse service.

The Borough of Chambersburg is working on a pilot program with a local vendor that would electronically link all of our utilities as well as street-lights and traffic signals. This implementation of advanced technology will give us accurate data about leaks and outages, help to control our expenses, and allow us to react more rapidly before situations become problems.

LABOR NEGOTIATIONS played a significant role in Borough activities in 2011.

Negotiations with our **AFSCME** employees resulted in concessions from both sides for 2012, the last year of the current labor agreement. The contract called for a 4% pay increase in 2012. The union agreed to give back 2% of the raise in return for 5 additional holidays in 2012. The additional holidays are Columbus Day, the day after Thanksgiving, the Monday after Thanksgiving, Christmas Eve Day and New Year's Eve Day. This agreement also affects all non-union, clerical, technical and management employees. Council would like to thank the AFSCME employees for stepping up and helping us meet our responsibilities to the public in these challenging economic times.

The Borough also offered an **EARLY RETIREMENT INCENTIVE PROGRAM** for supervisors, clerical, and technical employees. 24 offers were extended and 14 were accepted resulting in significant savings for the Borough. Through job restructuring, many of the positions will be eliminated, reducing Borough employment to the lowest level since 1994.

By utilizing both the collective bargaining process and **ACT 111 INTEREST ARBITRATION**, a balanced settlement was achieved with the **CHAMBERSBURG POLICE OFFICERS ASSOCIATION**. Although neither side got everything it sought, each side received some things of importance. Savings from the **ACT 111 ARBITRATION AWARD** has enabled the Borough to preserve an additional police position in the 2012 Budget. For the citizens of Chambersburg, we have been able to retain a valuable service while maintaining economic stability.

The Borough and **IAFF LOCAL # 1813**, representing the Borough's Career Fire Fighters will be engaged in **ACT 111 INTEREST ARBITRATION** in 2012. Arbitration is required when the negotiating process is unsuccessful. The Borough has invited the IAFF back to the bargaining table to see if contract issues can be resolved. We are hopeful that this invitation will be accepted in early 2012.

The labor relations situation is compounded by the need to face economic reality and explore an alternative approach in the Emergency Services Department.

The **ECONOMY** drives everything we do. Nationally, we are experiencing our third prolonged economic calamity in our nation's history, since 1789. This one is more serious and confusing than its predecessors because we live in a more complicated world. It is a "perfect storm" that includes housing, finance, energy and government. There are no easy answers or solutions, but doing nothing is not an alternative.

There is an old adage that says, "figures lie and liars figure." I defy anyone to find a lie in the following figures.

All major sources of Borough revenue have dropped dramatically since reaching historic highs in 2007.

1. **INVESTMENT INCOME** has dropped almost \$1 Million per year or the equivalent of 5.8 mils in property taxes. With key interest rates approaching 0%, our interest income will continue to decline as existing investments mature and are replaced with low growth instruments. In a healthy, growing economy, it could take 8-12 years to see investment yields return to 2007 levels.
2. **DEED TRANSFER TAX REVENUE** has declined from \$802,000 in 2007 to an estimate of \$260,000 in 2012. This represents a loss of \$542,000, or the equivalent of 3.1 mils.
3. The **LOCAL SERVICES TAX** generated \$1,136,761 in 2007 and is projected to yield \$775,000 in 2012. This is a loss of just under \$362,000 or the equivalent of 2.1 mils of Real Estate Taxes.

4. In 2007, the **EARNED INCOME TAX** produced \$1,749,000. The 2012 projection is \$1,500,000, a decline of \$249,000 or the equivalent of 1.4 mils.

5. In 2012, **REAL ESTATE PROPERTY TAXES** are projected to drop for the first time in history.

For the past few years, we have had the luxury of using **CASH RESERVES** to offset shortfalls in revenue in the hope that the economy would turn around. That has not happened. Without the ability to utilize cash reserves, our property tax rate would have ballooned and our residents could have faced a tax rate of 32.4 mils in 2012, rather than the ordained rate of 20 mils.

There are no economic miracles on the horizon that will result in significant improvement of our fiscal situation. As a community we must seize the initiative to secure our financial future because our current pathway is unsustainable and can only lead to financial ruin. In the past, Council has acted responsibly and will continue to act responsibly in the future.

The extreme elements of the political spectrum insist that a one-dimensional approach is all that is needed to resolve impending financial calamity. One side insists that all that is required is to raise taxes and all our problems will evaporate. The other side preaches that cuts or reductions in services are enough to resolve our problems. Both sides are wrong and their posturing, lack of leadership, and irresponsibility push us ever closer to the economic precipice. Without principled, unselfish leadership in Washington and

Harrisburg, our community, our Commonwealth and our nation will remain on course for a fatal financial fall.

In Chambersburg we must put our own house in order first. Then we must act in concert with other communities to petition the legislature to take clear, dramatic action that will change our direction and reverse our impending rendezvous with disaster.

Local government is a creation and instrument of the Commonwealth. We can only do what the State permits us to do. For local government to survive and remain viable, the state must change the rules under which we operate. On one hand, we need more flexibility. On the other hand we need the state to take the initiative to institute basic reforms regarding the Act 111 Arbitration process, as well as pension and health care benefit programs.

For every \$100,000 that Chambersburg pays in wages and salaries, there is an additional \$60,000 paid out in fringe benefits- the largest being health care and pensions. Left unchecked, these two expenses will bankrupt every municipality in Pennsylvania.

There are over 2,600 municipal pension plans and over 1,000 health insurance plans for municipal workers in Pennsylvania. Many of these plans have fewer than ten participants. I advocate that the Commonwealth consolidate and merge all of these disparate plans into four pension plans and four medical plans, one each for police, fire fighters, union employees and non-union employees (management, supervisory, clerical and technical workers). Such a consolidation would eliminate waste, duplication,

excessive administrative costs and politics. It would assure accountability, establish uniform benefits and contribution and remove pension and health care benefits as a contentious variable in collective bargaining and Act 111 Arbitration.

Regardless of how the Commonwealth proceeds on these critical issues, the Borough of Chambersburg must work to adopt policies that clearly define coverage, eligibility and contributions for all employees. We must formulate a clear and concise, written policy that includes rational limits for everyone and is characteristic of our labor market. The unbridled growth in the expense of these benefits will ultimately result in substantial reduction and possible elimination of some public services and dramatically reduced benefits for all employees in the future.

On January 10, 2011 I publicly stated that we were starting the budgeting process for 2012. Periodic budget updates throughout the year never concealed a continuing deterioration of the Borough's financial situation. These facts were publicly discussed and subject to public scrutiny.

Work has already begun on the 2013 budget. Expense forecasting for 2012, 2013 and 2014 will come into sharper focus as Fire Arbitration and AFSCME Negotiations are concluded. Unrealistic settlements or awards will have consequences that will affect everyone. Council will be left with few alternatives except further reductions in services or the institution of dedicated tax increases to support the affected areas.

We are not in some dark, fairy tale forest where the laws of economics have been suspended. The problems are real. The situation is serious. The decisions will be difficult. Council will do its job and meet its obligations to the citizens of Chambersburg.