

# BOROUGH OF CHAMBERSBURG

## 2023 BUDGET AS PROPOSED

Submitted by the Borough Manager

Jeffrey Stonehill

November 7, 2022

## THIRTEENTH BUDGET AS YOUR BOROUGH MANAGER

- Submitted herewith for your consideration is the Borough Manager's recommended 2023 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 2023 operating budget is balanced; revenues and cash balances cover all necessary expenses.
- It remains an honor to prepare the budget document as a wide-ranging strategy for our community rather than just a financial plan.
- Our fiscal year and our budget year are the same as the calendar year.
- A budget is a strategic plan - it is not an accounting of money, but rather a forecast of how much revenue the Borough anticipates it will collect, and the expenses it plans on incurring. One might call it a spending plan.

## CHAMBERSBURG HAS THE LARGEST BUDGET OF ANY BOROUGH IN PENNSYLVANIA

- Chambersburg Borough has the most complex municipal budget in Pennsylvania.
- In 2020, the most recent reported year, Chambersburg had the 14<sup>th</sup> largest budget of any municipality, and has the largest Borough budget statewide.
- Chambersburg's budget size is because of its utilities and supporting employees. Chambersburg also uses *cost-based accounting*, where employees are charged-back to the projects/departments/funds where they are working.
- Chambersburg is considerably larger and more complex than Carlisle(#71), Waynesboro(#254), Shippensburg(#313), or Gettysburg.
- For example, Chambersburg's budget is 13.1 times larger than Gettysburg Borough, which ranks #398.

# LARGEST MUNICIPALITIES IN PENNSYLVANIA 2020

	Largest Municipalities in Pennsylvania (2020)		<u>County</u>	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Population</u>
1	Philadelphia	City	PHILADELPHIA	\$10,168,185,000	\$10,068,848,000	1,526,006
2	Pittsburgh	City	ALLEGHENY	\$892,378,700	\$925,135,295	305,704
3	Allentown	City	LEHIGH	\$211,089,580	\$187,662,054	118,032
4	Reading	City	BERKS	\$206,900,979	\$187,321,397	88,082
5	Erie	City	ERIE	\$180,579,641	\$177,731,871	101,786
6	Lancaster	City	LANCASTER	\$158,949,659	\$194,882,585	59,322
7	Bethlehem	City	NORTHAMPTON	\$150,758,829	\$153,225,386	74,982
8	Lower Merion	First Class Township	MONTGOMERY	\$143,363,207	\$147,137,957	57,825
9	Harrisburg	City	DAUPHIN	\$113,090,026	\$110,440,359	49,528
10	Johnstown	City	CAMBRIA	\$104,102,410	\$141,538,460	20,978
11	Easton	City	NORTHAMPTON	\$102,391,141	\$86,592,900	26,800
12	Radnor	First Class Township	DELAWARE	\$96,693,958	\$102,676,213	31,531
13	Upper Darby	First Class Township	DELAWARE	\$87,482,586	\$93,612,999	82,795
14	Chambersburg	Borough	FRANKLIN	\$86,851,468	\$82,626,336	20,268

## ITS ALL ABOUT THE UTILITIES

Chambersburg is one of 35 Boroughs in Pennsylvania to operate a non-profit public power electric utility. Chambersburg is the largest municipal electric utility in the State, twice as large as the second largest, Ephrata, Lancaster County; and the only one to operate multiple generation stations. Chambersburg is one of two municipalities in Pennsylvania to operate a non-profit public natural gas utility. The other is Philadelphia, which does not operate an electric utility. Chambersburg is one of around 2,000 communities to have its own electric system and one of 1,000 communities to run a natural gas system, but one of only about 100 in the U.S. to operate both systems, out of 89,000 local government units. In addition, Chambersburg operates a regional water system and a regional sanitary sewer system; not through an independent Authority or an intermunicipal board, but under Town Council's direct control. Further, Chambersburg operates a trash utility, a parking utility, an aquatic center, and a storm sewer utility. The Storm Sewer Utility was one of the first such storm sewer utilities to form under the Federal mandate to regulate stormwater through the Municipal Separate Storm Sewer System (MS4) program.

## IT'S ALL ABOUT THE UTILITIES

- 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, and administrative services). Borough tax revenue does not support any utility operations, personnel, or equipment. Further, as the budget document reveals, the Borough's utility rates are very reasonable.
- Residents inside the Borough who have both Chambersburg electric and gas can save as much as \$1,000 per year when compared to similar residential customers outside the Borough.

## DOWNTURN IN NATIONAL ECONOMY

- We are very fortunate to be starting the financial downturn from an incredibly successful and stable perch.
- The continued growth and development of Chambersburg, the importance of the utilities to our Borough finances, and our macroeconomic impact on the Chambersburg area, have allowed us to move forward cautiously despite the impact of inflation and the economy on all our lives.
- This budget was the most difficult budget to create in all our years of creating budgets. The cost of operations saw a huge increase in the last year because of inflation, supply chain interruptions, record-low-unemployment, and the increasing demand on fuel, energy, and limited equipment.
- This was a challenging, painful, and difficult budget.

## NECESSARY TAX INCREASE TO PAY FOR THE COST OF THE POLICE DEPARTMENT

- In 12 of the last 17 budget years, the Borough of Chambersburg had not raised local Borough taxes. In 2020, the Borough of Chambersburg lowered taxes.
- This budget includes a 1 mil tax **increase** due exclusively to the Police Station Renovation project.
- This budget includes a 1 mil tax **increase** due exclusively to Police Department operation expenses.
- This budget includes a ½ mil tax **decrease** for the 2016 Recreation Bond Tax.
- Net total **increase** 1.5 mil; more details later.

## NECESSARY TAX INCREASE

- The total tax increase proposed in this year's budget is 1.5 mil or a 4.8% tax increase entirely to pay for the Police Station project and funding the operation of the Chambersburg Police Department.
- **None of this increase will be used for any other operation, project, or employees.**
- Chambersburg rarely raises real estate taxes and generally only for Police Department and Fire Department needs.
- In recent history, Chambersburg has infrequently raised the real estate tax rate.
- The Borough also receives State controlled Act 511 taxes, those rates are set by the Commonwealth, many haven't changed since 1965 – more details on that later.

## CHAMBERSBURG ASKS BOROUGH PROPERTY OWNERS FOR 4 TYPES OF TAX

- The State only permits the Borough the opportunity to adjust the real estate tax year-to-year. No other tax is permitted. No sales tax, liquor tax, corporate tax, etc.
- In Chambersburg, the Council has approved 4 types of property tax:
  1. The Police Tax (“the General Levy”); all of which goes to the General Fund to offset the cost of Police Department operations.
  2. The Fire Tax; State law allows only 14% of this tax revenue to support wage and benefit costs for firefighters, the largest cost in the Fire Department budget.
    - In other words, 86% of the Fire Tax collected may not go to pay for firefighter expenses.
  3. The Police Station Bond Tax; all of which goes to pay off the debt for the Police Station Renovation project. None of this tax pays for Police Department expenses.
  4. The Recreation Bond Tax; all of which goes to pay off the debt for the 2016 Recreation capital improvements (pool, tennis courts, playgrounds, Rec. Center roof, etc., built in 2016-2018). None of this tax pays for Recreation Department expenses.
- These are the 4 types of real estate taxes. State law permits other types of real estate taxes, but Council has only selected these 4 types.

## PROPERTY TAXES PAY FOR NOTHING ELSE IN BUDGET

- No other Borough employee, department, project, or operation is paid for with real estate taxes.
- Real estate taxes in Chambersburg are only to fund the operation of the Police Department and the Fire Department, and to pay for the debt associated with the 2022 Police Station Renovation project and the 2016 Recreation improvements.
- There is no real estate tax for streets, economic development, parks, paving, utilities, administration, nor any other employee or part of Borough operations.
- Other General Fund departments collect fees, which help generate miscellaneous revenue to cover programs (i.e., rental inspection, retail food, recreation programs, ambulance patient billing, etc.).
- In addition, State law creates Act 511 revenue which also is miscellaneous revenue to offset expenses in the General Fund.
- The Electric Department & the Gas Department also make a PILOT payment to the General Fund to contribute towards police and fire operational expenses. They are otherwise tax-exempt utilities.
- **But real estate taxes only fund the Police Department and the Fire Department operations, and to pay for the debt associated with the 2022 Police Station Renovation project and the 2016 Recreation improvements. So, cutting anything else in the budget would not offset the real estate tax rate proposed for 2023.**

## CUTTING

- The proposed 2023 Budget does not propose cutting operations of the Police Department. No cuts are being proposed.
- The proposed 2023 Budget does not propose expanding the operations of the Police Department. No additional operations are proposed.
- The proposed 2023 Budget does not propose cutting operations of the Fire Department. No cuts are being proposed.
- The proposed 2023 Budget does include 1 additional paid Firefighter, but that alone is not causing a tax increase as no Fire Tax increase is proposed or possible.
- The proposed 2023 Budget does include an Ambulance Fee increase to cover the cost of Borough EMS operations.
- So, the necessary Police Tax increase is a result of status quo operations.

## CHAMBERSBURG INFREQUENTLY RAISES TAXES & GENERALLY FOR POLICE OR FIRE

- In 2023, it is the Borough Manager's recommendation that the Borough change the **Police Tax** rate from 24 mil to 25 mil.
- The first request for an increase in the Police Tax rate since 2018.
- The Police Tax did not go up for five years in a row.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Mil	17	20	20	20	20	20	20	20	21	21	23	23	24	24	24	24	24	25

- Impact of increase as well as value of 1 mil explained shortly.

## POLICE DEPARTMENT OPERATING BUDGET

In 2023, it is estimated that the Chambersburg Police Department will cost \$423,510 more to operate than the revenues collected. This includes shifting police pension subsidies from utility departments to help the Police Department as well as the estimated yield of 25 mil of Police Tax. To make the Police Tax cover this gap would have required an additional 2 mil increase, which we are not recommending.

Estimated cost of operations	\$6,650,710
Reimbursement from CASD for School Crossing Guards (estimated)	-\$54,000
Estimated Yield from Fines and Fees	-\$144,000
State Grant for Police Pension Costs	-\$744,500
<b>Subtotal</b>	<b>\$5,708,210</b>
Tax Rate	25 mil
Estimated yield of Police Tax (including tax liens & donations)	\$5,284,700
<i>Estimated Expenses over Revenue</i>	(\$423,510)

FYI: Of the \$6.65 million, 73.4% or \$4.88 million is for police officer wages/benefits.

## POLICE DEPARTMENT OPERATING BUDGET

- Please keep in mind that we are operating the Police Department with very little margin for error. Unforeseen costs such as a major detective caseload, a major public safety event, additional unforeseen overtime, additional training, or adding more employees in advance of other future retirements, can easily throw the Police Department budget into a more unstable place.
- If the Police Department runs a deficit, it is commixed with all the revenue and expenditures in the General Fund. The General Fund miscellaneous revenue must cover it as it does with all the General Fund departments including Fire, EMS, the Recreation Department, Land Use & Community Development, and general highway, which are all mixed together pursuant to the State recommended chart of accounts.
- In 2023, it is the Borough Manager's recommendation that the Borough change the Police Tax rate from 24 mil to 25 mil.

## CHAMBERSBURG INFREQUENTLY RAISES TAXES & GENERALLY FOR POLICE OR FIRE

- No change to the **Fire Tax** rate at 3 mil.
- **AND NO CHANGE IS POSSIBLE – AT STATE MANDATED MAX**
- Further, the ½ mil EMS Tax was repealed in 2020; and that was the State max too.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fire	-	-	-	-	-	-	-	-	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0
EMS	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.5	0	0	0	0
TOTAL	-	-	-	-	-	-	-	-	2.5	2.5	2.5	2.5	3.5	3.5	3.0	3.0	3.0	3.0

- Impact of 1 mil explained shortly.

## FIRE DEPARTMENT OPERATING BUDGET

In 2023, it is estimated that the Chambersburg Fire Department and EMS will cost \$1,323,405 more to operate than the revenues collected. This includes shifting fire pension subsidies from utility departments to help the Fire Department as well as the estimated yield of 1/2 mil of Fire Tax permitted to be used for operations. There is no way permitted to raise the Fire Tax (need approximately 6.3 mil more) to cover this deficit.

Estimated Cost of Operations		\$5,670,265
Local Services Tax Yield (Act 511 Tax Set at State Maximum)		-\$815,000
Fire Code Inspection Fees		-\$65,000
Ambulance Fee (surcharge on water service invoices)		-\$1,266,700
Ambulance Patient Receipts		-\$1,395,700
Ambulance Club Donations		-\$103,500
State Grant for Fire Pension Costs (grant shifted from utilities)		-\$586,200
Subtotal		\$1,438,165
Tax Rate	3.0 mil	
Estimated yield of Fire Tax (excluding tax liens & donations)*	\$677,495	
Less required transfer to the Motor Equipment Fund (State Law)	-\$562,735	
Net Fire Tax Revenue for Operations	-----→	\$114,760
<i>Net Fire Department Operating Deficit</i>		(\$1,323,405)
Estimated Cost of Operations		\$5,670,265

FYI: Of the \$5.67 million, 77% or \$4.36 million is for firefighter wages/benefits.

## FIRE DEPARTMENT OPERATING BUDGET

- The Borough uses the Ambulance Fee to help cover the EMS portion of the deficit. If the Ambulance Fee was used to cover the whole deficit, it would be set to \$18.52 per month.
- In this Budget, **the Ambulance Fee will rise from a flat \$7.50 per month per water service connection to a flat \$9.50 per month per water service connection.** This fee supports the EMS service, but it is clearly not a tax because tax-exempt property owners pay it on their monthly water bills.
- If the Fire Department runs a deficit, it is commixed with all the revenue and expenditures in the General Fund. The General Fund miscellaneous revenue must cover it as it does with all the General Fund departments including Police, the Recreation Department, Land Use & Community Development, and general highway, which are all mixed together pursuant to the State recommended chart of accounts.

## BONDS WERE SOLD & REFINANCED IN 2022 WHEN RATES WERE LOW

- The 2022 Budget included selling bonds for the renovation of the Police Station, establishing a bond tax, and undertaking the project.
- When the bonds were sold, the interest rate was better than originally estimated. As a result, the tax rate needed could be lower to cover the debt to finance the project than was in the previous budget estimated.

POLICE STA BOND TAX	ESTIMATED	ACTUAL NEED
2022	1.0 MIL	1.0 MIL
2023	1.5 MIL	1.0 MIL
TOTAL TAX	2.5 MIL	2.0 MIL

- The 2022 Budget also included refinancing other existing bonds including the 2016 Recreation Bond, which was refinanced at a lower rate.
- This also helped the Water Department, Sanitation Department, and the Administrative Services Department by lowering their debt expenses.

## A RECOMMENDED TAX DECREASE IN 2023

- In 2023, it is the Borough Manager’s recommendation that the Borough **reduce** the **Recreation Bond Tax** rate from 3 mil to 2.5 mil.
- The 2016 Recreation Bond paid for capital investment in a number of Recreation Department facilities including new playgrounds, tennis courts, a new roof and windows on the Rec. Center, and a new state-of-the-art Aquatic Center.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Mil	-	-	-	-	-	-	-	-	-	-	-	-	3	3	3	3	3	2.5

- To fund the bond, which is a form of debt like a mortgage, Council at the time imposed a special Recreation Bond Tax on all property owners who are not exempt from real estate taxes. The resulting assets built from the bond were added as community owned assets to the Borough’s balance sheet.
- Impact of increase as well as value of 1 mil explained shortly.

## SUMMARY OF THE FOUR REAL ESTATE TAXES

- In January 2022, Moody's Investor Services reaffirmed Chambersburg's General Obligation credit rating as **Aa3**, which is quite good.
- They also cautioned the Borough to avoid failure to adjust operations to accommodate new debt service and any structural operating imbalance.
- It is for these reasons, that tax and rate increases are unavoidable.

	<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>2023</u> <u>Proposed</u>
<b>Police Tax Mil</b>	21	23	23	24	24	24	24	24	25
<b>Fire Tax Mil</b>	2.5	2.5	2.5	3	3	3	3	3	3
<b>Ambulance Tax Mil</b>	-	-	-	0.5	0.5	-	-	-	-
<b>Recreation Bond Tax Mil</b>	-	-	-	3	3	3	3	3	2.5
<b>Police Station Bond Tax Mil</b>	-	-	-	-	-	-	-	1	2
<b>Total Real Estate Tax Mil</b>	<b>23.5</b>	<b>25.5</b>	<b>25.5</b>	<b>30.5</b>	<b>30.5</b>	<b>30</b>	<b>30</b>	<b>31</b>	<b>32.5</b>

Recall, the Borough lowered taxes in 2020.

## WHY DO WE USE MIL

- We are required by State law.
- The system is antiquated, convoluted, and arcane.
- Property is not a preferred way to determine taxes.
- Franklin County has the oldest tax rolls in Pennsylvania. They have not been updated since 1961-1962.
- As such, County assessment of your property may be inaccurate.
- And 1 mil means one dollar of tax per one thousand dollars of assessment.
- Literally, a mil is a measure of money less than cents.
- When one purchases gasoline, one might pay \$2.999, which equals two dollars, ninety-nine cents and nine mil per gallon.

Each County has its own system for assessed value of property. Some use *fair-market value*, not Franklin County. Some keep their values up-to-date. Our values are set at 1961-1962. The State law articulates real estate taxes in MIL. Each County has a different value of MIL. In Franklin County the value is wildly low. Therefore, in Franklin County, each municipality and school district is restricted to an artificial dollar cap that is as a result of the tax system being articulated in MIL rather than dollars. For example, the Cumberland County section of Shippensburg Borough pays 0.00315 mil for Borough real estate taxes. The Franklin County section of Shippensburg Borough pays 29.1 mil for the same Borough real estate taxes. We wish Franklin County would fix the broken assessments.

## HOW MUCH DOES 1 MIL OF REAL ESTATE TAX YIELD IN 2023?

- Total assessed value of taxable real estate, inside the Borough, for 2023 is estimated to be \$211,976,053; up slightly from last year.
- Therefore, the cash value of 1 mil would equal \$211,976.
- However, not everyone pays their taxes on time or even in the same year that they are due.
- When factoring in our average collection rate for any given year, we should expect that same mil to yield \$197,138.
- If you assume some old outstanding tax liens from previous years may pay their debts in 2023, 1 mil might equal \$211,976 in cash.
- The value of a mil is therefore not precise.

## THE AVERAGE SINGLE FAMILY HOME IN THE BOROUGH

- The Average Single Family Home in the Borough has a 2022 assessed value of \$17,511.12. Clearly, that has nothing to do with the Fair Market Value of homes.
- That homeowner will see a total increase of about \$38 per year, or \$3.17 per month, in real estate taxes from the 2022 Average Single Family Home.
- Every year the average changes. **YOUR** home likely did not change in County assessed value from last year, but the average changed from last year.
- Assuming your assessed value did not change, the imposition of the additional 1 mil of Police Station Bond Tax, 1 mil of Police Tax, and the reduction of ½ mil in the Recreation Bond Tax, would result in an increase of \$25.50 per year (rather than \$38) in new taxes or \$2.13 per month.
- The value of 1 mil is not precise, but **for budget purposes we estimate that 1 mil will cost each taxpayer about \$17 per year** before discount.

## THIS IS IN FACT AND ACTUALLY THE AVERAGE TAX BILL IN THE BOROUGH

- With this proposed budget, the average single family home in the Borough will see their annual Borough real estate tax bill rise from \$536 per year (before discount) to \$574 per year (before discount). Half of homes will pay less.
- Go to <https://gis.franklincountypa.gov/taxparcelviewer/> to check your home, your assessed value and your Borough tax bill.
- Here is the typical single-family home with about the average assessed value of the average home in the Borough:
  - This house sold in 2020 for \$120,000.
  - However, it has an assessed value of \$17,550.
  - The house next door is the same age and size, but has an assessed value of \$15,510. There is no logical explanation.
  - Regardless, with an assessed value of \$17,550 this is about the average home in the Borough.
  - The annual Borough tax bill for this home would be \$570.38 for 2023 (before discount). This is a real home and that is their actual tax bill.
  - This home had a Borough tax bill in 2022 of \$544.05 or \$26.33 more in 2023 than 2022; before discount.



## POOR LOCAL TAX SYSTEM

- Chambersburg receives no sales taxes, no liquor taxes, no business taxes, nor hotel taxes.
- These types of taxes are not an option under State law for a Borough.
- Chambersburg cannot adjust the 1965 tax rate on earned income (½%) or deed transfer (½%). It cannot adjust the 2003 rate on the non-resident worker tax, which is \$1 per week.
- In Pennsylvania, the Commonwealth denies all of this as an option to communities like Chambersburg. Our State allows only real estate taxes as the sole adjustment each year.
- On October 7, 2022, the Pennsylvania Municipal League and Pennsylvania Economy League released a new study that demonstrated how the current local taxation structure, developed in 1965, does not meet today's municipal revenue needs.
  - Called, "It's Not 1965 Any More – State Tax Laws Fail to Meet Municipal Revenue Needs"
- According to these experts, "Much has changed in the landscape of local government since 1965 – population shifts, aging housing stock in older core communities, increased cost of municipal services, and increases in tax-exempt properties receiving services. Currently, new tools are only available to communities that have become fiscally distressed."
- <https://pelcentral.org/wp-content/uploads/PEL-2022-PML-Report-1.pdf>

## ACT 511 TAXES SET BY STATE

- The taxes permitted by the State under Act 511 are currently set at the maximum allowed by State law, most since 1965.
- We use the other taxes of the Borough (such as Earned Income Tax and Deed Transfer Tax) to pay for the Highway Department operations, Land Use & Community Development, the Recreation Department operations, and other General Fund expenses.
- The Sanitation Department is a separate utility (not unlike the Electric, Gas, Water, or Sewer Departments) and they keep the streets clean, free of leaves, and well swept.
- Highway construction projects are done with Highway Aid grant money, which is a grant from the State created by the sale of Liquid Fuels, and maybe if there is excess balances from prior year revenue.
- Our Highway Aid grant only pays for construction on Borough-owned streets and not much of that at all. Keeping up with all highway maintenance on Borough streets without a dedicated funding source has always been very challenging. Street repair is extremely expensive and Highway Aid is very small.
- Thank goodness, we often get grants to build things. Never to run things. Grants do not pay for operations, but they sometimes offset capital expenses.

## UTILITIES

- The reality is that nowhere has inflation and supply chain issues more impacted the Borough of Chambersburg than in the provision of utilities.
- Our amazing managers have developed rates that remain some of the lowest in Pennsylvania, but must rise in 2023 merely to keep pace with the rising cost of operations.
- Chambersburg has the lowest composite utility rates in the Commonwealth of Pennsylvania, and that is not going to change in 2023.
- While some rates will rise, our citizens and business continue to pay less or the least compare to any other rate payer in our area or our State.

## LOWEST UTILITY RATES IN PA BEFORE & AFTER CHANGES

- The retail electric rate will rise 2% in January and remain the lowest rate, by far, in Pennsylvania. Meanwhile, West Penn Power rose 16% in June 2022 and they are asking for a 15% increase in 2023.
- The Gas Department has **not** raised the cost to deliver gas since 2013.
- The Sewer Department has **not** raised their rate since 2016.
- The water rate needs to go up to pay for operations and projects.
- The sanitation rate needs to go up for the first time in two years.
- No change to the storm sewer fee and the discount continues through 2023.
- The Ambulance Fee on water invoices needs to go up in 2023.

## ELECTRIC RATES LOWEST RATES IN PENNSYLVANIA

- Chambersburg has the lowest retail electric rates in Pennsylvania.
- Even with the fuel adjustment scheduled for January 2023, that will still be true.
- The Electric Department anticipates a 2% adjustment.
- That would mean about \$2 per month per residential customer, although results will vary based on weather, house attributes, etc.
- The adjustment is nothing compared to what electric customers are paying elsewhere.
- Our diverse portfolio, solar, landfill gas to electricity, using the local natural gas/diesel generation, and smart buying decisions, is controlling these rates.

## WATER RATE INCREASE STILL LOWEST WATER RATES

The Water Department needs a rate increase. What does a 5-cent increase in the Water Rate mean to the average residential household?

- The average residential household uses 170 gallons of water per day
  - This usage equates to 70 “units” per month (1 “unit” = 74.8 gallons)
- 2018 usage charge: 0.13¢/unit
  - 2018 average monthly billing: \$15.75
- 2019 usage charge: 0.14¢/unit
  - 2019 average monthly billing: \$16.50
- 2020 usage charge: 0.15¢/unit
  - 2020 average monthly billing: \$17.25
- 2022 usage charge: 0.17¢/unit
  - 2022 average monthly billing: \$17.85
- 2023 usage charge: 0.22¢/unit
  - 2023 average monthly billing: \$21.35

<b>Municipality</b>	<b>Rate</b>	<b>Monthly Billing</b>
Borough of Chambersburg (Current)	\$ 0.17	\$ 17.85
Borough of Chambersburg (Future)	\$ 0.22	\$ 21.35
Borough of Chambersburg (Outside)	\$ 0.10	\$ 11.96
Guilford Water Authority		\$ 31.20
Bear Valley Water Authority		\$ 69.80
Shippensburg		\$ 32.86
Carlisle		\$ 41.65
Gettysburg		\$ 31.59
Washington Township		\$ 42.11
Waynesboro		\$ 35.31
Greencastle		\$ 58.99

What do our neighbors pay for water?

## TRASH RATE INCREASE STILL ONE OF THE LOWEST AND ALL THE BENEFITS REMAIN

- In response to the rising cost for vehicles, fuel, recycling services, and disposal at the landfill, this budget contemplates a trash rate increase for the first time in 3 years.
- The 2023 Budget includes a rate increase of 20%, raising **the Borough's monthly residential sanitation rate from \$20.80 to \$25 per month per residence**, and the commercial rate to \$13.32 per cubic yard.

Chambersburg Sanitation Residential Rate (2023):  
\$25.00/month including  
recycling, semi-annual bulky-item and annual E-waste drop-off events

Other Trash Systems:  
Waste Management (2022):  
\$35.00/month - Includes recycling, but no bulky  
Apple Valley (2022):  
\$36.18/month - Includes recycling, but no bulky  
Worthy's Refuse (2022):  
\$31.00/month - Includes recycling, but no bulky  
Waste Connections (2022):  
\$30.00/month - Includes recycling, but no bulky

## NO CHANGE TO SANITATION SYSTEM

- Residential Trash Pick-Up and Disposal
- Commercial Trash Pick-Up and Disposal
- Commingled Single Stream Recycling Collection and Disposal
  - Including glass for now
- Green Yard Waste collection and disposal
- Leaf Collection and Disposal
- Bulky Item Semi-Annual Drop-off Event
- E-Waste Annual Drop-off Event
- Aggressive Street Sweeping

We anticipate executing a new recycling agreement shortly

## SOME UTILITIES HOLD THE LINE

- Sanitary Sewer rates
  - No changes since 2016
- Storm Sewer rates
  - No change, new ERU system remains in place, automatic discounts remain for commercial, industrial, church, and institutional customers through 12-31-23
- Natural Gas rates
  - Cost of gas will rise but rate to deliver gas and cost of operations remain unchanged since 2013

# AMBULANCE FEE ON WATER SERVICE ACCOUNTS

- An important part of the monthly utility bill goes to the General Fund.
- In 2020, Town Council repealed the Ambulance Tax.
- This was in conjunction with the establishment of a new ready-to-serve mandatory Ambulance Fee on all water utility invoices (because water fees are attributed to the property owner or owner's designee).
- A Police or Fire fee is specifically prohibited. However, emergency medical services is different.
- Beginning in 2023, there will also be proposed an increase to the monthly Ambulance Fee, which appears on utility bills. The surcharge, unlike a real estate tax, is broad-based. Utility customers of the Borough will continue to pay this flat fee.
- **The Ambulance Fee will rise from a flat \$7.50 per month per water service connection to a flat \$9.50 per month per water service connection.** This fee supports the Borough EMS service, but it is clearly not a tax because tax-exempt property owners pay it on their monthly water bills.
- Only 73.6% of properties pay real estate taxes (as measured by assessed value). Whereas, 100% of water customers pay a fee placed on utility invoices. If there was a more broad-based tax available (i.e., a sales tax), that might be a more appropriate tax to fund an emergency service such as our struggling ambulance service. However, that is not a possibility under State Law.
- For many years, the Borough has been prohibited from collecting certain fees invoiced to patients who are covered by Medicaid/Medicare. For example, each year the Borough is forced to "write-off" as uncollectible, due to Medicaid/Medicare rules, over \$1.7 million in normal service fees that patients with third party insurance would have paid. This is in addition to almost \$300,000 per year in unpaid fees for patients with no insurance or unpaid deductibles or copays.
- All ambulance companies in Franklin County are experiencing the same financial problem with some finding it difficult to stay in business.

## STATE-WIDE EMS SYSTEM IS BROKEN

- Even with the increase in the Ambulance fee, the Fire Department will spend more on operations than all the revenue it will collect in 2023.
- The Borough uses the Ambulance Fee to help cover the EMS portion of the deficit. If the Ambulance Fee was used to cover the whole deficit, it would be set to \$18.52 per month instead of \$9.50 per month as is proposed for 2023.
- Between the two ambulances, the Chambersburg Fire Department will be dispatched to over 5,000 calls for medical service in 2022 and we anticipate more in 2023.
- One of the main fiscal challenges for the Chambersburg Fire Department is ambulance reimbursements. Each year, the ambulance responds to a substantial amount of calls at medical and nursing facilities. Over the past several years, there has been a trend of insurance benefits moving from private insurance to basic Medicare coverages. In an incident where the patient only has Medicare, the patient's Medicare is billed only if the transport meets medical necessity criteria as defined by Medicare.
- Medicare reimbursements went up slightly to a maximum payment of \$325 per call. Unfortunately, this minimal reimbursement only covers a fraction of the true cost of an ambulance transport. Each year the department must write-off as uncollectable funds, due to the Federal limitations on billing, as well as many private insurances setting lower reimbursement criteria for emergency incidents, almost \$1.7 million in legitimate fees.

## PSP & VOLUNTEER SYSTEMS STRUGGLE

- Many years ago, the Borough made a commitment to provide full-time highly-trained and professional fire and police personnel to serve and protect our Borough property, residents, business, and visitors.
- Other area communities have made different choices.
- We commend the work of the Pennsylvania State Police and volunteer fire companies, but they cannot provide the same level of public safety outside the Borough-limits as are provided inside the Borough.
- The EMS companies in the townships are struggling financially.
- The volunteer staffing has all but disappeared.
- Council long ago made this important policy decision.
- As a local resident and parent, I can attest that the services provided inside the Borough are significantly different from outside the Borough.

## PERSONNEL CHANGES

- The 2023 Budget includes no additional police officers.
- The 2023 Budget includes one additional firefighter (goal is 3 more in 3 years).
- There are several non-tax impact personnel changes in the budget in utilities and utility support departments. They are listed at the back of the budget book.
  - None of these changes led to a rate increase or tax increase.
- The Borough only has 1 of 3 collective bargaining agreements finalized for 2023.
  - So, the Borough Manager had to make assumptions for wages/benefits for 2023.

## UNION AGREEMENTS

- The Council and the International Association of Fire Fighters Local 1813 agreed that the firefighters would receive an across the board 3.5% cost of living adjustment in 2023 wages.
- The 2023 Budget assumed a similar wage increase for the balance of all employees, as the balance of employees did not receive a general wage increase in the 2020 Budget year.
- As in every year, Town Council will decide on wages/benefits for Non-Bargaining employees at the next Council meeting.
- We hope to have a new Police Union contract by the end of the year.
- We continue to negotiate with AFSCME Local 246 in good faith.

## PROJECTS OF NOTE

- There is no impact on taxes or tax rates associated with the Southgate Redevelopment Project.
  - The Federal grant which paid for the purchase by CAMA does not need to be repaid.
  - It is anticipated that the prospectus to offer parts of the shopping center for resale will be released in the first part of 2023.
  - The Keystone Health purchase of the Gold's Gym building will likely occur sometime in 2023.
  - Existing store rents more than pay for the daily operation of the shopping center. Paran Management was doing quite well earning money from existing rents.
- The Police Station Renovation project will be completed by the end of 2023.
- There is very little street paving to be accomplished in 2023 due to lack of resources.
- All the other capital projects proposed by departments are included:
  - Water and Sewer capital projects, many from bond money on hand from 2021 Bond.
  - Electric Department has a very light list of capital improvements for 2023.
  - Storm sewer projects as well as new mapping and televising the lines are included.
  - The Police Department accreditation project and first phase of Taser purchases are included.
  - The motor vehicle list as previously discussed is included.

## SUMMARY OF CHANGES UNFORTUNATE AND NECESSARY

- Taxes
  - This budget includes a 1 mil tax **increase** due exclusively to the Police Station Renovation project.
  - This budget includes a 1 mil tax **increase** due exclusively to Police Department operation expenses.
  - This budget includes a ½ mil tax **decrease** for the 2016 Recreation Bond Tax.
  - Net total **increase** 1.5 mil or \$25.50 per year for the avg. single family home.
- Utilities
  - Water increase of about \$3.50 per month, but still lowest rate in area.
  - Sanitation increase of about \$4.19 per month, but still one of the lowest rates.
  - Electric increase of about \$2 per month, but still the lowest rate in Pennsylvania.
  - Ambulance Fee increase on water service invoices from \$7.50 per month to \$9.50 per month.

## NEXT STEPS

- Please approve advertisement of the proposed 2023 Budget so we can solicit public comments.
- Council is scheduled to receive public comments on Monday, November 14.
- Council can ADD a second public comment session on November 28.
- Council is scheduled to adopt the final budget on December 12, 2022.
- State law requires the budget and tax ordinance be adopted by December 31 each year.
- Council can always amend the budget mid-year, but not the tax rates.
- The full budget, this presentation, and the executive summary (Budget Message) will be posted online on Tuesday on the website under the Transparency link.
- [www.chambersburgpa.gov](http://www.chambersburgpa.gov)