

# BOROUGH OF CHAMBERSBURG

## 2024 BUDGET AS PROPOSED

Submitted by the Borough Manager

Jeffrey Stonehill

November 6, 2023

## FOURTEENTH BUDGET AS YOUR BOROUGH MANAGER

- Submitted herewith for your consideration is the Borough Manager's recommended 2024 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 2024 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 plan for our community in 2024, 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 2021, the most recent reported year, Chambersburg had the 12<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(#70), Waynesboro(#238), Shippensburg(#348), or Gettysburg.
- For example, Chambersburg's budget is 15.2 times larger than Gettysburg Borough, which ranks #406.

\* -In 2021, the latest year with records, 120 municipalities failed to report their fiscal status to the State

## LARGEST MUNICIPALITIES IN PENNSYLVANIA 2021

Largest Municipalities in Pennsylvania (2021)*			<u>County</u>	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Population</u>
1	Philadelphia	City	Philadelphia	\$9,706,846,000	\$9,754,585,000	1,603,797
2	Pittsburgh	City	Allegheny	\$871,257,140	\$808,318,425	302,971
3	Erie	City	Erie	\$260,052,529	\$314,646,858	94,831
4	Lancaster	City	Lancaster	\$248,185,162	\$244,532,377	58,039
5	Allentown	City	Lehigh	\$212,258,192	\$207,032,349	125,845
6	Reading	City	Berks	\$205,412,672	\$173,375,527	95,112
7	Bethlehem	City	Northampton	\$160,335,431	\$154,055,198	56,009
8	Upper Darby	First Class Township	Delaware	\$116,748,001	\$113,722,848	85,681
9	Lower Merion	First Class Township	Montgomery	\$121,236,669	\$108,680,964	63,633
10	Wilkes Barre	City	Luzerne	\$98,237,420	\$97,128,164	44,328
11	Radnor	First Class Township	Delaware	\$96,801,218	\$95,446,091	33,228
12	Chambersburg	Borough	Franklin	\$100,330,511	\$95,333,782	21,903

Latest year with available records

## 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 supervision directly. 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.

## A BRIGHT ECONOMIC FUTURE FOR CHAMBERSBURG

- In summary, 2024 is going to be another very consequential year for the Borough of Chambersburg. We have a number of extremely important projects in-the-works. While the cost of operations will continue to rise, and outpace natural growth in revenue, because of inflation and supply chain interruptions, record low-unemployment, and the increasing demand on fuel, energy, and limited equipment. This was a challenging budget.
- **There is no tax increase in any category contemplated for 2024.**
- We have completed the massive Police Station Renovation Project. The Southgate Redevelopment Project has started to show progress with the approval of the Keystone Rural Health community medical facility at Southgate and a sizeable Federal grant to begin to restore neighborhood infrastructure. Finally, planning continues for a new Public Works campus off Wayne Avenue. Chambersburg utilities remain the most important asset in the community. Ensuring low rates and excellent infrastructure is our key objective.
- **This marks yet another year that Town Council can hold the line on real estate taxes, just as they have for 13 of the last 17 budget years.**
- There will be fee increases proposed in this budget.

## SUFFICIENT GROWTH THIS YEAR

The fact that we had some revenue growth this year works to our advantage. Chambersburg can hold the line on expenditures and live within the organic or natural growth of revenues for one fiscal year.

- In 2024, the Borough will have an ALL-FUNDS BUDGET of \$134,254,757. In 2023, the ALL-FUNDS BUDGET was \$134,698,549. This represents a **0.3% decrease**, with no major changes to accounting or operational practices. This net decrease is a realistic gauge of year-over-year fluctuations including the end of the American Rescue Plan Act temporary spending.
- In 2024, the Borough's OPERATING BUDGET will be \$124,198,372. In 2023, the Borough's OPERATING BUDGET was \$114,940,320. This represents an **8.1% increase**, with no major changes to accounting or operational practices. This increase is largely attributable to revenue in the Electric, Electric Capital Reserve, Gas Capital Reserve, Water, Water Capital Reserve, Sanitation, Sanitation Capital Reserve, General, Storm Sewer, Storm Sewer Capital Reserve, Special Revenue, and Administrative Services Funds, as a result of utility rate increases, projected increases in sales, as well as the anticipated revenue resulting from grants and debt issuance.
- In 2024, the Borough's GENERAL FUND BUDGET will be \$19,790,495. In 2023, the Borough's GENERAL FUND BUDGET was \$19,517,700. This represents a **1.4% increase**, and is a realistic gauge of actual growth in the Borough's spending plan, given the employment of the Police and Emergency Services Departments, as well as the provision of all major governmental services.



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

- The State only permits the Borough the opportunity to adjust the real estate tax year-to-year. No other tax is permitted. **Chambersburg receives no sales taxes, no liquor taxes, no business taxes, nor hotel taxes.**
- 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 mandates 5/6 of this tax revenue *must* go to support apparatus expenses in the Motor Equipment Fund only.
    - In other words, 1/6 of the Fire Tax collected may 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 between 2016 & 2018). None of this tax pays for Recreation Department or Aquatic Center operating or annual expenses.
- These are the only 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, but is set by the State and cannot be adjusted.
- The Electric Utility & the Natural Gas Utility 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.**

## HOW IMPORTANT ARE THE PILOT PAYMENTS?

- Each year, the Electric & Gas utilities make a payment in lieu of gross receipts taxes to the General Fund. Wastewater is prohibited from making a payment and it is inadvisable for the Water Utility as it is intermunicipal.
- If these utilities were privately owned, they would pay this tax to the State. As public utilities they are exempt. However, for generations, they have instead paid the tax to support General Fund operations (i.e., Police, Fire, and EMS).
- These PILOT payments are based upon the State tax rate.

<b>The Value of the Electric &amp; Gas PILOT Payments</b>	<b>2024</b>	<b>Property Tax Equivalent</b>
Electric Department Payment in Lieu of Gross Receipts Tax	\$1,870,000	8.48 mils
Gas Department Payment in Lieu of Gross Receipts Tax	\$900,000	4.1 mils
<i>TOTAL</i>	\$2,770,000	12.56 mils*
Percent of General Fund Budget Supported by PILOT Payments (2024)	14%	
How much more would the avg. single family house pay without PILOT	\$219.70	More per year in taxes
*-State law limits tax levy to 5 more additional mils so this is impossible		

## NO CUTS

- The proposed 2024 Budget does not propose cutting operations of the Police Department. No cuts are being proposed.
- The proposed 2024 Budget does not propose expanding the operations of the Police Department. No additional operations or employees are proposed.
- The proposed 2024 Budget does not propose cutting operations of the Fire Department. No cuts are being proposed.
- The proposed 2024 Budget does include 1 additional paid Firefighter, but that is contractually required by the current labor agreement.
- The proposed 2024 Budget does include an Ambulance Fee increase to cover the cost of Borough EMS operations. The EMS operations is writing off about \$1.9 million per year before this fee is imposed.
- So, the necessary Ambulance Fee increase is still less than the write-off for the \$1.9 million required by Medicaid/Medicare.

## USE THIS TIME TO FIX THE TAX SYSTEM

- Ultimately, a growing and challenging issue in our municipal finances is the need for Franklin County to undertake a county-wide reassessment of real estate. Being the last county in Pennsylvania to update the tax rolls, Franklin County has allowed the value of 1 mil to become severely distressed, making the real estate tax system less fair and endangering the ability to fund Police and Fire services in the future.
- **Please update the tax rolls like every other County in Pennsylvania.**
- In Franklin County, unlike Cumberland or Adams, the County has not conducted the required update of the tax rolls since 1962. As a result, the value of 1 mil has dropped significantly. A county-wide reassessment would reestablish the value of 1 mil and help funding for the Police Department going into the next decade. We hope the County Commissioners address this problem soon before Chambersburg hits the tax ceiling, which would in part be caused by their delay of reassessment.
- **State tax caps are expressed in mil. Only Franklin County can fix this system.**
- Some believe that out of date assessment information can lead to disproportionate over taxation on older citizens or citizens who own older properties.

## NO CHANGE TO THE POLICE TAX FOR 2024

- In 2024, it is the Borough Manager’s recommendation that the Borough not increase the **Police Tax**, keeping it at 25 mil.
- State Law states this tax cannot exceed 30 mil. Without reassessment, the Borough will hit this cap within the next few years.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
mil	17	20	20	20	20	20	20	20	21	21	23	23	24	24	24	24	24	25	25

- Use this reprieve without a tax increase to fix the tax system in 2024.

## POLICE DEPARTMENT OPERATING BUDGET

Unfortunately, in the current year, (2023) it is estimated that the Chambersburg Police Department will cost \$440,185 more to operate than the revenues collected. We will see how the year ends, but we have prepared for this eventuality. This shortfall includes shifting police pension subsidies from the 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 in 2023 which we did not recommend.

	2023	2024
Estimated cost of operations	\$6,650,710	\$6,243,476**
Reimbursement from CASD for School Crossing Guards (estimated)	-\$54,000	-\$26,700
Estimated Yield from Fines and Fees	-\$144,000	-\$132,500
State Grant for Police Pension Costs	-\$744,500	-\$714,084
<b>Subtotal</b>	\$5,708,210	\$5,370,192
Tax Rate	25 mil	25 mil
Estimated yield of Police Tax (including tax liens & donations)	\$5,268,025	\$5,435,380
<i>Estimated Expenses over Revenue</i>	(\$440,185)	+\$65,188

\*\* - The net budget is estimated to be lower in 2024 than in 2023. This is mostly due to a drop in vehicle rental expenses based on there being a slightly newer police car fleet with a longer depreciation schedule than in 2023.

Of the \$6,243,476 cost to operate the Police Department, \$4,863,930 (79.17%) are wages and benefits.

## POLICE DEPARTMENT OPERATING BUDGET NOW & FUTURE

- 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 2024, it is assumed that the General Fund will need to use **no miscellaneous revenue** to cover Police Department expenses. The entire deficit is anticipated to be made up by the Pension cost shift and the small CASD grant. If this turns out to be wrong, it will take resources from other departments.
- **The 2024 Budget recommends no change in the Police Tax.** It is likely that the Police Tax will need to grow in 2025; especially if Council increases the number of police officers as has already been discussed. Right now, 1.2 mil gets us about 2 new police officers (not accounting for inflation).



## NO CHANGE TO THE FIRE TAX & NO CHANGE IS PERMITTED

- No change to the **Fire Tax** rate at 3 mil.
- **AND NO CHANGE IS POSSIBLE – AT STATE MANDATED MAX**
- Further, the 1/2 mil EMS Tax was repealed in 2020; and that was the State max too.

mil	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fire	-	-	-	-	-	-	-	-	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0
EMS	-	-	-	-	-	-	-	-	-	-	-	-	0.5	0.5	0	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	3.0

- Impact of 1 mil explained shortly.

# FIRE DEPARTMENT OPERATING BUDGET

The Fire Department is in financial crisis right now. In 2024, it is estimated that the Fire Department and EMS will cost \$1,737,042 more to operate than the revenues collected. This includes shifting State 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 (approx. 7.5 mil more) to cover this deficit.

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 \$24 per month instead of \$11 per month as is proposed for 2024.

		<u>2023 Budget</u>		<u>2024 Budget</u>
Estimated Cost of Operations		\$5,670,265		\$6,135,720
Local Services Tax Yield (Act 511 Tax Set at State Maximum)		-\$815,000		-\$758,000
Fire Code Inspection Fees		-\$65,000		-\$83,000
Ambulance Fee (surcharge on water service invoices)		-\$1,266,700		-\$1,476,830
Ambulance Patient Receipts		-\$1,395,700		-\$1,275,000
Ambulance Club Donations		-\$103,500		-\$103,500
State Grant for Fire Pension Costs (grant shifted from utilities)		<u>-\$586,200</u>		<u>-\$594,373</u>
Subtotal		\$1,438,165		\$1,845,017
Tax Rate	3.0 mil		3.0 mil	
Estimated yield of Fire Tax (excluding tax liens & donations)*	\$677,495		\$652,235	
Less required transfer to the Motor Equipment Fund (State Law)	-\$562,735		-\$544,260	
Net Fire Tax Revenue for Operations	----->	<u>\$114,760</u>	----->	<u>\$107,975</u>
Net Fire Department Operating Deficit		(\$1,323,405)		(\$1,737,042)
Estimated Cost of Operations		\$5,670,265		\$6,135,720

\* - The value of 3.0 mil changes year-to-year even if the rate stays the same

Of the \$6,135,720 cost to operate the Fire Department, \$4,862,585 (78%) are wages and benefits.

## WHY THE FIRE DEPARTMENT BUDGET GREW SO MUCH THIS YEAR

- Firefighter wages went from \$2.555 million to \$2.945 million (+\$465,455)
  - *Increased number of fire employees by 3 in 2023 and one more in 2024*
  - *Increased wages 3.5% in 2023 and a compounded 3.25% in 2024*
- Vehicle rental expenses went from \$44,125 to \$180,000
- Workers Compensation insurance went from \$4,870 to \$5,490
- Health insurance expenses went from \$799,000 to \$869,000
- Net pension expenses went from \$586,200 to \$594,400
- *Some categories dropped to attempt to offset increases*
- Recall, Medicaid/Medicare write-off now top \$1.9 million in legitimate fees
- Overall, the budget went from \$5.67 million to \$6.135 million (+**8.2%**)

## 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 \$24 per month instead of \$11 per month as is proposed for 2024.
- In this Budget, **the Ambulance Fee will rise from a flat \$9.50 per month per water service connection to a flat \$11 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.

# NO CHANGE TO THE POLICE STATION BOND TAX

- In 2022, Council established the Police Station Bond Tax. This tax is to pay off the bonds associated with the renovation of the Police Station on S. Second Street and the expenses associated with the Temporary Police Station that was on Orchard Drive. The Police Station Bond Tax does not support the operations of the Police Department. It exists only to pay off these bonds. It does not assist the General Fund financially. This tax therefore does not benefit the General Fund or the Police Department.

POLICE STA BOND TAX	2023	2024
TOTAL TAX	2 mil	2 mil

- No change recommended.

## NO CHANGE TO THE RECREATION BOND TAX

- Beginning in 2018, Council established the Recreation Bond Tax, but not to help pay for the Recreation Department. The Recreation Bond Tax does not support the operations of the Recreation Department. It exists only to make the debt payments annually for the 2016 Recreation Bond (which has since been refinanced) and does not assist the General Fund financially. It is not a Recreation Tax to help Recreation Department operations. That would be permitted under State law, but has never been levied. There is no Recreation Tax and the Recreation Bond Tax does not support the Recreation Department in the General Fund (or the Aquatic Center in the Swimming Pool Fund).

RECREATION BOND TAX	2023	2024
TOTAL TAX	2.5 mil	2.5 mil

- No change recommended.

## SUMMARY OF THE FOUR REAL ESTATE TAXES

- In March 2023, 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 future tax and current 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>2024</u> <u>Proposed</u>
<b>Police Tax mil</b>	21	23	23	24	24	24	24	24	25	25
<b>Fire Tax mil</b>	2.5	2.5	2.5	3	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	2.5
<b>Police Station Bond Tax mil</b>	-	-	-	-	-	-	-	1	2	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>	<b>32.5</b>

Recall, the Borough lowered a tax as recently as 2023.

## 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 \$3.999, which equals three 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 very 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 3.189 mil for Borough real estate taxes. The Franklin County section of Shippensburg Borough pays 32.39 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 2024?

- Total assessed value of taxable real estate, inside the Borough, for 2024 is estimated to be \$220,569,873 (not fair market value, just the County's assessed value number); up from last year.
- Therefore, the cash value of 1 mil would equal \$220,569.
- 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 \$205,129.
- If you assume some old outstanding tax liens from previous years may pay their debts in 2024, 1 mil might equal somewhere between \$205,129 and \$220,569 in cash.
- The value of a mil is therefore not precise.

## THE AVERAGE SINGLE FAMILY HOME IN THE BOROUGH

- In Chambersburg, in 2024, the average single-family home has a Franklin County assessed value of \$18,492.50; obviously, that is the assessed value and not the single-family home fair market value.
- Half of all single-family homes in the Borough have an assessed value higher, and half have an assessed value lower. Commercial, industrial, and multi-family homes have different values.
- That homeowner will see a total increase of about \$3.88 per year in real estate taxes from the 2023 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, your real estate tax bill won't change.
- The value of 1 mil is not precise, but **for budget purposes we estimate that 1 mil will cost each property-owner about \$17.49 per year before discount.**

## IN FACT, THIS IS THE ACTUAL 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 \$564.61 per year (before discount) to \$568.49 per year (before discount). Half of homes will pay less. Every home in the Borough has a unique assessed value.
- Go to <https://fcgis.franklincountypa.gov/taxparcelviewer/> to check your home, your assessed value, and therefore 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 2015 for \$174,900.
  - However, it has an assessed value of \$18,500.
  - The house next door is the same age and size, but has an assessed value of \$16,830. There is no logical explanation.
  - Regardless, with an assessed value of \$18,500 this is about the average home in the Borough.
  - The annual Borough tax bill for this home would be \$601.25 for 2024 (before discount). This is a real home and that is their actual tax bill.



## 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 (1/2%) or deed transfer (1/2%). 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 might offset capital expenses.

## UTILITIES

- Chambersburg has now and will continue to have some of the lowest utility rates in Pennsylvania.
- The reality is that nowhere has inflation and supply chain issues more impacted the Borough of Chambersburg than in the provision of fuel, energy, and utilities.
- Our amazing managers have developed rates that remain some of the lowest in Pennsylvania, but must rise in 2024 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 2024.
- While some rates will rise, our citizens and businesses continue to pay less, or the least, compared to any other rate payer in our area or our State.

## LOWEST UTILITY RATES IN PA BEFORE & AFTER CHANGES

- As previously discussed, beginning in January 2024 for December 2023 use, the retail electric rate will rise 11.3% overall. Meanwhile, West Penn Power rose 32% since 2022 and they are asking for a 11% increase in 2024.
- The Natural Gas Utility has **not** raised the cost to deliver gas since 2013.
- The Wastewater Utility 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 again.
- No change to the storm sewer fee BUT the commercial, industrial, and institutional properties' across-the-board discounts will end at the end of 2023. Only those properties who earn a discount will continue to get one.
- The Ambulance Fee on water invoices needs to go up in 2024.

## ELECTRIC RATES LOWEST RATES IN PENNSYLVANIA

- In 2023, Chambersburg has the second lowest retail electric rates in Pennsylvania.
- While this may not be true in 2024, we will remain lower than any other utility in the area.
- The Electric Utility anticipates a 11.3% adjustment. **The impact on your costs will vary greatly. Some customers may see increases below 11%, others will see more. It has much to do with your heating system, your insulation, and your class of service.**
- We calculate that the average residential customer will see about a \$13.60 per month increase, although results will vary.
- 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

This 2024 Budget recommends a small water rate increase (.03¢ per unit) to keep pace with rising expenses. Regardless, Chambersburg has the lowest retail rates in the region even after this adjustment. 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
- 2024 usage charge: 0.25¢/unit
  - 2024 average monthly billing: \$23.45

<b>Municipality</b>	<b>Rate</b>	<b>Monthly Billing</b>
Borough of Chambersburg (Current)	\$ 0.22	\$ 21.35
Borough of Chambersburg (Future)	\$ 0.25	\$ 23.45
Borough of Chambersburg (Outside)	\$ 0.10	\$ 11.96
Guilford Water Authority		\$ 31.20
Bear Valley Water Authority		\$ 84.62
Shippensburg		\$ 32.86
Carlisle		\$ 41.65
Gettysburg		\$ 33.17
Washington Township		\$ 42.11
Waynesboro		\$ 35.31
Greencastle		\$ 61.77

## 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.
- The Sanitation Department envisions a residential increase of \$3.00 per month (\$25 to \$28) and this budget is proposing a commercial rate increase of \$1.70 per cubic yard (\$13.30 to \$15). This proposed increase will keep Chambersburg competitive with the commercial trash haulers who serve the townships.

Chambersburg Sanitation Residential Rate (2024): \$28/month including recycling, semi-annual bulky-item and annual E-waste drop-off events

Other Trash Systems:

Waste Management (2023):

\$43.33/month - Includes recycling, but no bulky

Waste Connections (2023):

\$40.83/month – Includes recycling, but no bulky

Apple Valley (2023):

\$36.67/month - Includes recycling, but no bulky

Worthy's Refuse (2023):

\$31.00/month –no bulky or recycling

## NO CHANGE TO SANITATION SERVICES

- 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 drop-off and disposal
  - Christmas Tree Curbside Collection
- Leaf Curbside Collection and Disposal
- Bulky Item Semi-Annual Drop-off Event
- E-Waste Annual Drop-off Event
- Routine and Frequent Street Sweeping
- No changes for now even though many towns are ending most recycling

## SOME UTILITIES HOLD THE LINE

- Wastewater rates
  - No changes since 2016
- Storm Sewer rates
  - No change, new ERU system remains in place, BUT automatic discounts end for commercial, industrial, and institutional customers on December 31, 2023
- 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 that goes to the General Fund to help pay for the Fire Department.
- In 2020, Town Council repealed the Ambulance Tax (0.5 mil max per State law).
- 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).
- We believe that a Police or Fire fee is specifically prohibited. However, emergency medical services (EMS) is different.
- For 2024, there will be a proposed increase to the monthly Ambulance Fee, which appears on utility bills. This surcharge, unlike a real estate tax, is broad-based. Utility customers of the Borough will continue to pay this flat fee. It is not a tax.
- **The Ambulance Fee will rise from a flat \$9.50 per month per water service connection to a flat \$11 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 do pay this 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, around \$1.9 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 co-pays.
- 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 2024.
- 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 \$24 per month instead of \$11 per month as is proposed for 2024.
- Between the two ambulances, the Chambersburg Fire Department will be dispatched to around 5,000 calls for medical service in 2023 and we anticipate more in 2024.
- 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.
- **Advanced Life Support in Trouble:** The Borough currently contracts with Wellspan Health in order to provide this service. The main obstacle from assuming responsibility for this service by the Fire Department is the cost of staffing necessary to accomplish this program. The new program would likely require a 25% to 30% increase in staffing and net cost the Borough taxpayers about \$1 million in additional taxes or fees per year.
- This year, for the fourth time in five years, our ALS partner pulled out of Franklin County. Originally, we worked with West Shore EMS for these services, but their system failed and was acquired by Holy Spirit EMS, a division of the Geisinger Health System. In 2022, the Geisinger Health System merged with the Penn State Hershey Medical System. In 2023, the Life Lion and University EMS systems unceremoniously pulled out of Franklin County. As a result, Wellspan Health, in a dramatic move, stepped in to provide a partnership for ALS services.
- If Wellspan Health decides to stop providing this service, there may be no one left in Franklin County and pressure upon our Fire Department to fix the failing system may reach a boiling point.

## 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, businesses, 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 2024 Budget includes no additional police officers.
- The 2024 Budget includes one additional firefighter (goal is 2 more in 2 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 has all 3 collective bargaining agreements finalized for 2024.
- We have included contractually obligated cost of living increases in the budget.



## UNION AGREEMENTS

- The Council and the International Association of Fire Fighters (IAFF Local 1813) agreed that the firefighter/EMTs would receive an across-the-board 3.25% cost-of-living adjustment in 2024 wages.
- The Council and the Chambersburg Police Officers Association have agreed that the police officers would receive an across-the-board 3.5% cost-of-living adjustment in 2024 wages.
- The Council and the American Federation of State, County, Municipal Employees Local 246 agreed that the non-uniform employees of the Borough would receive an across-the-board 2.5% cost-of-living adjustment in 2024 wages (plus a \$1/hr. increase for lineworkers).
- As in every year, Town Council will decide on wages/benefits for Non-Bargaining employees at the next Council meeting.

BALANCED BUDGET

FUND	REVENUE		EXPENDITURES
General Fund	\$19,790,495		
		General Operations	\$2,977,175
		Highway	\$1,488,190
		Fire & EMS	\$6,135,720
		Police	\$6,243,476
		Recreation	\$1,473,220
		Planning	\$237,315
		Zoning	\$40,995
		Code Enforcement	\$725,005
		Administration	\$469,399
		<i>Total</i>	\$19,790,495
Electric	\$35,213,550	—————>	\$35,213,550
Natural Gas	\$11,335,910	—————>	\$11,335,910
Water	\$5,175,125	—————>	\$5,175,125
Wastewater	\$7,543,200	—————>	\$7,543,200
Sanitation	\$4,859,348	—————>	\$4,859,348
PTSL	\$1,585,300	—————>	\$1,585,300
Storm Sewer	\$1,515,660	—————>	\$1,515,660
Aquatic Center	\$1,367,675	—————>	\$1,367,675
Stores/Warehouse/Call Center	\$1,995,015	—————>	\$1,995,015
Motor Equipment	\$5,024,936	—————>	\$4,300,436*
Engineering	\$633,800	—————>	\$633,800
Admin Services	\$9,890,944		
		Utility Addition Operations	\$584,655
		Human Resources	\$983,055
		Information Technology	\$1,721,577
		Finance/Accounting/Cust Service	\$2,766,085
		Clerical Pool	\$1,470,647
		Admin Fund Administration	\$1,328,925
		Admin Fund Capital Projects	\$1,036,000
		<i>Total</i>	\$9,890,944

## 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.
  - Keystone Health expects to break ground on their new healthcare facility in 2024.
  - 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 first of several grants have been received to fix neighborhood infrastructure which was always the Borough's responsibility regardless of purchase of the shopping center.
- The 2024 Budget includes funding to complete the design of a new public works campus on Wayne Avenue as well as purchase of PMCA buildings and several other homes.
- We are assuming a good year for paving in 2024 including doubling alley patching from \$100k to \$200k with a contribution by the Sanitation Department.
- All the other capital projects proposed by departments are included in the proposed budget.

## NEW DEBT FOR 2024

The 2024 Budget recommends three potential borrowings in 2024, subject to further Council approval:

- A. The Sanitation Department will open a \$3 million drawdown bank loan so that over the next 36 months it can pay to complete the design of the new public works campus off Wayne Avenue, fees for architecture and engineering, as well as buying available neighboring properties.
- B. The Storm Sewer Utility will ask to sell a \$7 million capital projects bond to finance up to 18 different storm sewer projects over the next 36 months.
- C. The Electric Utility may ask to open a small bank loan (of less than \$500k) to spread the cost of the upgrade of the TB Woods substation over several years.

Once the budget is approved, our financial advisors will begin work on these proposals.

## NO TAX INCREASE SOME UTILITY INCREASES

- Taxes
  - This budget includes no tax increase in any category.
- Utilities
  - Electric increase of 11.3% overall, more for many customers, resulting in an approximate increase of \$13.60 per month for residential customers for the first time in over ten years; still lower than the surrounding utilities.
  - Water increase of about \$2.10 per month, but still lowest rate in area.
  - Sanitation increase of about \$3 per month, but still one of the lowest rates.
  - Automatic across-the-board discounts on Storm Sewer fees for commercial, industrial, and institutional customers to end on December 31, 2023, but no increase in base rates.
  - Ambulance Fee increase on water service invoices from \$9.50 per month to \$11 per month.

## NEXT STEPS

- Please approve advertisement of the proposed 2024 Budget so we can solicit public comments.
- Council is scheduled to receive public comments on Monday, November 13.
- Council can add a second public comment session on November 27, if you choose to by Monday, November 20.
- Council is scheduled to adopt the final budget on December 11, 2023.
- 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)