

2018 Borough Finances - Frequently Asked Questions

1. Why does the Borough of Chambersburg keep raising taxes?

The Borough of Chambersburg did not raise taxes between 2007 and 2013; and 2018 represents only the third year in which there was a tax increase; 2011 to 2018. Perhaps your taxes were raised by others such as Franklin County or the Chambersburg Area School District. In 2014, 2016, and 2018 the Borough raised taxes to fund police and fire services. In 2018, the Borough began to collect taxes to pay off the 2016 Recreation Bond, but that is a loan payment and not for operations.

No real estate tax will pay for any operations of the Borough of Chambersburg other than police, fire and ambulance.

2. Why do I pay so much in taxes?

In 2018, the Borough will only collect a small portion of the taxes you pay. Most of your taxes do not go to the Borough. In fact, most of your taxes go to support other government agencies despite the fact that most of your services are supplied by the Borough.

3. The Borough has so many employees, so many trucks, is that where my tax money goes?

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, information technology, and finance). Your taxes do not support any utility operations, personnel or equipment. Further, as the budget document reveals, the Borough's utility rates are very reasonable.

4. Why if I live in the township, do I pay taxes to the Borough?

Unless you own property inside the Borough, or have a job inside the Borough, you pay the Borough no taxes. Further, if you just have a job in the Borough you pay only \$1 per week to the Borough and nothing else. In fact, almost no township residents contribute any tax money to the Borough. For example, the Sales Tax collected at stores inside the Borough all goes to support others, not the Borough. Finally, the Borough has no relationship with Chambersburg Area School District taxes or Franklin County taxes.

5. Why does the Chambersburg Area School District have such high taxes?

The budget and tax rates for the Chambersburg Area School District are set by the independently elected School Board and not the Borough. The Borough has no say in these issues.

6. Why does Franklin County have such high taxes?

The budget and tax rates for Franklin County are set by the independently elected County Commissioners and not the Borough. The Borough has no say in these issues.

7. Where do my taxes go?

Until 2014, 100% of the real estate taxes collected by the Borough of Chambersburg were used exclusively to support the Chambersburg Police Department. In 2014, a small share was added to support the Chambersburg Emergency Services Department. This includes ambulance operations. All the real estate taxes collected within the Borough are used exclusively for the Police Department and to support the operations of the Chambersburg Emergency Services Department; none of this revenue is used to support any other department or operation. As of 2018, we will still only use real estate taxes to

support Police, Fire, Ambulance and the debt services associated with the pool and park 2016 Recreation Bond. No real estate taxes are used for highways, streets, code enforcement, parks, or any other employees such as the Borough Manager, or any other operation or utility of the Borough other than public safety. This is true in the 2018 Budget as well.

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 set tax on wages earned by those who live inside the Borough; and the Deed Transfer Tax, which is a set tax when property inside the Borough is sold or transferred.

Together, along with fees and fines, these categories make up the only revenues of the Borough.

Also, 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.

Finally, the other revenue received by the General Fund is grants. In most years, the Borough receives very little grant money. As usual, in 2018, the Borough is lucky to receive some Highway Aid grant money (a grant from the State created by the sale of Liquid Fuels) plus some balances scraped together at the end of 2017 will result in a limited number of Borough-owned street paving projects. There is no dedicated source of money to do street paving in Chambersburg.

8. Doesn't the Borough get a lot of money for all the new businesses near Norland Avenue?

The Borough utilities sell a considerable amount of utility services in this new neighborhood increasing the size of the Borough's independent utility accounts. However, these developments generate very little additional taxes to support the Borough. Most of the revenue they create is in the form of Sales Tax and in Pennsylvania, local municipalities receive no Sales Tax share. Further, the sale of alcohol generally provides almost zero income to the host municipality. These developments have been very good for our community and create lower unemployment, but they do not generate income proportional to the responsibilities they create for police, fire and traffic.

9. Doesn't every property owner contribute real estate taxes for police and fire?

No, many types of properties are exempt under State law from paying real estate taxes. Those exempted properties include schools, colleges, churches, charities, and other government agencies. So, while these property owners add to the economic vitality of our community, they do not necessarily contribute any money to support police or fire services. However, some of these agencies (Chambersburg Hospital is a good example) make a voluntary contribution in support of the Borough's public safety services regardless of their tax exempt status. We encourage all tax exempt property owners to donate to the police and fire services every year through a letter writing campaign each spring.

10. Why can't you bill people directly for police and fire instead of using real estate taxes?

State law prohibits the levy of taxes as a fee on persons (called per capita taxes). Instead, the law allows us only to use property as the sole means to determine how much tax to collect. So, if you rent your property, your landlord will pay the real estate tax and it will be reflected in the rent you pay. There is no other system allowed. The Ambulance Club is not a tax or fee; rather, it is more like a donation. You provide us a gift and in exchange, we accept assignment from your health insurance company if you need to use the Borough ambulance service.

11. If the police and fire are paid for by Borough non-exempt real estate owners, why do they respond to police and fire calls in the townships?

State law requires that emergency services respond to all dispatches for health and safety. The Borough's emergency services will always support our township neighbors regardless of money issues. We also enjoy the support of the various volunteer fire companies from the townships and the Pennsylvania State Police. Mutual aid is a very important principle in public safety.

12. How can the Borough afford police officers and fire fighters when the money to pay for them can only come from such a small group of taxpayers?

We agree that the system is broken. We can envision nothing but painful tax increases in the future to pay for growing police and fire expenses. Something must change in the next few years.

13. Why don't most of the townships have local real estate taxes?

The local townships do not have police departments. They rely on the Pennsylvania State Police. They do not have township employee fire departments. They rely on the generosity of volunteer firefighters. All of the Borough's local real estate taxes go for these functions. And while we might wish to not have paid police and fire departments, unfortunately we cannot go back.

14. Can the Borough get rid of our Police Department or our paid Fire Department?

No, it is not practical or legal at this point. Further, Council agreed to add additional paid firefighters in 2017. The truth is we would be skeptical to rely exclusively on the shrinking ranks of volunteers alone. Further, we are worried that the Pennsylvania State Police or the dwindling firefighters in the townships will be sufficient to protect the townships alone; not to mention our Borough in decades to come. The best new system would be a united system of Borough paid firefighters, Borough police officers, and regional township volunteers all working in one organization; one regional effort. We support the growth of our police and fire departments and providing *our* services expanded into the townships; one Chambersburg "area" force.

To that end, in the proposed 2018 Budget, we have requested that the townships take the first step and consider allowing the Chambersburg Emergency Service Department to do **fire safety code inspections at commercial businesses in the townships**. This new service would have been a precursor of our future cooperation. So far, there's been no public support for this first important step.

15. What is the Franklin Fire Company? Are they a township fire company?

No, the Franklin Fire Company is Station 4 of the Borough of Chambersburg. It is our best staffed and best equipped volunteer fire company. By agreement, we have encouraged the Franklin Fire Company to provide fire services both inside the Borough and in the townships. All the Borough contributes to their operation is some fuel and lots of good will.

16. If the Borough has a police tax and a fire/ambulance tax, what pays for streets?

We use the other taxes of the Borough (such as Earned Income Tax and Deed Transfer Tax) to pay for the Highway Department and the Recreation Department. The Sanitation Department is a separate utility (not unlike the Electric, Gas, Water, Sanitary Sewer, Storm Sewer and Sanitation Departments) and they keep the streets clean, free of leaves, and well swept. The new Chambersburg Aquatic Center will also be run like a utility and we hope it covers its own operating expenses. Highway construction projects are done with Highway Aid grant money (a grant from the State created by the sale of Liquid Fuels). Our grant only pays for street construction made to Borough owned streets. Keeping up with all highway maintenance on Borough streets without a dedicated funding source is very challenging. Finally, the Land Use & Community Development programs are generally supported with fees.

The truth is we have very little revenue, very few opportunities to increase revenue and a lot of responsibilities.

17. Why are Borough streets in such bad shape?

First, it is important to recognize that the Borough does not own or maintain many of the streets inside the Borough. The Pennsylvania Department of Transportation maintains most of the major streets such as Main Street, Memorial Square, Lincoln Highway, Second Street, Loudon Street, Wayne Avenue, Scotland Avenue, Philadelphia Avenue, and many others. The Borough owns most of the side streets and many of the alleys. The Borough utilities start fixing pipes in all streets about two years before a street is paved. With so many old streets, there are a lot of pipes being fixed at any one time and we often install a temporary patch in advance of upcoming street paving.

The Borough only has the Highway Aid grant money account to fix our streets and repaving costs a lot of money when government bid rules are followed. Of course, the Borough does not pay to fix State owned streets, County owned bridges, private streets, or township roads. Finally, the Borough has let some alleys especially degrade as we have neither the resources to pave them nor do those streets have the traffic flow to justify the expense. We do use grants whenever possible. It is a never ending battle to keep up with street maintenance with no dedicated funding source.

Every year we try to spend between \$1 and \$2 million on paving side streets. Believe it or not, that is not much money and does not take care of many of our over 59 miles of public streets.

18. Why won't you pave my street?

We pave streets in the Borough every year. We spend about a year or two fixing pipes and then we top it off with a new layer of pavement. Also, developers build streets as they build adjacent projects. The Borough has no dedicated funding source beyond the Highway Aid grant money (a grant from the State created by the sale of Liquid Fuels) to pave your Borough owned street. One suggestion is that the Borough invoice adjacent property owners to pay for their share of street paving; at least for alley work. That is already done for curbs and sidewalks. The biggest complaint against that idea is that most folks feel their taxes should pay for street paving. However, as this budget details, **taxes paid now do not cover any of the cost of paving streets or alleys**. In 2018, we are suggesting, for the first time, that Town Council pave two blocks and, as a test, invoice the adjacent property owners.

19. Why does it take so many employees to work on construction or street projects?

For many reasons, including safety and the handling of large construction equipment, the Borough utility and highway workers are usually seen in large numbers. However, the Borough highway department only has seven (7) full time employees so you are probably seeing contractors who won competitive low bids for projects rather than employees. We do not pay them by the employee, or by the hour. We pay contractors by the project, and therefore they are incentivized to do as much work as fast as possible to squeeze out a project; that usually means they bring many employees.

20. Why will township residents pay more for using the Chambersburg Aquatic Center or other Recreation Department programs?

Up until 2009, the Chambersburg Area School District contributed to the cost of operating the Borough Recreation Department. The school tax money comes from both Borough and township residents. In 2009, an agreement was reached where the district stopped supporting our programs in exchange for a grant, which ended in 2014. Therefore, township residents, who are residents of the Chambersburg Area School District, are no longer contributing to support the Borough Recreation Department operation. As such, and only being fair, township residents are asked to pay a little more than Borough residents. We are prohibited from denying anyone access to our recreation programs. However, there is no prohibition on having a two-tier fee system. If the townships' boards wanted to contribute directly, their residents could enjoy the lower tier rates.

In 2018, the Borough's new Aquatic Center will open. Town Council decided to raise rates for non-Borough residents, but Borough residents will see no increase in order to use the new facility.

Also, your taxes are not going to support the operation of the new Aquatic Center. It is estimated that the facility will cost over \$430,000 per year to run. Borough real estate taxes go to pay off the 2016 Recreation Bond. Property owners pay no taxes towards the operation of the Aquatic Center or any Recreation Department program.

21. Why do fees go up every year?

Just about the cost of everything goes up every year. However, all fees are adopted by Town Council in a public meeting and the Borough is prohibited from making a profit on any fee. The fee must be related to the cost of the service being provided. Covering actual costs are the best we can do under the law.

22. Why do Borough employees get such good wages and benefits; can't they be cut?

No, most Borough employees are represented by collective bargaining units and those unions have negotiated labor agreements with Town Council or (in the case of the uniform employees of the police and fire service) could have had those labor agreements imposed on the Borough. The Town Council cannot unilaterally change the terms and conditions of employment. Nor can Town Council necessarily layoff employees. Certainly we think we have great employees, and in most cases they are compensated in proportion to what municipal workers across the Commonwealth are paid. Regardless, there is no reason to blame the employees themselves, who are generally good workers and our friends and neighbors.

23. If you need to raise the Police Tax and the Fire Tax, and start an Ambulance Tax, how can you afford projects like a new addition on City Hall or buying police cars?

Your taxes do not pay for things like the upkeep or expansion of property. Your taxes go only to support the Police Department and to provide fire and EMS equipment and vehicles for the Emergency Services Department. Projects like our ongoing Utility Departments' Addition of City Hall are not being paid with real estate taxes at all. For any project that involves our utility departments (Electric, Gas, Water, Sanitary Sewer, Storm Sewer and Sanitation Departments) or our utility support departments (engineering, motor equipment, information technology, and finance), the utility rate payers are paying most of the cost. Yet we have very low utility rates. Almost all the projects of the Borough and most of the buildings are owned and operated by our utility departments and our utility support departments.

24. Why can you not just take utility money and pay for police officers and firefighters?

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. Nor would this be fair to utility customers. Also, the Electric Department and the Gas Department already 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. However, as such, they are tax exempt, so instead, they pay their taxes to support your General Fund (police, fire, ambulance, highway, and recreation) activities. State law does not allow the Sewer Department to make similar payments. We could ask the Water Department to pay taxes but we have not done so in many years.

25. Are there assets the Borough can sell, such as parks, to avoid tax increases?

No, in general most of our assets are prohibited from being sold. For example, our parkland is usually deed restricted to remain as public parks. Further, most of the assets are 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, information technology, and finance), so their sale would not help the General Fund, or pay for police or fire expenses.

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

No, in general the Commonwealth of Pennsylvania does not allow us the right to raise any other type of taxes. In 2014, the Town Council requested that the General Assembly allow Franklin County to raise the county hotel tax and share proceeds with Chambersburg. That proposal was not approved by the State. Also, sales tax, liquor taxes, business taxes, and other local taxes are not an option under State law. For example, in 2015, the State proposed an increase in the hotel taxes across the State; for tourism, with a prohibition on using them by any local town for anything else such as police expenses, as Chambersburg had suggested.

27. Can we buy fewer trucks, do less construction, or lower the number of employees?

No, in general all of our vehicles are owned by the Motor Equipment Fund and rented to the utilities, not the General Fund. The only vehicles rented by the General Fund are police vehicles, fire vehicles and recreation equipment. Your taxes do not pay for vehicles for the utilities. Your taxes go only to support the Police Department equipment and vehicles and to provide fire and EMS equipment and vehicles for the Emergency Services Department. Almost all the construction projects of the Borough, other than street paving projects (and some of those too) are completed by our utility departments (Electric, Gas, Water, Sanitary Sewer, Storm Sewer and Sanitation Departments) or a utility support department called Administrative Services. So really when it comes down to the budget gap, it is a police, fire, recreation or street paving issue.

28. What is the long term answer, other than taxes, to pay for these functions?

There is currently no answer in Chambersburg or any other municipality that has police or paid fire services. Every municipality in Pennsylvania with police or paid fire services is in the same or much worse situation. If Chambersburg did not have our utilities (Electric, Gas, Water, Sanitary Sewer, Storm Sewer and Sanitation Departments) and the shared services they provide to underwrite the cost of operations (engineering, motor equipment, information technology, and finance), Chambersburg would be destitute.

Just remember, we are blessed to have strong, well operating, local utilities, which are paying 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 instead.

The Value of the PILOT Payments	<u>2018</u>	<u>Property Tax Equivalent</u>
Electric Department Payment in Lieu of Gross Receipts Tax	\$1,350,000	6.68 mils
Gas Department Payment in Lieu of Gross Receipts Tax	\$555,000	2.75 mils
<i>Subtotal</i>	\$1,905,000	9.43 mils
Percent of General Fund Budget Supported by PILOT Payments (2018)	12.74%	
How much more would the avg. single family house pay without PILOT	\$155.60	More per year

Conclusion

The only conceivable solution is either:

- A wider tax base (i.e. a united system of Borough paid firefighters, Borough police officers, and regional township volunteers all working in one organization; one regional effort); or
- A change to State law to allow an optional sales tax, liquor tax, or business tax.

There are no gimmicks, easy answers, or tricks to help the General Fund. To make matters worse, almost every single category of revenue in the General Fund is at a fixed rate, as set by State Law, and cannot be raised or adjusted by Town Council. The major revenues of the Borough's General Fund are:

Real estate taxes

Police Tax to the General Fund

*Fire Tax as both a rebate from Motor Equipment Fund and
With the Ambulance Tax some to the General Fund*

Deed Transfer Tax

Set at maximum since 1987

Earned Income Tax

Set at maximum since 1965

Payments in Lieu of Gross Receipts Tax from the Electric Department & Gas Department

Police Fines & Fees

EMS Fees & Charges

Recreation Fees & Charges

Land Use & Development Fees & Charges

Comcast Cable TV Franchise Fee

Pennsylvania State Aid for Pension Costs