

Borough Manager's Proposed 2015 Budget

Borough of Chambersburg

November 3, 2014

Per Borough Code

- Budget is balanced
- In a form that may be adopted
- Details all revenues, expenses, projects and policies
- Budget must be advertised for thirty days
- Budget and Property Tax Ordinance must be adopted by the end of December every year
- Budget can always be amended during next year but Tax Ordinance is set for one year
- All other taxes are set by State law
- All other fees can be adjusted by Council as needed

Per Borough Code

There is only one tax that Town Council can adjust on an annual basis: the real estate tax

Can we raise a different tax such as a sales tax or a hotel tax?

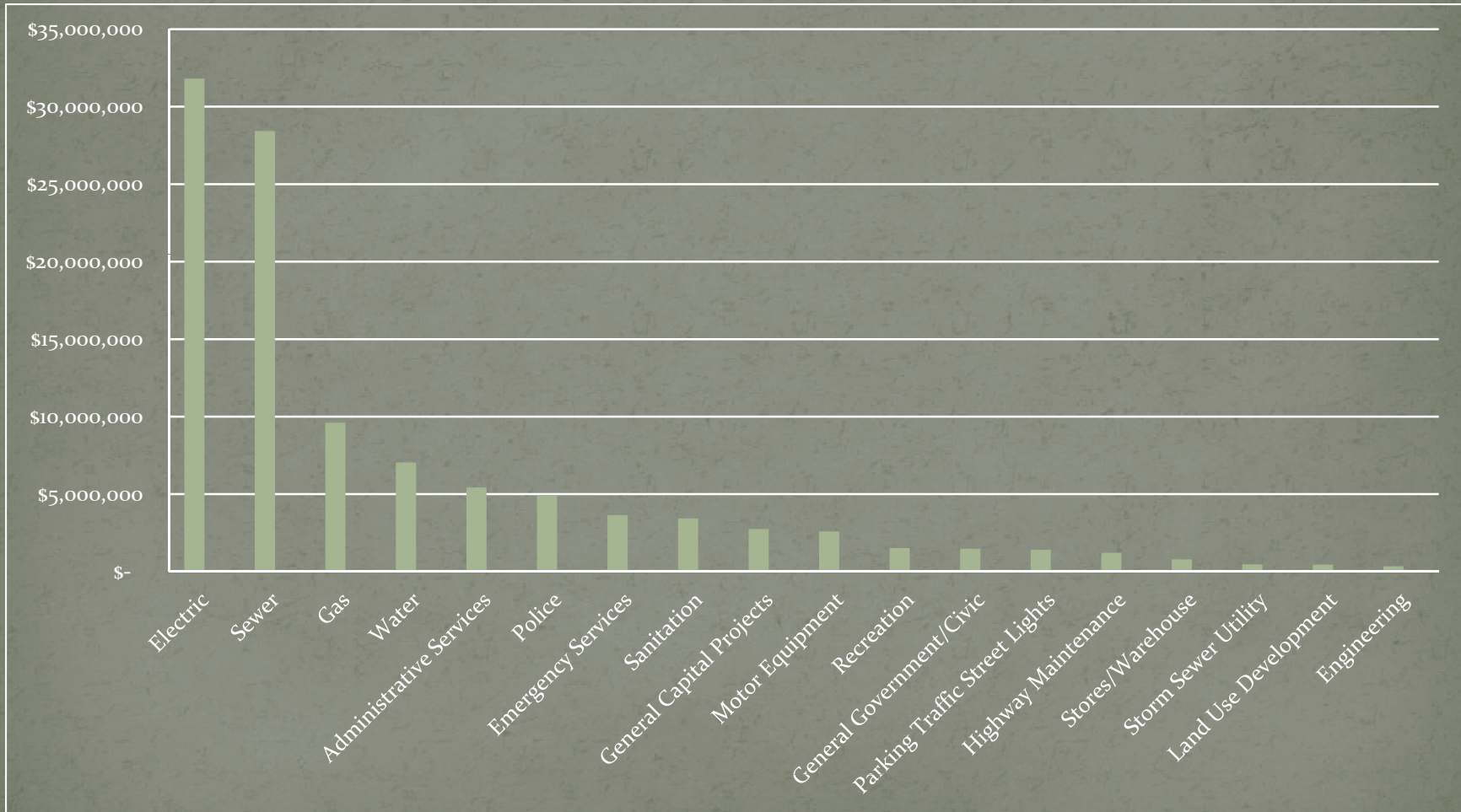
- No, in general the Commonwealth of Pennsylvania does not allow us the right to raise any other type of taxes. In 2014, the Town Council requested that the General Assembly allow Franklin County to raise the county hotel tax and share proceeds with Chambersburg. That proposal was not approved by the State. Also, sales tax, liquor taxes, business taxes, and other local taxes are not an option under State law.

In Chambersburg the real estate tax is ONLY used for two things: to fund police and fire

Macroeconomic Factors

- Chambersburg remains a unique community both in the complexity of our impact on our local economy as well as the size of our municipal government. No other local government plays as significant a role in the macroeconomic factors that influence the local economy as Chambersburg Borough. This is because 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, taxes and fees.

Relative Size of Borough Departments/Operations



Goals of the 2015 Budget

- To explore alternative delivery of services. We have always prided ourselves on being a business-like municipal government and using entrepreneurial methods from our utility operations to encourage private investment and private economic growth in Chambersburg and the surrounding region.
- To see our downtown blossom with private investment, real estate redevelopment, more stores, more offices, more places to live; all as a result of making Chambersburg a safe, clean, green, and healthy place to live and work.
- To embrace the growing diversity of our community and the economic and cultural excitement that this can bring to our hometown.
- These aspects are all interrelated. That the fiscal stability of our municipal government is directly related to the macroeconomic factors that influence the local economy; that the local economy is directly related to our entrepreneurial methods of managing local government; that our utility operations encourage private investment and private economic growth; that our downtown will blossom with private investment; and that we will continue to explore ways to expand this success in a regional way.

Police Tax and Fire Tax

- 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.

Police Tax

- This budget includes no Police Tax increase, keeping the rate at 21 mil; but, this will have a serious and consequential effect on the 2016 budget.
- **This proposed budget, as originally presented, includes only a 21 mil Police Tax.**
- *Details to follow...*

Fire Tax

- This budget includes no Fire Tax increase, keeping the rate at 2.5 mil; but, there is no doubt there will need to be an increase in the 2016 budget.
- **This proposed budget, as originally presented, includes only a 2.5 mil Fire Tax.**
- *Details to follow...*

Frequently Asked Questions

- We are going to review the FAQ often asked about taxes and services in the General Fund.

What will utilities cost in 2015?

- Staff is proposing a budget that includes the following highlights:
 - No change to the electric rate (Avg. Residential \$100.90 per month)
 - No change to the gas rate (Avg. Residential \$804 per year)
 - No change to the water rate (Avg. Residential \$15 per month)
 - No change to the sewer rate (Avg. Residential \$29.50 per month)
 - No change to the trash rate (Residential \$14 per month)
 - A new \$3 per month per sanitary sewer customer service fee for pollution control, to insure compliance with State and Federal laws, and to keep the creeks and waterways clean.
- Chambersburg would still have the lowest composite utility rates in Pennsylvania.

What will Police & Fire Tax Cost

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>
mil	17	20	20	20	20	20	20	20	21	21

Average Single Family House Inside The Borough	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police Tax (to the General Fund)	\$336.20	\$346.84	\$342.44
Fire Tax (to the Motor Equipment Fund)	\$0	\$41.29	\$40.77
<i>Total (per year)</i>	\$336.20	\$388.13	\$383.20

This budget includes no Police Tax increase, keeping the rate at 21 mil; but, this will have a serious and consequential effect on the 2016 budget.

The average single family house inside the Borough paid \$346.84 in 2014 in Police Tax plus an additional \$41.29 for the new Fire Tax to support the Emergency Services Department motorized equipment fleet. The total taxes paid by the average single family house inside the Borough were \$388.13 in 2014.

Assuming, no increase in the Police Tax or Fire Tax mil rates, in 2015 that total will decrease slightly to \$383.20 due to a slight decrease in the average assessed value.

Consider a Police Tax Increase Now

- The Police budget will rise from \$4,241,265 to \$4,906,680 in 2015. Of that \$3,885,300 (79%) are for wages and benefits.
- In 2015, the Police Tax is anticipated to yield \$4,085,000
- The difference between the actual cost of operating the Chambersburg Police Department and the yield of all the revenue for police services (including 21 mil of Police Tax) is \$667,680. We can cover that shortfall in part or in whole by diverting resources that could otherwise be used to do parks or street maintenance and make up that shortfall in turn by transferring more money out of the Highway Aid grant money (a grant from the State created by the sale of Liquid Fuels) for use by the General Fund's Highway Department for extra Borough owned street paving projects.
- But in 2016 that transfer is going to run dangerously low

Consider a Police Tax Increase Now

- **The Police Department should levy a Police Tax of 26.97 mil to keep it functioning**, as opposed to the current 21 mil Police Tax. Otherwise, resources will be diverted from other General Fund functions to police.
 1. If you levy only 21 mil of Police Tax in 2015, you are looking at either a 2.4 mil minimum increase in 2016 or a reduction in paving projects of \$440,000 less
 2. If you instead raise the Police Tax to 22 mil (a 1 mil increase) you can reduce the increase in 2016 to 0.4 mil – because tax increases are compounded
 3. Either way, you are still robbing Peter to pay Paul

If you raised the Police Tax by 1 mil

- If you were to change this proposed budget to include a 1 mil Police Tax increase, raising the rate to 22 mil:
- The average single family house inside the Borough would pay \$358.74 in Police Tax plus an additional \$40.77 for the Fire Tax to support the Emergency Services Department motorized equipment fleet. The total taxes paid by the average single family house inside the Borough would rise to \$399.51 in 2015.

Average Single Family House Inside The Borough	<u>2013</u>	<u>2014</u>	<u>2015</u>
Police Tax (to the General Fund)	\$336.20	\$346.84	\$358.74
Fire Tax (to the Motor Equipment Fund)	\$0	\$41.29	\$40.77
<i>Total (per year)</i>	\$336.20	\$388.13	\$399.51

- An additional Police Tax cost of \$16.31 per year is worth fixing our street paving funding situation. Otherwise infrastructure will suffer beginning in 2016.

What Does a Fire Department Cost?

- The ES Dept budget will DROP from \$3,705,560 to \$3,644,275 in 2015. Of that \$2,541,400 (70%) are for wages and benefits. This reduction is due to the end of the payoff for the injured firefighters in Hamilton Township.
- In 2015, the Fire Tax is anticipated to yield \$480,000
- The difference between the actual cost of operating the Chambersburg ES Department and the yield of all the revenue for fire services (including 2.5 mil of Fire Tax) is \$1,214,275. We can cover that shortfall in part or in whole by diverting resources that could otherwise be used to do parks or street maintenance.
- **The ES Department should levy a Fire Tax of 9.175 mil to keep it functioning**, as opposed to the current 2.5 mil Fire Tax.

Police and Fire Tax Summary

- This proposed budget contains NO increases in the Police Tax (21 mil) or the Fire Tax (2.5 mil) for 2015
- The average single family home in Chambersburg will therefore pay \$342.44 for Police Tax and \$40.77 of Fire Tax in 2015.
- If you want to raise the Police Tax to 22 mil to preserve highway paving money in future years, the Police Tax would rise from \$342.44 to \$358.74 (\$16.31) in 2015.
- To accomplish this, merely make a motion to amend the budget for this purpose at the Regular Meeting of Town Council on November 10, 2014
- Otherwise, on November 10, 2014, we will accept public comments on the proposed budget as presented this evening; without any tax increase.

Other Departments of the Borough

Department	2013	2014	2015	Deficit or Surplus
Electric	\$31,042,909	\$31,574,605	\$30,400,000	Balanced
Gas	\$8,994,501	\$8,970,045	\$8,875,600	Balanced
Sewer	\$5,002,165	\$5,222,835	\$5,503,200	Balanced
Administrative Services	\$3,935,630	\$4,884,200	\$5,443,300	Balanced
Water	\$2,886,434	\$5,393,365	\$3,009,000	Balanced
Sanitation	\$2,196,484	\$2,592,335	\$2,693,710	Balanced
Motor Equipment	\$2,155,216	\$2,472,810	\$2,589,900	\$124,000 Surplus
Parking Traffic Street Lights	\$672,992	\$971,220	\$935,142	Balanced
Stores/Warehouse	\$776,589	\$794,865	\$790,525	Balanced
Storm Sewer	N/A	N/A	\$470,500	\$20,000 Surplus
Engineering	\$293,552	\$307,765	\$342,100	Balanced

General Fund Departments

Department	2013	2014	2015	Personnel Expenses
Police	\$3,993,615	\$4,241,265	\$4,906,680	79%
ES Department	\$3,290,420	\$3,705,560	\$3,644,275	70%
Recreation	\$1,302,751	\$1,429,980	\$1,518,175	28%
Land Use & Development	\$472,883	\$427,360	\$451,700	45%
Highway	\$1,248,895	\$1,280,215	\$1,218,530	28%
Executive Operations	\$1,006,763	\$1,226,920	\$1,281,050	17%
Civic & Downtown	\$104,666	\$161,200	\$194,740	
Interfund Transfers	\$148,000	\$148,000	\$169,000	
Total Expenditures	\$11,499,685	\$12,674,630	\$13,384,150	Balanced

Use of Fund Balance or Reserves

Department	2015
General Capital Reserve:	\$1,374,320
Liquid Fuels Tax Reserve:	\$701,805
Sewer Capital Reserve:	\$3,991,720
Parking Capital Reserve:	\$397,000
Workers Compensation Reserve:	\$156,810
Self Insurance Reserve:	\$269,255
Total	\$10,052,056

2015 Budget Goals

- A. Expanding Municipal Services for the Mutual Benefit of the Townships
- B. A Safe, Clean, Green and Healthy Community
- C. A Big Year of Infrastructure Needs and Improvements
- D. New Personnel and New Spaces

Available in detail in the proposed budget document

www.chambersburgpa.gov

2015 Budget for Adoption

- The Borough of Chambersburg is proposed to have a \$70,467,831 operating budget for 2015
- This represents a 1.0% decrease from the \$71,156,596 operating budget for 2014
- The Borough of Chambersburg is proposed to have a \$125,972,803 all funds budget for 2015
- This represents a 4.7% decrease from the \$132,242,916 all funds budget for 2014
- The Borough has grown revenue by 3% and reduced spending by 4.7% for 2015

- Questions?