

# Summary Proposed 2014 Borough of Chambersburg Budget 11/18/13

## UTILITY SUMMARY

- **Electric:** Lower rates 5% again in 2014 (Just lowered 10% in 2013)
  - Effectively, each residential customer will see their electric bill drop from \$104.23 per month to \$99 per month during 2014 or an approximate annual savings of \$62.76 per year.
- **Water:** staff is proposing no rate increase, no increase since 2001; average residential water bill of \$15 per month.
- **Sewer:** staff is proposing no rate increase; the last rate increase was in December 2012; average residential sewer bill of \$29.50 per month.
- **Gas:** staff is proposing no rate increase; the lowest residential gas heat rate in Pennsylvania; Chambersburg residents pay average 30% lower gas bills than local private gas utilities with an average gas bill of \$720 per year.
- **Trash:** staff is proposing no rate increase; the last rate increase was in January 2013; the residential trash bill is \$14 per month.
- When combined, the average annual residential utility bill will drop in 2014 to \$2,523 per year from \$2,586 per year in 2013. Some residential users and commercial accounts would see different results.

**It is important to remember that almost all the Borough facilities, equipment, personnel, projects, and departments, are funded by utility rates.**

## PERSONNEL SUMMARY

No layoffs; no new employees; all labor agreements set for 2014

## General Fund

The General Fund is not the largest account of the Borough, it does not employ the most employees, it does not handle the largest amount of revenue, nor is it as complex to manage as the other funds of the Borough. However, the General Fund is the main "GOVERNMENTAL" fund and the home of the most basic municipal operations of the Borough. It therefore gets the most scrutiny. In many towns, the General Fund is the only fund. In most boroughs in Pennsylvania, the General Fund would house almost all municipal employees and operations. That is not true in Chambersburg. However, the General Fund does house our most basic municipal operations. The General Fund is comprised of six (6) departments: General Government, Police Department, Emergency Services, Recreation Department, Land Use & Community Development, and the General Highway Department.

Please note that most employees, such as the Borough Manager, do not work for these departments.

Some General Fund Revenue is "earmarked" for specific General Fund departments; other revenue is just thrown into the safe for all General Fund departments. No taxes are used to supplement utility operations. In fact, just the opposite, our Electric and Gas utilities pay taxes (similar to private companies) to the General Fund called Payments in Lieu of Gross Receipts Taxes or PILOTS. The Borough is very careful to keep our utilities and our General Fund separate. There are a number of different types of taxes collected by the Borough for use in the General Fund. However, most of these taxes are set by State law, cannot be adjusted year-to-year, and therefore not subject to any annual review. State law only allows the Borough one tax that it can adjust year-to-year: the real estate tax.

2014 Budget Hand Out

- **Local Services Tax:** Set at State maximum (\$52 per worker per year) – Dropping in yield
- **Deed Transfer Tax:** Set at State maximum (1%) – Dropping in yield
- **Earned Income Tax:** Set at State maximum (0.5%) – Virtually no growth over last decade
- **Police Fines and Fees:** Very small growth
- **Ambulance Fees and Charges:** Significant growth
- **PILOTS:** Lost the Water Department Pilot in 2014; increase Electric Department Pilot again
- **SAFER Grant:** Due to run out in summer 2014
- **Police Tax:** Require an increase in the Police Tax for first time since 2007

The Borough Manager and the new Finance Director have reviewed the budget and determined that, for the first time since December 2006, a Police Tax rate increase is unavoidable:

<b>Real Estate Tax Rate</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>mil</b>	17	17	20	20	20	20	20	20	20	21

This proposed budget includes an increase of 1 mil in the Police Tax from 20 mil to 21 mil for 2014

1. Police Tax – 21 mil - \$353 per average single family house in Chambersburg  
If Town Council adopts this 2014 budget with the 21 mil Police Tax, the Borough will hire no additional officers, no changes to operations, no replacement of the two officers who retired in 2011, will not fund the SET Team, and the budget anticipates two additional retirements in 2014. The budget assumes a reasonable operating deficit of -\$48,565.
2. Police Tax – 20 mil - \$336 per average single family house in Chambersburg  
If Town Council adopts the 2014 budget with only a 20 mil Police Tax, the Borough will need to make some serious cuts:
  - a. For example, layoff the two new Police Officers currently at the academy; or
  - b. eliminate up to 13% of the non-personnel related costs of the Police Department;
  - c. eliminate up to 40% of the overtime in the Police Department budget

To balance the budget at 20 mil, one must remove \$194,240<sup>1</sup>; not to mention a \$48,565 deficit included in the proposed 2014 Police Department budget
3. Police Tax – 21.5 mil - \$361.40 per average single family house in Chambersburg  
If Town Council adopts the 2014 budget with a 21.5 mil Police Tax, the Borough can either:
  - a. Keep the two (2) new Police Officers in the police academy class AND replace the next two (2) Police Officers who retire keeping the complement at thirty-three (33); and
  - b. Return funding for the SET Team (net cost approximately \$48,000)

- **Fire Tax: The Town Council has already voted and approved a new Fire Tax for 2014:**

<b>“Average<sup>2</sup>” Single Family House Inside The Borough</b>	<b>2013</b>	<b>Mil</b>	<b>2014</b>	<b>Mil</b>
<b>Police Tax (to the General Fund)</b>	\$336.20	20	\$353.01	21
<b>Fire Tax (to the Motor Equipment Fund)</b>	\$0		\$42.03	2.5
<b>Total (per year)</b>	\$336.20		\$395.04	

Government buildings, schools, charities and no township property owners pay any Borough police or fire tax on their property – commercial property owners may pay more. Check your assessed value.

The real estate tax will therefore be split beginning in 2014 into 2 parts: a general levy, which is used exclusively for the Police Department; and a fire levy, which will be used exclusively to provide fire and EMS equipment and vehicles for the Emergency Services Department. These will be the only uses of real estate taxes in the Borough budget. No other uses. For example, **none of Council’s legal costs associated with the ongoing discipline of certain fire fighters are paid by real estate tax revenue.**

**In 2014, the Fire Tax rebate from Motor Equipment Fund is scheduled to be \$480,000<sup>3</sup>**

<sup>1</sup> \$194,240 represents the whole value of 1 mil whereas the Borough tends to collect only about 93% of the levy

<sup>2</sup> The average single family house within the Borough has an assessed value of \$16,810; obviously you cannot buy a house for that little. That is because our County has not re-assessed real estate since 1961

<sup>3</sup> The rebate will be \$480,000 regardless of how much actual tax revenue is collected