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# 2023 Budget Message

*As Proposed for 2023 by Jeffrey Stonehill, Borough Manager*



The Borough of Chambersburg

# 2023 Budget Message

*As Proposed for 2023*

To: Town Council

Submitted herewith for your consideration is the Borough Manager’s recommended 2023 budget. As is required by local law, I have prepared this 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.

This is my thirteenth budget as your Borough Manager, and while the national economic downturn has created significant challenges for all municipalities, the Borough of Chambersburg is strong, resilient, and our fiscal status is very stable, despite everything that is happening. It remains an honor to prepare this 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. Therefore, each fall, the Borough needs to make important decisions to set in motion for the following 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 how many expenses it plans on incurring. One might call it a spending plan. The accounting or record of past transactions is called the audit. In Chambersburg, our annual audit or Annual Comprehensive Financial Report (ACFR) is published each spring. For many years, the Borough’s audit has been award winning. However, Town Council must adopt the budget in December. Therefore, each fall the Borough makes important decisions for the upcoming year based on forecasts, trends, analysis of revenues, and the expenses that are anticipated for the upcoming year.

Chambersburg has the largest operating budget of any Borough in the Commonwealth of Pennsylvania. In 2020, the latest year with records, Chambersburg had the 14<sup>th</sup> largest budget of any municipality, and has the largest Borough budget statewide. Obviously, Chambersburg’s budget size is because of its utilities and additional employees. Chambersburg is considerably larger and more complex than Carlisle, Waynesboro, Shippensburg or Gettysburg.

	<b>Largest Municipalities in Pennsylvania (2020)</b>		<b>County</b>	<b>Total Revenue</b>	<b>Total Expenditures</b>	<b>Population</b>
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

	<b>Municipalities in Pennsylvania (2020)</b>		<b><u>County</u></b>	<b><u>Total Revenue</u></b>	<b><u>Total Expenditures</u></b>	<b><u>Population</u></b>
71	Carlisle	Borough	Cumberland	\$28,480,077	\$25,766,465	18,682
254	Waynesboro	Borough	Franklin	\$9,929,343	\$9,395,033	10,568
313	Shippensburg	Borough	Cumberland	\$7,909,507	\$6,617,607	5,492
398	Gettysburg	Borough	Adams	\$6,178,476	\$6,127,841	7,620

Source: Pennsylvania Department of Community and Economic Development

For example, Chambersburg’s budget is 13.1 times larger than Gettysburg Borough, which ranks #398.

Chambersburg Borough has the most complex budget in Pennsylvania. We are unlike every other town, including big cities. Separated from the other operations of the Borough, our utility financial transactions are in over a dozen separate funds (accounts). Our unique size is due to our expansive utility operations (unmatched in Pennsylvania) and because of our complex utility support operations (internal service funds). To account properly for expenses, we use cost-based accounting. Like a law firm or medical practice, many employees bill their time and equipment to the various functions upon which they are working. This includes money spent between the separate funds; many transactions are to cover expenses, back and forth between accounts, and thousands of internal transactions. This concept makes Chambersburg a unique government organization, especially in the Commonwealth.

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 control 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.

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.

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.

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. Therefore, the theme of this budget is “grit our teeth and bear the pain” as we move into the economic future for Chambersburg.

As was reported in the 2022 Budget, and approved by Town Council, the second step of the two-step phase-in of the new Police Station Bond Tax will occur in 2023. Originally, this second step was to add 1.5 mil of new tax to complete the Police Station Renovation project. Due to timely financing of the debt (mortgage) for the Police Station and a generous State grant to offset some of the construction costs, **that necessary tax increase was reduced from 1.5 mil to 1.0 mil; to go into effect in 2023.**

In addition to a successful funding of the Police Station Renovation Project, the Town Council effectively refinanced the existing 2016 Recreation Bond and lowered the necessary tax, already in effect to pay off this 2016 debt, from 3 mil to 2.5 mil.

**This marks the second time in four years that Town Council has reduced a tax category that had already been levied.**

The Chambersburg Police Department is majority funded by a dedicated Police Tax. It was last increased in January 2020. Unfortunately, due to the cost of operating this public safety agency, **the Police Tax will go up 1 mil in 2023 from 24 mil to 25 mil.**

There is no change in the Fire Tax, which is at State-mandated maximum, or 2.5 mil.

As a result, the total real estate tax rate for Borough taxable property owners will rise from 31 mil to 32.5 mil. This real estate tax increase is absolutely necessary and unavoidable. Fortunately, the important operations of the Chambersburg Police Department and Fire Department are fully funded.

Chambersburg real estate taxes remain earmarked only for police and fire operations. Real estate taxes are not the source of funding for any other department or employee. In fact, the Recreation Bond Tax is specifically for paying off the 2016 Recreation Bond, and the Police Station Bond Tax is specifically for paying off the 2022 Police Station Bond(s), both of which are similar to mortgages. Therefore, one can reliably say, **“No real estate tax will pay for any operations of the Borough of Chambersburg other than police and fire.”** It is important to acknowledge that real estate taxes are not used in support of most departments, operations, or employees; not parks or street maintenance or the Borough administration, are paid for using real estate taxes. The only use of these taxes are police and fire, and to pay off the 2016 Recreation Bond and the 2022 Police Station Bond. This has always been our financial plan for the Borough’s use of taxes.

Further, 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. In other states, these other types of taxes are the foundation to the fiscal health of local government. In Pennsylvania, the Commonwealth denies them as an option to communities like Chambersburg. Town Council has a toolbox with one tool inside (real estate taxes) and it is a dull and poorly honed tool, but that is the only tool given to them by the laws of the Commonwealth of Pennsylvania.

This poor local tax system has gotten some attention recently:

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", the publication is in response to the League's Strategic Plan that called for an updated report on Pennsylvania's local taxation structure. Pennsylvania's municipal tax authorizations have failed to keep pace with modern realities, and municipalities need more flexible revenue options just to keep the lights on.

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. Municipalities need access to these proven tools before fiscal distress sets in. Tools should be optional to allow each community to decide the best mix based on the make-up of the community such as: increased Local Services Tax, flexibility to increase the Earned Income Tax, Payroll Tax, county or regional Sales Tax, Drink Tax, or a regular reassessment..." process.

Chambersburg is a member of the Pennsylvania Municipal League.

<https://pelcentral.org/wp-content/uploads/PEL-2022-PML-Report-1.pdf>

This budget reflects the limitations of the 1965 funding system, as well as the extremely poor planning by Franklin County, the last county of the 67 counties in Pennsylvania to update their taxation system. The continued dereliction of this requirement defined by State Law, has a direct impact on poor tax collection, and an over-burden on older property owners, as a result of waiting so long and ignoring the current tax system. Only County leadership can address this shortcoming.

Chambersburg does receive income beyond the property tax. Ancillary miscellaneous tax revenue available to the Borough of Chambersburg amounts to: a wage tax set to a State mandated maximum rate; a local services tax (worker tax), which is set to a State mandated maximum rate; and a deed transfer tax (for real estate transactions), which is also set to a State mandated maximum rate. These so-called Act 511 taxes are important, but cannot be adjusted year-to-year based on need or economic realities. Therefore, they are minor, appreciated, and set by the State since 1965.

Each year, the payment and receipt of tax revenues grows slightly as the value of Chambersburg real estate grows slightly. We have a mixed record for our wage tax and our worker tax. It seems that less Borough residents are employed, but those who have jobs seem to be making more income. Finally, there was no shift in the yields from transfer of property, which are sometimes better or worse in any given year.

*There seems to be a quiet strength to the local economy, which allows us to be more confident in our future and saves our municipal budget in such bad times. All indications are that the Borough can survive another economic downturn and be ready to weather the storm better than many other towns.*

However, this budget is realistic, contains costs as much as possible, and does have a tax increase and increases in many fees. Some residents will suffer as a result of the needed changes. We are cognizant of the impact of our municipal budget upon the local economy more so than other towns. Every tax and fee increase herein is absolutely necessary, and living in the Borough remains affordable compared to

elsewhere. Despite increases in utility rates, Chambersburg utilities remain some of the most affordable in Pennsylvania.

In addition, 2023 is a year with a municipal election. It is important to point out that the professional staff of the Borough avoids political issues as much as possible. We serve the Council that the electorate selects. Council sets the policy priorities and we help make those priorities a reality. Any accusation that our service is somehow political is nonsensical. We are proud civil servants and this budget does not make policy choices, but rather financial choices for the community. Further, Council is welcome to articulate now, or mid-year, if their priorities evolve.

That being said, there are well-developed projects within this budget that reflect years of discussion and planning. Furthermore, Council is well aware of these projects and these spending priorities. Projects and priorities must continue in good-years and bad-years. We must continue our work on building a better community for the future.

### **Building a Better Future**

Chambersburg has an opportunity to use the resources and positive impact of our low rates and excellent services to continue the growth of the local economy even in these lean times. It is impossible to know how long the economic downturn may last, but we have seen steady demand for new housing and transportation improvements, for expanded redevelopment of blighted areas, and new recreation and civic amenities during this challenging time. Therefore, the Borough of Chambersburg, unlike other urbanized areas through Pennsylvania, can capitalize on its assets and its position to build an improved community for our residents and businesses.

On Monday, September 12, 2022, Town Council adopted a new Comprehensive Plan for the Borough named Chambersburg Vision 2035.

I want to thank the citizens, Town Council, Planning and Zoning Commission, and other Borough employees that were involved in the planning and implementation for initiatives recommended through the new Comprehensive Plan.

VISION 2035: “Chambersburg is a thriving, cohesive community we are proud to call home. Our town has a high quality of life, a vibrant downtown, safe and healthy neighborhoods, excellent municipal services, many employment opportunities, and plentiful natural and cultural resources that extend throughout Franklin County. Our Borough works to collaborate with public and private partners to strengthen our quality of life as it continues to make both urban and social investments.”

In 2021, planning consultant Michael Baker International guided Borough representatives, a committee of 16 citizens appointed by Town Council, and the public through a 12-month process to prepare a new comprehensive plan, Chambersburg Vision 2035. A comprehensive plan, also known as a general plan, master plan, or land use plan, is a Council-approved strategic planning document designed to guide the future actions of our local municipality. The comprehensive plan also presents a vision for the future, with long-range goals and objectives for various activities that affect local government. Municipalities update their plans from time to time, with the Borough last adopting a comprehensive plan in 2008.

After conducting public meetings to review and discuss the draft plan in April, May, and June, the Borough Planning and Zoning Commission recommended the draft plan to Town Council on June 7, 2022.

On June 27, 2022, and July 11, 2022, Town Council reviewed and discussed the draft plan and scheduled a Public Hearing for Monday, September 12, 2022, after which they considered approving a Resolution to formally adopt the new comprehensive plan. In preparation for the Public Hearing, the draft plan was provided to the Chambersburg Area School District, Franklin County, and municipalities surrounding the Borough, Greene, Guilford and Hamilton Townships, for review and comment. A legal advertisement was also published in the newspaper.

The final document was approved in September 2022.

The goal of this strategic plan is provide a vision for the future growth of the community.

Chambersburg has a continuing opportunity to impact the local economy by targeted municipal spending; to seed the local economy in both small and consequential ways. It is possible that in future years these decisions could lead to further organic growth of tax revenue. Such organic growth, defined as growth because of economic growth inside the Borough limits, could continue to provide more revenue for Borough operations without the necessity of tax or fee increases. Only time will tell.

Finally, Chambersburg is experiencing a boom in local development, which has ebbed in similar communities. We like to think this is because Council has made Chambersburg fertile ground for entrepreneurs and business developers. We see expansive need for retail, medical, and residential development. Council has already approved more market residential units than any time in the past decade. This will clearly lead to population growth, density, and other urban issues. The ongoing development of a Comprehensive Plan is imperative to preparing for this expansive growth.

There is considerable work to accomplish beginning in 2023 and this budget is prepared to tackle those challenges.



## GOALS

### REINVESTMENT



Through public-private partnerships, the Borough of Chambersburg will support reinvestment in underutilized properties and public streetscapes to support the Borough's vibrancy.

### HOUSING



The Borough will work collaboratively with property owners to encourage and incentivize reinvestment in its residential housing stock, adopt land use policies to allow for new housing to meet population growth, and support opportunities for homeownership.

### SENSE OF PLACE



The Borough will position itself as a destination for residents and visitors.

### BOROUGH SERVICES



The Borough will continue to invest in providing high quality municipal services.

### TRANSPORTATION



Chambersburg will improve bicycle and pedestrian connections, invest in roadway improvements to improve safety and traffic flow, and explore restoring public transportation in the Borough.

#### *Borough of Chambersburg 2035 Comprehensive Plan Goals*

To support the implementation of the comprehensive plan goals, this plan provided a complete list of implementation strategies and corresponding action items. These strategies outline a tactical approach for advancing Chambersburg's 2035 vision by specifying tangible action steps that can be taken to ensure progress over the next 10 years. In addition to implementation strategies, this plan also identifies key partners that the Borough may collaborate with to support implementation, as well as timeframe, estimated cost, and potential funding opportunities. Action items include:

- Through public-private partnerships, the Borough of Chambersburg will support reinvestment in underutilized properties and public streetscapes to support the Borough's vibrancy.
- The Borough will work collaboratively with property owners to encourage and incentivize reinvestment in its residential housing stock, adopt land use policies to allow for new housing to meet population growth, and support opportunities for homeownership.
- The Borough will position itself as a destination for residents and visitors.
- The Borough will continue to invest in providing high quality municipal services.
- The Borough will coordinate with local stakeholders and prioritize investment for expanding transportation options to Chambersburg residents and ensure that infrastructure is safe and efficient.

*In 12 of the last 17 budget years, the Borough of Chambersburg had not raised local Borough taxes.*

**This budget includes a 1 mil tax increase due exclusively to the Police Station project.**

**This budget includes a 1 mil tax increase due exclusively to Police Department operations.**

**This budget includes a ½ mil tax *decrease* for the 2016 Recreation Bond Tax.**

<b>Borough Real Estate Tax Increases (Historical)</b>		<b>Increases</b>
2007	16 years ago	No
2008	15 years ago	No
2009	14 years ago	No
2010	13 years ago	No
2011	12 years ago	No
2012	11 years ago	No
2013	10 years ago	No
2014	9 years ago	Yes
2015	8 years ago	No
2016	7 years ago	Yes
2017	6 years ago	No
2018	5 years ago	Yes
2019	4 years ago	No
2020	3 years ago	No (slight decrease)
2021	2 years ago	No
2022	Last year's budget	Yes
2023	This year's budget	Yes

### *Taxes*

**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 12 of the last 16 years, there was no real estate or Act 511 tax increase. The Borough of Chambersburg did not raise real estate taxes between 2007 and 2013; then, the Council was very conservative in minor increases in 2014, 2016, 2018, 2022, and the proposed increase in 2023.

**In recent history, in most years Chambersburg has not raised the real estate tax rate.** Other entities often raise taxes on our taxpayers, such as Franklin County or the Chambersburg Area School District; and that sometimes leads to confusion. In 2014, 2016, 2018, 2022, and now in 2023, the Borough raised the real estate tax rate, but only to fund police and fire services, and in 2018 to begin paying off the 2016 Recreation Bond. Beginning a decade ago, and through 2023, there is a constant theme in our finances: real estate tax increases were rare and only dedicated to funding police and fire services.

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 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.

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. 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.

This use of debt to build asset value for the community is a corporate way of funding improvements. Further, dedicating a tax to pay it off is not dissimilar to when a homeowner takes out a mortgage. In 2022, the Borough refinanced this debt to a lower interest rate. As a result, the annual debt payments dropped and a small tax decrease was possible.

In 2022, Town Council approved a new bond (actually two companion bonds) associated with the renovation of the Borough’s 1971/1972 Police Station on S. Second Street. This new debt will be used exclusively for that project, for the replacement of the roof on the old part of City Hall (the 1930s addition) and the roof/historic clock tower on the original part of City Hall (the Market House). Further, a new dedicated tax was established by the 2022 budget to pay off that bond. Construction is well underway and the renovated and expanded Police Station (as well as the clock tower renovation) will be done in 2023.

**The 2022 Budget included selling the bond, establishing the bond tax, and undertaking the project. When the bonds were sold, the interest rate was better than originally estimated. As a result, the tax resulted in a low cost for the debt to finance the project than was in the previous budget.**

<b>Police Station Bond Tax</b>		
	Estimated	Actual
2022	1.0 mil	1.0 mil
2023	1.5 mil	1.0 mil
<i>Total</i>	2.5 mil	2.0 mil

The project costs and the taxes to pay off the debt are kept separate from the balance of Borough finances, just as was done for the 2016 Recreation Bond, and the ongoing Recreation Bond Tax.



Includes new roof on Market House and restoration of the Clock Tower

Expansion includes new two-story addition with Sally Port

**Council agreed to rent space at 1540 Orchard Drive and build a temporary Police Station.**



The debt issued by the Borough pays for the Police Station Renovation Project and the Temporary Police Station Project both. The facility on 1540 Orchard Drive is owned by the Chambersburg Area Development Corporation and is rented to the Borough.

The Borough has used debt to invest in infrastructure, not to balance the budget, which is considered good debt. “Good debt is investment debt that creates value,” says Eric Gelb, CEO of Gateway Financial Advisors and author of “Getting Started in Asset Allocation.” The latest example is the sale of the 2022 Police Station Bond(s), which will finance the construction of a new Police Station for the town. A dedicated real estate tax liquidates the bond, not to run the Police Department, but to pay for the construction loan and the costs associated with the Temporary Police Station.

Paying a tax for a bond issue, as was decided by Town Council, is not the same as paying a tax for the operation of the Borough. For example, it is a similar difference to opening a mortgage to buy a house or fix the roof, in contrast to using a credit card to pay the telephone bill. Debt should only be used to add asset value. The Police Station Bond Tax, the new tax that started in 2022, is not to pay for any Police Department operations. It will pay off, over years, the debt to build the new Chambersburg Police Station at City Hall and the Temporary Police Station expenses.

**These projects will serve the community for generations** and this is how in business and industry, this recommended practice grows the value of corporations. With adoption of last year's budget, Council has now done this twice. First, with the 2016 Recreation Bond and then in 2022 with the 2022 Police Station Bond(s). Staff is committed to not using debt unless it provides asset value to the Borough.

This budget includes the initial planning for another large-scale construction project in the future. Over many years, the Borough has acquired space along Wayne Avenue to someday consolidate and relocate the public works, trash, sewer, water, and fleet operations of the Borough of Chambersburg. That site sits dormant (except for storage) awaiting a plan and approval from Town Council. In 2022, a small office building adjacent to this site, on S. Fourth Street, was renovated to be the field office of the Water & Sewer Department street crew. However, no plans yet exist for the main functions of this public works campus. In this 2023 Budget, there exists money to begin the planning process. The goal is to have a construction plan by 2024 or 2025 for Council to consider, for construction likely in 2026.

In Chambersburg, our citizens pay no dedicated Recreation Tax, no dedicated Highway Tax, and no taxes to support any of the Borough's operations, utilities, or utility support departments other than police and fire. Our taxes are very limited, yet misinformation is abundant on this topic.

Until 2014, the Borough used exclusively 100% of the real estate taxes collected to support the Chambersburg Police Department. In 2014, Town Council added a small share to support the Chambersburg Fire Department. In 2018, the Borough Manager recommended, and Town Council approved, an increase in the Fire Tax for use by the Fire Department and its emergency medical service as well as an increase in the Police Tax. The 2018 increase in the Fire Tax (1/2 mil) was reversed out in 2020, in order to shift Ambulance funding from this tax to a broad-based fee on utility invoices. In the 2020 Budget, the Borough Manager recommended repeal of the Ambulance Tax portion of the Fire Tax and Council agreed.

Within the Borough, all the real estate taxes collected are for the Police Department and the support of the Chambersburg Fire Department; none of this revenue is used to support any other department or operation. As of 2023, we will still only use real estate taxes to support police, fire, and to pay off the 2016 Recreation Bond and 2022 Police Station Bond(s). No real estate tax will pay for any operations of the Borough of Chambersburg other than police and fire. No other department, operation, or employee; not parks or street maintenance or administration are paid using real estate taxes.

In addition to the other types of taxes currently set at the maximum allowed by State Law, 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, and the Recreation Department operations. 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.



While some communities remain stymied by the Federal guidelines, Chambersburg Council approved a very simple list of internal parameters to make these project decisions. Funds cannot be used for the following: Principal or interest payments on existing debt, replenishing or creating reserve funds, paying settlements or judgments, or extraordinary payments to pension obligations.

American Rescue Plan Act (ARPA), Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Project Criteria Established by Council’s Finance Committee, which met and reviewed project proposals that qualify for the following initiatives:

- Meets current adopted local or regional plans.
- Meets current adopted capital improvement plan objectives.
- Meets current or proposed economic development plans or objectives.
- Is in concert and complements objectives of Borough mission and organization.
- Can be incorporated into existing projects without creating additional administration or need for employees or overhead expenses.
- Can be accomplished in the one to four year time frame.
- Is complementary of objectives in other State and Federal grant programs.
- Utilizes partnerships that already exist without the need for additional sub-recipient agreements, requests for proposals, or intergovernmental agreements.
- Does not expand Borough Services beyond areas already contemplated (i.e., social services).
- Can be arranged by the Finance Department and the Land Use and Community Development Department staff.

Staff reviewed existing plans, projects and programs that meet one of ten categories for Coronavirus State and Local Fiscal Recovery funding:

1. Administration of grant programs/audit.
2. Revenue replacement for Borough operating accounts (which meets Federal formula).
3. Storm water infrastructure (which meets Penn Vest guidelines for funding).
4. Drinking water infrastructure (which meets Penn Vest guidelines for funding).
5. Sanitary sewer infrastructure (which meets Penn Vest guidelines for funding).
6. Economic help targeting families because of the COVID-19 pandemic.
7. Economic help targeting businesses because of the COVID-19 pandemic.
8. Purchase of personal protective equipment (PPE) because of COVID-19.
9. Transformational projects to help historically underprivileged Qualified Census Tracts (QCT).
10. Broadband telecommunications projects that target Qualified Census Tracts (QCT) through third-party for-profit telecommunications companies.

At the recommendation of the Town Council Finance Committee, Town Council authorized the projects below to be the approved projects for American Rescue Plan Act Funds.

Audit and Administration	\$47,280
Use of Revenue Replacement to Fund Reimbursement Retail Food License Expenses	\$50,000
Use of Revenue Replacement to Fund Reimbursement Residential Rental Inspection Expenses	\$70,000
Supplemental Funds for Project H.E.A.T.	\$144,000
Use of Revenue Replacement for Chambersburg Aquatic Center	\$380,000
Sewer and Water Capital Improvements (Acquire 1332 S. Fourth St.)	\$234,900
Sewer and Water Capital Improvements (Acquire 1335 S. Fourth St.)	\$685,000
Chesapeake Bay Pollutant Reduction Plan Projects	\$2,000,000
Southgate Shopping Center Acquisition (Redevelopment Initiative)	\$4,151,857
<i>TOTAL</i>	\$7,763,037

Once the project list was approved, staff was therein authorized to begin the process of expending the resources as outlined in the plan. Finally, if cost estimates or project modifications are needed, Council can amend and restate the plan as the process unfolds. Further, sales agreements to purchase 1332-1334 S. Fourth St., 1335 S. Fourth St., and Phase 1 of the Southgate Shopping Center, were approved by Town Council.

By 2023, the majority of the ARPA federal funding will be expended. The landlord and food service license rebates are mostly expended, with a large number of checks being directly sent to these small businesses by the end of 2022. The Southgate Shopping Center is now fully owned by the Chambersburg Area Municipal Authority, and its redevelopment plans are ongoing. The Borough owns the Cold Storage building at 1335 S. Fourth Street and demolition is slated for this winter 2022-2023. Finally, the aforementioned renovation of 1332-1334 S. Fourth Street into field offices for the Sewer and Water Department is underway.

The ARPA federally funded projects have mostly all been successfully undertaken.

In conclusion, there is a tax rate increase contemplated by this budget, 1.75 mil, to complete funding of the renovation of the Chambersburg Police Station and to pay for the operation of the Chambersburg Police Department. If the cost of goods and services continues to rise due to inflation, unfortunately Borough taxes and fees will need to rise to keep up. That being said, the value of what our citizens and businesses receive in exchange for taxes and fees has never been more impressive.

### *Labor Unions*

Unfortunately, the Borough's relationship with its three labor unions is very uncertain.

Town Council entered into a Memorandum of Understanding to adopt a new Collective Bargaining Agreement with the International Association of Fire Fighters Local #1813 in 2022. This new labor pact, retroactive to the beginning of 2022, saw unionized employees get wage increases for 2022, 2023, and 2024. However, as of this date, the actual labor contract remains unpublished despite the work of our attorneys to create the contract document.

Regrettably, there is no labor pact for employees represented by the American Federation of State, County and Municipal Employees Local #246 (AFSCME) beyond 2022; although negotiations are ongoing. If we reach the end of the year with no agreement, the current expiring agreement will be honored while negotiations continue. That being said, a previously agreed-upon increase in employee contributions for health insurance will go into effect at the end of 2022, and as such there will be a net decrease in take-home wages for these employees unless and until a labor agreement is reached.

Additionally, there is no contract with the Chambersburg Police Officers' Association or CPOA. Meetings continue with the police union as well. It is hopeful that a contract can be agreed-upon by the end of 2022. The current expiring agreement will be honored while negotiations continue.

Finally, although there is no labor agreement with AFSCME beyond 2022, the Town Council will decide on wages and benefits for 2023 for those non-bargaining employees who typically follow the general AFSCME agreement. With no framework in place, Council will select wages and benefits that they believe are reasonable for non-union employees, and then in the future, when AFSCME finally agrees to a

contract, the two employee groups (non-union employees and those employees represented by AFSCME) will have their wages and benefits somewhat integrated to be the same or similar.

Without labor contracts, this budget was required **to assume wage and benefit costs for those employees represented by labor agreements, but who have no current agreements for 2023.**

The Borough Manager's proposed budget includes:

- A contractually required 3.5% cost of living increase for employees represented by the International Association of Fire Fighters (IAFF) Local #1813;
- An assumed 3.5% cost of living increase for employees represented by the police union (the Chambersburg Police Officers' Association or CPOA) although that will not be remitted unless a contract is agreed upon;
- An assumed 3.5% cost of living increase for employees represented by the American Federation of State, County and Municipal Employees Local #246 (AFSCME) although that will not be remitted unless a contract is agreed upon;
- A presumed cost of living increase for non-bargaining clerical, technical, and supervisory employees.

This has further added to the difficulty in creating a budget for 2023. Having no specific knowledge of wage and benefit costs going forward makes a significant percentage of the proposed budget merely a guess or estimate.

While we all appreciate the hard work and the dedication of our fine employees, the collective bargaining process remains challenging. Sometimes it seems to provide questionable value to our employees. The non-union employees are not at any disadvantage. Furthermore, the wages and benefits, the disciplinary process, and the employee relationship with management work equally well union or non-union.

Finally, we cannot begrudge our employees for seeking better wages and benefits. The economy and inflation impacts them and their households too. Unfortunately, the economy also impacts the ability of the Borough to pay more or to have our taxpayers or utility customers pay more. Therefore, Town Council is literally in the middle between two justifiable but counter priorities: to hire and retain the most qualified and most productive municipal employees, and to have fair and reasonably low taxes and utility rates.



*New Road Closed Signs Are to Be Utilized in 2023*

### *Utility Finances*

There have been significant challenges for the Borough utility finances going into 2023.

**Chambersburg has the lowest composite utility rates in the Commonwealth of Pennsylvania, and that is not going to change in 2023.** Throughout 2022, due to operating expense increases such as diesel fuel, natural gas, chemicals, equipment, supplies, wholesale power costs, and increased cost of paving and ditch repair, the Chambersburg utility departments saw all our local, regional, and state-wide neighboring utilities have significant percentage increases. Meanwhile, Chambersburg did our best to hold on to our incredibly low cost utility rates.

In 2023, there will be many increases in utility rates. That being said, at the end of the day, the municipal and commercial utility companies outside the Borough of Chambersburg have already, or will be in 2023, raising rates far in excess of anything contemplated by the Borough of Chambersburg. Therefore, despite the rate increases contained in this proposed budget, the Borough's utility invoices will actually be lower in proportion to township utility bills than they were in 2021.

**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.

The Chambersburg Electric Department has invested in local generation over the last two years in a considerable way. This includes the recent completion of the Chambersburg Solar Center in Hamilton Township, an extension of the Landfill Gas to Energy facility contract at the Blue Ridge Landfill, and extensive maintenance and upgrade projects at the Falling Spring Generation Station and the Orchard Park Generation Station. These assets and facilities allow Chambersburg to control the cost of electricity by strategically shifting our needs back and forth between our own facilities and the outside regional electric grid operated by PJM. PJM is a regional transmission organization (RTO) that coordinates the movement of wholesale electricity in all or parts of 13 states and the District of Columbia.

In 2023, the Borough-owned Falling Spring Generation Station, on Grant Street, in Downtown Chambersburg, will shift from being a PJM Network Resource, a facility dispatched to support the needs of the grid, to being a "behind-the-meter local resource." That is a generation facility that the Borough can strategically turn on to lower the cost of electricity during peak pricing for the purchase of wholesale power. This is a much more challenging operation, but should help mitigate the rising cost of electricity.

Despite all of these advanced strategies and controls, the cost of electricity keeps rising. So far in 2022, our neighboring investor-owned utility, West Penn Power, has received State Public Utility Commission (PUC) permission to raise their retail rates 16%. The Borough raised our retail rates only 2% during the same period. Secondly, West Penn Power has requested permission for a second 16% rate increase in 2023 (for a total increase of 32% in one year). This budget includes a request to raise the Borough electric rate a second 2% in 2023 (for a total increase of 4% in the same period of time). Further, the Borough's retail rates were already much lower than West Penn Power.

**While we are proud to have the lowest residential retail electric rates in Pennsylvania, even with small increases, we will continue to be able to offer that honor to our electric customers.**

The Electric Department is doing everything conceivable to control the cost of electricity. It is possible that the proposed 2% increase (which equates to approximately \$2 per month per single-family household) will not be sufficient. However, it is the only increase being proposed at this time.

In the spring of 2023, the Electric Department will undertake a comprehensive rate survey. Such a report is done every ten years or so, and informs the Borough of whether our rates are proportional to all our costs including maintenance of infrastructure, personnel, wholesale power, and the growth of expenses as broken out by type of customer (residential, commercial, and industrial users). This report may necessitate a rate re-balancing in mid-2023. If so, some customers may see a second rate increase mid-year. That is unknown at this point.



*The 15MW Chambersburg Solar Center, on W. Commerce Street, in Hamilton Township, was completed in 2022 in partnership with Safari Energy, and will provide affordable and reliable clean energy*

**Chambersburg Gas provides the lowest residential natural gas rates in Pennsylvania and that will continue in 2023.** However, while Borough customers are better protected than most others in the US, we will still see increased gas prices this winter due to changes in the wholesale market. Gas rates are made up of a Distribution rate and a Gas Supply rate. The Distribution rate pays for the operation of the Borough gas system, and has not risen for 13 years. The Gas Supply rate is a direct pass through of actual wholesale supply costs. It varies every month based on the actual cost of gas. The Borough Gas Department utilizes a portfolio approach to gas purchases to decrease cost volatility, which has helped with residents' costs. Nevertheless, we are still not immune to the wholesale gas market.

There is no proposal to increase the Borough's distribution cost for natural gas. However, as wholesale natural gas prices spike, this will impact customers' pass-through Gas Supply rate.

Furthermore, the Gas Department has seen another year of significant customer growth as they drive new gas lines into previously underserved neighborhoods. It seems everyone is learning that natural gas is a safe, efficient, and low cost energy source for homes and businesses.

**While the wholesale cost of natural gas is likely to rise in 2023, the cost of operations of the department will not necessitate any distribution cost increase.** Furthermore, our neighboring investor-owned natural gas utilities have already significantly increased their retail gas rates; further improving our standing as the lowest cost natural gas provider in the Commonwealth.

**Chambersburg has the lowest water rates in our area, and that is not going to change in 2023.** Throughout 2022, due to operating expense increases such as diesel fuel, chemicals, equipment, supplies, power costs, and increased cost of paving and ditch repair, the Chambersburg Water Department saw all our local, regional, and state-wide neighboring utilities have significant percentage increases. Meanwhile, Chambersburg did our best to hold on to our incredibly low cost utility rates.

In 2023, the Water Department needs a rate increase to keep pace with expenses. This will be the fifth increase in six years, and the series of small increases will likely continue for several years as water infrastructure improvements are made.

The Water Department envisions a 5¢ per unit increase for 2023, which would result in an increase for the average single-family house of \$3.50 per month in their water bill. The Chambersburg Water Department still has some of the lowest rates in the region, this proposed increase will vary based on several factors including weather, and home attributes. Some of our neighboring water systems pay 300% more than Chambersburg residents and businesses do for their water supply.

The Chambersburg Storm Sewer Utility has completed a four-year process to change their rate structure, as originally contemplated by the 2014 study that necessitated their establishment. In 2022, the utility switched what has been a flat rate, per sanitary sewer connection, to a rate based upon impervious area. This new methodology resulted in a change for commercial, industrial, and institutional customers (shopping centers, schools, churches, the hospital, etc.), which saw changes in their Storm Water Pollution Control Fee.

In 2022, single-family residential customers had no noticeable change in their fees. Under the old system, only single-family residential customers were paying a fair fee. Now, every type of property will pay their fair share based upon their relationship to the impervious area of a single-family residential home. Continuing in 2023, the rate will be expressed in single-family home “equivalent residential units” or ERU and not change from 2022.

**There is no planned rate increase for the Storm Sewer Utility. Furthermore, the discounts given to commercial, industrial, and institutional customers to ease the transition to the new ERU based system will be extended throughout 2023.**

In January 2022, the Storm Sewer Utility saw the ERU value being set at \$5 per single-family home equivalent. Therefore, the average single family home saw no change in their Storm Water Pollution Control Fee as the flat fee was already \$5 per month. The results for commercial, industrial, and institutional customers became based on the size of their lot and their structures. For example, if your commercial building is the equivalent of five single-family homes, your rate increase was from \$5 per month to \$25 per month (\$5 x 1 sanitary sewer connection to \$5 x 5 ERU).

**To help our commercial, industrial, and institutional utility customers with the introduction of the new Storm Water Pollution Control Fee calculation methodology, a temporary discount was offered to all non-single-family residential customers. This temporary discount will be extended by this proposed budget for the balance of 2023.**

The discount is based on whether you have tried to mitigate your storm water management on your property using best management practices (BMP). In 2023, the discount will continue.

If you own a commercial, industrial, or institutional property in the Borough, you should call for more information on your ERU value and your temporary discount. Also, learn how to lock that discount in place, once it starts only being offered to commercial, industrial, or institutional property owners who have actually installed BMP or similar measures on their property (or otherwise met qualification criteria). Finally, a residential customer discount program is set to begin in 2023. Look for more information.

**Chambersburg has the lowest sanitation rates in our area, and that is not going to change in 2023.** Throughout 2022, due to operating expense increases such as diesel fuel, recycling, equipment, supplies, vehicle costs, and increased cost of tipping trash at the landfill, the Chambersburg Sanitation Department saw all our local, regional, and state-wide neighboring utilities have significant percentage increases. Meanwhile, Chambersburg did our best to hold on to our incredibly low cost utility rates.

In 2023, the Sanitation Department needs a rate increase to keep pace with expenses. This will be the first increase in two years, and increases every other year or so should continue as inflation drives the cost of disposal higher. The goal is to remain the lowest cost solid waste and recycling service in Chambersburg.

The Sanitation Department envisions a residential increase of \$4.20 per month (\$20.80 to \$25) and this budget is proposing a commercial rate increase of \$2.22 per cubic yard. The Chambersburg Sanitation Department still has some of the lowest rates in the region; this proposed increase will keep pace with the commercial trash haulers who serve the townships.

Furthermore, the special services that are provided by the Sanitation Department, including the twice-annual bulky drop-off days, the annual e-waste recycling day, daily street-sweeping, and the expansive single-source commingled recycling, including glass, will not be eliminated. Recycling services cost the Borough extra money; they do not earn money. In fact, this type of recycling is neither required by law nor cost-efficient. However, Council has always supported this expensive premium service. We have a contractor who we pay to find a place to recycle our single-source commingled recycling. The contractor pays (not sells) for our recycling to go to a recycling center somewhere in the region. This service keeps the recycled material out of the landfill, which could take it from us at a much lower per ton rate.



*Borough Personnel use toters for Commingled Single Stream Recycling*

In 2020, Town Council introduced an Ambulance Fee on all water customer invoices. That practice will continue in 2023. On December 16, 2019, the Borough of Chambersburg adopted an Ambulance Fee by Local Law. Ambulance service is a service that the Borough maintains as ready-to-serve for the residents and visitors of the Borough. If there is a call for service at any home, business, church, park, or government building in the Borough, the Borough's ambulance service will be dispatched. A fee may be charged in exchange for the Borough Fire Department's ambulance service under State law. We provide basic lifesaving ambulance services for our community. There is a significant cost to having ambulances staffed around the clock and ready-to-serve the Borough.

This Ambulance Fee helps defray the costs of the ambulance service being ready-to-serve. It is not a tax, as under State law taxes can only be assessed on the value of real estate. 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. This is a fee in exchange for being ready to provide a service. When our residents and visitors call for an ambulance, they expect one to respond. Even with this fee, the Borough spends more on ambulance service than all the revenue it collects from this fee, the other fees charged to ambulance patients, and the annual ambulance club, which is an optional charitable donation program.

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.

**The Ambulance Fee is a ready-to-serve surcharge appearing as a flat per invoice fee along with every water service invoice.** The Borough is permitted to charge a fee in exchange for a service. We charge fees for Recreation Department programs in the General Fund. We charge fees for the Code Office's Residential Rental Inspection Program in the General Fund. We charge fees for using the Borough's ambulance service in the General Fund. Since the ambulance service writes off over \$1.7 million per year in these fees, due to Federal law, we believe it is legally sustainable to charge every water utility customer a flat fee in support of the ambulance service, which is in the General Fund.

*Can we not raise utility rates and fees and pay for all police officers and firefighters in the General Fund?* Unfortunately, no. The Borough cannot wholesale move funds from utilities, which are kept in separate accounts, to the General Fund to pay for fire, police, or parks. Further, we cannot charge a fee for *regular* Police Department or Fire Department operations in the General Fund. Finally, to raise a utility fee (i.e. water fees) not to pay for a utility service (i.e. water consumption) would be unfair to utility customers. Staff has determined that we should charge a fee for every service in the General Fund that we could reasonably ask for a fee. The ambulance service, in the General Fund, can have an additional surcharge to support it. This fee began in January 2020, modified in February 2020, and updated with this budget.

**This budget contemplates an increase in the Ambulance Fee from \$7.50 per month per water service customer to \$9.50 per month per water service customer.** All of the additional revenue from this increase in the fee will be given to support the BLS (basic life-saving) ambulance services provided by the Chambersburg Fire Department.

*Residential Utility Rates 2023*

<b>Utility</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>		<b>Last Changed</b>
Electric	\$100.90 per month	\$100.90 per month	\$98.90 per month	\$98.90 per month	\$100.90 per month	\$102.90 per month	2% Increase in Fuel Rate	Proposed 2023
Water	\$15.10 per month	\$15.80 per month	\$16.50 per month	\$16.50 per month	\$17.85 per month	\$21.35 per month	5¢ per unit increase	Proposed 2023
Sewer	\$29.50 per month	\$29.50 per month	\$29.50 per month	\$29.50 per month	\$29.50 per month	\$29.50 per month	No change	2012
Gas	\$631 per year	\$631 per year	\$631 per year	\$631 per year	\$631 per year	\$631 per year	Pass-through natural gas cost increase	2013
Sanitation	\$18.75 per month	\$18.75 per month	\$20.81 per month	\$20.81 per month	\$20.81 per month	\$25.00 per month	\$4.19 per month increase	Proposed 2023
Storm Sewer	\$4	\$4	\$4	\$5	\$5 PER ERU	\$5 PER ERU	No change	2022
<i>*All water service customers will pay a \$9.50 per month ready-to-serve Ambulance Fee, which is an increase in this fee of \$2 per month per water service customer.</i>								

Chambersburg will still have the lowest composite residential utility monthly bill in Pennsylvania.

*Other Tax Details*

Types of Taxes Allowed for Boroughs under State Law

- Real estate taxes** *Various limits on type, size and use – may be changed once per year*
- Deed Transfer Tax** *Set at maximum since 1987*
- Earned Income Tax** *Set at maximum since 1965*
- Local Services Tax** *Set at maximum since 2007*
- Mercantile/Privilege Tax** *Prohibited if not adopted by 1988*
- Amusement Tax** *Vending machine tax seen as nuisance in today’s environment*

There are no other types of taxes allowed under State Law.



*In 2022, Town Council approved a revised agreement with Downtown Chambersburg, Inc. to allow additional Hometown Hero banners to be placed throughout the Borough*

*What of the Police Tax in 2023?*

In our area, Chambersburg is the only municipality with a full service, round the clock, local police department. It is a professional and successful law enforcement organization. In 2016, Town Council appointed a new Police Chief. Ron Camacho joined the Borough in mid-2016; a highly qualified law enforcement professional, he has installed a series of upgrades in the organization and their standard operating procedures since joining Chambersburg. In 2021, Council supplemented the Police Department leadership by adding a Police Inspector to the squad, in addition to the Chief and the Lieutenant. In 2023, it remains very expensive to operate a high performing police department, but unlike our neighbors who have chosen to rely on the Pennsylvania State Police, the Chambersburg Police Department plays a much more proactive role in public safety within the corporate boundaries of the Borough.

**Chambersburg remains an incredibly safe community with very low crime rates and the Chambersburg Police spend more time battling disinformation about our community than battling crime.** In fact, with their intense crime-prevention and crime-solving tools, a record decrease in crime is the single biggest accomplishment of the Police Department.

Many township residents have no idea that they have no local police in their community. I have nothing but respect for the Pennsylvania State Police, but they are not a local police force and they cannot provide the exact same response or services provided by the Chambersburg Police Department to the Borough.

Until 2014, 100% of the real estate taxes collected by the Borough were used exclusively to support the Chambersburg Police Department. In 2014, a small share was added to support the Chambersburg Fire Department. While the Police and Fire tax rate grew in 2018, this remains the sole operational use of real estate taxes. Perhaps this explains why Greene, Guilford, Letterkenny, and Antrim townships have no local real estate tax. The Borough collects almost enough Police Tax to pay for the cost of operating the Police Department. Every dollar of designated revenue from the Police Tax is used wisely by the Police Department.

In 2022, the separate Police Station Bond Tax was added. This tax is not to be used to fund police activities, but rather only to pay off the Police Station Bonds. It was started in 2022 and will be increased in 2023, as was originally planned.

In January 2023, this budget recommends an increase in the Police Tax from 24 mil to 25 mil; the first such increase since January 2018. Overall, since December 2006, the Police Tax rate has risen from 17 mil to 25 mil. When averaged out over the sixteen years, that is a growth rate of a little over 2.4% per year. **In 2023, it is the Borough Manager’s recommendation that the Borough change the Police Tax rate from 24 mil to 25 mil.**

Police Tax Rate	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022
Mil	17	20	20	20	20	20	20	20	21	21	23	23	24	24	24	24	24	25
%Δ	NA	18%	0	0	0	0	0	0	5.0%	0	9.5%	0	4.3%	0	0	0	0	4.1%



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.

<b>Police Department Budget</b>	<b>2022</b>	<b>2023</b>
Estimated cost of operations	\$6,060,425	\$6,650,710
Reimbursement from CASD for School Crossing Guards (estimated)	-\$54,000	-\$54,000
Estimated Yield from Fines and Fees	-\$149,000	-\$144,000
State Grant for Police Pension Costs	-\$680,435	-\$744,500
<b>Subtotal</b>	<b>\$5,176,990</b>	<b>\$5,708,210</b>
Tax Rate	24 mil	25 mil
Estimated yield of Police Tax (including tax liens & donations)*	\$5,055,600	\$5,284,700
<i>Estimated Expenses over Revenue</i>	<i>(\$121,390)</i>	<i>(\$423,510)</i>

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

As you can see, in 2022, it is estimated that the Police Department did not cover all their expenses with revenue generated including the Police Tax and the police pension subsidy shift.

**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.**

Therefore, in 2023, we are anticipating a deficit for the Police Department of \$423,510; including a 1 mil increase in the Police Tax. Only in 2020, given controls on spending and a slight increase in tax yield, did the Police Tax generate enough revenue to pay for approximately 100% of the Police Department (when including other police related revenues such as the shift in pension subsidy). As is pointed out in this budget, it will be impossible to avoid future Police Tax rate increases. A deficit is not sustainable.

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.

*What of the Fire Tax in 2023?*

The Borough once had no Fire Tax. In 2014, a so-called neutral arbitrator imposed upon the Borough and the International Association of Fire Fighters Local #1813 a labor pact (the infamous “Kasher Decision”). Town Council was forced to add a Fire Tax. That tax was set at 2.5 mil and has remained unchanged. In exchange for this tax, and implementing the Kasher Decision, there was relative labor peace for the years following this decision. In fact, twice since then labor negotiations have avoided going back to interest arbitration for a resolution to impasses negotiating new collective bargaining agreements.

In May 2017, the Borough and the International Association of Fire Fighters Local #1813 reached a negotiated labor deal thereby avoiding arbitration. We were able to avoid the cost of arbitration (lawyers, expert witnesses, and the Borough paying 100% of the arbitration panel expenses) by accepting a compromise. The 2017 deal, executed in the form of a Memorandum of Understanding, established a proposed labor contract to fix the wages and benefits between the Borough and our professional firefighters for the years 2017 through 2021.

It was the hope of the 2018 Budget, that sufficient resources to hire and equip part-time and extra full-time firefighters would be offset by an expectation that the revenue that they generate on the ambulance would pay for all their costs. This plan failed mostly because we could not recruit part-time firefighters.

In 2018, the Borough added a small (1/2 mil) Ambulance Tax to supplement the existing Fire Tax; the maximum permitted by State Law (1/2 mil). In 2020, Town Council replaced that Ambulance Tax with the Ambulance Fee, a surcharge on water invoices.

Unfortunately, in 2020 the Borough concluded that the Fire Tax was insufficient to pay for the cost of the Fire Department's ambulance service. There is no legal way to raise it. The Fire Tax cannot exceed 3 mil and the now-repealed Ambulance Tax cannot exceed 1/2 mil under State Law. In 2020, Town Council repealed the 1/2 mil Ambulance Tax in its entirety and adopted the Ambulance Fee surcharge on water invoices in its place.

Recently, Town Council and the fire union entered into yet another new labor pact. The goal is to avoid arbitration again and to give up upon the concept that part-time paid firefighters will help support the operation of the department. As a result of the new labor agreement and this change in policy, the Borough is once again at a financial crossroads with respect to funding the Fire Department and its associated basic-lifesaving ambulance service. The cost of these operations, coupled with the inability to collect all ambulance use-fees incurred, and a state-imposed cap on the Fire Tax, has left the Borough in a precarious fiscal position. Meanwhile, the cost of Fire Department operations continues to rise.

**There is no proposed change in the Fire Tax for 2023 because an increase is not possible.** State law places a limit on the Borough at a very low tax rate for the purpose of paying for the Fire Department. Not that we like taxes, but the 1965 State Law makes no sense. The Borough is prohibited from levying more than 2.5 mil (the 2023 equivalent of about \$527,500) in Fire Tax, but it must be used for apparatus/truck expenses and not for firefighters. Further, the Borough is prohibited from levying more than 1/2 mil (the 2023 equivalent of about \$111,000) for all the firefighter wages and benefits. In Chambersburg, firefighter wages and benefits cost the Borough well over \$4 million per year. Obviously, this artificial limit in place since 1965 does not envision a mostly paid and experienced professional fire department, as we have here in Chambersburg.

**There is no logical or practical alternative and staff is at a loss how to pay for the Fire Department in the future.** One alternative is to begin to rent the department to our township neighbors, assuming that their supply of volunteer firefighters disappear. This seems to be a logical assumption.

The long term funding issue of the Chambersburg Fire Department is not identical to the issue of the Chambersburg Police Department. The main difference is that the Fire Department brings in significant revenue. Specifically, the Fire Department is a regional provider of Basic Life Support (BLS) ambulance

service inside the Borough and in parts of the surrounding townships. While less than 50% of ambulance invoices are paid (and mostly by insurance), those payments are significant. In addition, the Fire Department acts as the Borough's Fire Code safety inspection service. Done on a tri-annual basis for most commercial businesses (and annual basis for some types of businesses), this service results in fewer fires or loss of life, and provides some income for the Fire Department.

While the revenue from the ambulance service and the Fire Code safety inspections is not enough to pay for the cost of operating the Fire Department, this and the Fire Tax combined, are counted as a very respectable effort to close the gap in costs. The balance of the Fire Department operating expenses is closed by undesignated General Fund revenue above and beyond the Fire Tax. Every dollar of undesignated revenue used to close the gap between these revenues and the Fire Department budget is one less dollar that can be used for parks or recreation, highways or streets, or other functions such as economic development or new initiatives in community development.

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 (approx. 6.3 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 \$18.52 per month instead of \$9.50 per month as is proposed for 2023.

<b>Fire Department Budget</b>	<b>2022</b>	<b>2023</b>
Estimated Cost of Operations	\$5,569,780	\$5,670,265
Local Services Tax Yield (set at State Maximum)	-\$859,000	-\$815,000
Fire Code Inspections	-\$65,000	-\$65,000
Ambulance User Fees	-\$2,205,000	-\$2,765,900
State Grant for Fire Pension Costs (grant shifted from utilities)	-\$491,078	-\$586,200
Subtotal	\$1,949,702	\$1,438,165
Tax Rate	3.0 mil	3.0 mil
Estimated yield of Fire Tax (excluding tax liens & donations)*	\$631,559	\$677,495
Less required transfer to the Motor Equipment Fund (State Law)	-\$523,110	-\$562,735
Net Fire Tax Revenue for Operations	\$108,449	\$114,760
<i>Net Fire Department Operating Deficit</i>	(\$1,841,253)	(\$1,323,405)

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

**In addition to the Ambulance Fee, 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 the Police Department, the Recreation Department, Land Use & Community Development, and general highway, which are all mixed together pursuant to the State recommended chart of accounts.**

The world of EMS is in such flux, we do not see any reason to not stay the course and give the process another year to unfold. Many believe the entire EMS system is on the verge of catastrophic failure.

More concerning than our fiscal status, or the delays in finding part time firefighters, is the abject failure of volunteer ambulance companies (and some paid companies) to find employees/volunteers to staff

ambulances and answer calls. There is reason to fear that the entire EMS system in Pennsylvania is on the verge of a breakdown. If such a prophecy comes to fruition, Chambersburg would remain in a strong and safe position. As a result of our commitment to professionalism, our use of firefighter personnel and our willingness to use taxes and fees to supplement EMS operations, our community and our citizens are somewhat insulated from, what may turn out to be, a breakdown in emergency medical operations regionally or statewide. This is a very real fear throughout Pennsylvania.

How this may impact us is both in an increased demand for our ambulance(s) to leave the Borough and provide regional mutual aid; and, second, by seeing a need to once again explore with whom the Borough contracts for Advance Life Support (ALS) paramedic services. As you know, the Chambersburg Fire Department provides only Basic Life Support (BLS) services. Last year, for the third time, our partner, Holy Spirit EMS, a division of the Geisinger Health System, which provides ALS paramedic services for the Borough, was sold. Last year the Geisinger Health System merged with the Penn State Hershey Medical System. While that entity operates the Life Lion and University EMS systems, the future of our ALS partnership remains unclear. Life Lion may choose to leave the Chambersburg market.

In 2023, we hope that these relationships, and our partnership, and the other BLS providers in our neighboring communities, all remain strong and stable. We hope, but we are prepared to act, just in case someone falters and we must act to protect the emergency medical systems in Chambersburg. Therefore, while no one wants to pay a new fee to support ambulance services, please understand that such a fee is increasingly important. There are no alternatives. If there is a regional or statewide collapse of the EMS system, it will be Chambersburg and our commitment to funding, which will allow us to protect our residents and businesses. If the system collapses, we are prepared to pick up the slack and spend resources.

In 2023, it is suggested that Town Council support initiatives in Harrisburg to reform and change the EMS system in Pennsylvania. Support reforms that bring resources, clarify billing rules, increase billing options, and force regionalism of ambulance systems. In addition, urge Washington to fix EMS billing rules in Medicaid and Medicare. These rules, debated often by professionals and Congress, are hurting systems throughout our country.

**We must lead the way at fixing the broken EMS system statewide.**



*Company One – Chambersburg Ambulances*



*Long History in Borough – May 15, 1925 First EMS Unit*

Year	Generated Revenue	Contractual Allowable (Uncollectable due to regulations)	Call Volume	Average Revenue per Response (Gen. Rev/Call Volume)
2019	\$1,131,801.48 (\$94,316/month avg.)	\$1,697,183.33	4,351	\$260
2020	\$1,038,266.96 (\$86,522/month avg.)	\$1,544,570.52	4,405	\$235
2021	\$1,109,164.38 (\$92,430/month avg.)	\$1,754,606.57	4,587	\$241
2022 (8/31/22)	\$812,545.53 (\$101,568/mo. avg.)	\$1,263,691.43	3,133	\$259.00

*2021 Ambulance Fee Revenue - \$971,785 at \$7.50/month per water service customer*

*2022 Ambulance Fee Revenue - \$649,062 (8/31/22) at \$7.50/month per water service customer*

**Proposal to raise Ambulance Fee to \$9.50 per month per water service connection in 2023.**



*Due to extended build times the department is requesting the replacement of Engine 1-4 (2005 Pierce) and Ambulance 1-9 (2013 Dodge Type 1); both of these units expected delivery would be in 2025*

*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, when factoring in our average collection rate for any given year, we should expect that same mil to yield \$197,138. This difference is a result of the average amount of taxes remitted on time, annually, versus the total that is levied.

Therefore, for budget purposes, **1 mil is equal to approximately \$211,976 in cash.** As explained, if you assume the standard percentage of taxpayers will fail to pay their taxes, 1 mil would equal \$197,138 in cash. 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.

	<u>2020</u> <u>Actual</u>	<u>2021</u> <u>Actual</u>	<u>2022</u> <u>Estimated</u>	<u>2023</u> <u>Estimated</u>
Police Tax Yield	\$5,035,978	\$5,067,454	\$5,055,600	\$5,284,700
Mil	24	24	24	25
Fire Tax Yield	\$622,911	\$633,383	\$631,559	\$677,495
Mil	3	3	3	3
Ambulance Tax	-	-	-	-
Mil	-	-	-	-
Recreation Bond Tax	\$620,642	\$630,955	\$628,397	\$523,160
Mil	3	3	3	2.5
Police Station Bond Tax	-	-	\$202,587	\$417,445
Mil	-	-	1	2
Value of 1 Mil*	\$209,318	\$211,060	\$210,263	\$212,394
<i>TOTAL MIL RATE</i>	<i>30</i>	<i>30</i>	<i>31</i>	<i>32.5</i>
Est. Single Family House Tax				
Police Tax	\$410.37	\$412.45	\$415	\$438
Fire Tax	\$51.30	\$51.56	\$52	\$53
Ambulance Tax	-	-	-	-
Recreation Bond Tax	\$51.30	\$51.56	\$52	\$48
Police Station Bond Tax	-	-	\$17	\$35
<i>TOTAL</i>	<i>\$512.97</i>	<i>\$515.57</i>	<i>\$536</i>	<i>\$574</i>

\*- The value of 1 mil changes year to year based on several factors include total assessed value of real estate

**The Average Single Family Home in the Borough has a 2022 assessed value of \$17,511.12. It will see a total increase of about \$38 per year, or \$3.17 per month, in real estate taxes,** because of the increased value of assessed property, which also increases the assessed value of the Average Single Family Home, and the addition of one mil for the Police Station Bond Tax and 1 mil for the Police Tax. Further increases are being reduced due to a reduction of 1/2 mil of Recreation Bond Tax. Your payment of taxes for your property, rather than the average home, is based on Franklin County's determination of your home's assessed value.

Despite the fact that the average home changes every year, the assessed value of YOUR home likely did not change as the County has not undertaken a reassessment of real estate since 1962. We are the last County in the State to do this required recalculation. The average changes year-to-year due to new construction, improvements to properties, and assessment appeals. Therefore, 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 1/2 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. This assumes you did not pay early and get the standard discount on your taxes. This also assumes you did not get the full 100% rebate due you on your Federal income taxes (up to \$10,000 in State and Local taxes).

Finally, we have heard a growing skepticism that these numbers presented do not represent the actual average real estate tax burden. To that end, let us clarify:

- Our statistics are based upon the average (median) single-family home.
- Our statistics are accurate for actual single-family homes inside the Borough of Chambersburg. We state that **the average single-family home will pay Borough real estate taxes of \$574 per year**, which means that half of all single-family homeowners will pay more and half of all single-family homeowners will pay less.
- Your home's assessed value, set by Franklin County, and not double-checked since 1962, is public information. You can look it up online and check your Borough tax burden yourself.
- This is not the measure of what a home with a fair-market value of \$100,000 would pay. That statistic is nonsensical because the County does not use actual values to determine your taxes. The profile of a home with a real estate value of \$100,000 wouldn't represent the average, typical, or common home anyway. Further, fair-market values vary wildly based on physical location of the home from one town to the next or one block to the next. We use the real-life average home profile for the real average single-family home inside 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).**

Go to <https://gis.franklincountypa.gov/taxparcelviewer/> to check your home, your assessed value and your Borough tax bill.

*Folks Say that They Pay More Than That in Borough Taxes, But Do They?*

Here is the typical single-family home with 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 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.

*Budget Project Highlights 2023*

*1. New Web-Based Customer Portal For Utility Billing and Customer Service*

Originally contemplated in 2018 with the contract with Harris Software, this project is a second attempt at installing a system to permit our customers to interact with the Borough through a web-based portal. In this attempt, a different strategy has been employed. Instead of installing all new Enterprise Resource Planning (ERP) software throughout the organization, the existing backend of the current software system will be retained and a new front door will be added to allow interactivity.

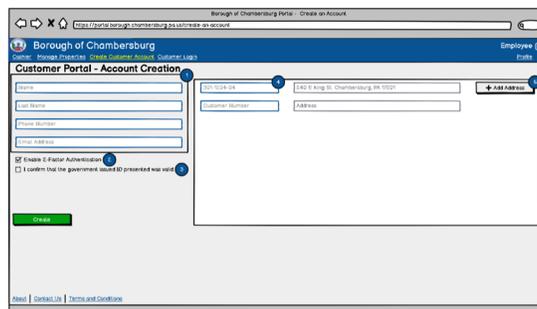
It has long been the goal of the Borough to provide utility customers with a web interface portal that is easy-to-setup, user-friendly, and safe, authenticate, and could match to Borough accounts, tenants, property owners, etc.. Additionally, it could allow the use of all types of payment methods (credit, debit, EFT, etc.) at the Front Counter and remotely online with ease and comfort for customers. If transactions done at the Front Counter could also be posted in real-time to the utility billing system, that would make the system seamless between at-home and in-person transactions. Also, a portal would permit statement billing online so customers can view an up-to-date reflection of their account status.

In 2022, a planning committee, comprised of the IT Supervisor, IT programming staff, members of Town Council, the Borough Manager, members of the Customer Service Department, the Director of Finance, and the Director of Administrative Services, spent the better part of this year working tirelessly with Fresche Solutions to design such a portal.

The project is ongoing with the goal of having some utilization by the end of 2023. The customer portal project, including design and implementation, is in the 2023 budget as a capital improvement project request.

The Borough has contracted with Fresche Solutions, a long-time Borough consultant, to build this new front-end on the existing mainframe computer system. Fresche Solutions and the planning committee just completed the design and cost estimate of this new interface.

Staff believes this project has a high likelihood of success because it is merely an interface and retains the existing, complex, and convoluted back end. This back end software was custom-written for the Borough by a previous consultant in the 1990s using an IBM System 7 language, a mainframe language, which is strong and versatile, but very unfriendly to Borough employees and customers.



The new customer portal will be so powerful that even Front Counter Tellers in Borough Hall will be able to use much of the same functionality as customers sitting on their home computers.

Finally, the Borough will be transitioning to a new credit card processing vendor from our existing vendor, Official Payments. The new vendor, Paymentus, will provide significantly more opportunities for all payment types as well as being fully integrated into the new utility web portal, under development, and available hopefully in 2023.

The planning committee recommended, and Council approved, this transition. As we enter into a contract with Paymentus for the processing of all electronic payment methods through the customer payment portal, and in person at Borough Hall, due to the number of payment options that can be made available to customers, as well as the fee structure, in which no fees or charges are assessed to, or absorbed by, the Borough or its departments.

Paymentus accepts almost every imaginable payment source including all credit cards, Google Pay, Apple Pay, and Venmo.

The total cost for Fresche Solutions to complete development of the new interface is \$426,000. Staff believes that if successful, this interface may be the single largest improvement in customer service in Borough history.

## *2. Release of Prospectus for the Resale of Much of the Southgate Shopping Center*

Chambersburg Town Council met on Monday, October 11, 2021, and approved a list of projects to utilize the Borough's share of the American Rescue Plan Act (ARPA), Coronavirus State and Local Fiscal Recovery Funds (SLFRF). On October 11, 2021, Town Council approved the final list of projects.

The Borough of Chambersburg collaborated with a citizen advisory group to embark on a proposed long-term initiative to reclaim and redevelop the Southgate Shopping Center into a mixed-use residential neighborhood.

The project's goal is to create a new sustainable neighborhood that promotes a mixture of uses to include housing, employment, retail and business services into the neighborhood adjacent to downtown.

The neighborhood's ongoing involvement in the Southgate redevelopment process is vitally important to the success of this community development initiative. To codify the neighborhood's continued participation in the redevelopment project, the proposed Southgate Neighborhood Overlay District legislation includes a provision to establish a permanent advisory committee made of neighborhood volunteers, which would review all planned development going forward. That legislation has not yet been adopted.

Several elected councils over the last few decades have explored the concept of redevelopment at the Southgate Shopping Center. The 2007 Elm Street Neighborhood Plan included the concept of a public-private partnership to redevelop the shopping center into a new mixed use neighborhood. Other plans over the last 14 years, since that plan was adopted by the Town Council and submitted to the Pennsylvania Department of Community and Economic Development in the form of a community goal, echoed that objective. The recent adopted Comprehensive Plan called for economic development in the Southgate neighborhood. Finally, Town Council adopted the project as a 2021 priority when the 2021 budget was approved in December 2020, directing staff to determine a way to fund such a project.

Economic development is a core mission for Pennsylvania boroughs, townships, and cities. This is why Chambersburg had a Main Street Plan and an Elm Street Plan for decades; to spur private economic development, encourage public-private partnerships, increase tax yields, and sell more utility services.

The Town Council, working with the Chambersburg Area Municipal Authority (CAMA), a separate body politic, organized in the 1940s to assist with, among other things, community and economic development, set about to use the Federal funding provided to move forward with a decades old community vision to redevelop the Southgate Shopping Center.

The project's goal is to create a new sustainable neighborhood that promotes a mixture of uses to include housing, employment, retail, and health services into this neighborhood while increasing the Borough's tax base and utility sales. The proposed project is not to be funded with Borough taxes. The project would have no impact on the tax rate.

Town Council and the previous owners reached a negotiated sales agreement to permit CAMA the opportunity to purchase the existing shopping center in two phases so it could be subdivided and resold to responsible third-party private developers for redevelopment.



*The Delapidated Half-Empty Shopping Center as it Appears in 2022*

A Resolution was approved by Town Council on October 11, 2021, authorizing entering into an agreement to purchase the Southgate Shopping Center in two phases, with a 90 day due diligence period for Phase 1 (the shopping center between W. Catherine Street and W. Washington Street) and 365 days for Phase 2 (the shopping center between W. Washington Street and Loudon Street).

Town Council authorized the execution of an Agreement of Sale for the purchase of the Property, for a total purchase price of \$4,500,000 for both phases. **Chambersburg Town Council authorized CAMA to proceed with the purchase of the Shopping Center.**

On April 7, 2022, CAMA purchased Phase 1 of the Shopping Center.

**On August 24, 2022, CAMA reached an agreement to sell the former Gold's Gym building at the Southgate Shopping Center to Keystone Health. Keystone Health is the only federally qualified Community Health Center serving Franklin County.** It is estimated that Keystone Health will buy the former Gold's Gym building sometime in 2023.

On October 13, 2022, CAMA purchased Phase 2, or the balance of the shopping center. This includes the building currently occupied by Rent-A-Center as well as the former home of the JCPenney Auto service facility. This is also the site of the famous meeting August 19 to 21 in 1859, between Frederick Douglass and John Brown. The two abolitionists met here at a stone quarry and discussed Brown's plans to raid the federal arsenal at Harpers Ferry. He urged Douglass to join an armed demonstration against slavery. Douglass refused, warning the raid would fail; the October 16, 1859 attack confirmed his fears. Brown was captured with his surviving followers and was executed December 2, 1859 in Harpers Ferry, about one hour south of Chambersburg.

Recently, CAMA discussed the release of a prospectus, an invitation for proposals, to sell the majority of the shopping center site to other third party private developers as was contemplated during the original authorization to buy the shopping center. That invitation will be issued by the beginning of 2023.

The shopping center will be owned on an interim basis by CAMA until resale, but managed by the Borough staff.

It is important to note the role CAMA will play. CAMA is an existing entity with the mission to support the community and economic development of the greater Chambersburg area. An independent agency, CAMA is organized under the State Law known as the Municipality Authorities Act. The Act permits CAMA to undertake a series of important projects for the community. Most commonly, CAMA provides "pass through tax exempt debt sales" for community organizations including the Shook Home, Wilson College, SpiriTrust Lutheran, and other tax-exempt organizations. In addition, CAMA stands by to help with "pass through financing" associated with the Borough, including the shopping center purchase, and the water and sewer systems of the Borough. They have more flexibility than the Borough when making real estate purchase and sale decisions, whereas Council can only sell real estate to the highest bidder through the public bidding process. As such, they are a critical component of the shopping center purchase and redevelopment process, to ensure the land is acquired and then sold to developers that will redevelop the land based on a developed realistic and market based plan, that was developed by Town Council.

The realistic and market-based concept plan was requested by the Town Council at the beginning of 2022. It is a vision of what private third-party developers might build at Southgate. The Borough and the CAMA Board will not be the final developers. They are merely providing the conduit to sell the land to private developers for the project.

No local taxpayer money would be involved in this plan: the American Rescue Plan Act provided a \$7,763,037 non-competitive, federal formula grant from the U.S. Treasury Department to the Borough to help the community respond and recover from the COVID-19 pandemic. Of that amount, Town Council allocated \$4,151,857 to purchase the Southgate Shopping Center, which qualifies for the funding and allowed CAMA to make the purchase without a local match that could impact Borough real estate tax rates. When the parts of the shopping center are resold, Council can reuse the resulting proceeds from the sale for other investments.

Using the ARPA money, CAMA is able to obtain control of the site, something no other private developer has been able to do for generations. This is as a result of the Borough obtaining a grant, which makes the project make sense.

Town Council leadership requested the revised realistic and market-based concept plan based upon existing zoning regulations now in place for the neighborhood. It was their belief that a new realistic and market-based concept plan rendering would assist in the marketing of the site to private third-party developers. It is just one vision. It is not what might eventually be built. However, professionals believe it is a realistic view of what might be built by third-party private developers once they buy back the land.

Further, it creates an incentive for private developers to imagine what the community thinks is acceptable. This new vision contains the same land uses and attributes of the original concept plan but is more realistic. The new concept plan integrates the existing community and weaves a series of spaces that entice walkability. The plan also addresses the block that faces West Washington Street by creating a new plaza and mix of buildings that serves as a termination view and welcome gateway into the community.



The plan illustrates a mix of uses in the same block. This allows for a mixture of offering to the residents and create vitality that is important to retail and specially restaurants and supermarkets. The plan illustrates integrating open spaces. These spaces are of different scale, and types including water, landscape and plazas that allows public gathering. The plan connects W. Washington Street to E. Queen Street as a way of maintaining commercial traffic away from the residential neighborhood. A series of continuous sidewalk allows pedestrians to walk safely. These are connected to the trail that connects this plan to the regional context. This is an idea of what Council would like to see from the developers.



**It is estimated that in 2023, CAMA and Town Council will release a prospectus inviting private third-party developers to buy some or all of the available real estate in the Southgate Shopping Center for redevelopment as a mixed use neighborhood.** Obviously, much of 2023 will be spent marketing the site and meeting with potential developers.

*3. Demolition of the Cold Storage Building at 1335 S. Fourth Street and Planning a Public Works Campus for the Future*

In a transformational project for the neighborhood, the Chambersburg Sanitation Department purchased the old abandoned cold storage building on S. Fourth Street. This derelict and blighted structure will be demolished in early 2023, and the land incorporated into the new site of the Borough’s future public works facility. The ARPA grant provided sufficient funding to secure the building, plan for and helped pay for its demolition and the clearing of the site. Additionally, this location may also collocate future storm water facilities to alleviate chronic and repeated flooding on S. Fourth Street. Finally, the site may also provide a part of a future pedestrian trailhead connected to the Borough’s Rail Trail, which now terminates at S. Main Street.



At the end of 2019, the Borough had the opportunity to acquire a vacant commercial building at 366 Wayne Avenue in order to plan the relocation of the Loudon Street Sanitation Department, Motor Equipment Department, and Highway Department facility.

The site, once the home of Wagner Supply Depot, will be renovated over time to eventually replace the existing Borough public works facility located on Loudon Street, at the corner of S. Franklin Street. The existing facility on Loudon Street is reaching the end of its useful life. Problems exist, including vehicle maintenance bays that are too small for today's modern trucks, poor equipment and materials storage, no room to grow, a cracked foundation, and is in the floodplain along the Conococheague Creek.

The 2021 purchase of the old Cold Storage Building at 1335 S. Fourth Street, utilizing the American Rescue Plan Act funding, allowed it to be added to the Wagner site. In addition, the Sewer Department purchased 1334 S. Fourth Street. Across from the old Cold Storage Building, which will become new offices for that department, nearby the Wagner site.

Further, the Borough purchased an adjacent home at 342 Wayne Avenue, which has been demolished. Those two tax parcels have been added to the Wagner site.

Finally, the Borough remains interested in other possible nearby parcels.

The Borough engaged SGS Architects/Engineers of Carlisle, Pennsylvania, to do a facility review and according to their principal, Dennis Sowers, the facility might be less expensive to replace rather than renovate. A number of scenarios are being evaluated in order to accommodate the eventual uses as proposed by the Borough. The consultant was engaged in 2020, a building committee was established, and conceptual design will begin in earnest in 2023.

The building purchase and design stage have had no impact on taxes. The site will provide a much-needed new home for the Sanitation Department and Public Works, and provides a site, which over time, might be expanded to add other adjacent tax parcels. It is also very exciting that at the end of this project, a new park near the Conococheague Creek will encourage access to the creek near the Southgate Shopping Center, where the Public Works garage is now located.

At this point, it is unclear what renovation will occur at the site. The decommissioning of the Loudon Street facility and construction of the new Conococheague Creek Park would then occur in 2026 or 2027. The new Borough recycling transfer station nor any trash storage will be at this Wagner site. Those type of functions, with trash and recycling, would not be appropriate at this location. We want the neighbors to know that we do not foresee this location housing, even on a temporary basis, trash or recycling. This facility will be used for offices, trucks, truck maintenance, equipment, equipment repair, and the storage of dumpsters and other Sanitation Department items.

Finally, staff has been in contact with adjacent property owners. We have explained the goals of the project and invited them to consider whether the sale of their property to enhance the project site might make sense. The 2022 Budget includes resources for continuing site development as well as to explore the purchase of adjacent parcels.

Town Council is not being asked to commit to any design, any cost estimate, or any funding sources at this time.



*The Former Wagner Supply Depot is Owned by the Borough as is the House on the Right, Now Demolished, and the Cold Storage Building to the Rear, Scheduled for Demolition*

#### *4. Chesapeake Bay Pollutant Reduction Plan Implementation and System Televising for Mapping*

In a transformational project, the Borough of Chambersburg will make significant and long-term capital improvements to a variety of sites impacted by flooding, or water quality issues, and previously identified in the Borough’s approved Chesapeake Bay Tributary Strategy Plan. As many as five to seven different storm water projects including, but not limited to, flooding on S. Fourth Street, the storm water channel adjacent to S. Main Street, Pioneer Court in Downtown Chambersburg, Stevens Elementary School site, and Wolf Avenue/Rail Trail outfalls, may be improved by these funds. Further, these capital improvements may each be supplemented by matching funds from other stormwater grant programs. Avoiding increasing fees for pollution control and storm sewer management, the use of ARPA funding will improve this key infrastructure of the Borough without necessary fee hikes for Borough property owners. Finally, the Borough is required to make such improvements over the next few years and designating this funding will help bring these important projects to reality and meet the Borough’s compliance with the terms of the Pennsylvania Department of Environmental Protection permits for the storm sewer system (MS4).

### **Chesapeake Bay pollutant Reduction Plan**

Best management practices projects were approved through the plan, which are intended to reduce the amount of nitrogen, phosphorus, and sediment that are conveyed into the falling spring Creek and Kanekachi Creek, which ultimately flow to the Chesapeake Bay via the Potomac River. The borough is responsible for funding these projects, with progress to be evaluated by DEP with our MS4 permit expires on March 15th, 2023.



Site	BMP ID	BMP Type	Drainage Area (acres)	Length (ft)	Pollutant Load Reduction TSS (lbs/yr)
Rhodes Drive	BMP-1 A	Bioswale	2.39	n/a	2,766
	BMP-1B	Pervious Pavement	0.31	n/a	81
Fifth Ave Extension	BMP-2	Subsurface Infiltration	6	600	3,879
Elder Street / W Commerce Street	BMP-3A	Subsurface Infiltration	9.2	n/a	5,047
	BMP-3B	Streambank Restoration	n/a	1,400	62,832
	BMP-3C	Subsurface Infiltration	9.18	n/a	5,036
	BMP-3D	Bioretention	4.35	n/a	3,580
Stevens Elementary	BMP-4A	Streambank Restoration	n/a	500	22,440
	BMP-4B	Riparian Buffer	12.38	n/a	6,670
Wilson College	BMP-5	Bioretention	103.5	n/a	100,368
Mill Creek Acres Park	BMP-6	Bioretention	100	n/a	96,974
Nitterhouse Park	BMP-7	Bioretention	7.2	n/a	5,925
Wolf Ave Rail Trail	BMP-8A	Bioretention Pocket	5.08	100	4,926
	BMP-8B	Bioretention Pocket	4.59	100	4,451
	BMP-8C	Bioretention Pocket	4.02	100	3,898
	BMP-8D	Bioretention Pocket	6.22	100	6,032
	BMP-8E	Bioretention Pocket	5.28	100	5,120
Fourth Street	BMP-9	Streambank Restoration	n/a	250	11,220
South Fourth Street	BMP-10	Subsurface Infiltration	29.3	n/a	16,074
Ludwig Ave Parking Lot	BMP-11	Subsurface Infiltration	2.52	100	1,383
South Main Street	BMP-12A	Stream Restoration	n/a	675	30,294
	BMP-12B	Riparian Buffer	7.06	675	3,804
Sheffler Drive	BMP-13	Riparian Buffer	31.6	n/a	14,447
Total					<b>417,247</b>

Chambersburg has dozens of miles of storm sewer pipes, channels, inlets, catch basins, ponds, etc., and they require inspection and maintenance as a part of the State permit, but also the important necessity to manage and respect storm water and its impact on the community environment. Some communities have delayed the implementation of storm sewer system management. This was never an option in Chambersburg’s large urbanized environment.

In 2023, the Borough Engineering Department along with the Storm Sewer Utility will fly the community to create new aerial maps for use by all the utilities. These maps are so precise that using today’s technology, the Storm Sewer Utility can use them to measure impervious area on non-residential parcels and civil engineers can use them to design projects for bidding. The Borough has sufficient available funding in this budget to include this new survey.

Further, the Storm Sewer Utility will begin contracting for the survey of the underground system using a contractor who televises pipes. A cleaning and televising of storm sewers will allow the Borough to ensure that the storm sewer system is functioning properly and to identify deficiencies in the sewer pipes that need to be repaired. This will be done with robotic cameras, vacuum excavation equipment, and high-pressure water cleaning equipment. Then, maps of the areas affected by sewer cleaning and televising will be available to develop future maintenance projects.

Finally, if funded by the Federal Emergency Management Agency, the Loudon Street Flood Mitigation Project would permit the Borough to acquire the property at 195 Loudon Street, relocate its current use, demolish the structure and to establish permanent use of the site as passive recreation land. This important grant project may be approved in 2023.

### 5. *Limited Pedestrian and Bicycle Improvements and Designs for Future Grant Applications*

In 2018, the Borough of Chambersburg adopted the Pedestrian and Bicycle Improvements Plan. The plan recommended policies, including:

- A new complete streets initiative for all future sidewalk installations.
- Pedestrian street-crossing safety enhancements.
- Development of a network of bicycle routes to include extension of the existing Rail Trail, and connections between the network and existing public areas such as parks, downtown, community centers, government facilities and streams.
- Creation of a public education campaign designed to encourage walking and bicycling as alternative modes of transit, and at the same time, making those activities safer.

The plan recommended projects, including:

- Expanding the Rail Trail.
- Creating bicycle friendly connections to places of interest and commerce, for example Memorial Park, to Downtown and Third Ward to Norland Avenue.
- Review current policies on sidewalk use for bicycles.
- Look for opportunities for bicycle/pedestrian “shared use” when expanding or re-configuring sidewalks or adding bicycle lanes to existing streets.
- Developing bicycle friendly areas in existing recreation facilities.
- A bicycle self-guided tour of Chambersburg.
- Bicycle furniture, public drinking fountains, and bicycle rental resources.

This plan addresses factors as they relate to pedestrian and bicycle travel and recreation within the Borough, as well as considers opportunities for connection to the surrounding region. The plan also considers Complete Streets Policy adoption that results in a comprehensive and integrated network of transportation with connections to recreation facilities that are safe and convenient for people of all ages and abilities traveling by all modes including pedestrians and bicycles.

Local Complete Streets Policy shall provide:

- Reference to a Complete Streets Policy as part of the goals in the Comprehensive Plan, Neighborhood Plans, Transportation Plan and other plans and implementation strategies.
- Smart Growth land use policies that encourage bicycling and pedestrian travel in addition to traffic control systems.
- Bicycling and walking facilities incorporated into all new development, redevelopment and transportation projects unless exceptional circumstances exist.
- Sidewalks, shared use paths, street crossings (including over and under-crossings), pedestrian signals, signs, street furniture, transit stops and facilities, and all connecting pathways shall be designed, constructed, operated and maintained so that all pedestrians, including people with disabilities, can travel safely and independently along, within and across corridors.
- Safe routes for children to and from school.
- Better access to employment and educational opportunities in all neighborhoods regardless of income or ethnicity as equitable transportation solutions.
- Facilities designed to the best currently available standards and guidelines to provide:
  - Vehicular speeds and congestion compatible with the character of the neighborhood.
  - Usability and safety of well-maintained on/off-street bicycling/pedestrian facilities.

- A well interconnected street network.
- Intersection design addressing safety and convenience for bicyclists and pedestrians.
- Quality, safe and convenient bike parking options at destinations community-wide.
- Borough policies, staff training program, policy checklist, and compliance procedures/performance measures.
- Education and public awareness program for the traveling public, bicyclists, and pedestrians.



In 2023, the Borough needs to move forward the implementation of these projects. This 2023 Budget envisions that the Borough will create plans for four pedestrian related projects for future implementation.

Those four projects that will be available for conceptual planning are:

- The Third-Street Greenway: extension of a pedestrian pathway from King Street to Grant Street along the Third Street right-of-way.
- The northern rail trail extension: a cooperative venture with Wilson College and private property owners to build a walkway from Commerce Street into the Wilson College campus.
- The southern rail trail extension: efforts will be made to work with CSX Railroad to obtain additional right-of-way to connect the existing rail trail from S. Main Street to S. Fourth Street.
- The extension of the rail trail to the creek in Southgate: the conceptual plan indicates a pathway will be established to allow pedestrians on the rail trail to access the creek's edge around the existing Southgate Shopping Center.



*The Abandoned CSX Railroad Right-of-Way on S. Main Street*

## 6. Sustainable PA Community Certification

In 2014, the Pennsylvania Municipal League (PML), with whom the Borough of Chambersburg is a member, began the Sustainable PA Community Certification Program. The certification acknowledges the steps taken by municipalities to achieve sustainability. It is designed to provide further reinforcement and the inspiration (and funds) to go even bigger. That recognition goes a long way: Pennsylvania municipalities that are distinguished in applying sustainable policies in order to advance community prosperity while reducing carbon footprint get kudos, support and even grant money to expand programs. The program also serves as a mechanism for sharing best practices for creating a more sustainable Pennsylvania.

In 2016, the Borough formed a partnership with the Shippensburg University Center for Land Use and Sustainability. The Center's vision is to become a nationally recognized interdisciplinary center that leverages the expertise of faculty, staff, and students to promote sustainable land use, economic development, and communities at local, regional, and global scales. The evaluation is based on 130 criteria in the following nine categories:

- Governance and Community Engagement
- Healthy Communities
- Diversity, Equity and Inclusion
- Education
- Energy Use, Conservation and Green Building
- Environmental Stewardship
- Housing
- Land Use and Transportation
- Local Economy.

The Sustainable PA Certification is broken down into five categories: platinum, gold, silver, bronze, and associate, which are meted out according to points earned based on criteria met at a specific point in time when submitted for review or updated. Previously, the certification was only available to the southwest region of the state, but in 2014, the program was expanded to include all municipalities across Pennsylvania through a partnership between Sustainable Pittsburgh and PML.

In 2017, the Borough of Chambersburg was recognized at the Gold level of certification for meeting the program's rigorous performance criteria which tracks 131 policies and practices that define a sustainable community. "We are delighted to see the Borough of Chambersburg distinguished among local governments that are leading the way in applying sustainability to both their operations and management as well as within the community," said Anne McCollum, Director of Training and Development, Pennsylvania Municipal League.

In 2023, the Borough will begin to implement policy and program changes to be consistent with the goals of the Sustainable PA Community Certification Program. We need to aim for Platinum certification. Potentially, we will work with a students from Shippensburg University or other schools, with an interest in sustainability. **The 2023 Budget sets this as one of our priorities.**

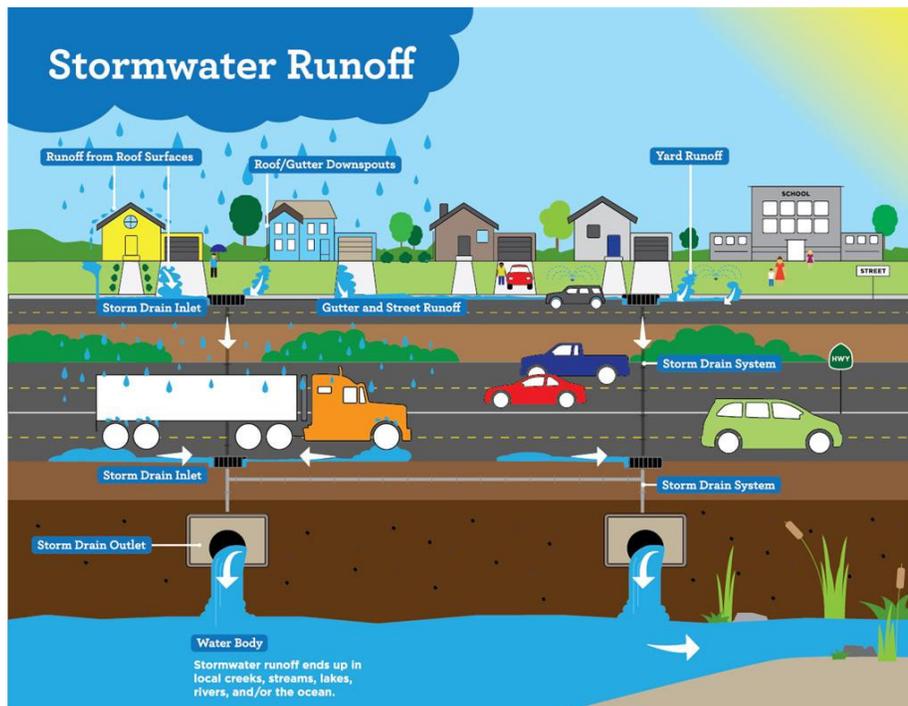
7. *Expand Post-Construction Stormwater Management to Prevent Pollution in Our Streams*

**2023 will mark the ninth year of existence of a Municipal Separate Storm Sewer System (MS4) utility**, one of the first such municipal utilities in the Commonwealth of Pennsylvania. Our storm sewer utility allows Chambersburg to better manage stormwater by creating a designated fund for stormwater management, Federal mandates, and system upgrades. The storm sewer utility provides personnel to be responsible for compliance with the MS4 Permit’s “Minimum Control Measures”. Secondly, beyond MS4 Permit administration, there are other important program components that our utility offers. Like a water or sewer utility, the storm sewer utility will generate revenue through user fees that, beginning in 2022 we began to be based on the amount of stormwater generated on a property, which is determined by an impervious surface calculation.

The last thing we need in Franklin County is three, four, or five separate storm sewer utilities. We do not need to have as many storm sewer utilities as we currently have water systems or sanitary sewer systems. We need to encourage intermunicipal cooperation. In 2019, the Borough began working with Hamilton Township and St. Thomas Township to migrate this program beyond the borders of the Borough of Chambersburg. It is our hope to add more communities to our program, joining to work towards compliance with their MS4 permit from the Department of Environmental Protection.

This budget encourages other MS4 Boroughs and Townships to partner with Chambersburg in the same manner. We believe Chambersburg, and our staff, are well situated to provide contract MS4 services to other regional municipalities.

These services include public education and outreach on stormwater impacts, illicit discharge detection and elimination, post-construction stormwater management in new development and redevelopment, pollution prevention and good housekeeping, development of storm sewer system maintenance needs, and the establishment of capital improvement plans, and monitoring and modeling of stormwater system flows to the local creeks.



### *8. Expand Fire Safety into the Townships*

In 2023, we should continue to advocate for a proposal that Hamilton, Guilford, and Greene Townships adopt the International Fire Code and contract with the Borough ES Department as a third party Code Agency for Commercial Fire Code Inspection Services. This would be just like when the townships adopted the Uniform Construction Code in 2004 and contracted with Commonwealth Code Inspection Services (CCIS) to provide third party Code Agency services for those codes.

In 2015, the Borough and most of the townships shifted their third party Code Agency services from the Commonwealth Code Inspection Services (CCIS) to the Pennsylvania Municipal Code Alliance (PMCA) through a Request for Proposals (RFP) process and deliberation of who was the best contractor.

Yet, to date, no agencies in any of the townships are providing commercial fire code inspection. The Volunteer Fire Companies generally are unequipped to do inspections. Although PMCA can do these inspections, we have discussed letting our ES Department, where every firefighter is a certified code inspector, do these inspections on a systematic basis. I believe that PMCA would support this plan.

Beginning in 2015, the Borough updated our local Fire Law, written by Assistant Solicitor Welton Fischer, and adopted the new International Fire Code. In the Borough, businesses must be inspected (some annually & some tri-annually) for code violations. We believe that this is a big fire prevention program in that it actually prevents fires, saves lives, and property. In the Borough, the ES Department charges businesses for this important inspection program (revenue goes to support only inspections and prevent fires). In many cases, the businesses' property insurance may be reduced because of these inspections.

It is our hope and desire that the townships will contract with the Borough to expand our successful fire code inspection program to township businesses at no cost to their taxpayers. As with inside the Borough, the townships' businesses would pay for the program. The businesses and the community would be safer.

We are hard pressed to believe that the townships would not support the adoption of a systematic Fire Code inspection program with the goal of preventing fires, saving lives, and property. In addition, part of the inspection fee would be shared with the local volunteer fire company responsible for protecting each business. That provides a further incentive to establish this program.

It would take 6 to 8 months to negotiate a program – only the townships can adopt the program and set the fees. The portion of revenue collected, which would be shared with the townships, can be decided during discussions. This important new ES Department program will begin with a meeting with stakeholders to explore how this program may function.

This is not about Chambersburg or the Chambersburg Fire Department. This is about saving lives and property in the townships. Chambersburg has this program regardless. We see the value. We have seen the number of fires reduced as a direct result of the program. In an era where the volunteer fire companies are struggling, there is no reason one can imagine that the townships would not invite the Borough to bring this program into their municipalities. There is no one else available to provide the program. This is not competition. This is a smart move for each of the townships.

The 2023 Budget includes a commitment to this goal. Finally, Mayor Hock can carry the torch, to reach out to the townships, and to help promulgate the lifesaving program in 2023.

### *9. Finishing the Police Station Renovation Project*

As the construction of the Utility Departments' Addition for City Hall finished at the end of 2018, a second Building Committee formed to discuss another phase of the project originally conceived in 2013. The next phase would be a return to the old Borough Hall building and discussion on the future of the space utilized by the Chambersburg Police Department. In 2007, the first priority was the Police Department. However, due to several reasons, including the lack of available physical space, as well as funding, the issue of how to provide the Police Department with adequate space was placed on the back burner.

The goal of the first phase, the Utility Departments' Addition for City Hall, was to provide updated office and meeting space for the utility departments, Town Council, and the utility support departments; and more importantly, to provide extra space in the old Borough Hall building in order to allow the Police Department to expand their footprint.

In 2017, the Borough entered into a professional services agreement with SGS Architects/Engineers to do a utilization study of the Chambersburg Police Department; determine their needs and to evaluate the condition and opportunity in the 1971 existing addition to Borough Hall. Built and opened to the public in 1972, the 1971 project, or the southern part of Borough Hall, provided for a police station for the Police Department on the first floor and basement, and a meeting space for Town Council on the second floor. Since 1972, this has been the programming in this addition; the site of the old Borough Fire Hall, which used to sit on this site, south of the Market House, on South Second Street. By the 1960s, converted to a Police Station for the Borough, the volunteer fire hall had become clearly inadequate for Police Department operations. This is becoming true of the 1971 addition as well. By moving Town Council out of the 1971 addition and relocating other office space to the Utility Departments' Addition, the Police Department could expand and make better use of the 1971 addition.

The second building committee consisted of the Borough Manager, the Mayor, the Police Chief, the Water/Sewer Superintendent, a Council Member, police staff, and the architects. The committee studied police station design concepts and visited projects in other communities including Derry Township, Dauphin County, York City, Baltimore City, and a newly renovated similar sized community police station during a conference in Texas. This information, and other information provided by the architect led to a design plan for a renovated Police Station to fill the 1971 addition to Borough Hall, plus a building add-on in what was once the drive-thru teller driveway next to the Police Station.

In 2020, Council decided that the area was insufficient for the building add-on. As a result, Council entered into a sales agreement to acquire 138 S. Second Street, the private house adjacent to the existing police annex, which itself was a private house, purchased by the Borough in 2009. This enlarged the project scope and cost. However, it made much more sense in the end.

Back in 2019, our partner, GMS Funding Solutions, was able to obtain for the Borough a \$1.7 million Redevelopment and Capital Assistance Program (RCAP) Grant from the Commonwealth Financing Authority. This is a great achievement. In 2019, Town Council accepted the grant, obligating the Borough to spend no less than three times this amount on the project.

In a spectacular feat, GMS Funding Solutions was able to get this grant expanded to \$3.4 million in 2020. The grant funding made the Police Station Project feasible for the community.

In 2021, Council approved the plan for the Police Station Bond for this project, just as with the list of capital improvements associated with the 2016 Recreation Bond, this Police Station Bond includes a dedicated real estate tax (a Police Station Bond Tax), to liquidate the debt over the next twenty or twenty-five years. The first year of the new tax was in 2022. In 2023, the second phase of the tax will be implemented.

The final design of the project, which was bid out in 2022, and awarded to Lobar, Inc., as General Contractor, included a complete gut of the 1971/1972 addition to City Hall as well as the construction of a new addition on the building, and the renovation of the Borough’s historic clock tower. The project increased the size of the Police Station from 10,350 ft<sup>2</sup> to 23,700 ft<sup>2</sup>.

**Police Department Renovation & Addition**

Construction Costs	\$7,108,600
Change Orders Through October 17, 2022	185,385
RACP Grant(s)	(\$3,200,000)
<u>Additional Costs (Property, Outfitting, Security, Project Management, Contingency, Etc.)</u>	<u>\$1,772,015</u>
Total Projected Costs Less Grant(s)	\$5,866,000
Total Project Costs Through September 30, 2022	\$2,947,000

**Temporary Police Station**

Temporary Police Station Capital Costs	\$545,610
<u>Temporary Police Station Non-Capital Costs</u>	<u>\$731,100</u>
Total Projected Temporary Police Station Costs	\$1,276,710
Total Temporary Police Station Costs Through September 30, 2022	\$885,200

The total cost of the Police Station Project is estimated to be \$5.866 million. The total cost of the temporary relocation of the Police Station to Orchard Drive is estimated to be \$1.28 million.



*The Addition (and Sally Port Driveway) Added to the Police Station, Under Construction*



*Modern reconstruction with PVC materials, a copper roof, restored chimneys, and bird protection*

With approval of the 2023 Budget, Council will finally complete this important project.





*Lance Walker, William “Donald” Waters, and Julie Redding, Recreation Superintendent*

In 2022, the Chambersburg/Mike Waters Citizen of the Year Award has selected Mr. Lance Walker as our honoree. Mr. Walker is a prominent local businessperson and philanthropist. He is a barber. He donates his time to cut the hair of homeless at the Maranatha Cold Weather Shelter. He offers free haircuts to those in need. He provides discount haircuts for struggling college students. He is often a motivational speaker at Shippensburg University. He is a mentor to Men of Color participants. He is on the Board of Network Ministries and serves to further diversity in the Chambersburg community. He volunteers at the United Way and he serves on the Franklin County District Attorney’s advisory board. He is a volunteer driver for Meals on Wheels. He is a member of the local School Board.

*Conclusion*

This is a challenging year and a challenging budget. I do not believe we have ever suffered the extensive fiscal pressure in one year that we are experiencing right now. The source is clear. It is the cost of operations having gone up so significantly in the last year. A truck replacement has seen an increase of 100% in cost. The cost of chemicals to purify our water has risen 140% this year. The cost of paving a street is nearly double. Every cost from diesel gasoline, to supplies, to mission critical resources have become dramatically more expensive. Moreover, there is no relief on the horizon.

We have asked our departments to tighten their belts, push off projects, delay hiring, and many other things big and small to avoid rate and tax increases. Our department heads have been exemplary.

As Council leadership knows, the original budget numbers, based upon funding everything, was catastrophic. Only through careful prioritization, and reasonable cuts, did we end up with the budget being presented herein.

In the proposed 2023 Budget, I have recommended a 1.5 mil (approximately \$33.12 per year) tax increase, in exchange for the completion of the Police Station renovation project, and to continue full-funding of the Chambersburg Police Department.

The utility rate increases are necessary, but Chambersburg will continue to have lower rates than all our neighboring municipal and commercial utility systems. This includes an increase in the Electric Rate, a supply rate increase for Natural Gas, an increase in the Water Rate, and an increase in the Trash Rate. All these increases are significantly less than if our residents and businesses lived in the townships. Finally, I am recommending a necessary increase in the Ambulance Fee to keep pace with the cost of providing this important life-saving service.

	<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> <b>Proposed</b>
Police Tax Mil	21	23	23	24	24	24	24	24	25
Fire Tax Mil	2.5	2.5	2.5	3	3	3	3	3	3
Ambulance Tax Mil	-	-	-	0.5	0.5	0	0	0	0
Recreation Bond Tax Mil	-	-	-	3	3	3	3	3	2.5
Police Station Bond Tax Mil	-	-	-	-	-	-	-	1	2
Total Real Estate Tax Mil	23.5	25.5	25.5	30.5	30.5	30	30	31	32.5

In January 2022, Moody's Investor Services reaffirmed Chambersburg's General Obligation credit rating as **Aa3**, which is quite good. They stated Chambersburg's rating “reflects its improved reserves and liquidity, moderately sized taxable base with below average income, and growing but still manageable debt burden. The rating also considers the borough's financially sound enterprise funds. The borough's preliminary fiscal 2021 results indicate another strong year with improved reserves across all operations.”

Goals established by Moody's include material and sustained growth in reserves and liquidity, significant growth and diversification of the tax base, and the materially improved wealth and income of our residents. Unfortunately, not much the Borough can do to influence these goals. They also cautioned the Borough to avoid failure to adjust operations to accommodate new debt service, any structural operating imbalance, material growth of the debt burden beyond current expectations, and an inability of utility funds to cover related debt service. It is for these reasons, that tax and rate increases are unavoidable.

**I do not think it wise to expand the Borough budget too fast in an inflationary cycle.** We should be cautious in the implementation of new systems and projects. I suggest we use 2023 to move slowly.

No one likes a tax increase. However, I recommend that Council consider the increases proposed herein as of moderate concern. Continue the Borough's investment in public safety. There is no need to provide less funding or less financial support to the Borough's Police Department and Fire Department. They are important core functions of our municipality. Further, the condition of public safety outside the Borough of Chambersburg is already of concern to those informed on such subjects. Volunteer fire companies, volunteer ambulance companies, and the Pennsylvania State Police, are not worthy substitutes for professional municipal operations.

**However, I would caution everyone, Franklin County must address the broken local tax system.** For over a decade, I have pointed out that this issue will lead communities to defund local police and fire departments. We cannot accept the status quo at the expense of public safety. I ask our leaders to please seek ways to urge the County Commissioners to address our antiquated system. It inhibits development and over-burdens senior citizens. We are the last County in Pennsylvania to address this problem. If they system is not fixed, within three to five years, the Borough of Chambersburg will have to make dramatic and unnecessary cuts to police and fire, merely to avoid this issue.

**This 2023 Budget is balanced and there is a 1.5 mil tax increase and several utility rate changes.**

We must recognize the changing demographics of our community. If our citizens are our customers, and I do not necessarily agree that government is like business, then we must meet our customers where they live and recognize who they are. We have made a full commitment to be a bi-lingual and multi-lingual organization. This is not a political statement. Rather, it is a recognition that we must address the fact that so many of our daily interactions are with folks for whom English is a second language. We must continue to make our customer service accessible to those who we need to service. That is actually to the benefit of all. This is one reason our internet portal is such an important project.

Further, we need to work harder at developing the future Borough workforce. Times have changed and young people do not grow up to have the careers we have here at the Borough. Whether it is a part-time lifeguard, a full-time plumber or electrician, a police officer, or a firefighter, these are no longer prime attractive careers despite the fact that everyone at the Borough loves our jobs. We must cultivate new workers. That means planting seeds in the fertile minds of young people. If we fail, we will have no one to hire in the near future.

Finally, we must change the parochial and territorial view of Pennsylvania municipal government. We need to be one greater Chambersburg or we will each run our small municipalities into deterioration. Strength lies in intergovernmental cooperation and economy of scale. We must work together on transportation, storm water management, infrastructure, and police and fire services. That is a tough order for some old-timers. Our concept is paid-services. Chambersburg Borough is expert at providing services. Let us sell our services to your taxpayers. So far, this concept has been untested.

According to Emily Prevati at PA Post, "About 1,300 Pennsylvania communities don't have their own police departments and rely instead on state police. But they don't pay anything for the service – and it costs state taxpayers nearly half a billion dollars every year. State lawmakers have been talking for years

about changing that, but still can't seem to agree on a way to do it. And the pressure has been building as the state has been tapering off diversions to the Pennsylvania State Police from the commonwealth's Motor License Fund, which is intended to fund infrastructure repair and maintenance." Gov. Tom Wolf had pitched a plan — which failed to get legislative approval — where municipalities that rely on state police would pay for services based on population. Under the failed proposal towns with fewer than 2,000 residents would pay \$8 per person. Towns with more than 20,000 residents would pay \$166 per person. It would generate over one hundred million dollars.

**Would it not make more sense to pay Chambersburg rather than to pay Harrisburg?** We can offer top-notch police and fire for some or all of the adjoining townships.

In 2023, the Borough will have an ALL FUNDS BUDGET of \$134,698,549. In 2022, the ALL FUNDS BUDGET was \$129,721,991. This represents a 3.8% increase, with no major changes to accounting or operational practices. This net increase is attributable to increased expenses of grant and bond issue proceeds, as well as increases in energy, vehicle, personnel, and capital project expenses.

In 2023, the Borough's OPERATING BUDGET will be \$114,940,320. In 2022, the Borough's OPERATING BUDGET was \$108,622,527. This represents a 5.8% increase, with no major changes to accounting or operational practices. This increase is largely attributable to revenue in the Electric, Gas, Water, Water Capital Reserve, General, and Administrative Services Funds, as a result of utility rate and real estate tax increases, as well as the increased revenue resulting from increases in energy costs/sales.

In 2023, the Borough's GENERAL FUND BUDGET will be \$19,517,700. In 2022, the Borough's GENERAL FUND BUDGET was \$17,928,830. This represents a 8.9% increase, and is a combination of a realistic gauge of actual growth in the Borough's spending plan, given the employment of the Police (which is necessitating a 1 mil real estate tax increase) and Emergency Services Department, but also represents the proceeds/expenses of the operation of the Southgate shopping center on behalf of the Chambersburg Area Municipal Authority (CAMA) and bond issue and grant funding proceeds intended to fund the renovation of, and addition to, the existing Police Station.



*Work continues on the repair of the Memorial Square Fountain; it was seriously damaged by a driver in December 2021; it is being repaired by A.R.T. Research in Lancaster; and, is due to be reinstalled in the Spring of 2023*

Use of Fund Balance 2023

	2023 Revenue	2023 Expenditures		Withdrawal/Deposit from Fund Balance
General Fund Total	\$19,517,700			Balanced with an increase to the Borough's Police Tax
General		\$2,477,820		
Highway		\$1,499,430		
Fire/Ambulance		\$5,670,265		
Police		\$6,650,710		
Recreation		\$1,372,260		
Land Use/Community Dev		\$930,830		
Community Functions		\$916,385		
General Fund		\$19,517,700	-	Balanced
Electric	\$32,940,520	\$32,940,520	-	Balanced with a 2% rate increase
Gas	\$14,075,650	\$14,075,650	-	Balanced
Water	\$5,490,550	\$5,490,550	-	Balanced with a 5¢ per unit rate increase
Sewer	\$7,187,920	\$7,187,920	-	Balanced
Sanitation	\$4,467,264	\$4,467,264	-	Balanced with a \$4.19 per month rate increase
Parking Traffic	\$1,553,010	\$1,553,010	-	Balanced
Storm Sewer	\$1,170,870	\$1,170,870	-	Balanced
Swimming Pool	\$1,315,910	\$1,315,910	-	Balanced
Motor Equipment	\$5,147,996	\$4,589,136	\$558,860	Making a deposit into fund balance, for future equipment
Engineering	\$616,725	\$616,725	-	Balanced
Stores/Warehouse	\$1,730,445	\$1,730,445	-	Balanced
Admin Services Dept.	\$10,004,851			Balanced
Utility Addition Operations		\$582,995		
Personnel & Payroll		\$712,213		
Info Technology		\$1,702,335		
Finance/Customer Service		\$2,848,913		
Clerical Pool		\$1,459,720		
General Admin & Supplies		\$1,462,675		
Admin Cap Projects		\$1,236,000		
Admin Services Dept.		\$10,004,851	-	Balanced
General Capital Reserve	\$3,989,520	\$8,374,520	\$(4,385,000)	Making a \$4.385 million withdrawal from accumulated fund balance, but \$5.1 million of that is cash on hand for Police Station Project, so net of that expense is actually a \$715,000 deposit for future project.
Storm Sewer Capital	\$1,504,490	\$1,817,000	\$(312,510)	Making a (\$312,510) withdrawal from the \$1.9 million cash balance in the Storm Sewer Capital Fund
Electric Capital	\$20,000	\$1,000,000	\$(980,000)	Making a (\$980,000) withdrawal from the \$3.6 million cash balance in the Electric Capital Fund
Gas Capital	\$1,604,000	\$1,675,000	\$(71,000)	Making a (\$71,000) withdrawal from the \$2 million cash balance in the Gas Capital Fund
Water Capital	\$3,316,000	\$6,800,000	\$(3,484,000)	Making a (\$3,484,000) withdrawal, but \$2.16 million is from the 2021 Water Bond, so net of those expenses is \$1.3 million from cash balance
Sewer Capital	\$1,504,490	\$1,817,000	\$(312,510)	Making a (\$312,510) withdrawal from the \$3.4 million cash balance in the Sewer Capital Fund
Sanitation Capital	\$862,589	\$543,000	\$319,589	Making a \$319,589 deposit to the Sanitation Capital Fund for future projects
Parking Capital	\$701,100	\$873,600	\$(172,500)	Making a (\$172,500) withdrawal from the \$3.6 million cash balance in the Parking Capital Fund

*Use of Fund Balance 2023 Continued*

	2023 Revenue	2023 Expenditures	Withdrawal/Deposit from Fund Balance	
Self-Insurance Trust	\$1,655,975	\$ 961,645	\$ 694,330	Making a \$694,330 deposit to the Self Insurance Fund for future claims
Workers Comp Trust	\$716,460	\$567,215	\$149,245	Making a \$149,245 deposit to the Workers Comp Fund for future claims
Special Revenue Trust	\$1,330,304	\$1,348,081	\$(17,777)	Making a (\$17,777) withdrawal from the grant funding balance in the Special Revenue Fund
Police Station Tax Fund Holding	\$421,235	\$421,235		Balanced with an increase to the Borough's Police Station Bond Tax
Recreation Tax Fund Holding	\$557,410	\$557,410	-	Balanced with an decrease to the Borough's Recreation Bond Tax
Fire Tax/Ambulance Tax Holding	\$694,995	\$694,995	-	Balanced
Liquid Fuels State Grant Holding	\$609,770	\$609,770	-	Balanced
Sister City	\$1,500	\$1,500	-	Balanced
Project H.E.A.T.	\$35,750	\$35,750	-	Balanced
	\$124,744,999			
		\$132,758,272		
<i>Accumulated use of fund balances</i>	\$8,013,273			Of which \$5.1 million is from the 2022 Police Station Bond sale and \$1.3 million is from the 2021 Water Capital Improvements Bond Sale; Net fund balance reduction of \$1.613 million in reserves.

All governmental funds are balanced and capital funds are making a drawdown on reserves & bond proceeds.

*Use of Taxes to Fund 2023*

**In 2023, it is the Borough Manager’s recommendation that the Borough change the Police Tax rate from 24 mil to 25 mil.**

**Police 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>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Mil</b>	17	20	20	20	20	20	20	20	21	21	23	23	24	24	24	24	24	25

In doing so, this means that since 2006, the Police Tax will have increased 8 mil in 16 years. An understandable rate of growth for such an important tax and such an important service.

**In 2023, it is the Borough Manager’s recommendation that the Borough not change the Fire Tax rate, currently at 3 mil.**

**Fire 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>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Fire</b>	0	0	0	0	0	0	0	0	2.5	2.5	2.5	2.5	3.0	3.0	3.0	3.0	3.0	3.0
<b>Ambulance</b>	0	0	0	0	0	0	0	0	0	0	0	0	0.5	0.5	0	0	0	0
<b>Total</b>	0	0	0	0	0	0	0	0	2.5	2.5	2.5	2.5	3.5	3.5	3.0	3.0	3.0	3.0

Recall, the Fire Tax does not come close to covering the cost of the department, but cannot be increased.

Even with the Ambulance Fee, the Fire Department is anticipated to run a deficit requiring the use of general revenues to cover additional expenses. We are lucky that our General Fund has enough undesignated miscellaneous revenue to close this gap. However, long term, we need to explore ways to increase funding for Fire and EMS. The system is truly broken.

**Recreation Bond 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>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Mil</b>	0	0	0	0	0	0	0	0	0	0	0	0	3	3	3	3	3	2.5

**In 2023 ,the Recreation Bond Tax will continue for a sixth year, but do to a successful refinancing of the debt, it is proposed to lower it from 3 mil to 2.5 mil for 2023.**

**Police Station Bond 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>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
<b>Mil</b>	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	2

**In 2023, the Police Station Bond Tax will continue for its second year. It is proposed to rise in 2023 from 1 mil to 2 mil.**

Every year, due to slight changes in the value of the real estate in the Borough, the mil rate equals different dollar payment amounts, even if the mil rate is unchanged.

In Chambersburg, in 2023, the average single-family home has a Franklin County assessed value of \$17,511.12; obviously, that is the assessed value and not the single-family home 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.

According to Redfin.com, the average fair market value of all single-family homes sold in the Borough in 2022 was \$219,900; up 12% from the previous year. There were 37 homes sold year-to-date.

<b>Average Single Family House Inside The Borough</b>	<b>2022</b>	<b>2023</b>
<b>Police Tax (to the General Fund)</b>	\$414.96	\$437.78
<b>Fire Tax (to the Motor Equipment Fund)</b>	\$51.87	\$52.53
<b>Recreation Bond Tax (to the Swimming Pool Fund &amp; General Fund)</b>	\$51.87	\$43.78
<b>Police Station Bond Tax</b>	\$17.29	\$35.02
<b>Total (per year)</b>	\$535.99	\$569.11

When asked, some citizens wildly inflate the dollar value of the real estate taxes that they pay per year. The single-family home with the largest Police Tax bill each year pays \$1,188 per year in Police Tax versus \$437.78 paid by the average single-family home. Further, that home has a Fair Market Value of \$890,600 (with a Franklin County assessed valuation of \$49,480).

Of all the single-family homes inside the Borough, half pay more than \$569.11 per year in Borough taxes, and half pay less.



**Single Family House**

\$569.11 per year<sup>1</sup>



**Schools**

No tax



**Non-profits**

No tax



**Government**

No tax



**Commercial/Industrial**

More

No government buildings, schools, charities, churches, or township property owners pay any Police, Fire, Police Station Bond Tax, or Recreation Bond Tax on their property – average commercial or industrial property owners may pay more. In addition, for many folks, 100% of this cost is deductible on your Federal Income Taxes, returned to you in your tax refund every year. Please understand the importance of the SALT (State and Local Tax) deduction, and when a Congressman talks of its elimination from Federal tax policy, understand the impact.

The other state mandated taxes are set by law and are not changed year-to-year. They include the Local Services Tax, which is a \$1 per week tax on workers inside the Borough; the Earned Income and Wage Tax, which is a 1/2 of 1% tax on wages (not investments or retirement benefits) earned by those who live inside the Borough; and the Deed Transfer Tax, which is a 1/2 of 1% tax when property inside the Borough is sold or transferred. Together, along with fees and fines, these categories make up the only revenues.

In addition, the Electric Department and the Gas Department make a Payment in Lieu of Gross Receipts Taxes (PILOTs) to the General Fund. If these two departments were private corporations, they would pay taxes to the Commonwealth; as such, they are tax exempt. So instead, they pay their taxes to support your General Fund (police, fire, ambulance, highway, and recreation) activities.

<sup>1</sup> Not a precise measure as the value changes every year due to the assessed value of real estate – use for planning only

The Borough's finances are sound and I respectfully request you adopt my proposed spending plan.

I would like to take this opportunity to thank all involved in preparing this proposed budget, especially Jason Cohen/Finance Director, Melinda Thompson/Administrative Services Director, Kris Baker/Human Resources Supervisor, Phil Wolgemuth/Deputy Borough Manager, Jamia Wright/Borough Secretary, Cindy Harr/Assistant Borough Secretary, Mary Plasterer in my office, and our amazing management staff.

I would also like to thank those members of Town Council who provided ideas and guidance through this process. I could not have successfully managed the community this year without the support of Council, especially Council President Allen Coffman, Vice-President Bill Everley, Finance Chair John Huber, and Vice-Chair Tom Newcomer.

I propose that Town Council authorize advertisement of this Proposed Budget when they meet on November 7, 2022. In addition, I suggest that Town Council receive public comments on the Proposed Budget on November 14, 2022.

Finally, I would propose that Council adopt it on December 12, 2022. I promise staff's full cooperation as we try, together, to be fiscally prudent with the finances of our community, and as we plan for its future.

Sincerely,



Jeffrey Stonehill  
Borough Manager/Director of Utilities