

Chapter 1 - Budget Message

Submitted herewith for your consideration is the Borough Manager’s recommended 2025 budget. As is required by local law, I have prepared this document in a form that can be adopted by Town Council. The proposed 2025 operating budget is balanced; revenues and cash balances cover all necessary expenses.

This is my fifteenth budget as your Borough Manager, and while the national economic downturn has created significant challenges, the Borough of Chambersburg is doing quite well. We remain strong, resilient, and our fiscal status is very stable, with a bright future outlook. 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. 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 2022, the latest year with records, several municipalities failed to report their fiscal status to the State, and the impacts of the spending from the American Rescue Plan Act (ARPA) skewed the results. However in 2022, Chambersburg had the 8th largest budget of any municipality, and has the largest Borough budget statewide.

<u>2022 Rank</u>	<u>Municipality</u>	<u>Municipality Type</u>	<u>County Name</u>	<u>Population</u>	<u>Total Revenues</u>	<u>Total Expenditures (Includes ARPA)</u>	<u>Revenues Over Expenditures</u>
1	Philadelphia City	City	Philadelphia	1,603,797	\$11,833,764,300	\$10,783,444,000	\$1,050,320,300
2	Pittsburgh City	City	Allegheny	302,971	\$989,973,000	\$898,623,400	\$91,349,600
3	Lancaster City	City	Lancaster	58,039	\$273,551,721	\$260,108,361	\$13,443,360
4	Allentown City	City	Lehigh	125,845	\$234,266,546	\$236,047,155	(\$1,780,609)
5	Erie City	City	Erie	94,831	\$203,383,073	\$209,710,686	(\$6,327,613)
6	Reading City	City	Berks	95,112	\$219,296,350	\$202,407,538	\$16,888,812
7	Bethlehem City	City	Northampton	56,009	\$205,464,180	\$198,330,426	\$7,133,754
8	Chambersburg Borough	Borough	Franklin	21,903	\$114,595,112	\$117,047,890	(\$2,452,778)
9	Lower Merion Township	First Class Township	Montgomery	63,633	\$133,950,870	\$113,147,749	\$20,803,121
10	Upper Darby Township	First Class Township	Delaware	85,681	\$107,644,196	\$101,985,587	\$5,658,609
11	Lower Makefield Township	Second Class Township	Bucks	33,180	\$132,480,361	\$100,544,354	\$31,936,007
12	Scranton City	City	Lackawanna	76,328	\$113,585,140	\$90,563,881	\$23,021,259

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.

<u>2022 Rank</u>	<u>Municipality</u>	<u>Municipality Type</u>	<u>County Name</u>	<u>Population</u>	<u>Total Revenues</u>	<u>Total Expenditures (Includes ARPA)</u>	<u>Revenues Over Expenditures</u>
54	Carlisle Borough	Borough	Cumberland	20,118	\$38,172,086	\$33,380,468	\$4,791,618
223	Waynesboro Borough	Borough	Franklin	10,951	\$13,623,894	\$12,051,569	\$1,572,325
305	Gettysburg Borough	Borough	Adams	7,106	\$10,924,525	\$8,933,901	\$1,990,624
376	Shippensburg Borough	Borough	Cumberland	4,315	\$8,400,662	\$6,819,500	\$1,581,162
552	Greencastle Borough	Borough	Franklin	4,251	\$4,776,169	\$4,130,290	\$645,879

For example, Chambersburg’s budget is 13x times larger than Gettysburg Borough, which ranks #305.

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 supervision directly. Further, Chambersburg operates a sanitation utility, a traffic 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, Natural Gas, Water, Wastewater, Storm Sewer, and Sanitation utilities) 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 service can save as much as \$2,000 per year when compared to similar residential customers outside the Borough.

2025 Will See Very Necessary Revenue Enhancements

In summary, 2025 is going to be another very consequential year for the Borough of Chambersburg. We have a number of extremely important projects in-the-works. The cost of operations will continue to rise, and outpace natural growth in revenue. Due to inflation, the cost of materials is at a record-high. We have record-low-unemployment, which impacts labor costs. Finally, the increasing demand on fuel, energy, and limited equipment was significant. This was likely the most challenging budget of my career.

The Police Tax will rise this year as a result of adding three (3) new police officers to our growing force. Just about every category of utility fee will rise this year. However, Chambersburg utilities remain the lowest cost utilities in Franklin County or in comparison to the State of Pennsylvania. Our increases are small in comparison to the increased cost of energy, water, sewer, or sanitation in every other community, including neighboring townships. Finally, there will be a new tax dedicated to the construction of the much-needed Public Works Campus. The total cost of all the new utility rates and the tax increases is approximately \$20 per month for every single-family household inside the Borough.

The Southgate Redevelopment Project has started to show progress with the construction of the Keystone Rural Health community medical facility at Southgate and a sizeable Federal grant to begin to restore neighborhood infrastructure. Finally, this budget marks the inflection point for a new Public Works Campus off Wayne Avenue. Chambersburg utilities remain the most important asset in the community. Ensuring exceptionally low rates with outstanding reliability, despite rate increases, remain our number one priority.

While we acknowledge any tax or rate increase is undesirable, Chambersburg is growing and investing. Our community continues to adapt and change. We have economic development growth and public infrastructure projects in abundance. We invest in outstanding public safety including fire, EMS, and police, which does not impact the townships. This is all accomplished by significant public investment.

Chambersburg Borough government and utilities are the catalyst for macro-economic expansion throughout Franklin County. More than the County Seat, Chambersburg drives costs for healthcare, banking, County-government, and the regional school district. By providing outstanding services and utilities to other institutions, Chambersburg is helping their bottom-line. We help other local entities afford their employees, their growth, controlling their expenses, and helping the greater Chambersburg area's regional economy, by positively influencing so much economic activity.

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 three bond taxes now levied effective with this budget:

- Recreation Bond Tax, specifically for paying off the 2016 Recreation Bond (bonds refinanced in 2021), a bond to pay for the construction (but not operation) of the Aquatic Center, renovations to all Borough playgrounds in 2018, and all Borough tennis courts in 2018;
- Police Station Bond Tax, specifically for paying off the 2022 Police Station Bond(s), for the renovation and expansion of the Borough Police Station on S. Second Street, but no police operations; and
- A new Public Works Campus Bond Tax, a new tax specifically for paying off the 2025-2026 construction of about 24% of the cost of the new Public Works Campus.

These three bond taxes 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, the 2022 Police Station Bond, and the new 2025-2026 Public Works Campus 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.

In addition to the need to update the county tax system, overall, the State's outdated tax system is full of poor rules and State mandates, which puts every municipality at risk of financial distress.

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**

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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 our 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 both employment in the Borough, as well as Borough residents' income, is on the rise. 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 bad times. All indications are that the Borough is going to continue to thrive, better than many other towns.

In addition, 2025 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 false. 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.



Aerial Postcard of Downtown Chambersburg - 1941

Real Estate Tax Changes

From time-to-time the Borough of Chambersburg has adjusted real estate taxes. This budget contemplates such an adjustment for 2025:

- 1- The Chambersburg Police Tax will rise for the first time in two years from 25-mil to 27-mil to offset the cost of adding three (3) new police officers.
- 2- The Chambersburg Fire Tax cannot be increased as it is at a State-mandated maximum rate.
- 3- The Recreation Bond Tax will not change.
- 4- The Police Station Bond Tax will not change.
- 5- A new Public Works Campus Bond Tax will be added to the list of real estate taxes.

Borough Real Estate Tax Increases (Historical)		Increases
2007	18 years ago	No
2008	17 years ago	No
2009	16 years ago	No
2010	15 years ago	No
2011	14 years ago	No
2012	13 years ago	No
2013	12 years ago	No
2014	11 years ago	Yes
2015	10 years ago	No
2016	9 years ago	Yes
2017	8 years ago	No
2018	7 years ago	Yes
2019	6 years ago	No
2020	5 years ago	No (slight decrease)
2021	4 years ago	No
2022	3 years ago	Yes
2023	2 years ago	Yes
2024	Last year's budget	No
2025	This year's budget	Yes

The Borough of Chambersburg did not raise real estate taxes between 2007 and 2013; then, the Council was very conservative with minor increases in 2014, 2016, 2018, 2022, 2023, and now, 2025.

In most recent years, Chambersburg has not raised the real estate tax rate. Other entities often raise taxes that impact our taxpayers. Entities such as Franklin County or the Chambersburg Area School District can raise taxes and that sometimes leads to confusion. When the Borough raises the real estate tax rate, it is generally to fund police and fire services. In 2018, a tax was begun to begin paying off the 2016 Recreation Bond. In 2022, a tax levy was instituted to begin paying off the 2022 Police Station Bond. In 2025, a new tax levy will begin to help pay off the Public Works Campus project.

While a tax increase is never a welcome change, this year's increase is directly related to two important factors, the hiring of three (3) additional police officers, and the beginning of the construction of the Public Works Campus. Further, for the average single-family home in Chambersburg, the cost of the tax increases should be about \$4.58 per month or \$55 per year.

Recall, Chambersburg is unique in our commitment to professional public safety and emergency services.

This budget recommends an increase in the Police Tax (2-mil) to pay for more police officers and the creation of a special Public Works Campus Bond Tax (1-mil). In total, these two increases will cost the average single-family home inside the Borough approximately \$55/year or \$4.58/mo. in additional taxes, before discount.

Ambulance Fee – A Surcharge on Water Invoices

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 subscription fee is specifically prohibited. However, emergency medical services are different. **This year there will be no change 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 stay at a flat \$11.00 per month per water service connection per residential or commercial unit. 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.

With no other options available to Town Council beyond property tax increases, and with 24% of the town's assessed property value being exempt from paying the Police and Fire real estate tax, owners of taxable properties must bear the full burden of paying for public safety services. Proportionately, this burden falls most heavily on those least able to afford paying for the services: the elderly and those on fixed incomes who own real estate. 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.

Use of Dedicated Bond Taxes for Debt Financed Projects

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 for the Recreation Bond Tax.

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 was 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 of the renovated and expanded Police Station (as well as the clock tower renovation) is complete and the Police Department returned home in 2023. The ribbon cutting event was on September 20, 2023.

This budget contemplates a third dedicated bond tax. With adoption of this budget, Council will approve the plan to issue bonds for the construction of the Public Works Campus.

In a transformational project for the neighborhood, the Chambersburg Public Works Department purchased the old abandoned cold storage building on S. Fourth Street. This derelict and blighted structure was demolished in 2023, and the land will be 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 help pay for its demolition and the clearing of the site.

The Cold Storage site at 1335 S. Fourth Street was purchased by the Borough on August 23, 2021 as part of the future redevelopment of the Wagner property, the planned site of a future public works campus. The planned purpose is for a Water/Wastewater maintenance equipment building and materials storage. The demolition project was awarded July 11, 2022 to HubScrap Metals from Hagerstown, MD for \$677,999.50, paid for by the 2020 Bond issuance, which covered a variety of Water and Sanitation utilities' capital improvements Projects. This is different than the acquisition cost, which was covered by a federal grant (ARPA). The Borough also bought and renovated a small office building at 1332-1334 S. Fourth Street into field offices for the Water and Wastewater utilities, across the street from the Cold Storage site.

The Borough engaged SGS Architects/Engineers of Carlisle, Pennsylvania, to complete a facility review and according to their principal, Dennis Sowers, the existing warehouse would be less expensive to replace rather than renovate. A number of scenarios were 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 was completed for Council in 2023. On Monday, October 30, 2023, Council received a conceptual plan for the construction of a new public works campus off Wayne Avenue.

The decommissioning of the Loudon Street facility and construction of the new Conococheague Creek Park would then occur in 2027 or 2028. Neither the new Borough recycling transfer station or any trash storage will not 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 utility items.

In 2024, Town Council approve debt to finish the design of the new Public Works Campus and to bid it out for potential construction in 2025 and 2026. The goal is occupancy by 2027.



This project, just like the previous Recreation Capital Improvements Project and the Police Station Renovation and Expansion Project, will be funded in-part by a dedicated real estate tax. Unlike those other projects, the dedicated real estate tax will not pay all of the cost of the debt issuances. In fact, the tax levied is calculated to only cover approximately 24% of the annual cost of the debt. This is because 76% of the cost of the Public Works Campus project is being funded by the various Borough utility operations. Only that portion of the cost attributable to General Fund or governmental operations (i.e., police, fire,

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EMS, highway, recreation, community development, etc.) is being paid for by the dedicated real estate tax. The balance is being paid for by interfund transfers from the various utilities.

In total, the Borough will be asking for 5½-mil of real estate taxes for these three bonds.

<u>Police Station Bond Tax</u>		<u>Recreation Bond Tax</u>		<u>Public Works Campus Bond Tax</u>	
2022	1.0 mil	2022	3.0 mil	2022	-
2023	2.0 mil	2023	2.5 mil	2023	-
2024	2.0 mil	2024	2.5 mil	2024	-
2025	2.0 mil	2025	2.5 mil	2025	1.0 mil

Labor Unions

For 2025, Town Council has previously executed labor agreements with all three labor unions.

Town Council entered into a Memorandum of Understanding to adopt a new Collective Bargaining Agreement with the International Association of Fire Fighters (IAFF) Local #1813 in 2022. This new labor pact, retroactive to the beginning of 2022, saw unionized employees get wage increases for 2022, 2023, 2024, and 2025. In 2024, the actual labor contract was finally executed. In 2025, contract negotiations for 2026 and beyond will begin.

At the beginning of 2023, Town Council reached a wide-ranging new labor agreement covering those employees represented by the American Federation of State, County and Municipal Employees Local #246 (AFSCME). To mitigate the impact of inflation on these employees, they agreed to a significant wage hike in 2023, followed by much smaller increases in 2024, 2025, 2026, and 2027.

Recently, Council approved additional wage increases for the lineworkers in the Electric Utility at the request of Local #246. The concern of the Borough with this one-off one-time wage adjustment, is that the line crew is not the only group of employees where wages need reexamined. In fact, a classification and compensation study, now underway, indicates that some Borough employees have fallen behind similar workers in other communities. Preliminary indications are that some Borough workers are paid in excess of their counterparts in other communities while others are not. This issue, classification and compensation, will be a major priority of 2025.

A simple contract extension with the Chambersburg Police Officers' Association or CPOA was reached at the end of 2022. The Police union requested rather simple modifications to their existing labor agreement, which Council supported. As a result, the Police and AFSCME agreements last through 2027.

The Borough Manager's proposed budget includes:

- A contractually required 3% cost of living increase for employees represented by the International Association of Fire Fighters (IAFF) Local #1813;
- A contractually required 3% cost of living increase for employees represented by the police union (the Chambersburg Police Officers' Association or CPOA);
- A contractually required 2.5% cost of living increase for employees represented by the American Federation of State, County and Municipal Employees Local #246 (AFSCME);
- Lineworkers will also receive an additional \$1.00/hr.;
- A presumed cost of living increase for non-bargaining clerical, technical, and supervisory employees of 2.5%.

With respect to the wide-ranging classification and compensation study being performed by the consultants at GovHR (recently acquired by MGT). At the Town Council Legal Update in April of 2024, staff reviewed the Borough's current bargaining (AFSCME) and Non-Bargaining (Administrative, Clerical, and Technical positions) pay and benefit plans, including challenges within those said plans. Additionally,

staff provided an update on the job description project, which was in-part required per a Memorandum of Understanding with the AFSCME Local #246 from 2020. Also part of the presentation to Council was the importance of a compensation and classification study results in order to determine the Borough's position in the employment market, with respect to grading of Borough positions, wages, and benefits compared to the Borough's competitors. The Borough's position in the market has a direct impact on the organization's ability to retain and recruit current and future talent. Such a study is recommended every three to five years; the last time a study was done for the Borough was over 20 years ago. Council approved the study in June 2023.

It is our hope that by 2025, the Borough may have empirical data on AFSCME and non-bargaining positions, classifications, and compensation to aid in future negotiations and pay plan decisions.

Utility Finances

There have been significant challenges for the Borough utility finances going into 2025.

Chambersburg has the lowest composite utility rates in the Commonwealth of Pennsylvania, and that is not going to change in 2025. Throughout 2024, 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 2025, there will be across-the-board 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 2024-2025, 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.

Our goal is not to never increase utility rates. Our goal is to be the lowest utility rates in Franklin County and often the lowest or one of the lowest in Pennsylvania. We meet that goal every fiscal year. We hold the utility rates to that standard and succeed. We have lower rates, often by hundreds of dollars, for electric, gas, water, wastewater, sanitation, etc., compared to every other utility in our region or state.

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 2025 merely to keep pace with the rising cost of operations. Some of our utility rates haven't risen in a decade or more. The increases in 2025 are necessary and realistic.

Electric Rates

The Chambersburg Electric Utility 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. PJM is generally described as the Grid.

In 2023, the Borough-owned Falling Spring Generation Station, on Grant Street in downtown Chambersburg, shifted 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. In 2022, our neighboring investor-owned utility, West Penn Power, received State Public Utility Commission (PUC) permission to raise their retail rates 16%. Secondly, West Penn Power received permission for a second 16% rate increase in 2023 (for a total increase of 32%). They are now requesting permission for a 40% increase in 2025.

In response, Town Council directed staff to undertake a rate analysis study to plan for the first retail electric rate increases in over ten years. That study concluded in 2023 and recommended an immediate overall 11.3% rate increase for all electric customers. That was the overall increase, however certain customers paid more (and others less) because the consultants distributed that rate increase fairly and equitably across the different electric rate classes.

That rate study called for an additional rate increase of 3.9% in 2024 and Council approved that in September 2024. **Even after the additional increase of 3.9%, Chambersburg electric rates remain 40% less than the surrounding rates from for-profit electric companies.**

Furthermore, those same companies have requested a 40% increase in 2025. It is hard to imagine how much less Borough electric costs compared to those serving in the townships.

This 2025 budget contemplates another rate change for September 2025 (for about 1/4 of the year). As of now, this budget is suggesting a 2.3% scheduled across-the-board rate increase; based upon the GDS rate study results. However, in addition, the Borough may be forced, through no fault of our own, to also adjust upward the Borough’s power supply factor (known as the Power Supply Adjustment or PSA) in June 2025.

As you may not be aware, we are facing a substantial increase in wholesale electricity fees as a result of the PJM’s July capacity auction. Every utility in the PJM footprint is likewise grappling with how best to educate and inform customers, and others, as we consider what steps to take for our own electric system.

The impact will be different for each utility depending on factors such as behind the meter generation, type of power purchase agreement, etc., but there will be an impact for all utilities as we move closer to the 2025/2026 delivery year. We cannot control PJM fees and our legislators are well-aware that the PJM fee structure is going to skyrocket power costs for every utility in Pennsylvania next year. In fact, as always, your Chambersburg Electric Utility is more prepared than most to weather another storm of unfair Grid fees being thrust upon everyone. So, all we can say now is, the PSA surcharge might change in June 2025.

The average monthly billing for a single-family home went from \$116.50 to \$120.60 per month in September 2024. We anticipate that the average monthly billing for a single-family home will rise from \$120.60 to \$123.37 per month in September 2025 (an increase of \$2.77 per month).

Natural Gas Utility

Chambersburg Gas provides the lowest residential natural gas rates in Pennsylvania and that will not change in 2025. 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, which covers the cost of operation of the Borough gas system, will rise for the first time in 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 Utility 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.

This first Distribution rate increase is necessary and not significant. In fact, the for-profit gas companies in the township now charge 100% more (double) what the Borough of Chambersburg charges for distribution of natural gas. Even with the recommended 8% increase, the cost of natural gas inside the Borough is significantly less than any natural gas utility in the townships. Finally, the cost of propane and oil is 200% or 300% more than our natural gas supplies.

In addition, the Natural Gas Utility 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.

The Natural Gas Utility will change rates for January 2025 (full year). The Distribution rate will increase \$0.08 per unit (ccf). There will also be a \$1.30 meter charge. As a result, the average monthly billing for an average single-family home will increase approximately 8%, from \$480 per year to \$517 per year (an average increase of \$3.08 per month). A borough Natural Gas and Electric customer saves approximately \$2,000 per year when compared to similar customers in nearby townships even after these two increases.

Water Utility

Chambersburg has the lowest water rates in our area, and that is not going to change in 2025. Throughout 2024, 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 Utility 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 2025, the Water Utility needs a rate increase to keep pace with expenses. This will be the seventh increase in eight years, and the series of small increases will likely continue for several years as water infrastructure improvements are made.

The Water Utility envisions two types of small increase: a water rate increase in 2025 of 2¢ per unit proposed; and a ready-to-serve charge increase in 2025 of 20% proposed. These increases will cover infrastructure improvement costs, operational cost increases, and water meter costs.

The average single-family home customer uses 170 gallons of water per day. This usage equates to 70 “units” per month (1 “unit” = 74.8 gallons). The 2024 rate is \$0.25/unit; \$5.95 r-t-s. As a result, in 2024, average single-family home saw monthly billing of \$23.45. We anticipate that the average monthly billing for a single-family home will rise from \$23.45 to \$26.04 per month in January 2025 (an increase of approximately \$2.59 per month).

The Chambersburg Water Utility 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. It is hard to overstate how much more utilities cost living in the townships around Chambersburg Borough.

Storm Sewer Utility

The Chambersburg Storm Sewer Utility has completed a five-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.

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In 2024, 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 pays their fair share based upon their relationship to the impervious area of a single-family residential home. Continuing in 2025, the rate will be expressed in single-family home “equivalent residential units” or ERU.

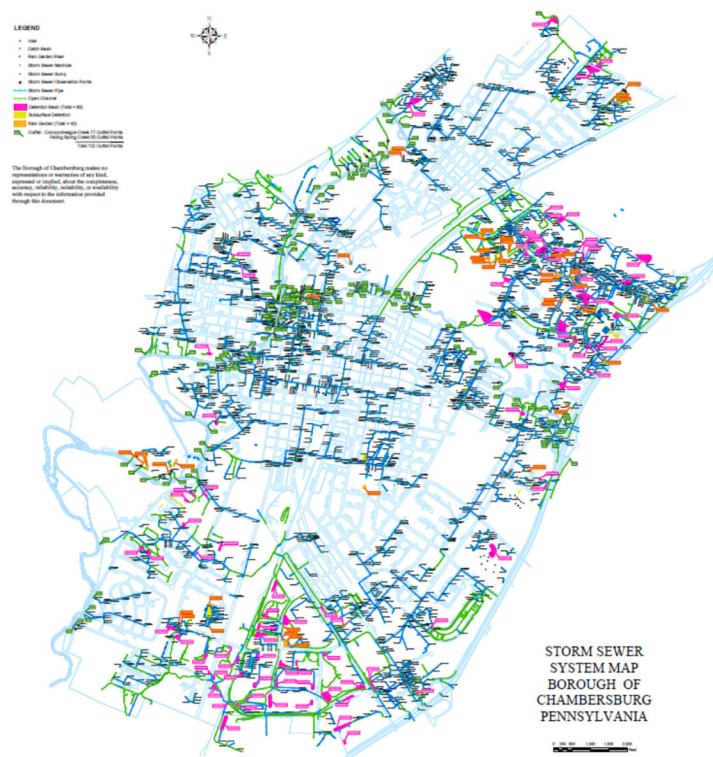
However, for the first time since establishment of the ERU system, the fee rate per ERU will rise in 2025.

The planned rate increase for the Storm Sewer Utility will see the ERU value rise from \$5 per ERU per month to \$6 per ERU per month. In addition, the discounts given to commercial, industrial, and institutional customers who qualify for discounts under the new ERU based system will continue. While there are no longer any automatic discounts, many customers can earn a discount through better stormwater management practices.

In January 2025, the Storm Sewer Utility will set the ERU value at \$6 per single-family home equivalent. Therefore, the average single-family home will see their Storm Water Pollution Control Fee as the flat fee of \$6 per month. The results for commercial, industrial, and institutional customers are 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 will be from \$25 per month to \$30 per month (\$5 x 5 equivalent single-family homes’ worth of impervious surfaces to \$6 x 5 per ERU).

We anticipate that the average monthly billing for a single-family home will rise from \$5 to \$6 per month in January 2025 (an increase of \$1.00 per month).

The Borough of Chambersburg continues to use these fees to maintain and improve our separate storm sewer system; a complex series of pipes, inlets, channels, and ponds that manages stormwater throughout the Borough of Chambersburg. The Borough storm sewer system is comprised of 3,229 inlets (3,076 inlets and 153 catch basins), 139 outfalls to Conococheague Creek and Falling Spring Creek, 211 subsurface detention areas, 107 detention basins, 83.49 miles of pipe, 57 rain gardens, and 32.05 miles of open channels.



Sanitation Utility

Chambersburg has the lowest sanitation rates in our area, and that is not going to change in 2025. Throughout 2024, 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 Utility 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 2025, the Sanitation Utility needs a rate increase to keep pace with expenses. This will be the third increase in four 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 of solid waste and recycling services in the greater Chambersburg area.

The Sanitation Utility envisions a residential increase of \$4.00 per month (\$28 to \$32 per month) and this budget is proposing a commercial rate increase of \$2.00 per cubic yard (\$15 to \$17 per cubic yard). The Chambersburg Sanitation Utility 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 Utility, 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

Chambersburg Borough's Sanitation Utility provides more services than any similar private company with extremely competitive rates. We hold the utility rates to that standard and watch the cost of these services in the townships to ensure that the Borough remains a less-expensive place to live or site your business.

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Vendor Name	Curbside Pickup Frequency	Refuse Pickup		Residential Cost Comparison				Notes or Comments
		Monthly	Quarterly	Recycling Program	Yard Waste Program	Bulky Items Program	E-Waste Program	
Apple Valley	Weekly	\$ 59.98	\$ 179.94	Included	N/A	N/A	N/A	Recycle pick-up biweekly
Parks	Weekly	\$ 59.98	\$ 179.94	Included	N/A	N/A	N/A	Recycle pick-up biweekly
Waste Management	Weekly	\$ 55.00	\$ 165.00	Included	N/A	N/A	N/A	Recycle pick-up biweekly
Worthys Disposal	Weekly	\$ 49.00	\$ 147.00	Included	N/A	N/A	N/A	
IESI	Weekly	\$ 40.83	\$ 122.50	Included	N/A	N/A	N/A	Recycle pick-up biweekly
Borough of Chambersburg	Weekly	\$ 32.00	\$ 96.00	Included	\$18.00**	Included	Included*	*limited number of items ** for 12 visits, primarily funded by monthly sanitation fee

Wastewater Utility

Chambersburg has one of the lowest sewer rates in our area, and that is not going to change in 2025. Throughout 2024, due to operating expense increases such as diesel fuel, chemicals, equipment, supplies, power costs, and increased cost of paving and ditch repair, the Chambersburg Wastewater Utility 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 2025, the Wastewater Utility needs a rate increase to keep pace with expenses. This will be the first increase since 2013, and while it ends that impressive streak of holding the cost of sewer rental rates low, it is still a rather small increase. The prior rate increase was 16% in 2013.

The Wastewater Utility invoices based upon water use at the same location as the sewer (there are no sewer meters installed in most circumstance). The average residential customer uses 170 gallons of water per day. This usage equates to 70 “units” per month (1 “unit” = 74.8 gallons). The 2024 rate is \$0.348/unit. As a result, in 2024, average single-family home saw monthly billing of \$24.36. We anticipate that the average monthly billing for a single-family home will rise from \$24.36 to \$27.16 per month in January 2025 (\$2.80 per month) or \$0.388/unit.

Chambersburg Wastewater Utility continues to have some of lowest costs of any sewer utility in the area even after proposed rate increase. Some local sewer systems charge as much as 40% more than Chambersburg charges for sewer usage.

Furthermore, the Chambersburg Wastewater Utility processes sewage on behalf of neighboring utilities (Greene, Guilford, Hamilton, and part of Letterkenny), so while we keep our sewer rates low, having significantly lower “treatment” rates helps the townships charge their customers less for sewer. Another way, Chambersburg helps the township residents control their expenses.



J. Hase Mowrey Regional Wastewater Treatment Facility

BOROUGH OF CHAMBERSBURG – PROPOSED 2025 BUDGET

Residential Utility Rates 2025

<u>Utility</u>	<u>2023</u>	<u>2024</u>	<u>Proposed 2025</u>	<u>Increase 2025</u>	<u>Proposed Date</u>
Electric	\$116.50 per month for avg. home	\$120.60 per month for avg. home	\$123.37 per month for avg. home	Approx. \$2.77 per month for ¼ of the year. Please note there may be a separate PSA adjustment as a result of PJM Fees.	September 2025 June 2025
Water*	\$21.35 per month for avg. home	\$23.45 per month for avg. home	\$26.04 per month for avg. home	Approx. \$2.59 per month	January 2025
Wastewater	\$29.50 per month for avg. home	\$24.36 per month for avg. home	\$27.16 per month for avg. home	Approx. \$2.80 per month	January 2025
Natural Gas	\$631 per year for avg. home	\$480 per year for avg. home	\$517 per year for avg. home	Approx. \$3.08 per month	January 2025
Sanitation	\$25.00 per month for home	\$28.00 per month for home	\$32.00 per month for home	Approx. \$4.00 per month	January 2025
Storm Sewer	\$5 PER ERU 1 ERU per home.	\$5 PER ERU** 1 ERU per home	\$6 PER ERU 1 ERU per home	Approx. \$1.00 per month	January 2025
TOTAL				\$16.24 more per month on average for additional utilities fees	

**All water service customers pay a \$11.00 per month ready-to-serve Ambulance Fee, with no increase for 2025.*

***Discontinuation of automatic discounts for commercial, industrial, and institutional customers. Non-single-family customer discounts can be earned based on stormwater management, beginning in 2024. Call for more information.*

The average single-family home in Chambersburg Borough with electric, gas, water, wastewater, etc., will see a monthly increase of approximately \$16.24/mo. for all utilities by September 2025. This increase is significantly less than what ratepayers in every other part of the State will see over the same time period.

With adoption of this budget, Council consents to the utility fee changes proposed herein. Resolutions and ordinances will be presented for Council concurrence.

Act 511 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.

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What of the Police Tax in 2025?

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; 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, despite perceptions otherwise. 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 as the Chambersburg Police Department does in 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 special bond tax does not cover any of the cost of the operating the Police Department. All of the money collected by the bond tax goes to pay for the annual debt payments for the renovation and expansion of the Borough Police Station, which reopened on S. Second Street in 2023. So while this extra bond tax is another tax to be paid by the taxpayers, it is not associated with any public safety services.

Two problems confront the Police Department. First, the time has come to expand the police force which has not expanded in size in over a decade despite the fact that the community has become more increasingly complex. The 2025 Budget includes a recommendation to hire three (3) additional police officers. This will help the police address a variety of issues including our growing traffic issues.

Secondly, the Police Tax is an issue. Not to get into the weeds on tax law, but all boroughs are at the mercy of their county Real Estate Assessment office. Our County, Franklin County, has failed to update the County tax rolls, the fair and equitable distribution of real estate taxes, since 1962. This is by far the oldest and most out-of-date taxation system in Pennsylvania. The practical impact of this decision by the County is to reduce the income that 1-mil of real estate tax generates. Unfortunately, the caps imposed by the State on a borough's ability to raise taxes is not expressed in dollars, but is expressed in mil. Therefore, as a result of having an out-of-date taxation system, the Borough of Chambersburg can only raise the total number of mil of Police Tax to a maximum of 30-mil. And, in Franklin County, where 1-mil equals so few dollars, the Police Department funding is at serious risk of being impacted not by a shortage of dollars, but by this odd and antiquated taxation system. The County Commissioners have shown no desire to fix the system. Furthermore, a study, commissioned by six area boroughs, will likely show that the County system is not just out-of-date, it is arbitrary and manipulated. As a result, no one anywhere in Franklin County can have confidence that the amount they pay in property taxes is fair or equitable.

BOROUGH OF CHAMBERSBURG – PROPOSED 2025 BUDGET

Regardless, with no fix on the horizon, the Borough of Chambersburg must hire more police officers. Further, to pay for those officers, the Borough must raise the Police Tax. The 2025 Budget recommends a change in the Police Tax from 25-mil to 27-mil; getting dangerously close to the statutory maximum of 30-mil. Overall, since December 2006, the Police Tax rate has risen from 17-mil to 27-mil. When averaged out over the eighteen years, that is a growth rate of a little over 2.6% per year. In 2025, it is the Borough Manager’s recommendation that the Borough adopt a Police Tax rate of 27-mil.

		Police Tax Rate																			
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Mil		17	20	20	20	20	20	20	20	21	21	23	23	24	24	24	24	24	25	25	27
%Δ		-	18%	0	0	0	0	0	0	5.0%	0	9.5%	0	4.3%	0	0	0	0	4.1%	0	8%

➔ 2.6%

In 2024, it is estimated that the Chambersburg Police Department will cost just about exactly what is generated from the 2024 Police Tax (a small estimated surplus of \$3,814). However, with increasing expenses to operate the Police Department, it is estimated that in 2025, the Police Department will cost \$242,881 more to operate than all the revenues collected. This includes shifting police pension subsidies from utility departments to help the Police Department as well as the estimated yield of 27-mil of Police Tax.

Increasing costs for the Police Department include wages (both a cost-of-living increase and more employees), benefits, including health insurance, vehicle expenses (additional vehicle maintenance costs and additional vehicles), information technology expenses, and an increase in Workers’ Compensation insurance premiums. Together, department expenses grew \$883,704 or by 14%.

As a result of those changes, a tax increase is needed.

	2024	2025
Police Department Budget		
Estimated Cost of Operations	\$6,243,476	\$7,127,180
Reimbursement from CASD for School Crossing Guards (estimated)	-\$26,700	-\$34,000
Estimated Yield from Fines and Fees	-\$132,500	-\$185,000
State Grant for Police Pension Costs (grant shifted from utilities)	-\$714,084	-\$803,100
Subtotal	\$5,370,192	\$6,105,080
Tax Rate	25-mil	27-mil
Estimated yield of Police Tax (excluding tax liens & donations)	\$5,374,006	\$5,862,199
Police Department Deficit	\$3,814	-\$242,881

In general, if the Police Department runs a deficit as it is anticipated to do so in 2025, it is commingled 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.

It is important to place the anticipated Police Tax deficit for the Police Department of \$242,881 into context. First, we will see how 2024 year ends financially because that helps inform 2025. Second, since 2020, given controls on spending and a slight increase in tax yield, the Police Tax will likely 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) in 2024. As is pointed out in this budget, it will be impossible to avoid a Police Tax rate increase. A deficit is not sustainable as it draws resources from other General Fund operations. Every dollar of undesignated revenue used to close the gap between these revenues and the Police 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.

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 2025?

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 (IAFF) Local #1813 a labor pact (the infamous “Kasher Decision”). Town Council was forced to add a Fire Tax. That tax was set at 3-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 in negotiating new collective bargaining agreements.

Back 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-mil updated in 2024). 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-mil under State Law (cap just raised to 1-mil in 2024). 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.

Our County, Franklin County, has failed to update the County tax rolls, the fair and equitable distribution of real estate taxes, since 1962. This is by far the oldest and most out-of-date taxation system in Pennsylvania. The practical impact of this decision by the County is to reduce the income that 1-mil of real estate tax generates. Unfortunately, the caps imposed by the State on a borough’s ability to raise taxes is not expressed in dollars, but is expressed in mil. Therefore, as a result of having an out-of-date taxation system, the Borough of Chambersburg can only raise the total number of mil of Fire Tax to a maximum of 3-mil as it has done in 2014. Henceforth, there is no possible way to raise the Fire Tax rate.

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 2025 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 3-mil (the 2025 equivalent of about \$640,605) in Fire Tax, but most of it must be used for apparatus/truck expenses and not for firefighters’ wages and benefits. Further, the Borough is prohibited from using more than 1-mil (the 2025 equivalent of about \$215,843) for all the firefighter wages and benefits. Clearly, the State of Pennsylvania wants to inhibit the ability of any borough from having a paid professional firefighting force.

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 disappears. This seems to be a logical assumption.

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We believe the neighboring townships are ignoring the disappearing number of volunteer firefighters in Franklin County because they do not want to invest the millions of dollars necessary to have a professional force like the Borough of Chambersburg.

The long-term funding issue of the Fire Department is not identical to the issue of the 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.

The cost of operating the Fire Department will rise significantly in 2025. This is in part due to higher costs associated with the replacement schedule for fire apparatus as we put aside money for future purchases. Vehicles for the Fire Department are rising exponentially in cost. This, plus the growing write-off for Medicaid/Medicare patients served by the Fire Department’s ambulance service, are causing strain on department finances.

In 2025, it is estimated that the Fire Department and EMS will cost \$1,632,762 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 ½-mil of Fire Tax permitted to be used for operations. There is no way permitted to raise the Fire Tax (approx. 7.9-mil more) to cover this deficit.

Fire/EMS Budget	2024	2025
Estimated Cost of Operations	\$6,135,720	\$6,206,695
Local Services Tax Yield (set at State Maximum)	-\$758,000	-\$775,000
Fire Code Inspections	-\$83,000	-\$80,000
Ambulance Patient Fees	-\$1,418,500	-\$1,500,000
Ambulance Fee on Water Service Invoices	-\$1,436,830	-\$1,538,868
State Grant for Fire Pension Costs (grant shifted from utilities)	-\$594,373	-\$594,400
Subtotal	\$1,845,017	\$1,718,427
Tax Rate	3-mil	3-mil
Estimated yield of Fire Tax	\$720,214	\$621,920
Less required transfer to the Motor Equipment Fund (State Law)	-\$544,260	-\$536,255
Net Fire Tax Revenue for Operations	\$175,954	\$85,665
Fire/EMS Deficit	-\$1,669,063	-\$1,632,762

The Borough uses the Ambulance Fee to help cover the EMS portion of the deficit. The Ambulance Fee brings in \$1.54 million. If the Ambulance Fee was used to cover the whole deficit, it would be set to \$23.25 per month instead of the recommended \$11 per month as is proposed for 2025. The proposed Ambulance Fee is made necessary by the allowance for uncollectable ambulance receipts as a result of Medicaid/Medicare federal rules.

In addition to the Ambulance Fee, if the Fire Department runs a deficit, it is commingled 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 fielding a second ambulance, 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.

Last year saw another dramatic change in Advanced Life Support (ALS) services in Franklin County as the system edged closer to a complete failure.

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 may know, the Fire Department provides only Basic Life Support (BLS) services. Last year, for the fourth time in five (5) years, our ALS partner pulled out of Franklin County. Originally, we worked with West Shore EMS for these services, but their system failed and was acquired by Holy Spirit EMS, a division of the Geisinger Health System. In 2022, the Geisinger Health System merged with the Penn State Hershey Medical System. In 2023, the Life Lion and University EMS systems unceremoniously pulled out of Franklin County. As a result, Wellspan Health, in a dramatic move, stepped in to provide a partnership for ALS services.

If Wellspan Health decides to stop providing this service, there may be no one left in Franklin County and pressure upon our Fire Department to fix the failing system may reach a boiling point.

In 2025, 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 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 2025, 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.

BOROUGH OF CHAMBERSBURG – PROPOSED 2025 BUDGET

How much does 1-mil of real estate tax yield in 2025?

Total assessed value of taxable real estate, inside the Borough, for 2025 is estimated to be \$216,619,154; up slightly from last year's assessed value. Therefore, the cash value of 1-mil would equal \$216,619. However, when factoring in our average collection rate for any given year, we should expect that same mil to yield \$201,456. 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 \$216,619 in cash. As explained, if you assume the standard percentage of taxpayers will fail to pay their taxes, 1-mil would equal \$201,456 in cash. If you assume some old outstanding tax liens from previous years may pay their debts in 2025, 1-mil might equal \$215,843 in cash. The value of a mil is therefore not precise.

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
	<u>Actual</u>	<u>Actual</u>	<u>Estimated</u>	<u>Estimated</u>
Police Tax Yield	\$5,060,555	\$5,229,081	\$5,374,006	\$5,862,199
Mil	24	25	25	27
Fire Tax Yield	\$632,189	\$628,380	\$720,214	\$640,605
Mil	3	3	3	3
Recreation Bond Tax	\$629,032	\$525,969	\$537,103	\$532,335
Mil	3	2.5	2.5	2.5
Police Station Bond Tax	\$200,032	\$409,130	\$426,402	\$425,820
Mil	1	2	2	2
Public Works Campus Tax	-	-	-	\$201,455
Mil	-	-	-	1
Value of 1 Mil*	\$210,381	\$209,002	\$217,161	\$215,843
Est. Single Family House Tax				
Police Tax	\$414.96	\$434.31	\$438	\$475
Fire Tax	\$51.87	\$52.12	\$53	\$53
Recreation Bond Tax	\$51.87	\$43.43	\$44	\$44
Police Station Bond Tax	\$17.29	\$34.74	\$35	\$35
Public Works Campus Bond Tax	-	-	-	\$18
TOTAL			\$570	\$625

** Not a precise measure as the value changes every year due to the assessed value of real estate – use for planning only*

Every year, the average single-family home value changes. So, regardless of the mil rate, with a changing average, the calculation of what the average annual payment might be also changes. This makes it even more challenging to compare the average annual payment in one year to the next. Notice the Fire Tax above. It hasn't changed mil rates in years, but the cost of the tax to the average homeowner still changes.

In addition to that complexity, homeowners often do not pay their full tax invoice. If the Borough tax invoice is paid in March or April, the property owner gets a 2% discount off their taxes, which the Borough must absorb. Similarly, if the Borough tax invoice is paid after June, the property owner pays a flat 10% penalty, which will eventually be paid to the Borough, net of collection expenses which may be incurred.

This discount and penalty system is another factor in making the value of 1-mil not a precise dollar amount.

Finally, as previously mentioned, Franklin County has failed to update the County tax rolls, the fair and equitable distribution of real estate taxes, since 1962. This is by far the oldest and most out-of-date taxation system in Pennsylvania. The practical impact of this decision by the County is to reduce the income that 1-mil of real estate tax generates. In other more up-to-date counties, 1-mil might generate 10x more revenue than in Chambersburg.

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 \$625 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 reconfirmed since 1961-1962, 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 illogical because the County does not use actual sales 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 \$570 per year (before discount) to \$625 per year (before discount) or approximately \$55 per year (before discount) or \$4.58 per month (before discount).

Go to <https://fcgis.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 2021 for \$235,000.

However, it has an assessed value of \$21,940.

The house next door is the same age and size, but has an assessed value of \$23,110. There is no logical explanation.

Regardless, with an assessed value of \$21,940, this is close to the average home in the Borough.



The annual Borough tax bill for this home would be \$713.05 for 2025 (before discount). This is a real home and that is their actual tax bill. There is also a discount if that tax bill is paid in the first two-months after issuance.

Finally, in many cases, real estate taxes are an eligible deduction on one's personal income tax.

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Conclusion

Chambersburg Borough is an amazing municipal organization. We are lucky to have outstanding employees, a supportive and dynamic community, and a defined mission to provide the most services at the lowest cost to our citizens and businesses. We have weathered a variety of fiscal storms, each time coming out stronger and more resilient. We have seen political changes, socio-economic changes, and regional growth, all the while maintaining our hold, our local autonomy, and a small-town atmosphere.

At no point have I been prouder to lead this organization than now.

I am proud to represent our community on a regional, statewide, and national stage. I talk often of our uniqueness among municipalities.

As Council leadership knows, this year’s budget numbers, based upon funding everything, is not good. Only through necessary revenue enhancements, and reasonable prioritization, did we end up with the budget being presented herein.

In the proposed 2025 Budget, I have recommended a tax increase to fund two Council priorities: hiring additional police officers and undertaking the beginning of the multi-year Public Works Campus project. I am always reluctant to recommend tax increases. Yet these two priorities are undoubtably necessary. Further, the Public Works Campus project is more expensive than I would like. However, the Loudon Street garage, the existing public works facility, is way beyond its useful life, undersized, impossible to fix or expand, and subject to potential destruction by flooding. It was a tough but logical recommendation to move to another spot inside the Borough.

I wish that Franklin County would update the outdated taxation system, but that is not a Borough-decision. As a result of their intransigence, all the governments in the County suffer from a low value milage rate and an unnecessary State-mandated tax cap. It seems unreasonable when the public safety systems throughout our County, police, fire, and EMS, are in a state of crisis, that funding a paid professional system would be impeded by political expedience and dereliction of responsibility.

Chambersburg citizens and businesses want more and better services.

To meet our obligations, in 2025, almost every utility rate must increase. While that sounds dire, it is an understatement to point out that Chambersburg will continue to have lower rates by far, than all our neighboring municipal and commercial utility systems. This budget includes small increases in electric, natural gas, water, wastewater, storm sewer, and sanitation. All these increases are significantly less than if our residents and businesses lived in the townships. Finally, I am recommending no change in the Ambulance Fee; the cost of providing this important life-saving service as a surcharge on water service invoices.

Our citizens and businesses pay so much less for utilities than our neighbors in the townships.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 Proposed
Police Tax Mil	21	23	23	24	24	24	24	24	25	25	27
Fire Tax Mil	2.5	2.5	2.5	3	3	3	3	3	3	3	3
Ambulance Tax Mil	-	-	-	0.5	0.5	0	0	0	0	0	0
Recreation Bond Tax Mil	-	-	-	3	3	3	3	3	2.5	2.5	2.5
Police Station Bond Tax Mil	-	-	-	-	-	-	-	1	2	2	2
Public Works Campus Bond Tax Mil	-	-	-	-	-	-	-	-	-	-	1
Total Real Estate Tax Mil	23.5	25.5	25.5	30.5	30.5	30	30	31	32.5	32.5	35.5

Real estate taxes are budgeted to increase in 2025 by 3-mil or 9.2%.

BOROUGH OF CHAMBERSBURG – PROPOSED 2025 BUDGET

In October 2024, Moody's Investor Services reaffirmed Chambersburg's General Obligation credit rating as Aa3, which is quite good. In the past they have stated that 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 2024 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, there is 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 support infrastructure investment to grow the Borough’s balance sheet’s assets. We should be strategic in the investment into new projects. Beginning in 2025, the Borough will be making a significant investment in both debt and asset growth by undertaking the multi-year Public Works Campus project. This project will cause strain on our finances and this 2025 Budget prepares well to address that need with both tax and utility rate revenue enhancements.

While no one likes a tax increase, the included tax changes continue the Borough’s investment in public safety. Franklin County must undertake reassessment, the updating of the tax rolls, and they must begin this multiyear process immediately. Our antiquated tax system is devaluing each mil of tax value to a point where the Borough’s Police Department and Fire Department have reason to worry about future viability.

Public safety is a core function of our municipality. The condition of public safety funding 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.

In addition to Franklin County addressing the broken local tax system, Harrisburg must lift the Fire Tax caps in the Borough Code. For over a decade, I have pointed out these issues 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 both the County Commissioners and the General Assembly 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 the 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 2025 Budget is balanced with both a tax increase and several utility rates changed.

Revenue Enhancements	Increase Per Month	Increase Per Year	Effective Date
Natural Gas Rate Increase	\$3.08 per month	\$36.96 per year	January 2025
Electric Rate Increase	\$2.77 per month	\$11.08 per year	September 2025*
Water Rate Increase	\$2.59 per month	\$31.08 per year	January 2025
Sanitation Rate Increase	\$4.00 per month	\$48.00 per year	January 2025
Wastewater Rate Increase	\$2.80 per month	\$33.60 per year	January 2025
Storm Sewer Rate Increase	\$1.00 per month	\$12.00 per year	January 2025
Police Tax (General Levy) + 2 mil	\$3.083 per month	\$37.00 per year	January 2025
Public Works Campus Bond Tax + 1 mil	\$1.50 per month	\$18.00 per year	January 2025
	\$20.823 per month	\$227.72 per year	

* - The Electric Utility increases are not scheduled to occur until June or September 2025; delaying the impact and changing the annual average.

On average all of these revenue enhancements will cost the average single-family household in the Borough, around an additional \$20 per month. Individual results may vary based on many factors.

We must recognize the changing demographics of our community. I do not agree that government is like business. We support our community much more than a business would. It is true that our citizens are our customers, and then we must meet our customers where they live and recognize their demographics. 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 customer portal is such an important project.

In 2022, a planning committee, comprised of the IT Supervisor, IT programming staff, the Borough Manager, members of the Customer Service Department, the Director of Finance, and the Director of Administrative Services was formed. The committee spent the better part of this year working tirelessly with Fresche Solutions to design an customer portal to our utility billing system. The project is ongoing with the goal of having the design completed by the end of 2024. The customer portal project, including design and implementation, is in the 2025 budget as a capital improvement project request. I have faith it will go live in 2025.

Chambersburg's organization needs 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 in 2022, "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 back in 2022 – 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 for townships to pay Chambersburg rather than to pay Harrisburg? We can offer top-notch police and fire services for some or all of the adjoining townships. I believe we are all a part of the greater Chambersburg area and many township residents already mistakenly believe that the Chambersburg Police Department and Fire Department are protecting them.

Our Borough Police Department and Fire Department can easily be expanded to cover some or all of our neighboring townships at a very cost-effective rate. We believe townships' residents would welcome paying Chambersburg for these important services. We do not envision a regional department, but rather a fee-for-services arrangement, where residents and businesses in adjoining townships contribute to the cost for safety, security, and protection, from our outstanding public servants. Perhaps starting with the Lincoln Way Corridor.

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Size of Budget 2025

In 2025, the Borough will have an ALL-FUNDS BUDGET of \$159,998,388. In 2024, the ALL-FUNDS BUDGET was \$134,254,757. This represents a 19.2% increase, with no major changes to accounting or operational practices. This net increase is largely a result of increases in operational expenses in the Police, Recreation, Property Maintenance Code, Electric, Water, Sewer, Sanitation, Parking Traffic & Street Lighting, Storm Sewer, and Aquatic Center operations; the spending down of fund balance reserves and/or bond funds in the General Capital Reserve, Liquid Fuels, Electric Capital Reserve, Water Capital Reserve, Sewer Capital Reserve, Storm Sewer Capital Reserve, and Motor Equipment Funds; as well as the addition of the Public Works Campus Fund.

In 2025, the Borough's OPERATING BUDGET will be \$137,760,740. In 2024, the Borough's OPERATING BUDGET was \$124,198,372. This represents an 10.92% increase, with no major changes to accounting or operational practices. This increase is largely attributable to revenue in the Electric, Electric Capital Reserve, Gas Capital Reserve, Water, Sewer, Sewer Capital Reserve, Sanitation, General, Motor Equipment, Public Works Campus, Storm Sewer, and Aquatic Center Funds, as a result of utility rate increases, projected increases in sales, as well as the anticipated revenue resulting from grants and debt issuance.

In 2025, the Borough's GENERAL FUND BUDGET will be \$20,558,837. In 2024, the Borough's GENERAL FUND BUDGET was \$19,790,495. This represents a 3.9% increase, and is a realistic gauge of actual growth in the Borough's spending plan, given the importance of the Police and Fire/EMS Departments, as well as the provision of all major governmental services.

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BOROUGH OF CHAMBERSBURG – PROPOSED 2025 BUDGET

Use of Fund Balance 2025

	2025 Revenue	2025 Expenditures	Withdrawal/Deposit from Fund Balance	
GENERAL FUND	\$20,558,837			Balanced with a Police Tax increase
General		\$2,473,380		
Highway		\$1,613,227		
Fire		\$6,206,695		
Police		\$7,127,180		
Recreation		\$1,580,295		
Land Use		\$1,095,860		
Misc.		<u>\$462,200</u>		
GENERAL FUND		\$20,558,837	-	Balanced
Electric	\$37,633,610	\$37,633,610	-	Balanced with a rate increase
Natural Gas	\$10,881,095	\$10,881,095	-	Balanced with a rate increase
Water	\$5,738,804	\$5,738,804	-	Balanced with a rate increase
Wastewater	\$8,422,731	\$8,422,731	-	Balanced with a rate increase
Sanitation	\$5,542,975	\$5,542,975	-	Balanced with a rate increase
Parking Traffic	\$1,818,855	\$1,818,855	-	Balanced
Storm Sewer	\$1,665,542	\$1,665,542	-	Balanced with a rate increase
Aquatic Center	\$1,492,150	\$1,562,650	-\$70,500	Making a \$70,500 withdrawal for capital projects
Motor Equipment	\$5,266,420	\$7,101,051	-\$1,834,631	Making a \$1.8 million withdrawal for vehicles
Engineering	\$850,168	\$850,168	-	Balanced
Stores/Warehouse/Call Center	\$1,866,610	\$1,866,610	-	Balanced
Public Works Campus Fund	\$13,997,595	\$10,648,025	\$3,349,570	Making a \$3.35 million deposit of 2024 assets/debt
ADMIN SERVICES	\$10,271,795			
Utility Building Operations		\$586,985		
Personnel Payroll		\$968,700		
Info Technology		\$1,641,700		
Finance/Accounting/Cust Service		\$3,148,065		
Clerical Pool		\$1,420,400		
Admin Fund Administration		\$1,295,945		
Admin Fund Capital Projects		<u>\$1,210,000</u>		
ADMIN SERVICES		\$10,271,795	-	Balanced
Gen Fund Cap Reserve	\$2,837,310	\$3,413,101	-\$575,791	Making a \$575,791 withdrawal for capital projects
Storm Sewer Capital	\$3,567,480	\$8,422,854	-\$4,855,374	Making a \$4.9 million withdrawal for capital projects
Electric Capital	\$4,894,050	\$3,268,000	\$1,626,050	Making a \$1.6 million deposit for future projects
Gas Capital	\$3,178,200	\$2,725,000	\$453,200	Making a \$453,200 deposit for future projects
Water Capital	\$945,900	\$2,050,000	-\$1,104,100	Making a \$1.1 million withdrawal for capital projects
Wastewater Capital	\$841,100	\$2,750,000	-\$1,908,900	Making a \$1.9 million withdrawal for capital projects
Sanitation Capital	\$265,570	\$100,000	\$165,570	Making a \$165,570 deposit for future projects
Parking/Traffic Capital	\$875,230	\$847,000	\$28,230	Making a \$28,230 deposit for future projects
Self-Insurance Trust	\$1,278,415	\$1,691,205	-\$412,790	Making a \$412,790 withdrawal for insurance claims
Workers Comp Trust	\$667,670	\$610,607	\$57,063	Making a \$57,063 deposit for future claims
Special Revenue Trust	\$2,999,638	\$2,989,738	\$9,900	Grant deposits exceed grant withdrawals by \$9,900
Police Station Bond Tax Fund	\$433,840	\$433,840	-	Balanced
Recreation Bond Tax Fund	\$561,015	\$561,015	-	Balanced
Public Works Campus Bond Tax Fund	\$206,455	\$206,455	-	Balanced
Fire Tax Holding	\$661,095	\$661,095	-	Balanced
Liquid Fuels State Grant Holding	\$641,225	\$1,988,560	-\$1,347,335	Making a \$1.4 million withdrawal for capital projects
Sister City Account	\$1,110	\$1,110	-	Balanced
Project H.E.A.T. Account	\$30,000	\$84,250	-\$54,250	Making a \$54,250 withdrawal from prior deposits
Total Use of Fund Balance			-\$6,474,088	
Total New Debt Issue Planned for 2025			+\$10,000,000	

BOROUGH OF CHAMBERSBURG – PROPOSED 2025 BUDGET

Notes on Use of Fund Balance Table:

1. General Fund Capital Reserve Fund: \$575,791 from Fund Balance
2. Liquid Fuels Fund: \$1,347,335 from Fund Balance
3. Trust and Agency Funds: \$54,250 from Project H.E.A.T. Fund Balance
4. Swimming Pool Department Enterprise Fund: \$70,500 from Fund Balance
5. Water Department Capital Reserve Enterprise Fund: \$1,404,100 from Fund Balance
6. Sewer Department Capital Reserve Enterprise Fund: \$1,908,900 from Fund Balance
7. Storm Sewer Department Capital Reserve Enterprise Fund: \$4,855,374 from Fund Balance
8. Motor Equipment Internal Service Fund: \$1,834,631 from Fund Balance
9. Self-Insurance Trust Fund: \$412,790 from Fund Balance
10. Capital Investment: \$23,875,955
11. Difference between Rev. and Exp. before Bond Sinking funds applied: (\$6,728,588)
12. Difference between Rev. and Exp. after Bond Sinking funds applied: \$8,687,266
13. \$12,355,171 of \$159,998,388 budget or 7.72% of budget funded by cash reserves

The Borough intends on using 7.72% of cash reserves for the balancing of FY 2025.

BOROUGH OF CHAMBERSBURG – PROPOSED 2025 BUDGET

Use of Real Estate Taxes to Fund 2025

In 2025, it is the Borough Manager’s recommendation that the Borough increase the Police Tax rate, currently at 25-mil, to 27-mil. An increase of 2-mil, which will cost the average single-family home approximately \$37.00 per year.

Police Tax Rate (in mil)																			
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 Proposed
17	20	20	20	20	20	20	20	21	21	23	23	24	24	24	24	24	25	25	27

In doing so, this means that since 2006, the Police Tax will have increased 10-mil in 18 years. An understandable rate of growth for such an important tax and such an important service.

In 2025, it is the Borough Manager’s recommendation that the Borough not change the Fire Tax rate, currently at 3-mil. No increase is possible due to a combination of our antiquated assessment system in Franklin County and the State-imposed cap (expressed in mil).

Fire Tax Rate (in mil)																				
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 Proposed
<u>FIRE</u>	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	3.0	3.0
<u>EMS</u>	0	0	0	0	0	0	0	0	0	0	0	0	0.5	0.5	0	0	0	0	0	0
<u>TOTAL</u>	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	3.0	3.0

Note – Of this levy of 3.0-mil, only ½-mil is permitted to be used for firefighter wages and benefits.

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.

In 2025, it is the Borough Manager’s recommendation that the Borough not change the Recreation Bond Tax rate, currently at 2½-mil.

Recreation Bond Tax Rate (in mil)																			
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 Proposed
-	-	-	-	-	-	-	-	-	-	-	-	3	3	3	3	3	2.5	2.5	2.5

In 2025, the Police Station Bond Tax will continue for its fourth year. It is proposed to remain at 2-mil.

Police Station Bond Tax Rate (in mil)																			
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 Proposed
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	2	2	2

In 2025, this budget recommends the start of a Public Works Campus Bond Tax. It is proposed to start at 1-mil. However, as construction continues, the rate will rise in 2026 and 2027.

Public Works Campus Bond Tax Rate (in mil)																			
2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 Proposed
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1

BOROUGH OF CHAMBERSBURG – PROPOSED 2025 BUDGET

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.

The Average Single-Family Home in the Borough has a 2024 assessed value of \$17,578.39. It will see a total increase of about \$55 per year, or \$4.58 per month, in real estate taxes; 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 2024 was \$201,000, down 14% from the previous year, which itself (2023) was up 20%, so more of a correction than an anomaly. There were only 19 homes sold year-to-date (10% of what was sold in 2023 which was also a very busy year for home sales). Clearly mortgage rates impact home sales.

	2022 Actual	2023 Actual	2024 Estimated	2025 Estimated
Police Tax Yield	\$5,060,555	\$5,229,081	\$5,374,006	\$5,862,199
Mil	24	25	25	27
Fire Tax Yield	\$632,189	\$628,380	\$720,214	\$640,605
Mil	3	3	3	3
Recreation Bond Tax	\$629,032	\$525,969	\$537,103	\$532,335
Mil	3	2.5	2.5	2.5
Police Station Bond Tax	\$200,032	\$409,130	\$426,402	\$425,820
Mil	1	2	2	2
Public Works Campus Tax	-	-	-	\$201,455
Mil	-	-	-	1
Value of 1 Mil*	\$210,381	\$209,002	\$217,161	\$215,843
TOTAL MIL RATE				
Single Family House Ass. Value	\$17,406.05	\$17,457.17	\$17,525.66	\$17,578.39
Police Tax	\$414.96	\$434.31	\$438	\$475
Fire Tax	\$51.87	\$52.12	\$53	\$53
Recreation Bond Tax	\$51.87	\$43.43	\$44	\$44
Police Station Bond Tax	\$17.29	\$34.74	\$35	\$35
Public Works Campus Tax	-	-	-	\$18
TOTAL	\$535.99	\$564.70	\$570	\$625
	For 31 mil	For 32.5 mil	For 32.5 mil	For 35.5 mil

**- The value of 1-mil changes year-to-year based on several factors include total assessed value of real estate inside the County and inside the Borough.*

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 \$3,164.40 per year in Police Tax versus \$475 paid by the average single-family home. Further, that home has a Fair Market Value of \$851,000 (with a Franklin County assessed valuation of \$117,200) and is therefore a unique Borough property. Of all the single-family homes inside the Borough, half pay more than \$625 per year in Borough taxes, and half pay less.

No government buildings, schools, charities, churches, or township property owners pay any Police, Fire, Police Station Bond Tax, Recreation Bond Tax, or Public Works Campus 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 Utility and the Natural Gas Utility 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.

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/Budget Administrator, Ben Hayhurst, Finance Director, Melinda Thompson/Administrative Services Director, Kris Baker/ Human Resources Supervisor, Phil Wolgemuth/Deputy Borough Manager, Jamia Wright/Borough Secretary, Tanya Sisk/Assistant Borough Secretary, 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 Tom Newcomer, Finance Chair John Huber, and Finance Vice-Chair Bill Everly.

I recommend that Town Council authorize advertisement of this Proposed Budget when they meet on November 4, 2024. In addition, I suggest that Town Council receive public comments on the Proposed Budget on November 18, 2024.

Finally, I would suggest that Council adopt the proposed budget on December 9, 2024, which is scheduled to be their last meeting of the year. 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

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