2013 BUDGET

AS ADOPTED BY THE TOWN COUNCIL

DECEMBER 10, 2012

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11/5/2012

2013 Budget Message

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

2013 Budget Message

As Proposed for 2013

To: Town Council

Submitted herewith for your consideration is the Borough Manager's Recommended 2013 Budget. As is required by local law, I have prepared this document in a form that can be adopted by Town Council. The proposed 2013 operating budget is balanced; revenues and cash balances cover all necessary expenses.

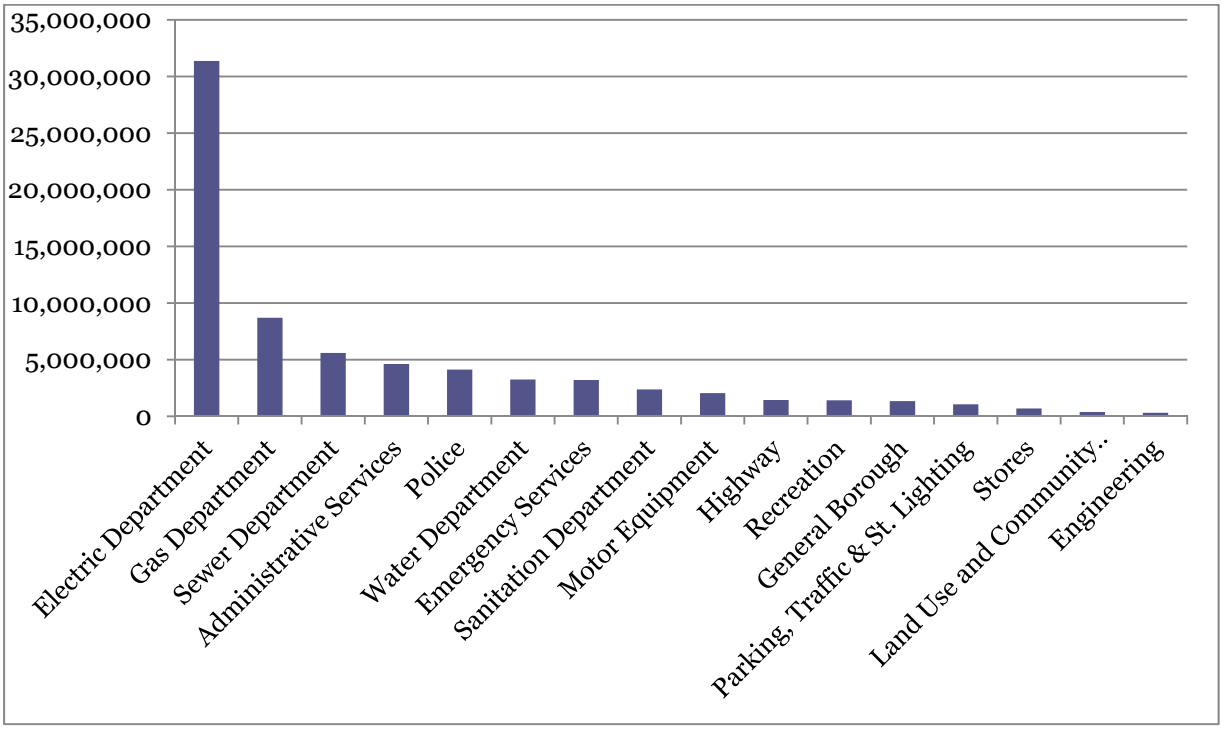
We have come to accept that the economy of the last decade is not returning. However, Chambersburg is blessed as both a community and as a local government organization. We are unlike any municipality in Pennsylvania. We have a diverse and complex organization; a $119 million all funds budget and a $72 million operating budget. This budget represents a 16% increase in budget size, almost all of it attributable to two large public construction projects: the massive renovation of the Borough's J. Hase Mowrey Regional Wastewater Treatment Facility and the planned construction of a Compressed Natural Gas fueling station.

This is my third budget as your Borough Manager. Although recent fiscal history has been challenging, it is an honor to prepare this document as a strategic plan for our community. Our fiscal year, our budget year, is 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 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 Comprehensive Annual Financial Report (CAFR) is published each spring. However, the budget is adopted each 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.

The budget is a spending plan, a roadmap for the upcoming year. Unlike the federal budget which is wildly confusing and out of balance, your local township, city or borough budget must be in balance, cannot use gimmicks or tricks, is published before adoption for all to read, and thoroughly debated in open public meetings so that Council can hear all variety of opinion. Yet because of its openness, the local budget is honest and therefore somewhat sobering. The number one question we get from those who review the budget is "isn't there some other pot of money, some other trick to balance the budget that I am not seeing?" Chambersburg's budget is fairly straightforward - money in versus money out. The utility departments are what make our budget large and complex because the balance of our governmental operation is fairly simple.

The vast majority of our budget is the utilities; general government operations such as police, fire, recreation and highway are kept separate from electric, water, sewer, natural gas, and trash. Chambersburg Borough is unique in both organization and complexity because of our utilities, which account for the vast majority of our budget, resources, organization, employees, and challenges. First, to

lend some perspective to the dramatic importance of the utilities versus the balance of Borough operations:



Obviously, the utilities, the enterprise funds, of the Borough, account for the preponderance of the Borough annual expenditures. Further, the Electric Department alone eclipses all other operations of the Borough. We are fortunate that these business models are sound; further, the utilities face challenges but nothing as significant as the General Fund. Enterprise fund challenges are:

- Significant infrastructure needs in water and sewer
- Limited service areas and customer base upon which to expand
- Inelastic rates; when they rise encourage less use of utilities
- Anecdotal pressure from regional utilities; they market their rates (often not comparing apples to apples) to our customers, who often fail to grasp the cooperative nature of our venture and the many benefits of operating our own community systems
- The pool; the strength of our utilities is the pool nature of our users. The more users and the more use by the users the less everyone pays; conversely, when the economy is bad and users' use is less, everyone feels the effect
- Overreaching state and federal agencies who look to impose big utility mandates on our small independent community systems

However, the future remains bright. Our utilities are well managed, leaders in their fields, the biggest such municipal utilities in Pennsylvania, and well positioned to address these challenges.

As a result of proper fiscal planning and oversight, our citizens enjoy the lowest composite utility rates in Pennsylvania. Further, this year we are recommending a reduction in utility rates. Such a reduction will

provide additional benefits to our citizens. So much so that Town Council might consider this a good opportunity to invest in other services, such as police protection.

Electric: staff is proposing that the Purchase Power Adjustment be lowered in 2013 to result in an effective decrease in customers' cost of electricity. Effectively, each residential customer will see their electric bill drop from $114.73 per month to $104.23 per month during 2013 or an approximate annual savings of $126 per year.

Water: staff is proposing no rate increase, no increase since 2001; average residential water bill of $15 per month.

Sewer: staff is proposing no rate increase as there was a rate increase in December 2012; average residential sewer bill of $29.50 per month.

Gas: staff is proposing no rate increase; the lowest residential gas heat rate in Pennsylvania; average gas bill of $633 per year.

Trash: staff is proposing the first rate increase since 2005; an average residential increase from $11.50 per month to $14 per month or an approximate annual increase of $30 per year.

When combined, the average annual residential utility bill will drop in 2013 to $2,586 per year from $2,632 per year in 2012. Some residential users and commercial accounts would see different results.

Chambersburg utility rates compare favorably to other utilities in Franklin County and throughout Pennsylvania.

Due to the strength of our utilities, Moody's continues to keep our bond rating at Aa2 high quality; but, with a negative outlook. Our reviewer, Charlie Martin said that this is basically due to the fact that we are a municipal government and all municipalities are more at risk. I personally feel that this is a fair rating considering economic conditions along with our lack of growth in General Fund revenues.

The challenge of 2013 will be again in the General Fund. The General Fund is not the largest account of the Borough, it does not employ the most employees, it does not handle the largest amount of revenue, nor is it as complex to manage as the other funds of the Borough. However, the General Fund is the home of the most basic municipal operations of the Borough. In many towns, the General Fund is the only fund. In most boroughs in Pennsylvania, the General Fund would house almost all the municipal employees and operations. That is not true in Chambersburg. However, the General Fund does house our most basic municipal operations: Police, Emergency Services, Recreation, Highway, Land Use and Community Development and General Government.

2013 General Fund Operating Expenditures		
Police	4,124,112	34.69%
Emergency Services	3,200,317	26.92%
Highway	1,435,221	12.07%
Recreation	1,410,100	11.86%
General Borough	1,339,432	11.27%
Land Use and Community Development	380,570	3.20%
Total General Fund Operations	$11,889,752	100%

Together, Police and Emergency Services account for 61.6% of General Fund Operating Expenditures.

Unfortunately, taxes and fees in th e General Fund are not growing and the cost of operations is growing. Almost all of the taxes collected by the Borough are fixed by State law and cannot be adjusted annually:

Real Estate Tax Revenue

2013	Budget	$	3,734,000	0.30% - Almost no growth
2012	Budget	$	3,723,000	-0.23%
2011		$	3,731,681	0.46%

Real Estate Taxes – Set at 20 mil since 2007, all of the real estate tax is used for one thing, to support the Police Department. Therefore, it is really a **police tax**. It basically will generate the same revenue again in 2013 as it did in 2010, 2011, and 2012. This is the only tax rate that Council can adjust annually.

Deed Transfer Tax Revenue

2013	Budget	$	245,000	-5.77% - Further decrease
2012	Budget	$	260,000	3.25%
2011		$	251,816	-1.60%

Deed Transfer Tax – Paid upon the sale or transfer of real estate this tax's maximum is set by the State at .5% of sale price per transaction (the school district also collects .5%). In 2013, it is anticipated to yield $245,000 as we have not yet seen any significant growth in the Borough real estate marketplace.

Earned Income Tax Revenue

2013	Budget	$	1,500,000	0.00% - No growth
2012	Budget	$	1,500,000	-4.96%
2011		$	1,578,210	5.14%

Earned Income Tax – The earned income tax is a type of income tax levied only on residents' earned income (such as wages, salaries, or other reimbursements for work). The state mandated maximum levy is .5% of earned income with an additional 1.5% for the school district. In 2013, it anticipated to yield $1.5 million and much less than we earned before the economic downturn.

LST (or EMST) Tax Revenue

2013	Budget	$	700,000	-9.68% - Further decrease
2012	Budget	$	775,000	2.13%
2011		$	758,809	4.25%

Local Services Tax – The worker tax paid by a ll workers in the Borough regardless of residence is set by the State at $52 per wor ker per year or $1 per w eek per paych eck; unless the employee feels they are exempt. In 2013, it is anticipated to yield $700,000; which is less t han half what we earned in revenue from this tax in 2007.

Police Fines Revenue

2013	Budget	$	138,000	11.29% - Healthy growth
2012	Budget	$	124,000	4.72%
2011		$	118,413	-14.05%

Police Department Fines – The Police Department is anticipating mild growth in their fine collection due to increased traffic fines; anticipated to earn $138,000 in 2013.

Fire Code Permits & Fees

2013	Budget	$	16,000	357.14% - Significant growth
2012	Budget	$	3,500	21.11%
2011		$	2,890	-43.77%

Fire Code Inspection Fees – The Emergency Services Department began charging for inspections again in 2012, the result has been an increase in these fees; anticipated to earn $16,000 in 2013

Ambulance Billing Revenue

2013	Budget	$	1,000,000	8.93% - Healthy growth
2012	Budget	$	918,000	-1.90%
2011		$	935,822	2.32%

Ambulance Fees – In 2013, it is anticipated that the Ambulance service will have receipts of $1,000,000. This growth is excellent but insufficient to keep pace with the operating expenses growth of the Emergency Services Department.

Summary of General Fund Revenue

General Fund revenue is estimated to be the same in 2013 as in 2012 and 2010; slightly better than 2011 but very similar. Basically, from 2007 to 2010, revenues dropped and from 2010 to now, they have been flat. Despite the best efforts of the Police and Emergency Services Departments to maximize their revenues, this is not an acceptable trend.

In summary, there has been a clear and prolonged decline in tax (non-utility) revenue for the Borough of Chambersburg. In 2013, the gap between revenues and expenditures is filled by the SAFER Grant. Such practice cannot continue beyond 2013.

Summary of General Fund Expenses

87% of General Fund expenses are wages and benefits for employees and 62% of those employees are in the Police Department and the Emergency Services Department; another 12% are in the Recreation Department and the Highway Department each. There are few management employees in the General Fund. There are no clerical employees in the General Fund. The expenditures of the General Fund are attributed specifically to those employees who deliver services to citizens. The General Fund overall is seeing an increase in expenses from $11,115,817 to $11,889,752; only 7% despite state mandated increases in Police wages. The real growth was due to the receipt of the SAFER Grant. The SAFER Grant revenue, saves the fund, saves the Emergency Services Department, and is included in the growth figures.

SAFER Grant Saves the General Fund

In the 2012 budget, Town Council eliminated eight firefighter positions. This was an incredibly difficult decision. At the eleventh hour, just before the layoffs were due to take effect, the Borough received a US Department of Homeland Security Staffing for Adequate Fire and Emergency Response (SAFER) Grant. This award covers the period September 2012 through September 2014 and provides cash resources to

pay for the wages and benefits of eight firefighters. There is no local match but Town Council had to pledge to keep the Emergency Services Department at full staffing until September 2014. This ended the talk of layoffs for now. It also balances the General Fund for 2013 as the Emergency Services Department represents 27% of General Fund expenses.

By our calculations, the SAFER Grant will transfer $766,165 into the General Fund in 2013. While the Emergency Services Department still runs at a deficit (as does the Police Department and of course the Recreation Department), this cash infusion makes all the difference in 2013.

Finally, a word of warning: the SAFER Grant buys the Borough a one-budget-reprieve; and 2013 is that one budget year. Tough decisions about the General Fund and the Emergency Services Department need to be made by this time next year.

Linking Borough Real Estate Taxes to the Police Department Budget

As presented in much further detail under the General Fund budget, Town Council should seriously consider linking the levy of real estate taxes to the Police Department's operating budget. This would be wise because it is a fair and equitable use of a real estate tax; to protect the community. Second, it would eliminate the annual evaluation of the real estate tax because the tax would, be earmarked for, and set to, the cost of operating the Police Department. Third, the Police Department's budget rises due to items not under Town Council control (i.e. Act 111 arbitration decisions, police pension plan, unfunded mandates) and Town Council would be able to offset those costs with an automatic real estate tax adjustment. Finally, there would be no misconception as to why Chambersburg has a local real estate tax and other municipalities do not; it is to fund the Police Department.

As a result, I refer to our local real estate tax as a Police Tax; because, in essence, that is what it has become.

Borough Police Tax Mil Rate						
2006	2007	2008	2009	2010	2011	2012
17	20	20	20	20	20	20

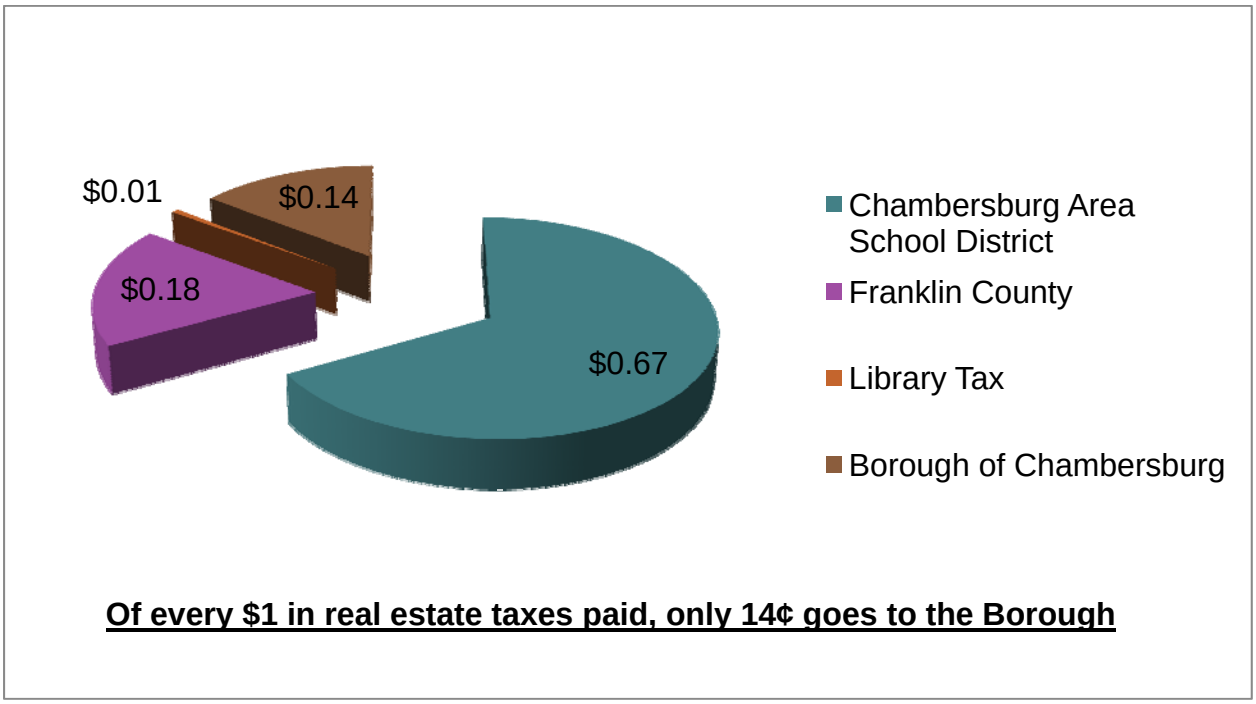
One misconception that confuses the issue of the Police Tax is how to translate the rate (currently at 20 mil) into actual dollars. In Franklin County, the "assessed value" of one's property may be radically different from the "fair market value" of one's property. For example, within the Borough limits, the average single family house has an assessed value of $16,454; obviously you cannot buy a house for that little. That is because our County has not re-assessed real estate since 1961. Regardless, the average single family house, inside the Borough, pays a full value real estate tax bill of only $329; based upon an assessed value of $16,454. To determine your Police Tax bill, take your full real estate tax (local, County, school, and library) and multiply it by 0.14

At $329 per year, the Borough Police Tax does not cover the full cost of the Chambersburg Police Department. I suggest it should be raised to $346 per year.

With no Police Tax increase, the gap between taxes and police expenses might be $166,712 in 2013. Unless other savings are found, Council may need a 1 mil increase just to balance Police Department budget. This would only balance the budget for 2013 and not taking action now might make a bigger problem in 2014.

Further, the Police Chief and Mayor have asked to restore the two police positions eliminated in the 2012 budget. This also cannot be done without a Police Tax increase.

Please note that residents in the Townships do not pay the Police Tax to the Borough of Chambersburg. Also, Borough residents pay much higher taxes to the County and schools. Only 14¢ of every $1 in real estate taxes goes to support the Police Department with the balance going to the County and schools. Also, tax exempt property owners such as schools, government, churches, etc., pay no Police Tax.



Personnel Changes

Unlike previous years, the proposed 2013 budget does not contain significant personnel changes.

- Make a second part time clerical position in the Emergency Services Department into a full time clerical employee. It is my proposal that the current part time employee be replaced by a full time employee recruited from one of the other departments of the Borough. The Administrative Services Department – Clerical Pool budget contains this change.
- Hire and recruit a full time Assistant Water/Sewer Superintendent. It is my proposal that the Borough continue to seek a candidate to assist with this complex budget; especially given the complexity of capital projects it will undertake in the next two years. The Water and Sewer Funds budget contains this position.
- Conduct a regional or national recruitment for a new Finance Director. Mr. Rzomp is due to retire at the end of the year. His position, that of a Chief Financial Officer for a $119 million municipal organization, requires someone of advanced knowledge and training. I suggest Council hire a search firm to conduct this recruitment.

These are the only personnel changes proposed.

No Agreement with AFSCME Local #246 so Extra Holidays in Schedule for Now

In 2011, Town Council and AFSCME Local #246 made a Side Agreement for Additional Holidays. The Borough added five (5) official office holidays beginning in 2012, in exchange for a 2% reduction in the 2012 scheduled AFSCME Local 246 cost-of-living-adjustment (COLA) from 4% to 2%. Those holidays are:

- Columbus Day
- The day after Thanksgiving
- The Monday after Thanksgiving
- Christmas Eve Day
- New Years Eve Day

The Agreement stated that unless these new holidays were incorporated in the new labor agreement, they would not be honored past 2012. As of now, there is no new labor agreement. So, if October 2013 arrives and there is still no new labor agreement, the Borough will continue to close on these holidays.

During these holidays, administrative offices will be closed but these holidays do not impact the Chambersburg Police Department, Emergency Services Department, or the Borough's Customer Service Center, which is open 24-hours per day, 365-days per year.

Lack of Labor Agreements Complicate 2013 Budget Outlook

As this budget is produced, only the Police Department employees covered by the Chambersburg Police Officers Association have a labor agreement for 2013. Further, that agreement was forced upon the Borough as a result of Act 111 Interest Arbitration in 2011.

Those Emergency Services Department employees covered by the International Association of Fire Fighters (IAFF) Local #1813 have had no labor agreement since January 2012. A Pennsylvania Act 111 Arbitration Panel will likely force an award on the parties sometime in 2013 retroactive to January 2012. If that forced award contains additional wages or benefits for 2012 or 2013, this budget will be thrust into disarray.

Further, those Highway, Recreation, utility department, and internal service fund department employees covered by the American Federation of State, County and Municipal Employees Local #246 will have no labor agreement effective January 2013. These employees, unlike Police and Fire employees do not have the right of a state forced award. However, the Borough has no idea how long negotiations may last with this union. If the union and Town Council agree to any additional wages or benefits for 2013, not already reflected in this budget, then this budget will be thrust into disarray.

This uncertainty is staggering given that 87% of the Borough's budget is wages and benefits. Further, it is particularly staggering for the General Fund because so many employees have uncertain wages and benefits in the General Fund for 2013.

By the way, for the first time in recent history, I am suggesting that the Borough Solicitor ask Town Council to create a wage and benefit package for clerical, technical, and management employees of the Borough so they may have a certain wage and benefit package for 2013. In years' past, these employees received exactly whatever wages and benefits were agreed upon by AFSCME Local #246. However, it is unfair for the clerical, technical, and management employees to be held hostage by the uncertainty of the

AFSCME Local #246 bargaining process. These employees are not represented by any union and therefore Town Council may unilaterally impose their wages and benefits.

Wage Increases for 2013

Chambersburg Police Officers Association- Imposed by Arbitration Panel

	2011	2012	2013
Wages	0%	+2.5% more	+3.5% more
CPOA Employee Contribution to Pension Plan	0%	-2%	No change: 2%
Median CPOA Employee Share of Health Insurance	0%	-0.8%	-0.2% more, 1%

International Association of Fire Fighters (IAFF) Local #1813 – Contract ended January 2012

	2011	2012	2013
Wages	+4%	?	?
Local #1813 Employee Contribution to Pension Plan	No change: 5%	?	?
Median ES Dept. Employee Share of Health Insurance	0%	?	?

In the 2013 proposed budget, these employees were assumed to receive no wage increase for 2013

American Federation of State, County and Municipal Employees Local #246
– Contract ends January 2013

	2011	2012	2013
Wages	+4%	+2%	?
Local #246 Employee Contribution to Pension Plan	0%	0%	?
Median Local #246 Employee Share of Health Insurance	Approx. 1%	No change: 1%	?

In the 2013 proposed budget, these employees were assumed to receive a 1.5% wage increase for 2013

Clerical, Technical, and Management Employees – Non-bargaining employees decided by Council

	2011	2012	2013
Wages	+4%	0%	?
Non Bargaining Employee Contribution to Pension Plan	0%	0%	?
Non Bargaining Employee Share of Health Insurance	Approx. 1.1%	No change: 1.1%	?

In the 2013 proposed budget, these employees were assumed to receive a 1.5% wage increase for 2013

Just for Budget purposes, those employees covered by the American Federation of State, County and Municipal Employees Local #246 and non-bargaining employees were assumed to receive **a 1.5% wage increase and 1.5% deduction for pension benefits** in the proposed budget; but all were just assumptions.

If the union and Town Council agree to any additional wages or benefits for 2013, not already reflected in this budget, then this budget will be thrust into disarray.

Conclusion

In the past few years, Chambersburg was able to stave off fiscal calamity by using our accumulated financial reserves, our rainy day funds, to prevent cuts or revenue increases. The enterprise funds are sound and addressing their individual challenges. Overall the Borough is fiscally healthy but our General Fund, the main governmental fund, is in a significant situation that requires action.

The Borough's finances are sound but require planning for the future. This is not a disaster but rather an opportunity.

Staff is proposing a budget that includes the following highlights:

- A reduction to the electric rate by 10%
- No change to the gas rate
- No change to the water rate
- No change to the sewer rate
- An increase in the Trash fee to $14 per month

Chambersburg would still have the lowest composite utility rates in Pennsylvania.

With respect to the General Fund, the 2013 Borough Manager's proposed budget contains no tax increases but a Police Tax increase is suggested:

1. Town Council should link the real estate tax levy to the Police Department operating budget and raise the Police Tax by 1 mil from 20 mil to 21 mil (average tax bill from $329 to $346 per year).
2. The Mayor and Poli ce Chief have asked to restore th e two officer positions cu t from the bud get last year and the cost of this would be 3.5 mil (average tax bill from $329 to 387 per year).
3. The SAFER Grant saves the Emergency Services Department and the General Fund for one more year. What happens next?

I would like to take this opportunity to thank all involved in preparing this proposed budget, especially Casimir Rzomp Jr., Finance Director, Rachel Krum, Staff Accountant, Janine Shoap, Budget Analyst, Jamia Wright, Borough Secretary, Jody Mayer, Assistant Borough Secretary, Kristine Baker, Human Resources, and Shawn Chilcote, Computer Programmer/Network Specialist. I would also like to thank those members of Town Council who provided ideas and guidance through this process.

I propose that Town Council authorize advertisement of this Proposed Budget on November 5, 2012. Once the public has had adequate time to review the document, I propose Council adopt it on December 10, 2012. I promise staff's full cooperation as we try, together, to be fiscally prudent with the finances of our community as we plan for its future.

Sincerely,

Jeffrey Stonehill
Borough Manager/Director of Utilities

11/5/2012

Mission, Policies, and Organization

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

Mission, Policies, and Organization

As Proposed for 2013

The Borough of Chambersburg is a full service municipality organized under the Pennsylvania Borough Code to serve the citizens and businesses of Chambersburg. The Borough maintains a staff of over 200 full and part time employees to serve the community. Most borough operations are conducted through offices located at 100 South Second Street, Chambersburg's historic City Hall. The staff is dedicated to serving your needs.

As a full service municipality, Chambersburg supplies a wide variety of services; more services than any other municipality in the Commonwealth. In addition to typical municipal services such as highway (58 miles of streets), storm water collection system, planning, zoning, and code enforcement, Chambersburg operates our own Police force, a combination paid and volunteer Fire Department, a Basic Life Support EMS service, a recreation department with acres of parkland, downtown parking program, community and economic development including a Main Street downtown revitalization effort and an Elm Street neighborhood preservation program, and four utilities. Chambersburg is the only municipality in Pennsylvania to operate an Electric Utility, a Natural Gas Utility, a Water Utility, a Sanitary Sewer Utility, and a residential/commercial solid waste trash program. We are one of only 35 municipal electricity communities in Pennsylvania and the largest of the group in terms of customers. We are one of only two municipal natural gas utilities and the other, City of Philadelphia, does not operate its own electric system.

Situated as the County Seat of Franklin County, Chambersburg is a large and diverse community. Sometimes dealing with city issues, Chambersburg borough still maintains a small-town quality of life. According the PA Department of Community and Economic Development, boroughs are the second most common form of municipal government in Pennsylvania, their number exceeded only by the number of second class townships. The 962 boroughs represent 37.5% of all general-purpose municipal governments in Pennsylvania. Chambersburg had a population (2010 census) of just over 20,000 residents.

Chambersburg operates under the Council-Manager form of government. The Chief Administrative Officer of the organization is the Borough Manager, appointed by and serving at the pleasure of a majority of the Town Council. The Council, currently ten members, is elected by Wards for four year terms. The Council elects one of their own to serve as Council President, Council Vice-President, and Chairman and Vice-Chairman of the Finance Committee. The Council serves as the legislative and quasi-judicial branches of local government. Their mission is to preserve the fiscal security of the Borough and set long term objectives and goals for staff. They also engage in all types of community planning.

The Mayor is independently elected. Pursuant to the Pennsylvania Borough Code, the Mayor is the supervisor of the Borough Police Department, joins Council meetings as a non-voting member, and may approve local laws adopted by Council. The Mayor also serves as a dignitary representing the community.

BOROUGH OF CHAMBERSBURG

Our Mission

The Borough of Chambersburg is a municipal government in south central Pennsylvania committed to the well being of those people who live, work, play and travel in the community. We will strive to:

- Furnish such quality service as our citizens may want at a cost they may approve.
- Manage our human, financial and physical resources in the most efficient and effective manner.
- Treat our employees, citizens and visitors with fairness, respect and equality.
- Protect persons, property and quality of life.
- Operate in accordance with the laws and constitutions of the Commonwealth of Pennsylvania and the United States of America.
- Make Chambersburg the model for Pennsylvania communities.

Borough Fiscal Calendar

(Borough Code is cited below as B.C.)

www.newpa.com/get-local-gov-support/local-government-law-library/index.aspx

Fiscal Year:	January 1 through December 31
Prepare Proposed Budget: (B.C. Section 1307)	Beginning at least 30 days prior to adoption of budget.
Publish Notice of Proposed Budget: (B.C. Section 1308)	Before a 10-day public inspection period.
Public Inspection of Proposed Budget: (B.C. Section 1308)	For 10 days after notice.
Adopt Budget and Tax Ordinance: (B.C. Section 1310)	Budget must be adopted not later than December 31; tax ordinance to be adopted after adoption of budget.
Amending budget in years following municipal election (November of the odd numbered year): (B.C. Section 1311)	During month of January.
Proposed amended budget available for public inspection: (B.C. Section 1311)	10 days after notice is published.
Adopt amended budget: (B.C. Section 1311)	On or before February 15.
Issue tax duplicate to tax collector: (B.C. Section 1305)	Within 30 days after budget adoption or receipt of assessment roll, whichever is later.
Tax billing by tax collector: (Local Tax Collection Law)	Within 30 days after receiving tax duplicate, or 15 days if received after June 16.
Completion of audit by auditors or controller: (B.C. Section 1041[b])	Within 90 days after close of fiscal year.
File copies of audit report with borough secretary, clerk of court of common pleas, Department of Community and Economic Development and Department of Transportation: (B.C. Section 1041[d])	Not later than 90 days after close of fiscal year.
Auditors publish concise financial statement: (B.C. Section 1043)	Within 10 days after completion of the audit.
Appeal to court of common pleas from report: (B.C. Section 1044)	Within 40 days after filing of the auditor's report in court of common pleas.

BOROUGH OF CHAMBERSBURG
FINANCIAL POLICY STATEMENT

The Borough of Chambersburg has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely, and to plan for the adequate funding of services as desired by the public through their elected representatives, the Town Council. The financial goals and policy statement of the Borough is adopted concurrently with the formal adoption of the annual budget.

BOROUGH OF CHAMBERSBURG
FINANCIAL GOALS

Financial goals are broad and fairly timeless statements of the financial position of the municipality. The financial goals of the Borough of Chambersburg are as follows:

- To deliver quality services effectively and efficiently providing full value for each tax dollar, service fee, or other income collected;
- To maintain an adequate financial base to sustain the desired municipal services of the community; thereby preserving quality of life;
- To have the ability to withstand local and regional economic trends, to adjust our needs and requirements accordingly, and to respond to changes in a proactive and aggressive manner;
- To be conservative in our approach to financial management, to be open, transparent, and communicative whenever possible;
- To plan for impacts on future generations, to manage growth and change, and to never be impulsive with the people's trust.

BOROUGH OF CHAMBERSBURG
OPERATING POSITION POLICY

Operating position refers to the Borough's ability to (1) balance its budget on a current basis, (2) maintain reserves for emergencies, and (3) maintain sufficient cash to pay its bills in a timely basis (liquidity).

- The Borough will pay all current operating expenditures with current operating revenues. Budgetary procedures that fund current expenditures at the expense of future needs will be avoided.

- The Borough will establish a contingency reserve in the annual operating budget to: a) provide for non-recurring unforeseen expenditures of an emergency nature; b) provide orderly budgetary adjustments when revenues are lost through the actions of other governmental bodies; c) provide the local match for public or private grants that may become available; and d) to meet unexpected small increases in service delivery costs. This reserve will be maintained at one percent (1%) of the general operating budget.

- The Borough will strive to maintain the unreserved, undesignated fund balance of the General Fund at a level of at least equal to five percent (5%) of the total General Fund budget.

- The Borough will use fund balances for one-time capital or emergency expenditures only if: a) they are surplus balances remaining after all reserve and fund allocations are made; or b) the Borough has made a rational analysis with justifying evidence that it has an adequate level of short- and long-term resources.

- The Borough will prepare a cash-flow analysis of all funds on a regular basis. Disbursements, collections and investments will be managed to provide sufficient cash for daily financial needs.

- The Borough will prepare quarterly reports summarizing operating revenues and operating expenditures, as well as major balance sheet items to the extent practical.

BOROUGH OF CHAMBERSBURG
REVENUE POLICY

Revenues determine the Borough's capacity to provide services.

- The Borough will strive to maintain a diversified and stable revenue base as protection from short-term fluctuations in any one revenue service.

- The Borough will project revenue for the General Fund and all operating funds each year for at least the next three years. Each existing and potential revenue source will be re-examined each year. Revenue estimates will be conservative and developed in an objective and reasonable manner.

- The Borough will strive to reduce reliance on the property tax by: a) expanding and diversifying the Borough tax base; b) seeking to develop additional revenue sources; c) seeking enabling legislation for alternate local taxes; and d) being aware of and considering all meaningful, appropriate grants for which it is eligible.

- The Borough will strive to maintain the annual rate of property tax collections at 99%.

- The Borough will carefully and routinely monitor receivables and manage collection of amounts due.

- The Borough will use one-time or special purpose revenues to finance capital projects or for expenditures required by the revenue, and not to subsidize recurring personnel, operating or maintenance costs.

- Proceeds from the sale of Borough surplus properties, when not otherwise earmarked or legally designated to another fund, will be transferred to the capital reserves.

- The general governmental functions will strive to recover, on average, a minimum of 35% percent of total costs by generating revenues through fees and charges for special programs or the use of Borough facilities and equipment.

- Our Enterprise Funds will generate revenue sufficient to support the full direct and indirect costs of not only utility operation but a Payment in Lieu of Taxes (PILOT) contribution to the General Fund.

- The Borough will periodically review its financial structure and related administrative measures to ensure that they act as appropriate deterrents to acts by the public which violate the Borough's local Code of Ordinances.

BOROUGH OF CHAMBERSBURG
EXPENDITURE POLICY

Expenditures are rough measures of the Borough's service output. The expenditure policy also attempts to measure how effective the services are and how efficiently they are delivered.

- The Borough will maintain a balanced annual operating budget in all governmental funds.
- The Borough will pay for all current operating and maintenance expenses from current revenues and other financing sources.
- The Borough will integrate performance and productivity measures into the budget where possible.
- The Borough will determine the cost of all internal services, including overhead, and seek complete reimbursement of such services.
- The Borough will provide adequate funding for all employee benefits in the annual operating budget.
- The Borough will maintain a budgetary control system which will enable it to adhere to the adopted budget.
- The Borough will maintain a payment review and approval process with special emphasis on large payments to ensure accuracy.
- The Borough will encourage the delivery of services, in whole or in part, by other public and private organizations whenever and wherever greater efficiency and effectiveness can be expected.
- The Borough will utilize technology and productivity advancements that will help reduce or avoid increasing personnel costs.
- The Borough will maintain an effective risk management program to minimize losses and reduce insurance costs.
- The Borough will seek arrangements to share services with other municipalities where costs are reduced.

BOROUGH OF CHAMBERSBURG
DEBT POLICY

Debt is an effective way to finance capital improvements, but its misuse can cause serious financial problems.

- The Borough will not use short-term borrowing to finance operating needs except in the case of extreme financial emergency. Short-term borrowings include budget, tax and revenue anticipation notes.

- The Borough will use long-term debt for only those capital improvements that cannot be readily financed from current revenues.

- The final maturity date for any long-term debt will not exceed the expected useful life of the capital improvement so financed.

- The net (non-self supporting) general obligation debt of the Borough will not exceed 5% of the total assessed value of taxable property; or $500 per capita.

- The Borough will use special assessments, revenue bonds, and/or any other available self-liquidating debt instruments instead of general obligation bonds whenever possible and appropriate.

- The Borough will encourage and maintain good relations with Finance and Bond rating agencies, and will follow a policy of full and open disclosure on every financial report and bond prospectus.

BOROUGH OF CHAMBERSBURG
CASH POLICY

The timely deposit and investment of Borough monies are an important fiscal responsibility.

The Borough's investment policy is guided by four fundamental principles: legality, safety, liquidity and yield.

- The Borough will deposit its monies only in bank or trust companies located and authorized to do business in Pennsylvania; and authorized as an official Borough depository by the Town Council.
- The Borough will invest its monies only in those investment vehicles authorized by State statutes.
- The Borough will collateralize all deposits and investments at 105% of the market value of such deposits and investments.
- The Borough will prepare a cash flow analysis of all funds on a regular basis.
- Disbursements, collections, deposits and investments will be managed to ensure maximum cash availability.
- The Borough will pool cash from its various funds to obtain the maximum possible return on its investments. Interest will be credited to the source of the invested monies.
- Interfund cash loans will be recognized and repaid as if the loans were with outside agencies.

BOROUGH OF CHAMBERSBURG
LIQUID INVESTMENTS POLICY

The Borough maintains liquid financial resources and those resources are invested while in holding. The following, other than State law, guides this practice:

- The Borough will not invest in the following:
    - Options or futures contracts;
    - Non-marketable securities;
    - Un-registered securities;
    - Derivatives;
    - Private placements;
    - Speculative Real Estate (excluding diversified REIT mutual funds);
    - Short selling or the purchase of securities on margin or swaps;
    - Commodities other than those necessary for operating;
    - Oil, gas, timber, or natural resource properties or other mineral rights;
    - Warrants;
    - Venture capital;
    - Securities lending;

- The on-going monitoring of investments must be a regular and disciplined process. It is the mechanism for revisiting the investment option selection process and confirming that the criteria originally satisfied remain so and that the investment continues to be a prudent investment. While frequent change is neither expected nor desirable, the process of monitoring investment performance relative to specified guidelines is an on-going process. The Finance Director shall periodically monitor and address the criteria used in the investment selection process. It is possible that for a short period of time a recommended investment may fall outside of the range of the investment guidelines. This investment will be scrutinized closely to determine the reason for fluctuation, the amount of divergence, and the time period that is anticipated the investment will remain at levels outside of the guidelines. Any exception to the investment guidelines will be properly documented.

- The Finance Director shall submit a report that will highlight the investment guidelines set forth in this Investment Policy. Any exception to the investment guidelines and a recommended course of action will also be addressed in writing. The Town Council may review the investments in a timely manner. The Town Council may, on a quarterly basis, evaluate each investment in terms of its performance compared to relevant market indices and peer groups over trailing three-, five-, and ten-year periods. Greater weight will be given to five- and ten-year performance, since longer-term market cycles are more meaningful. Investments consistently under-performing in terms of risk and return will be carefully scrutinized to determine if action is warranted. Both the Finance Director and Town Council will maintain a copy of this policy for their files.

BOROUGH OF CHAMBERSBURG
FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS POLICY

In Accordance With
Governmental Accounting Standards Board (GASB) Statement No. 54

In accordance with the Governmental Accounting Standards Board statement number 54, the Borough of Chambersburg hereby adopts this fund balance policy. The Borough hereby establishes and will maintain reservations of fund balance in the manner further described herein. This policy is limited to the Borough's "governmental funds". The components of the fund balance will be identified and reported as non-spendable, restricted, committed, assigned and unassigned amounts. These components within the fund balance are used to identify the availability of resources and the corresponding limitations on spending decisions.

Another purpose of this policy is to establish guidelines for maintaining a sufficient fund balance to mitigate the financial risk that can occur from unforeseen revenue fluctuations and unanticipated expenditures. An adequate fund balance also provides cash liquidity necessary for the smooth operation of the general fund.

Fund balance is a measurement of available financial resources and is the difference between total assets and total liabilities within a fund.

The amounts within the fund balance are classified by the relative strength of restraints placed upon those funds. This is a categorization of the purposes for which those specific amounts can be spent. Starting with the most "binding" constraints with which the fund balance amounts shall be reported, the following are the required classifications of fund balance:

- Non-spendable - amounts that cannot be spent because they are not in a spendable form or are limited by contract and are legally required to remain intact. Examples of non-spendable assets are: inventories, prepayments, and the principal of a permanent fund
- Restricted - amounts limited by external parties or legislation. Examples of restricted assets are grants and donations with certain limitations.
- Committed - amounts limited by Borough Council policy or their specific action. An example of a committed resource would be an allocation of funds for an anticipated purchase or project.
- Assigned - amounts earmarked for a particular purpose and specifically intended to be used some time in the future.
- Unassigned - amounts available for expenditure and not at all restricted or limited in any manner. This would include any residual funds remaining at year end.

<u>Order of Spending</u>

Restricted and unrestricted funds

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the Borough's policy is to spend those resources the following order:

1. Restricted
2. Unrestricted

Unrestricted - Unassigned, Assigned, Committed

Unless a Borough Councilor or the Town Council or the Borough Manager approves use of committed or assigned resources, the Borough policy is to spend unrestricted resources in the following order:

1. Unassigned
2. Assigned
3. Committed

Delegation of Responsibility

The responsibility for designating funds to specific classifications shall be as follows:

1. Restricted - may be determined by Borough Council
2. Committed - may be assigned by Borough Council
3. Assigned - may be assigned by Borough Council

Minimum Fund Balance Requirements

A minimum of 5% of the total budgeted expenditures (including interfund transfers out) shall be budgeted as the residual unassigned fund balance at year end.

Whenever a situation occurs whereas the minimum required fund balance will not be attained, whether in the budget process or during operation of the current year, certain actions shall be ordered by Borough Council. The three methods that can be employed in increasing the fund balance would be the following:

1. Increasing general fund revenues via tax or other revenue increases. These would basically be increases in tax rates and/or charges for services.
2. Decreasing general fund expenditures.
3. Increasing transfers (not requiring repayment) from other Borough funds.

BOROUGH OF CHAMBERSBURG
POST-ISSUANCE DEBT COMPLIANCE POLICY

This policy has been established by the Borough of Chambersburg to ensure post-issuance compliance for tax-exempt bonds or notes and taxable bonds or notes that have been or will be issued by the Borough of Chambersburg. This policy may be amended from time to time by the Borough of Chambersburg.

I. *Purpose*

The purpose of these post-issuance compliance policies (the "Policies") for tax-exempt bonds or notes and taxable bonds or notes (to the extent applicable) that have been, and will be, issued by the Borough of Chambersburg (the "Issuer") is to ensure compliance with (a) federal tax rules pertaining to expenditure of proceeds for qualified costs, rate of expenditure, use of bond financed property, investment of proceeds in compliance with arbitrage rules, and retention of records; (b) disclosure requirements as to all obligations issued by the Issuer to which such disclosure requirements apply; and (c) all miscellaneous state law and document requirements during the term of any Issuer financing.

II. *The Post-Issuance Compliance Coordinator*

The Post-Issuance Compliance Coordinator has the overall, final responsibility for monitoring whether the tax-exempt bonds or notes and any taxable bonds or notes (to the extent applicable) issued by the Issuer continue to comply with post-issuance requirements.

1. The Post-Issuance Compliance Coordinator (the "Coordinator") will be appointed by the Council of the Issuer (the "Council") at a regularly scheduled and duly held meeting. This person will be the individual who will be responsible for (whether by undertaking or by designating) the required monitoring activity, and the required reporting and disclosure activity.
2. The Coordinator will determine how often a review of tax-exempt bonds or notes and taxable bonds or notes should be conducted. While any tax-exempt bonds or notes and taxable bonds and notes are outstanding, reviews shall be conducted at least annually.
3. The Coordinator will form a Post-Issuance Compliance Team (the "Team") and appoint individuals to the Post-Issuance Compliance Team (each a "Team Member"), as the Coordinator believes are appropriate to implement the Policies. The Coordinator will communicate with the members of the Team when necessary. Initially, the Team shall consist of the Borough Manager and Borough Treasurer. The Team may consult with third parties as they deem necessary to effectuate post-issuance compliance.
    a. Before any new issuance of debt, the Coordinator may hold a debt strategy meeting to coordinate the Issuer's long-term debt strategy. That meeting may include, as determined by the Coordinator, the Issuer solicitor, the underwriter of the debt (if applicable), the Issuer's bond or note counsel and such other persons as determined necessary by the Coordinator.
    b. After any new issuance of debt, the Coordinator will identify the required monitoring activities and a schedule for such monitoring activities, and undertake or designate each required activity to a responsible Team Member.
    c. The Coordinator will periodically attend relevant training sessions to remain informed of the laws and regulations affecting tax-exempt and taxable bond issues (if any), as those laws may change.
4. Responsibilities of the Team include:
    a. Investment of Proceeds;
    b. Project completion, and other expenditure of proceeds, if applicable;
    c. Post-completion final tax allocation, if any;
    d. Rebate compliance;
    e. State law allocations and reporting;
    f. Bond financed property and other bond issue inventory;
    g. Private use monitoring;
    h. Arbitrage/ sinking fund/ replacement proceeds monitoring;
    i. Development of comprehensive annual monitoring, reporting and testing schedule;

j. Rating agency and bond insurer surveillance;
k. Project change of use or project disposition;
l. Record retention policies;
m. Tax returns;
n. Continuing disclosure; and
o. Annual covenant compliance review, including tax covenants.

Certain of these responsibilities are more fully described below.

5. The Coordinator will engage, as necessary, periodic Issuer solicitor or bond counsel reviews, including its review of any proposed change in the use of bond proceeds, or material amount of private business use.

III. *Identifying Required Monitoring Activity and Schedule Reviews*

1. Identify all financing obligations, including tax-exempt bonds and notes and taxable bonds and notes (including TANs / RANs, and Small Borrowings). (For purposes of these Policies, and where applicable, the term "bonds" also refers to "notes.")
2. The Issuer will establish routines for monitoring on-going compliance that are consistent with discovering any noncompliance in a timely manner so that it may be corrected. While specific review processes are described in detail below, timing for certain reviews will be as follows:
   a. All contracts, leases or other arrangements providing special legal entitlement to use of bond-financed facilities will be reviewed prior to execution to ensure that they will not cause private use limits to be exceeded with respect to any issue of bonds.
   b. With respect to each bond issue, the Issuer will ensure that it understands at the time of bond closing which funds and accounts containing bond proceeds may become subject to yield-restriction investment rules and will keep on file when such rules will begin to apply.
   c. While rebate calculations may be performed more often, the Issuer will ensure upon the fifth anniversary date of the issuance date of the bonds, every five years thereafter, and upon final retirement of the bonds, that either no rebate is owed or provision has been made for the payment of any rebate owed within 60 days. The Issuer will consult with and retain appropriate rebate calculation professionals necessary to assist in this undertaking.
   d. Prior to executing any contract, lease or other document which would materially change the use of the bond-financed project or selling of any bond-financed property, the Issuer will (i) confirm that such change will not require a remedial action to be taken with respect to any bond issue, (ii) take a remedial action, if necessary, or (iii) discuss with bond counsel whether a voluntary closing agreement with the Internal Revenue Service is appropriate.

IV. *Record Retention Program*

1. It is the policy of the Issuer that written records (which may be in electronic form) will be maintained with respect to each issue of tax-exempt bonds or notes for as long as such bonds remain outstanding, plus six years. For this purpose, such bonds include refunding bonds that refund the original bonds and thereby refinance the property that was financed by the original bonds.

   The Coordinator (or designate) shall create a file for each series.

   The following records shall be collected and maintained with each file, whether in unified form or by separate members of the Team:
   a. The official Transcript of Proceedings for the original issuance of the bonds;
   b. All documents regarding investment of bond proceeds and investment income, including purchases or sales of investments made with bond proceeds (including amounts treated as “gross proceeds” of bonds under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code")) and receipts of earnings on those investments;
   c. All documents (if any) regarding bidding for GICs, bidding for open market escrow securities, or bidding for any other investments;
   d. All records regarding expenditure of bond proceeds, including invoices and/or requisitions for: costs of issuance, credit enhancement, a debt service reserve fund,

construction period interest, project expenditures, and any other expense until the final allocation of proceeds (including investment earnings on bond proceeds);

e. All records pertaining to project draw schedules, construction contracts, contracts regarding acquisitions of property or equipment;
f. Depreciation schedules regarding bond financed property or equipment;
g. All documents relating to security for the bonds;
h. All documents relating to any swap or other hedge or derivative agreements, including the bidding thereof;
i. All documents regarding periodic interest rates on variable rate bond issues;
j. All trustee records and reports;
k. All documents relating to yield calculations;
l. All documents relating to arbitrage compliance and to any spend-down calculations, rebate calculations and/or payments, or yield reduction payments, including computations, legal opinions and IRS Forms 8038-T;
m. Records regarding payment of debt service on the bonds; and
n. All records regarding third party use of the bond financed facilities beginning with policies and form contracts, including:

Service contracts, management contracts, sales or disposition of bond financed facilities, leases, subleases, leasehold improvement contracts, joint venture contracts relating to bond financed facilities, LLC contracts relating to bond financed facilities, partnership agreements relating to bond financed facilities, any other documents relating to private use of bond financed facilities.

The basic purpose of the foregoing record retention policy for the tax-exempt bonds issued by the Issuer is to enable the Issuer to readily demonstrate to the Internal Revenue Service upon an audit of any tax exempt bond issue that the Issuer has fully complied with all federal tax requirements that must be satisfied after the issue date of such bonds so that, as applicable, interest on those bonds continues to be tax-exempt under section 103 of the Code.

Note: If records are kept electronically, refer to Rev. Proc. 97-22, Section 4.01.

The Coordinator may elect, to the extent the Coordinator deems necessary, to extend the Record Retention Program to those taxable bonds and notes issued for the benefit of the Issuer.

V. *Tax Requirements Associated with Sale and Issuance of Bonds or Notes*

1. The "issue price," as defined in the Code, of the bonds will be documented at the time of issuance. Certifications of an underwriter if applicable, placement agent or purchaser and a final numbers package will establish "issue price" and will be reviewed and included in the bond transcript or other records maintained for the bond issue.
2. The weighted average maturity (taking into account the various issue prices of the maturities of the bonds) will be documented at the time of issuance.
3. An estimated average economic life of the expected bond-financed projects will be documented at the time of issuance.
4. Form 8038-G (tax exempt bonds) will be reviewed and filed not later than the 15th day of the 2nd calendar month following the quarter in which the bonds were issued. Filing of appropriate version or versions of Form 8038 will be confirmed with bond counsel.

VI. *Expenditure of Proceeds*

The Issuer shall maintain detailed records of expenditures of tax-exempt bond proceeds, and such expenditures will be reviewed by the Coordinator, or the designated Team Member.

1. Bond proceeds will be disbursed pursuant to an approved form of requisition as prepared by bond or note counsel, stating the date, amount and purpose of the disbursement. Any initial disbursement of bond or note closings may be made pursuant to direction set forth in the Closing Receipt, Closing Statement and Settlement Reconciliation prepared by bond or note counsel and delivered at the closing for such bonds.
2. Requisitions must identify the financed property in conformity with the Tax Certificate or Non-Arbitrage Certificate executed by the Issuer at closing, including any certifications as to the character and average economic life of the bond or note financed property.
3. Investment earnings on sale proceeds of the bonds or note will be tracked and will be requisitioned only for appropriate expenditures.

4. Only a small portion (5 %) of the proceeds of bonds or notes for construction may be used for operating expenses or other "working capital" costs. Requisitions for costs of the bond financed facilities will accordingly be monitored to confirm that they are for capital costs of such facilities.
5. Requisitions for costs that were paid prior to the issuance of the bonds or notes are, in general, limited to capital costs paid subsequent to, or not more than 60 days prior to, the date a "declaration of intent" to reimburse the costs was adopted by the Issuer. If proceeds are used for reimbursement, a copy of the declaration will be obtained and included in the records for the bonds or notes, if not already part of the closing transcript for the bonds or notes.
6. Requisitions will be summarized in a "final allocation" of proceeds to uses not later than 18 months after the in-service date of the financed property (and in any event not later than 5 years and 60 days after the issuance and delivery of the bonds or notes).
7. Expenditure of bond or note proceeds will be measured against the expectations as set forth in the Tax Certificate (or Non-Arbitrage Certificate) as to the spending of bond or note proceeds. Expected expenditure schedules, project timelines, and plans and specifications will be maintained to support expectations. Reasons for failure to meet the expected schedule will be documented and retained in the records for the bonds or notes.
8. Expenditure of bond or note proceeds will be monitored for compliance with spending exceptions to the rebate requirement, as follows:
    a. If the 6-month spending exception to rebate applies, expenditure of the bond or note proceeds (excluding bona fide debt service funds) will be at least 100% complete within 6 months of the date of issuance.
    b. If the 18-month spending exception to rebate applies, expenditure of bond or note proceeds will be monitored against the following schedule for the arbitrage rebate exception for the issue, if applicable:
        15% within 6 months
        60% within 12 months
        100% within 18 months
    c. If the 2-year spending exception to rebate applies, expenditure of "available construction proceeds" will be monitored against the following schedule for the arbitrage rebate exception for construction issues if applicable:
        10% within 6 months
        45% within 12 months
        75% within 18 months
        100% within 24 months
9. Bond-funded reserve funds, if any, cannot exceed the least of (i) 10% of the par amount of the bonds or notes (or the issue price of the bonds or notes, if there is more than a de minimis amount of original issue discount or premium), (ii) maximum annual debt service, and (iii) 125% of average annual debt service. The initial funding of any reserve fund will be measured against this limit.

VII. *Arbitrage Yield Restriction and Rebate Requirements*

1. The Coordinator, or the designated Team Member, shall create and maintain records of:
    a. Purchases or sales of investments made with bond or note proceeds (including amounts treated as "gross proceeds" of bonds or notes under Section 148 of the Code) and receipts of earnings on those investments;
    b. The final allocation of the proceeds (including investment earnings on bond or note proceeds), of obligations issued by the Issuer;
    c. Information, when applicable, showing that the Issuer was eligible for any exemptions to the rebate requirements that were or will be claimed under the Code;
    d. Information, when applicable, sufficient to demonstrate to the Internal Revenue Service upon an audit of a bond or note issue that the bond or note issue has complied with one or more available spending exceptions to the arbitrage rebate requirement with respect to that bond or note issue;
    e. Information and calculations, when applicable, that will be sufficient to demonstrate to the Internal Revenue Service upon an audit of a bond or note issue, for which an

exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America with respect to investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the Internal Revenue Service; and

f. Information and records showing that (i) investments held in yield-restricted advance refunding or defeasance escrows for bonds or notes, and (ii) investments made with unspent bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments.

2. If, from examination of the above-referenced records, it becomes clear that a payment is owed, the Coordinator will refer the matter to bond or note counsel or a rebate professional and will ensure that all necessary payments are made in a timely manner.

VIII. *Use and Ownership of Bond-Financed Property*

Use of bond-financed property when completed and placed in service will be reviewed by the Coordinator, or the designated Team Member.

1. Average use of bond-financed property for a private business use over the life of the issue cannot exceed 10% of the proceeds (including up to 2% for costs of issuance).
2. Average use of bond-financed property for a private business that is unrelated or disproportionate to the Issuer's use over the life of the issue cannot exceed 5% of the proceeds (including up to 2% for costs of issuance).
3. The Coordinator, or the designated Team Member, shall determine the Issuer's compliance with the 10% and 5% requirements in accordance with Section 141 of the Code and the regulations thereto.
4. Agreements with business users or non-profit organizations for lease or management or service contracts, sponsored research, naming rights or any other potential nonexempt use of bond-financed property will be reviewed prior to execution of any contract to determine if property subject to the agreement is bond-financed.
5. Agreements with business users or other non-profit organizations for lease or management or service contracts or other private business use involving bond-financed property will be tracked and aggregated with other private business uses for compliance with the limits as set forth in the Tax Certificate or Non-Arbitrage Certificate.
6. No item of tax-exempt bond-financed property will be sold or transferred to a non exempt party without (i) an opinion of bond counsel that such sale or transfer will not cause interest on the bonds to cease to be tax-exempt; or (ii) advance arrangement of a "remedial action" under the applicable Treasury Regulations after consultation with bond counsel.
7. To the extent that the Issuer discovers that any of the above limitations have been violated, the Issuer will seek advice of the Issuer solicitor or bond counsel and take appropriate measures to remediate the violation, if necessary.

IX. *Investments*

Investment of bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the Coordinator, or the designated Team Member.

1. Guaranteed Investment Contracts ("*GIC*") will be purchased only using the three-bid "safe harbor" of applicable Treasury regulations (*see* Treas. Reg. § 1.148-5(d)(6)(iii)), in compliance with fee limitations on GIC brokers (see Treas. Reg. § 1.148-5(e)(2)(iii)); provided, however, that to the extent that the safe harbor provisions cannot be met, the Issuer will consult with the Issuer solicitor or bond counsel.
2. Other investments will be purchased only in market transactions.
3. Calculations of rebate liability will be undertaken as set forth above in numbered paragraph VII.

X. *Refundings*

When tax-exempt bonds or notes are used to refund other bonds or notes (the "Refunded Bonds"), the new bonds or notes (the "Refunding Bonds") will be treated as having financed the property originally financed with the Refunded Bonds (or any bonds refunded by the Refunded Bonds), such that financed property must be tracked until the last bonds (whether Refunded Bonds or Refunding Bonds) attributable to that property are retired. The Coordinator, or the designated Team Member, will continue reviewing the use of the any bond-financed property until the last bonds attributable to that property are retired;

except to the extent that tracking is no longer required due to the economic life of the property coming to an end.

Refunding Bonds the proceeds of which are used to retire Refunded Bonds more than 90 days after the issue date of the Refunding Bonds are "Advance Refunding Bonds." Advance Refunding Bonds have additional federal tax requirements in order to be tax-exempt bonds. In order to comply with these additional requirements, the Coordinator, or the designated Team Member, will:

1. Confirm directly, or in conjunction with a financial advisor or underwriter, the Issuer solicitor and/or bond counsel, that the issuer does not issue Advance Refunding Bonds that would violate the limit on the number of advance refundings for any of its tax-exempt bonds;
2. Confirm directly, or in conjunction with a financial advisor or underwriter, the Issuer solicitor and/or bond counsel, that the Refunded Bonds are being redeemed on their earliest call date or other allowable date;
3. Confirm directly, or in conjunction with a financial advisor or underwriter, the Issuer solicitor and/or bond counsel, that all non-bond proceeds amounts going into any Refunded Bond escrow comply with the rules relating to mixed escrows (meaning escrows which are funded with bond proceeds and non-proceeds) (*see* Treas. Reg. § 1.148-9(c)(2));
4. To the extent that investments other than United States Treasury Securities – State and Local Government Series ("SLGs") will be placed in an escrow, confirm directly, or in conjunction with a financial advisor or underwriter, the Issuer solicitor and/or bond counsel, that SLGs were not a more efficient investment on the date of the bidding of any other type of investment; or, to the extent that SLGs sales have been suspended on such date, confirm that the safe harbors for determining the fair market value of yield-restricted defeasance escrows have been met (*see* Treas. Reg. 1.148-5(d)(6)(iii)). To the extent that SLGs are unavailable and the Issuer cannot obtain at least three bids to provide other investments, the Issuer will consult with the Issuer solicitor or bond counsel and a financial advisor or underwriter on how to proceed;
5. To the extent that an escrow funded with Advance Refunding Bond proceeds requires future purchases of 0% SLGs in order to comply with the applicable yield restrictions, the Issuer will purchase the 0% SLGs directly or, by written agreement, cause an escrow agent to purchase such SLGs. If the SLGs are to be purchased by an escrow agent, the Issuer will confirm that such SLGs have actually been purchased, or, to the extent SLGs sales are suspended, comply with alternate procedures (which currently are provided in Rev. Proc. 95-47); and
6. Determine whether it will measure private business use using a combined measurement period (meaning starting with the issue date of the Refunded Bonds and ending with the final retirement of the Refunding Bonds) or separate measurement periods for the Refunded Bonds and the Refunding Bonds; provided, that the Issuer may not use separate periods if the Refunded Bonds were not in compliance with the private business use limits measured from their date of issuance to the date of issuance of the Refunding Bonds.

XI. *Correction of Violations*

The Issuer expects that its compliance with the procedures outlined in Articles IV - X above will prevent any violations of federal tax rules pertaining to its outstanding tax-exempt bonds or notes (including any Refunded Bonds). However, if the Issuer discovers a potential violation through its ongoing monitoring or otherwise, it will determine in conjunction with its bond or note counsel whether a violation actually exists. If it is found that a violation actually exists, the Issuer will determine whether (i) any remedial actions are available, or (ii) a voluntary closing agreement with the Internal Revenue Service is appropriate. The Issuer is specifically aware of the availability of the Tax Exempt Voluntary Closing Agreement Program, as described in the Internal Revenue Manual, Part 7, Chapter 2, Section 3. Common examples of violations are as follows:

1. Failure to purchase 0% SLGs at the appropriate time.
2. Non-exempt use of bond-financed property resulting in overall non-exempt use in excess of the 5% de minimis limit.
3. Failure to pay rebate in a timely manner.
4. Improper reimbursement of expenditures (too old or not capital).

XII. *Continuing Disclosure Activity*

1. SEC Rule 15c 2-12 requires certain rep orting commitments for each issue. The Post-Issua nce Compliance Coordinator, or the designated Post-Issuance Compliance Team Member, shall:
    a. Determine the applicability of the continuing disclosure undertaking;
    b. Identify all "obligated persons" for purposes of Rule 15c2-12;
    c. Identify required filings, which may inclu de: quanti tative financial information and operating data disclosed in the official statement, audited financial statements, changes in fiscal year, and other information as specified in any Continuing Disclosure Agreement or Certificate;
    d. Periodically determine that required filings have been prepared, sent to, and received by a Nationally Recognized Municipal Securities Information Repository ("NRMSIR");
    e. Disclose events listed below within 10 days of occurrence, including:
        i. Principal and interest payment delinquencies;
        ii. Non-payment related defaults, if material;
        iii. Unscheduled draws on debt service reserves reflecting financial difficulties;
        iv. Unscheduled draws on credit enhancements reflecting financial difficulties;
        v. Substitution of credit or liquidity providers, or their failure to perform;
        vi. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final d eterminations of taxability, Notices of Pro posed Issue of the security (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax s tatus of the se curities, or o ther events affecting the tax status of t he security;
        vii. Modifications to rights of holders of the bonds, if material;
        viii. Bond calls, if material;
        ix. Defeasances;
        x. Release, substitution or s ale of proper ty securing repayment of the bonds, if material;
        xi. Rating changes;
        xii. Tender offers;
        xiii. Bankruptcy, insolvency, receivership, or a similar proceeding by an o bligated person;
        xiv. Consummation of a m erger, consolidation, acquisition, or s ale of all o r substantially all of the ass ets of an o bligated person, other than i n the ordi nary course of bus iness, the entry into a defi nitive agreement to un dertake such a n action or the termination of a definitive agreement relating to a ny such actions, other than pursuant to its terms, if material; and
        xv. Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material.
    f. Determine if it is in th e best interest of the Issuer to retain a third-party dissemination agent to facilitate post-issuance continuing disclosure/filing and other requirements.
2. Determine if any bon d purchase agreement requires the Issuer to notify un derwriters of any fact or event that might cause the official statement to contain any untrue s tatement or omi t a material fact, and make such notification as necessary.

XIII. *Other Required Reporting*

1. For each issue of bonds, the Coordinator, or the designated Team Member, shall, as required by any finance docum ents or covenants associated wi th such issue, or as required by laws or regulations governing such issue, maintain all records necessary to satisfy reporting requirements.
2. Determine what information, if any, must be filed with other entities such as Trustees or Paying Agents, Banks, Rating Ag encies, Dissemination Agents, Bond Insurers, Credit Enhancers, *et cetera*, and make such filings as necessary;
3. Determine what, if any, state and local requirements are applicable to any issue;
    a. Provide proof of filing UCC statements, as applicable;

   b. Monitor continuation statements, as necessary;
   c. Provide proof of filing recorded mortgages, deeds of trust, *et cetera*, with appropriate authorities;
4. Provide proof of insurance coverage, as necessary;
5. Monitor compliance with rate covenants or other financial covenants;
6. Monitor compliance with restrictions on transfers of property, including liens and encumbrances;
7. Ensure compliance with restrictions on types of investments, in addition to any limitations imposed by applicable tax code restrictions; and
8. Ensure compliance with restrictions on derivative and swap contracts.

Glossary

The following glossary contains a number of terms which often arise in the administration of specialized municipal programs. The glossary, while not intended to be all inclusive, does contain terms often used by financial, planning, legal and technical specialists in their dealings with a municipal official.

Administrative - Pertaining to management of functions and activities, as opposed to legislative and judicial decision making.

Agency and Trust Funds - Such funds are established to account for cash and other assets held by a municipality as agent or trustee for another party such as Electric Department customer deposits. The two classes of funds are similar because the resources of the funds are not assets of the municipality but, through the operation of law or by agreement, the municipality is responsible for their accountability. An example of the agency fund is the Firemen's Relief Fund whose assets are received with the purpose of being paid to the Firemen's Relief Association. The Police Pension Fund, administered by the municipality, is an example of a trust fund.

Agenda - A list of items to be brought up at a meeting.

Budget Amendment - An alteration, addition or deletion which changes the meaning or scope of this original formal document. Often these are laws or regulations. However plans or specifications can also be amended. The Borough Manager is herein authorized to complete Budget Amendments as necessary and directed by Town Council.

Appropriation - The sum of money authorized by a Town Council to be spent for an expenditure by cost center.

Assessment - The value placed on an item of real or personal property for property tax purposes. The rate of tax times the value equals the amount of charge levied on the property. It may also be a special charge levied on each property within a special assessment district for an improvement benefiting the property or for a service provided only within the district.

The property assessment for the Borough of Chambersburg, as calculated by the Franklin County Board of Assessment, as of September 25, 2012, is $ 194,143,840.

Audit - An examination of the financial activities of the Borough and the report based on such examination by our independent auditors, Smith, Elliot, Kearns & Company, LLC.

Bond - A document issued by a person in exchange for money promising to pay money to the person who holds the document on a specific date for a specific purpose or unless a specific payment is not made. Bonds normally bear interest. They are both a common way of raising money for capital improvements and securing payment by developers and vendors for their obligations.

Budget - A plan for spending and receiving money to sustain municipal operations during a fiscal year together with related explanation. A capital budget is such a plan for financing purchase or construction of items of high cost and long life, such as fire apparatus, streets and buildings.

Building Permits (including Use and Occupancy Permits) - The Borough of Chambersburg requires any person constructing or improving a building to secure a building permit. The permit fee for Residential, Day Care, Certificate of Occupancy and Foster Home Inspection is $400. Residential inspection prices are for dwellings 0 to 3,500 square feet. Dwellings over 3,500 square feet will be charged an additional $10/100 square foot, which will be added to the total basic inspection fee.

Capital Reserve – Funds where expenditures are made to acquire fixed assets or additions known as capital outlays. These expenditures are recorded in their corresponding funds where the assets are to be used. Ultimately, under good property accounting, such assets acquired will be reflected in the general fixed assets group of accounts. In Chambersburg, only the General Capital Reserve is an actual Sinking Fund. The utility capital reserve accounts are actually subordinate to the Enterprise Funds and are not actually independent funds other than for planning purposes.

Capital Improvements Plan - A schedule of purchase or construction of items of high cost, such as fire apparatus, streets and buildings, with a useful life over five years, together with a plan for spending and receiving the money to pay for the items. Each year Town Council reviews such a plan.

Certification - A formal, written declaration by the authorized officer that certain facts are true or valid.

Comprehensive Plan - Our comprehensive development plan consists of maps, charts and textual matter, and indicates the recommendations of the planning commission for the continuing development of the municipality. The comprehensive plan includes, but is not limited to, the following related basic elements: a statement of objectives, a plan for land use, a map or statement indicating the relationship of the municipality and its proposed development to the adjacent municipalities and areas. The Chambersburg Comprehensive Plan was adopted: November 17, 2008.

Conditional Use Permit - A use which is not appropriate to a particular zone district as a whole, but may be suitable in certain localities within the district only when specific conditions and factors prescribed for such cases within the zoning ordinance are present. Conditional uses are allowed or denied by the Borough.

Constituent - A person served by an elected official, normally a resident or voter. Residents and businesses of the surrounding townships of Hamilton, Greene, and Guilford are *not* constituents.

Council (Either Town or Borough) - The governing body of our municipality. The legislative and policy board of the community. Ten members (five wards with two members per ward) elected for four-year terms in alternating two year periods. The Mayor is an ex officio non-voting member of Council.

Debt Service - Payments to creditors, primarily the holders of municipal bonds. Debt service includes principal, interest and minor incidentals such as paying agents' fees.

Developer - Any landowner, agent of such landowner or tenant with the permission of such landowner, who makes or causes to be made a subdivision of land or a land development.

Easement - A right-of-way for public or quasi-public use. Normally, they are used for public utilities, trails, utility lines, floodways, and other purposes. The fee title to land in the easement areas remains tied to the adjacent land and the easement rights are relinquished when the public or quasi-public use ceases.

Eminent Domain - The concept of the power of certain governmental entities to acquire, for public use, privately owned real estate by means of legal processes and adjudicated compensation to the private owner.

Executive - The power to carry out laws and functions, veto legislation, appoint officers and perform other duties as prescribed by law. In Chambersburg, the Borough Manager maintains the administrative portion of the executive function. The Borough Council President retains the balance of the authorities.

Executive Session - A meeting closed to the public. They can legally be held only for certain limited purposes.

Feasibility Study - A preliminary survey to determine the design, aesthetics, construction and economic aspects of a proposed project.

Flood Plain - The area along a natural watercourse subject to periodic overflow by water.

General Fund - Used to account for all revenues and the activities financed by governmental activities, not accounted for in some special fund. The main purposes are for public safety, recreation, and general highway.

General Obligation Debt – Any loan or financial instrument giving borrowing power to a municipality, based upon pledging of the full faith and credit or taxing power of the municipality to retire debt and pay interest.

General Obligation Debt Funds - Established to account for the proceeds from bond sales and other revenues properly allocated to these funds and the costs of projects financed by them. Costs for public improvements are recovered from general revenues. In Chambersburg, all debt is GO debt but none of it is ever used for general government purposes; all debt is for utility purposes.

Governing Body - The Town Council.

Grants - The Borough anticipates receiving monies from the Department of Environmental Protection for recycling, the Department of Community and Economic Development for housing rehab, CDBG, and other development grants, and additional monies from the Department of Conservation and Natural Resources for development of our parks. The Borough regularly applies to a variety of state and federal agencies for grants.

Highway Aid – Also known as Liquid Fuels, as provided by law, the local share of the State Liquid Fuels Tax and its use for expenditures is subject to the regulations of the Department of Transportation.

Improvements - Those physical changes to the land necessary to produce usable and desirable lots from raw acreage including, but not limited to, grading, paving, curbs, gutters, storm sewers and drains, improvements to existing watercourses, sidewalks, crosswalks, street signs, monuments, water supply facilities and sewage disposal facilities.

Job Description - An outline of the duties assigned a class of personnel positions together with the training and experience normally required to qualify for the class.

Land Development - The improvement of one lot or two or more contiguous lots, tracts or parcels of land for any purpose involving a group of two or more buildings or the division or allocation of land or

space between or among two or more existing or prospective occupants to include streets, common areas, leaseholds, condominiums, building groups or other features; a subdivision of land.

Land Use Plan - The provisions for the development of a tract of land, including a subdivision plat, all covenants relating to use, location and bulk of buildings and other structures, intensity of use or density of development, streets, ways and parking facilities, common open space and public facilities.

Legislative - Pertaining to the power to make laws as opposed to administrative, executive and judicial.

Manager - The chief administrator of a municipality appointed by the Town Council to run its operations, to make suggestions of policy or process, and to carry out laws and directions.

Mayor - In Chambersburg, an elected official of borough government who represents the borough at certain official and ceremonial functions, and who supervises the police department under the Borough Code; and who sits with Town Council, executes legislation, and breaks tie votes.

Meeting - A gathering of elected officials set or called in accordance with prescribed laws and where business may be transacted.

Mil – Often misspelled as MILL, a property tax unit, equal to one dollar of tax per one thousand dollars of assessment. Literally, a mil is a measure of money less than cents. When one purchases gasoline one might pay $3.999, which equals three dollars, ninety-nine cents and nine mil per gallon.

Minimum Municipal Obligations (MMO) - In the United States, the state mandated smallest amount a municipality must contribute to any pension plan established for its employees. The amount is calculated using actuarial science to ensure that municipal pension plans are sufficiently funded. The Borough, regardless of the amount contributed by it, is also required to keep the pension plan solvent. If the pension funds become insufficient to meet obligations then the Borough must augment the pension funds using money from other sources. The general funds of the Borough are thus in effect guarantor and insurance policy against under-contributions by employees or poor performance of pension fund investments. However, the Borough is responsible for making up any shortfall between the MMO and the sum of contributions the Borough makes for each employee as a percentage of that employee's wages, plus realized earnings on the pension fund investments.

Modified Accrual Basis -The basis of accounting under which expenditures other than accrued interest on general long-term debt are recorded at the time liabilities are incurred and revenues are recorded when received in cash except for material and/or available revenues, which should be accrued to reflect properly the taxes levied and revenues earned.

Nonconforming Use - A use, whether of land or of structure, not complying with the applicable use provisions in a zoning ordinance or amendment as enacted, where such use was lawfully in existence prior to the enactment of the ordinance or amendment or prior to its application to the location.

Nonconforming Structure - A structure or part of a structure manifestly not designed to comply with the applicable use provisions in a zoning ordinance or amendment as enacted, where the structure lawfully existed prior to the enactment of the ordinance or amendment. Such nonconforming structures include, but are not limited to nonconforming signs.

Official - A person who occupies a municipal legislative, quasi-judicial, administrative, executive or enforcement position.

Ordinance - A law or statute enacted by the Borough. See resolution.

Personnel - A method of recruiting, selecting and promoting people to perform the work of the Borough organization and the method of classifying and assigning a pay scale to their jobs together with related personnel activities and regulations concerning hours of work, training, grievance procedures and labor relations.

Planning - A process of deciding what is to be done and how it is to be accomplished; the process of deciding how land should be used and where public facilities should be located.

Planning and Zoning Commission - A planning agency, authorized by law to prepare and recommend plans for the development of physical, social, economic and cultural resources and facilities within a political subdivision.

Plat - The official map of a subdivision of land.

Public Hearing - A meeting or portion of a meeting set up to give members of the public a chance to speak on a particular subject such as the provisions of a proposed ordinance.

Referendum - A vote by the people of our municipality or an area on an issue. A referendum may be started by a governing body or initiated by petition. In Pennsylvania, most referenda are non-binding statements of policy.

Regulation - A rule, procedure or other formal requirement passed to carry out the purpose of a law. It carries the same legal power as the law. However, the rule or formal requirement may only be used to carry out the purpose of the law under which it is passed.

Revenue Bonds – Also called Self Liquidating Debt, a borrowing tool with higher interest rates than general obligation debt that does not need voter or state approval. Repayment of these bonds is guaranteed by revenues generated by the project and not municipal taxing power. Chambersburg has no revenue bonds.

Resolution - A decision, opinion or directive of the Town Council expressed in a formally drafted document but not having the force or effect of law.

Revisions - Written or added changes, corrections or improvements to a plan, specification or drawing.

Revolving Loans – Similar to a credit card or line of credit, this is a type of debt for special purposes providing a constant source of funds for assessable public improvements. Often involves grants. Chambersburg provides such loans for economic development and property improvement, with established guidelines.

Right-of-Way - Any area reserved by law or by common consent to a public or municipal use. Streets and easements are typical examples.

Specifications - The written instructions which accompany and supplement the drawings in a contract.

Subdivision - The division of a single tract or other parcel of land into two or more lots. (Specific definitions will vary in specific ordinances or regulations).

Subdivision and Land Development Ordinance (SALDO) - The provisions for the subdivision of a lot(s) or development of a tract of land, as adopted in 1979 and amended, including all covenants relating to use, location and bulk of buildings and other structures, intensity of use or density of development, streets, ways and parking facilities, common open space and public facilities.

Utilities - These funds account for the financial transactions of utility services rendered to the general public financed by specific user charges (electric fund, water fund, sanitation fund, sewer fund). The utility operations are maintained separate from general government operations such as Police or Emergency Services.

Special Exception Use - A use that is permitted in a particular zoning district only when specific criteria prescribed for such cases within the zoning ordinance are present. Special exception uses are allowed or denied by the Zoning Hearing Board following a public hearing.

Special Revenue Funds - These funds are established to account for revenues specifically raised for a particular purpose. A special fund is usually created for each purpose (i.e. fire taxes account if there was a fire tax or grant funds).

Variance - The permission granted by the Zoning Hearing Board, following a public hearing, for an adjustment to some Zoning Ordinance regulation to alleviate an unnecessary hardship. The permission granted must not be contrary to the public interest and must maintain the spirit and original intent of the Ordinance.

Zoning Ordinance - The provisions for land uses and associated lot regulations, as adopted in 1956 and amended, into various districts as well as other requirements related to the character of each district and its peculiar suitability for particular uses and with a view to conserving the value of buildings and encouraging the most appropriate use of land throughout the Borough.

Organization

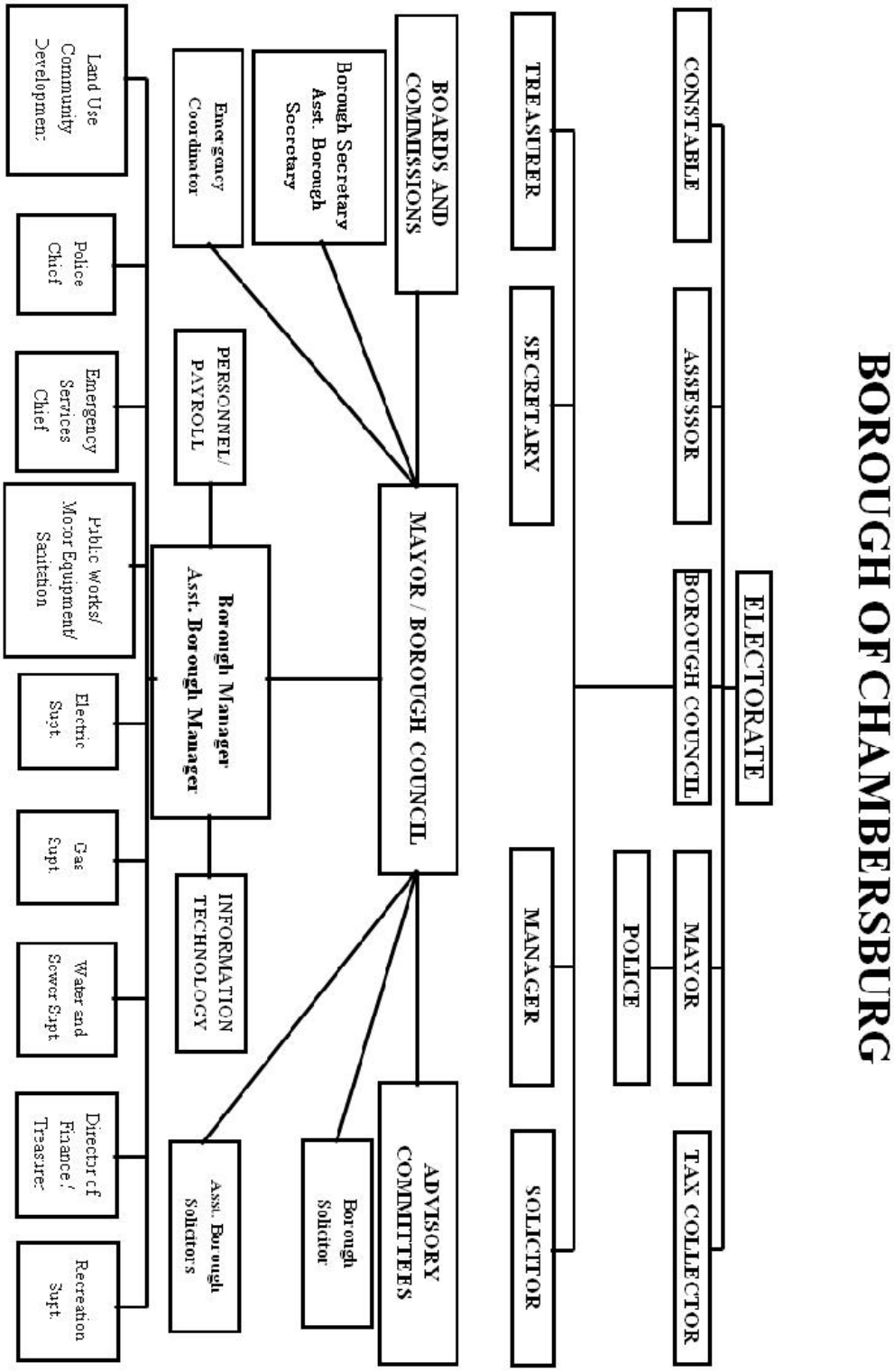
2013 Functions and Departments (Sorted by Department)

Clerical Pool	Admin. Services Dept.	Admin. Services Fund
Cust. Service & City Hall	Admin. Services Dept.	Admin. Services Fund
Finance & Account.	Admin. Services Dept.	Admin. Services Fund
General & Admin. - Admin Services	Admin. Services Dept.	Admin. Services Fund
Information Technology	Admin. Services Dept.	Admin. Services Fund
Meter Reading & Parking Enforcement	Admin. Services Dept.	Admin. Services Fund
Personnel & Payroll	Admin. Services Dept.	Admin. Services Fund
Cust. Account. & Collecting - Electric	Electric Dept.	Electric Operating Fund
Diesel Production Maint.	Electric Dept.	Electric Operating Fund
Diesel Production Operation	Electric Dept.	Electric Operating Fund
Distribution System Maint.	Electric Dept.	Electric Operating Fund
Distribution System Operation	Electric Dept.	Electric Operating Fund
General & Admin. - Electric	Electric Dept.	Electric Operating Fund
Purchase Power Operation & Maint.	Electric Dept.	Electric Operating Fund
Transmission System Operation & Maint.	Electric Dept.	Electric Operating Fund
Engineering Field Expenses	Engineering Dept.	Engineering Fund
General & Admin. - Engineering	Engineering Dept.	Engineering Fund
Stormwater Engineering	Engineering Dept.	Engineering Fund
Street Sidewalk Engineering	Engineering Dept.	Engineering Fund
Ambulance	Emergency Services Dept.	General Fund
Ambulance Committee	Emergency Services Dept.	General Fund
Emergency Management Coordinator	Emergency Services Dept.	General Fund
Fire Code Enforcement	Emergency Services Dept.	General Fund
Fire Fighting & Prevention	Emergency Services Dept.	General Fund
Cust. Account. & Collecting - Gas	Gas Dept.	Gas Operating Fund
Gas Distribution Maint.	Gas Dept.	Gas Operating Fund
Gas Distribution Operation	Gas Dept.	Gas Operating Fund
Gas Transmission Maint.	Gas Dept.	Gas Operating Fund
Gas Transmission Operation	Gas Dept.	Gas Operating Fund
General & Admin. - Gas	Gas Dept.	Gas Operating Fund
Purchase Gas Operation & Maint.	Gas Dept.	Gas Operating Fund

21st Century Partnership	General Borough	General Fund
Administration - Council & Manager	General Borough	General Fund
Civic Services	General Borough	General Fund
Civil Service Commission	General Borough	General Fund
Council of Governments	General Borough	General Fund
Highway Maint.	Highway Dept.	General Fund
Snow Removal	Highway Dept.	General Fund
Stormwater Maint.	Highway Dept.	General Fund
Board of Health	Land Use & Community Dev	General Fund
Building Code Hearing Board	Land Use & Community Dev	General Fund
Curb & Sidewalk Compliance Committee	Land Use & Community Dev	General Fund
Downtown Chambersburg, Inc.	Land Use & Community Dev	General Fund
Economic Dev.	Land Use & Community Dev	General Fund
Fire Code Board of Appeal	Land Use & Community Dev	General Fund
Housing Commission	Land Use & Community Dev	General Fund
Planning & Dev.	Land Use & Community Dev	General Fund
Planning & Zoning Commission	Land Use & Community Dev	General Fund
Property Maint.	Land Use & Community Dev	General Fund
Zoning Enforcement	Land Use & Community Dev	General Fund
Zoning Hearing Board	Land Use & Community Dev	General Fund
Garage Operation	Motor Equipment	Motor Equipment Fund
General & Admin. - Motor Equipment	Motor Equipment	Motor Equipment Fund
Motor Vehicle Upkeep	Motor Equipment	Motor Equipment Fund
Downtown Parking	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
Downtown Parking Committee	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
General & Admin. - Parking & Traffic	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
Parking Traffic & Street Light Committee	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
Traffic & Street Lights	Parking Traffic & Street Lights	Park Traffic & Street Lights Fund
Police	Police Dept.	General Fund
Parks & Recreation	Recreation Dept.	General Fund
Recreation Advisory Board	Recreation Dept.	General Fund

Cust. Account. & Collecting - Trash	Sanitation Dept.	Sanitation Fund
Fall Leaf Collection	Sanitation Dept.	Sanitation Fund
General & Admin. - Sanitation	Sanitation Dept.	Sanitation Fund
Mowing, Weed Control & Vector Control	Sanitation Dept.	Sanitation Fund
Recycling Program	Sanitation Dept.	Sanitation Fund
Street Sweeping	Sanitation Dept.	Sanitation Fund
Trash Collection System	Sanitation Dept.	Sanitation Fund
Trash Disposal System	Sanitation Dept.	Sanitation Fund
Cust. Account. & Collecting - Sewer	Sewer Dept.	Sewer Operating Fund
General & Admin. - Sewer	Sewer Dept.	Sewer Operating Fund
Sewer Collection System	Sewer Dept.	Sewer Operating Fund
Sewer Treatment Plant	Sewer Dept.	Sewer Operating Fund
General & Admin. - Stores	Stores Dept.	Stores Fund
Warehouse	Stores Dept.	Stores Fund
Cust. Account. & Collecting - Water	Water Dept.	Water Operating Fund
General & Admin. - Water	Water Dept.	Water Operating Fund
Water Distribution System	Water Dept.	Water Operating Fund
Water Supply System	Water Dept.	Water Operating Fund
Water Transmission System	Water Dept.	Water Operating Fund
Water Treatment System	Water Dept.	Water Operating Fund

Organizational Chart



Revised Borough Code

The Borough Code, the state enabling law for our municipality, had been unchanged from 1966 to 2012; and contained many provisions that were archaic or in conflict with other statutes. Thus, the Pennsylvania State Association of Boroughs (PSAB) established a Borough Code Revision Committee as an ad hoc committee in 2003. The committee formally requested the ongoing participation, technical advice, and expertise of State Local Government Commission staff in this comprehensive Code revision, based on the Commission's experience with the Second Class Township Code Recodification in 1995 and efforts on the Third Class City Code Recodification (introduced as Senate Bill 874 in the 2011-2012 Legislative Session).

The Commission staff worked on a section-by-section review and modernization of the Borough Code along with PSAB staff members and several borough officials. The Commission regularly attended work sessions, drafted suggested revised language, and provided other assistance to the committee in this complicated effort. At work sessions, the committee carried out a sequential review of each article of the Borough Code by surveying PSAB members to identify possible amendments and asking Commission staff to comment on any potential changes.

With the committee completing its review of all the articles, Commission staff produced an executive summary explaining the highlights of the proposed changes article-by-article, a commentary explaining the highlights section-by-section, and disposition and derivation tables to show where existing sections may have been relocated and from where new sections have originated. The Local Government Commission introduced the proposed recodification as House Bill 1702 during the 2011-2012 Legislative Session. On December 19, 2011, the House of Representatives voted on and passed House Bill 1702. Subsequently, the Senate Local Government Committee amended the bill and reported it out on January 18, 2012, as Printer's Number 2962. The bill was reported as amended from the Senate Appropriations Committee as Printer's Number 3331 on April 2, 2012. House Bill 1702 passed the Senate on May 1, 2012, and has subsequently been returned to the House of Representatives for concurrence on Senate amendments. The House of Representatives concurred in Senate amendments on May 7, 2012, and Governor Corbett signed House Bill 1702 into law as Act 43 of 2012. The Act became effective July 16, 2012.

Resolved, with the adoption of this budget for the fiscal year 2013, the Borough of Chambersburg does acknowledge and accept Act 43 of 2012, as the enabling legislation of our municipal corporation.

2012 Year-in-Review

January 3, 2012: Town Council organizes with their election of officers and appointments to their boards, committees and commissions.

January 9, 2012: Town Council approves a Stormwater Facilities Agreement between the Borough of Chambersburg and Creekside LLC (Tanya Nitterhouse).

Town Council directs staff to advertise for Part-Time Police Officers (up to 15 officers as allowed per Council Policy).

Town Council amends the Master Fee Schedule to increase Recreation Department fees and adopt the 2012 Building Code Fee Schedule.

Town Council approves an Ordinance amending the Subdivision and Land Development Ordinance related to Accessory Buildings.

January 23, 2012: Town Council approves Borough Plan RE-1377, a Subdivision and Land Development Plan for Franklin County to make improvements at the Franklin County Courthouse campus on North Main Street, Lincoln Way East and North Second Street.

Town Council approves a Resolution supporting the transfer of Liquor License No. R-18239 by GMR Restaurants of Pennsylvania, LLC (Olive Garden) to restaurant facilities within the Borough of Chambersburg to be located at Norland Avenue & Walker Road.

Town Council approves a Resolution supporting the transfer of Liquor License No. R-15707 by RARE Hospitality International, Inc. (LongHorn Steak House) to restaurant facilities within the Borough of Chambersburg to be located at Norland Avenue & Walker Road, Chambersburg.

Town Council approves a Resolution and Agreement with PA DCED for a grant to be used to fund the Main Street Façade Improvement Program.

Town Council approves the implementation of the “Anchor Building” Revolving Loan Fund Program with a Resolution authorizing Downtown Chambersburg, Inc. (DCI) to manage this program for a 1% Loan Service fee.

Town Council approves a letter supporting Guilford Township in the proposed I-81 interchange at Guilford Springs Road and the request that they in turn support the Borough’s efforts to extend Hollywell Avenue to Loop Road.

Town Council amends the Master Fee Schedule to reflect the changes in the Service Order Billing Fees and to incorporate the Fire Code Inspection Fees.

Town Council authorizes the issuance of notices to property owners to repair curb and sidewalk on Woodstock Road.

Town Council authorizes the issuance of notices to property owners to repair curb and sidewalk on both sides of Wayne Avenue to the Sheller Avenue intersection.

Town Council authorizes that with the Nelson Street 2012 street improvement project; curbing will be replaced the entire length between Monroe Court and Sixth Street.

January 30, 2012: Town Council authorizes the suspension of Captain Patrick Martin, Chambersburg Fire Department, for a total of 240 working hours.

February 13, 2012: Town Council approves a Resolution in recognition of Lindsay Upperman raising "Stetson" who was declared "Grand Champion Steer" at the January 2012 Pennsylvania Farm Show.

Town Council awards a contract to Ferguson Waterworks, New Cumberland, PA, for the purchase of 30" and 36" Ductile Iron Pipe for the Wastewater Treatment Plant project.

Town Council approves a Professional Services Agreement with Atlantic Transportation System, Inc. (Samuel Garman) to provide Traffic Signal Maintenance and Preventative Maintenance of Traffic Signals.

Town Council authorizes the purchase of a subscription to BoardDocs LT (Council agenda software).

Town Council approves a Professional Services Agreement with Wise Gas regarding Natural Gas Vehicle (NGV) Technology.

February 27, 2012: Town Council set 2012 Borough Bulky Item Drop Off Days.

Town Council approves the Resolution authorizing the filing for state funding in the amount of $250,000 to support 2013 Elm Street Program Grants.

March 12, 2012: Town Council accepts the resignation of Councilman Lukic with regret to be effective March 29, 2012.

Town Council authorizes notice to install sidewalk to be sent to the owner of Lots 215/216 to close the network between Lots 217/218 and Lot 171 at the corner of Sunbrook and Phoenix Drives.

Town Council approves a Resolution extending the ongoing L.E.R.T.A. program, from April 2012 to April 2017.

Town Council authorizes the submission to DCNR an application for $150,000 to support the Phase II improvements to the Mike Waters Park to include a Multi-

Purpose Field; Water Spray Pad; and a Pathway around the Park (including lighting).

Town Council approves an Ordinance that enables the Borough's Police Retirement Plan to comply with Act 51 of 2009, the Emergency and Law Enforcement Personnel Death Benefits Act (including repealing the Killed-in-Service Benefit which is now provided the State).

March 26, 2012: Town Council approves a Resolution in recognition of Garett Hammond winning the Class AAA PA Wrestling State Championship.

Town Council gets a presentation of the National Citizen Survey conducted by ICMA.

Town Council approves improvements and signage at the Chambersburg Pump Track.

Town Council approves an Ordinance related to Public Easements on private property (Chapter 254).

Town Council approves an Ordinance related to Annual Licensing and Health Inspection (Chapter 168).

Town Council amends the Master Fee Schedule to reflect CCIS's updated Health License Fee Schedule.

Town Council approves the receipt of the Commonwealth of Financing Agency Alternative/Clean Energy Grant in the amount of $900,000 (landfill gas project).

April 9, 2012: Town Council directs staff to negotiate with CCIS, amend the fee schedules, and establish an indemnifying agreement between the Borough and CCIS to provide Fire Code Inspection Service to the Fire Department.

April 23, 2012: Town Council awards a contract for the WWTP Forcemain Project to Fayetteville Contractors.

The Director of Finance presented the 2011 Financial Status and 2012 1st Quarter Financial Report.

Town Council approves a Debt Ordinance for refunding the Borough's 2007 Bonds.

Town Council appoints John N. Huber, 234 S. Coldbrook Avenue as 2nd Ward Councilman to fill the unexpired term of Councilman Lukic, through December 31, 2013.

Town Council approves the project to demolish and remove the bleachers at Henninger Field.

	Town Council approves the Off-Leash Dog Park Agreement between the Borough of Chambersburg and Cumberland Valley Animal Shelter.
May 7, 2012:	Town Council directs the Borough Solicitor to file a complaint and petition for injunctive relief involving IAFF Local 1813, Patrick Martin and Scott McNew.
May 14, 2012:	Town Council approves a Proclamation setting Friday, April 27, 2012 as Arbor Day.
	Town Council approves Federal-Aid Reimbursement Agreements for Transportation Improvements with PennDot concerning utility costs for the Norland Avenue/Walker Road and Lincoln Way East/Coldbrook Avenue improvement projects.
	Town Council approves a Resolution allocating the Borough's 2012 Community Development Block Grant Funds.
	Town Council approves an Ordinance related to signs (Chapter 226).
	Town Council adopts a Power Supply Plan.
	Town Council approves an additional Purchase Power Agreement (PPA) for another block of future Power Supply needs.
	Town Council approves a Professional Services Agreement with Delta Development to provide land use and site evaluation and development services for the planned CNG Refilling Station.
	Town Council approves a Professional Services Agreement with KPI for Water Distribution System Engineering.
	Town Council approves a Professional Services Agreement with AECOM for Water Treatment and Dam Engineering Services.
June 11, 2012:	Town Council approves a Resolution in recognition of Marshay Ryan winning Gold Medals at the PIAA Championships (Track and Field).
	Town Council approves a Resolution in recognition of the Chambersburg Trojans Boys Volleyball Team in winning the PIAA Class AAA Championship in volleyball.
	Town Council awards a contract for the Reconstruction of Nelson Street, Woodstock Road, and Shasta Court to Fayetteville Contractors, Inc.
	Town Council awards a contract for the Overlay of Garber Street to Valley Quarries, Inc.
	Town Council approves a Resolution authorizing the filing of a Re-development and Capital Assistance Program (RCAP) Grant Application for the CNG Project.

Town Council approves the purchase/upgrade of a Security Camera System along North & South Main Street, Memorial Square and the first block of LWW and the receipt of $4,000 from the Patriot Federal Credit to help fund the project.

Town Council received a presentation on the statistics of the year 2011 in the Chambersburg Police Department.

Town Council approves an Intermunicipal Agreement with Franklin County for the sharing of fiber optic networks.

Town Council approves a revised Interconnection Agreement (ICA).

Town Council approves reduced invoices for services for the Cumberland Valley Breast Care Alliance regarding their annual Walk/Run that was held on Saturday, May 5, 2012, and for the Cystic Fibrosis Foundation regarding their annual Walk/Run that was held on Sunday, May 20, 2012.

Town Council approves amending the Ordinance relating Residential Permit Parking systems by adding the area of N. Coldbrook Avenue.

Town Council approves a Consultant and Administration Agreement between the Franklin County Conservation District, Adams County Conservation District, Cumberland County Conservation District, related to the Borough's local nutrient credit generation program.

June 25, 2012: Town Council approves a Resolution in recognition of the Harold "Jiggs" Kennedy's retirement.

Town Council approves a Memorandum of Understanding with Washington Township concerning Borough recycling.

Town Council approves a Resolution to temporarily refrain from exercising a directive from the 2012 Budget to begin the layoffs on July 1, 2012 in the Chambersburg Fire Department (due to receipt of SAFER Grant).

July 9, 2012: Town Council awards a contract to Pro's Concrete, Fayetteville, PA for Americans with Disabilities Act of 1990 (ADA) concrete curb ramps in the First Ward.

Town Council approves a Resolution reaffirming the Borough Manager's full and complete compliance with all personnel policies involving professional development, travel, and training.

Town Council approves a Resolution reaffirming the Borough Manager's full and complete compliance with all personnel policies involving his residency, including where he lives.

Town Council approves the acceptance of the US Department of Homeland Security SAFER Grant and amendments to the 2012 General Fund Operating

Budget to maintain the status quo in the Emergency Services Department through 2012.

July 23, 2012: Town Council awards a contract for Improvements to Nitterhouse Community Park to Ganoe Paving, Inc.

Town Council authorizes Patrick R. Martin, a shift captain in the Chambersburg Fire Department, to receive a written reprimand and last chance warning.

Town Council authorizes to terminate Scott McNew from employment with the Borough as a firefighter in the Chambersburg Fire Department.

Town Council approves to authorize the proper staff to recruit for a new Assistant Emergency Services Chief.

Town Council approves sidewalk installation notices be sent to all property owners from the lot to the north of Keystone Ford to the Olive Garden and Longhorn Steakhouse lot to complete the Walker Road sidewalk network from Gateway Avenue to Norland Avenue as well as the property owner along Gateway Avenue between Jennings Chevrolet and Brewster's Ice Cream.

August 13, 2012: Town Council approves the acceptance of the FEMA Fire Prevention and Life Safety Education Grant for $65,430 and authorization for the allocation of $7,720 from the Emergency Services Department Operating Budget as matching funds to this grant.

Town Council approves the preparation and submission of subdivision plans for the Wastewater Treatment Plant.

August 27, 2012: Town Council awards a contract for the Cold In-Place Asphalt Recycling project for Limekiln Drive (Lincoln Way to Walker Road).

Town Council approves Indemnification and Reimbursement Agreements with the Chambersburg Hospital related to the Lincoln Way East/Coldbrook Avenue intersection improvement project.

Town Council approves the appointment of Brian James Eckert and Randall Jay Pryor as Fire Fighters in the Chambersburg Fire Department.

Town Council approves the preparation and advertisement of a Rate Ordinance amendment to Sewer Rates by an amount not to exceed 18% and to be effective with debt issuance to expand the Wastewater Treatment Plant.

Town Council approves a Debt Ordinance relating to financing not to exceed $8.0 million for various improvements to the J. Hase Mowrey Regional Wastewater Treatment Facility, the Sanitary Sewer Collection and Conveyance System, and the Electric Generation Feeder Project.

Town Council approves a Resolution to enter into a Lease Agreement for a Permanent Site for a CNG Fueling Station and the execution of Fleet Fueling Agreement(s) necessary to provide sufficient sales to justify the Lease Agreement.

Town Council approves a Lease Agreement with Wise Gas for the temporary installation of CNG Equipment and the temporary supply of CNG to various customers until a permanent site is developed.

Department reports by the Codes, Community & Economic Development, Engineering, Planning and Zoning Departments, Sanitation, Motor Equipment, and Public Works Departments.

Town Council approves a Professional Services Agreement with Shatzer's Photo Studio relating to the Recreation Department.

September 10, 2012: Town Council approves a Resolution authorizing an update of the Borough's Emergency Operations Plan.

Town Council approves an Engineering Agreements with the Pennsylvania Department of Transportation related to the Lincoln Way East/Coldbrook Avenue and Walker Road/Norland Avenue intersection improvement projects.

Town Council approves an Ordinance relating to Fences (Chapter 300).

Town Council approves an Ordinance relating to Construction of Curb and Sidewalk (Chapter 258).

Department reports by Electric, Gas, Water and Sewer Departments.

September 24, 2012: Town Council presented the Donald "Mike" Waters Chambersburg Citizen of the Year Award to Ms. Louisa Cowles.

Town Council approves the post-issuance compliance policies required of the IRS.

Town Council approves the CASD bonfire activities with conditions.

Town Council approves a letter of support for the Franklin County Communications Committee's efforts to amend the Franklin County Department of Emergency Services (DES) County Radio System Plan.

Town Council waives fees for the Latino Harvest Festival (held on 9/16/12) sponsored by CHAC.

Department reports by Meter Reading, Customer Service, Information Technology (IT), Parking, Traffic, Street Lights, Administrative Services Departments and General Fund Revenues and Expenses.

Town Council approves the 2012 Pension Budget and Resolution to distribute the 2012 State Aid to the Pension Plans.

Town Council approves the development of an official Map.

October 15, 2012: Town Council executed a Release and Indemnification Agreement with the Chambersburg YMCA to use Long Pine spillway for the YMCA MTeC Race.

Town Council executed a Renewal of Lead Analysis Agreemnt with Baxter Group, Inc.

Town Council authorized a utility bill flyer for the Borough's Recycling Program (plastic bottles).

Town Council authorized the approval and acceptance of gifts for a Tree Planting Project at John Redding Park.

Town Council approved Borough Plan RE-1376, a Development Plan/Lot Consolidation Plan for McDonalds Restaurant Number 37-0142 on Lincoln Way East.

Town Council authorized Change Order #2 and executed an Agreement with the Falling Spring Meadows Homeowners Association related to the Limekiln Drive Cold In-Place Asphalt Recycling project.

Town Council executed a Fiber Optic Network and Data Sharing Agreement with Franklin County.

Department reports by the Emergency Services Department, Police Department and Recreation Department

October 29, 2012: Meeting postponed due to Hurricane/Super Storm Sandy; State of Emergency was declared.

November 5, 2012: Hear presentation on Borough Manager's recommended budget.

Approve resolutions in memoriam for: Patricia "Patti" Fogal, Clarence "Skip" Jennings and Gary "Butch" Flythe, former Borough employees.

Award contract to the lowest complying bidder, David H. Martin Excavating, Inc., for removing Snow in Public Parking Lots.

Authorize submission of a grant application to the Office of the State Fire Commissioner to upgrade the current firefighter's structural firefighting gear that is due to be outdated on the "life span" of 10 years according to NFPA Standard 1851.

Authorize the annual Utility Bill Flyer for the 2013 Recycling Pickup Dates.

Approve amendments to Civil Service Commission Rules and Regulations.

Authorize the advertisement and development an Eligibility List for Entry Level Police.

Authorize the execution of the Second Amendment to the Interconnection and Construction Agreement (ICA) with PPL-RE and amend the 2012 EFG Electric Department Grant Application from CFA and PA DCED (ratified Manager's administrative action).

Authorize the execution of an Intermunicipal SET Team Agreement, Condition Upon Receiving Executed Agreements from the Other Municipal Partners.

Authorize the execution of the purchase of Electric Generation Supply Products for the Borough's Wholesale Supply of Energy at a Price Not to Exceed Per the Request for Proposal.

Hear report on Capital Improvement Plan.

Hear report on Streets Project List for 2012 and 2013.

Approve Town Council Meeting Schedule for 2013.

11/5/2012

General Fund Budget

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

General Fund Budget

As Proposed for 2013

The General Fund is not the largest account of the Borough, it does not employ the most employees, it does not handle the largest amount of revenue, nor is it as complex to manage as the other funds of the Borough. However, the General Fund is the main "GOVERNMENTAL" fund and the home of the most basic municipal operations of the Borough. It therefore gets the most scrutiny.

In many towns, the General Fund is the only fund. In most boroughs in Pennsylvania, the General Fund would house almost all municipal employees and operations. That is not true in Chambersburg. However, the General Fund does house our most basic municipal operations.

The General Fund is comprised of six (6) departments:

General Government – The General Government Department are the civil and administrative activities of the Town Council, the Borough Manager, and the Boards, Commissions and Committees but not those activities or expenses attributed to the utilities or the internal services of the Borough.

Police Department – The law enforcement division of the Borough, under the Supervision of the Police Chief, and the Administration of the Mayor.

Emergency Services – The Emergency Services Department combines the Fire Department, the Fire Code Department and the Ambulance Department. It is under the Supervision of the Emergency Services Chief, and the Administration of the Borough Manager.

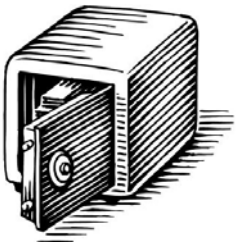
Recreation Department – Management and supervision of community resources such as the parks, playgrounds, Cumberland Valley Rail Trail, Recreation Center, and the community swimming pool; under the Supervision of the Recreation Superintendent, and the Administration of the Borough Manager.

Land Use & Community Development – The Land Use & Community Development Department combines the Planning, Zoning, Property Maintenance and Code Enforcement. It is under the Supervision of the Land Use & Community Development Director, and the Administration of the Borough Manager.

Highway Department – The maintenance and street crew, which handle street maintenance, storm response, storm water maintenance, and other street related functions. It is under the Supervision of the Assistant Borough Manager/Public Works Director, and the Administration of the Borough Manager.

Unlike the utilities or the internal service funds, the General Fund receives all of its revenue from either taxes, as established by State Law, or transfers from other funds.

The General Fund must be balanced, cannot run a deficit, and the Borough will not use debt to balance its budget per adopted financial policies.



Revenues

Some General Fund Revenue is "earmarked" for specific General Fund departments; other revenue is just thrown into the safe for all General Fund departments.

No taxes are used to supplement utility operations. In fact, just the opposite, as many of our utilities pay taxes (similar to private companies) to the General Fund.

The major story of 2009-2012 is the lack of growth in General Fund revenues. The major revenue categories of the Borough have seen no measurable growth over the last few years while expenditures have continued to grow. Where once there was optimism that the revenue stagnation might have been cyclical; now comes fatalism that this is "the new normal."

As a result, the General Fund needs to do one of two things going forward:

- Raise taxes and raise revenues
- Lower spending and cut employees/services

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

The major revenues of the Borough's General Fund are:

- Real Estate Tax - adjustable by Town Council each December
- Local Services Tax - set at maximum under State Law
- Earned Income Tax - set at maximum under State Law
- Deed Transfer Tax - set at maximum under State Law
- State Pension Aide - selected by State
- Liquid Fuels State Aide - selected by State
- Police Fines
- Ambulance Fees
- Utility PILOT Payments*

*The Pennsylvania State Legislature has been convening upon the subject of utility transfers to General Fund operations. In 2012, the State passed new laws prohibiting sewer transfers. The Borough makes no Sewer Fund payment. However, other utility PILOT Payments are currently under legislative review.

2013 General Fund Revenues - Proposed

DESCRIPTION	2011 ADOPT BUDGET	2011 ACTUAL TOTAL	2012 ADOPT BUDGET	PROPOSED 2013 TOTAL	
REAL ESTATE TAXES - CURRENT YEAR	$ 3,600,000	$ 3,523,898	$ 3,565,000	$ 3,565,000	0.00%
REAL ESTATE TAXES - PRIOR YEAR	$ 82,000	$ 53,209	$ 55,000	$ 65,000	18.18%
SPECIAL PURPOSE TAX - CURRENT YEAR	$ -	$ -	$ -	$ -	
LOCAL SERVICES TAX	$ 860,000	$ 691,809	$ 775,000	$ 700,000	-9.68%
SPECIAL PURPOSE TAX - PRIOR YEAR	$ -	$ -	$ -	$ -	
TAX LIENS	$ 90,000	$ 140,361	$ 90,000	$ 90,000	0.00%
DEED TRANSFER TAX	$ 240,000	$ 251,816	$ 260,000	$ 245,000	-5.77%
WAGE & EARNED INCOME TAX	$ 1,650,000	$ 1,578,210	$ 1,500,000	$ 1,500,000	0.00%
PAYMENTS IN LIEU OF TAXES	$ 13,000	$ 14,213	$ 13,000	$ 14,000	7.69%
FEDERAL RECEIPTS	$ -	$ -	$ -	$ -	
STATE PENSION REIMBURSEMENTS	$ 779,400	$ 926,182	$ 681,400	$ 761,200	11.71%
OTHER INTER-GOVERNMENTAL REIMBURSEMENTS	$ 145,000	$ 143,767	$ 145,000	$ 145,000	0.00%
MERCHANDISE AND JOBBING WORK	$ 110,000	$ 143,449	$ 110,000	$ 90,000	-18.18%
STATE SALES TAX	$ 2,500	$ 2,378	$ 2,500	$ 2,500	0.00%
TAXABLE RECEIPTS	$ -	$ -	$ -	$ -	
INTEREST INCOME	$ 20,000	$ 7,105	$ 18,000	$ 4,000	-77.78%
SNOW/ICE REMOVAL FINES	$ 4,000	$ 11,700	$ 4,000	$ 4,000	0.00%
PAYMENTS IN LIEU OF GROSS RECEIPTS TAX - ELE	$ 900,000	$ 900,000	$ 950,000	$ 1,010,580	6.38%
PAYMENTS IN LIEU OF GROSS RECEIPTS TAX - GAS	$ 375,000	$ 375,000	$ 400,000	$ 400,000	0.00%
PAYMENTS IN LIEU OF GROSS RECEIPTS TAX -WATER	$ 72,000	$ 72,000	$ 72,000	$ 72,000	0.00%
POLICE FINES AND COSTS	$ 120,000	$ 111,220	$ 120,000	$ 130,000	8.33%
POLICE ESCORTS	$ -	$ -	$ -	$ -	
FALSE POLICE & FIRE CALLS	$ 11,000	$ 11,925	$ 10,000	$ 5,000	-50.00%
OTHER POLICE DEPARTMENT RECEIPTS	$ 10,000	$ 7,193	$ 4,000	$ 8,000	100.00%
PROPERTY MAINTENANCE CODE VIOLATION FINES	$ 1,400	$ 1,484	$ 1,000	$ 1,500	50.00%
PROPERTY MAINTENANCE - OTHER FEES	$ -	$ 42	$ -	$ -	
RECREATION DEPARTMENT RECEIPTS	$ 320,000	$ 355,639	$ 350,000	$ 375,000	7.14%
RECREATION VENDING, CONCESSION & CONSIGNMENT	$ 65,000	$ 56,762	$ 60,000	$ 60,000	0.00%
PROPERTY MAINTENANCE INSPECTION FEES	$ 110,000	$ 115,588	$ 110,000	$ 110,000	0.00%
PLANNING - FEES	$ 3,000	$ 2,391	$ 3,000	$ 2,000	-33.33%
FIRE CODE PERMITS & FEES	$ 3,500	$ 2,890	$ 3,500	$ 16,000	357.14%
ZONING PERMITS & FEES	$ 5,000	$ 3,871	$ 5,000	$ 3,500	-30.00%
CONTRIBUTIONS FOR AMBULANCE SERVICE	$ 35,000	$ 43,930	$ 46,000	$ 35,000	-23.91%
AMBULANCE SERVICE RECEIPTS	$ 725,000	$ 804,820	$ 800,000	$ 900,000	12.50%
AMBULANCE CLUB MEMBERSHIP FEES	$ 110,000	$ 131,003	$ 118,000	$ 100,000	-15.25%
SCHOOL CROSSING GUARDS	$ 30,000	$ 32,644	$ 30,000	$ 48,000	60.00%
CABLE T.V. FRANCHISE	$ 300,000	$ 314,722	$ 325,000	$ 315,000	-3.08%
REFUNDS	$ 25,000	$ 29,914	$ 30,000	$ 30,000	0.00%
PROPERTY RENTALS	$ 12,000	$ 9,797	$ 11,000	$ 9,000	-18.18%
CONTRIBUTIONS FROM PRIVATE SOURCES	$ 2,000	$ 2,125	$ 2,000	$ 2,000	0.00%
MISCELLANEOUS	$ 10,000	$ 7,367	$ 10,000	$ 10,000	0.00%
SALE OF SCRAP	$ -	$ 1,807	$ -	$ -	
TRANSFERS FROM OTHER FUNDS	$ 155,000	$ 155,000	$ -	$ -	
TRANSFERS FROM LIQUID FUELS TAX FUND	$ 1,000,000	$ 1,000,000	$ 400,000	$ 400,000	0.00%
TRANSFERS FROM GENERAL CAPITAL RESERVE	$ -	$ -	$ -	$ -	
TRANSFERS FROM ENGINEERING DEPARTMENT	$ 25,000	$ 25,000	$ 25,000	$ 25,000	0.00%
TRANSFERS FROM SPECIAL REV FOR SAFER GRANT	$ -	$ -	$ -	$ 766,165	
TRANSFERS FROM MOTOR EQUIPMENT	$ 50,000	$ 50,000	$ 50,000	$ 50,000	0.00%
	$ 12,070,800	$ 12,112,231	$ 11,154,400	$ 12,069,445	8.20%

Total revenue will be up 8.2% in 2013 but almost entirely because of the $766,165 contribution of the SAFER Grant towards the operation of the Emergency Services Department.

Without the SAFER Grant, the General Fund would be in serious fiscal danger.

A.	Real Estate Tax Revenue (70002, 70003, 70008, 70011)		Total Year	Prior Year	Change Since 2007
	2013	Budget	$ 3,734,000	0.30%	$ 252,152
	2012	Budget	$ 3,723,000	-0.23%	
	2011		$ 3,731,681	0.46%	
	2010		$ 3,714,590	0.38%	
	2009		$ 3,700,545	2.73%	
	2008		$ 3,602,171	3.46%	
	2007		$ 3,481,848	N/A	
B.	Deed Transfer Tax Revenue (70009)		Total Year	Prior Year	Change Since 2007
	2013	Budget	$ 245,000	-5.77%	$ (557,419)
	2012	Budget	$ 260,000	3.25%	
	2011		$ 251,816	-1.60%	
	2010		$ 255,899	-6.99%	
	2009		$ 275,141	-50.99%	
	2008		$ 561,432	-30.03%	
	2007		$ 802,419	N/A	
C.	Earned Income Tax Revenue (70010)		Total Year	Prior Year	Change Since 2007
	2013	Budget	$ 1,500,000	0.00%	$ (249,457)
	2012	Budget	$ 1,500,000	-4.96%	
	2011		$ 1,578,210	5.14%	
	2010		$ 1,501,053	-2.54%	
	2009		$ 1,540,228	-11.04%	
	2008		$ 1,731,357	-1.03%	
	2007		$ 1,749,457	N/A	
D.	LST (or EMST) Tax Revenue (70005)		Total Year	Prior Year	Change Since 2007
	2013	Budget	$ 700,000	-9.68%	$ (436,765)
	2012	Budget	$ 775,000	2.13%	
	2011		$ 758,809	4.25%	
	2010		$ 727,887	-9.57%	
	2009		$ 804,923	4.43%	
	2008		$ 770,773	-32.20%	
	2007		$ 1,136,765	N/A	
E.	Police Fines Revenue (70031, 70034)		Total Year	Prior Year	Change Since 2007
	2013	Budget	$ 138,000	11.29%	$ (10,082)
	2012	Budget	$ 124,000	4.72%	
	2011		$ 118,413	-14.05%	
	2010		$ 137,776	8.13%	
	2009		$ 127,416	-26.29%	
	2008		$ 172,851	16.73%	
	2007		$ 148,082	N/A	
F.	Fire Code Permits & Fees Revenue (70041)		Total Year	Prior Year	Change Since 2007
	2013	Budget	$ 16,000	357.14%	$ 9,469
	2012	Budget	$ 3,500	21.11%	
	2011		$ 2,890	-43.77%	
	2010		$ 5,140	48.77%	
	2009		$ 3,455	-34.42%	
	2008		$ 5,268	-19.33%	
	2007		$ 6,531	N/A	
G.	Ambulance Billing Revenue (70046, 70047)		Total Year	Prior Year	Change Since 2007
	2013	Budget	$ 1,000,000	8.93%	$ 211,944
	2012	Budget	$ 918,000	-1.90%	
	2011		$ 935,822	2.32%	
	2010		$ 914,590	8.90%	
	2009		$ 839,878	7.73%	
	2008		$ 779,608	-1.07%	
	2007		$ 788,056	N/A	
					Total Change Since 2007
					$ (780,159)
H.	Transfer From SAFER Grant (70077)				
	2013	Budget	$ 766,165		$ 766,165

Major revenue categories have lost $780,159 in annual income since 2007.

Lack of Labor Agreements Complicate 2013 Budget Outlook

While revenues may provide a bleak outlook, the uncertainty created by not having labor agreements with two of the Borough's three major labor unions is disastrous. As this budget is produced, only the Police Department employees covered by the Chambersburg Police Officers Association have a labor agreement for 2013. Further, that agreement was forced upon the Borough as a result of Act 111 Interest Arbitration in 2011.

Those Emergency Services Department employees covered by the International Association of Fire Fighters (IAFF) Local #1813 have had no labor agreement since January 2012. A Pennsylvania Act 111 Arbitration Panel will likely force an award on the parties sometime in 2013 retroactive to January 2012. If that forced award contains additional wages or benefits for 2012 or 2013, this budget will be thrust into disarray.

Further, those Highway, Recreation, utility department, and internal service fund department employees covered by the American Federation of State, County and Municipal Employees Local #246 will have no labor agreement effective January 2013. These employees, unlike Police and Fire employees do not have the right of a state forced award. However, the Borough has no idea how long negotiations may last with this union. If the union and Town Council agree to any additional wages or benefits for 2013, not already reflected in this budget, then this budget will be thrust into disarray.

This uncertainty is staggering given that 87% of the Borough's budget is wages and benefits. Further, it is particularly staggering for the General Fund because so many employees have uncertain wages and benefits in the General Fund for 2013.

By the way, for the first time in recent history, I am suggesting that the Borough Solicitor ask Town Council to create a wage and benefit package for clerical, technical, and management employees of the Borough so they may have a certain wage and benefit package for 2013. In years' past, these employees received exactly whatever wages and benefits were agreed upon by AFSCME Local #246. However, it is unfair for the clerical, technical, and management employees to be held hostage by the uncertainty of the AFSCME Local #246 bargaining process. These employees are not represented by any union and therefore Town Council may unilaterally impose their wages and benefits.

Wage Increases for 2013

Police Department employees covered by the Chambersburg Police Officers Association: Act 111 Interest Arbitration has imposed a 3.5% wage increase on the Borough for these employees for 2013 and offsets for additional contributions to their health insurance and pension benefits.

Emergency Services Department employees covered by the International Association of Fire Fighters (IAFF) Local #1813: without any agreement, this budget contemplates **no raises for these employees for 2012 or 2013**.

Those employees covered by the American Federation of State, County and Municipal Employees Local #246: without any agreement, this budget contemplates **a 1.5% wage increase and 1.5% deduction for pension benefits for these employees**.

The Borough Solicitor will propose a package for non-bargaining employees.

Police Department

The Chambersburg Police Department will work hand in hand with members of the commu nity in order to improve and enhance the richness of our quality of life consistent with the following principles: Respect for human rights, reduction of crime and disorder, employee, personal and professional well-being, community safety, high standards for excellence and continuous improvement.

Department Head: Chief David Arnold

2011	Actual	2012 Budget	2013 Budget
Earmarked Revenue			
Police Tax	$3,731,681	$3,723,000	$3,734,000
Police Fines & Other	$ 130,338	$ 134,000	$ 143,000
Subtotal	*$3,862,019*	*$3,857,000*	*$3,877,000*
Police Operations	$4,058,734	$4,078,410	$4,043,712
Excess (Deficit)	($196,715) Deficit	($221,410) Deficit	($166,712) Deficit

There is a structural deficit in the Chambersburg Police Department. Other non-Police revenues are carrying the cost of the department. This should be addressed.

The Chambersburg Police Department

1. Police Department staff reduced by two officers in 2011 through retirements
2. The vacancies were attributed to the Crime Impact Team (CIT) whose staff reduced from 5 to 3
3. Council also discussed the Special Equipment & Tactics Team (SET Team): removed the two firefighters from the team and asked Chief to study regionalization of the SET Team
4. Finally, the Borough did not replace one of the three K-9 dogs when he retired

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Chief	1	1	1	1	1	1	1	1	1
Non Bargain	3	3	3	3	3	3	3	**2**	2
Officers Assoc	30	30	33	33	33	33	33	**31**	31

The Chambersburg Police Department

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4. Finally, the Borough did not replace one of the three K-9 dogs when he retired

	2005	2006	2007	2008	2009	2010	2011	2012	2013
Chief	1	1	1	1	1	1	1	1	1
Non Bargain	3	3	3	3	3	3	3	2	2
Officers Assoc	30	30	33	33	33	33	33	31	31

Police Department Operating Budget (As Adopted by Council):

	Dollars
2010	$4,403,894
2011	$4,097,984
2012	$4,143,210
2013	$4,124,112 Proposed

Reducing expenses
less staff

The proposed 2013 Chambersburg Police Department budget contains no additional officers, no changes to operations, no replacement of the two officers who retired in 2011, and no changes to the SET Team. The budget runs a structural deficit of approximately $247,112. This deficit is covered by other non-Police revenues[1] found in the General Fund. The operating portion of the structural deficit is estimated to be $166,712.

Further, the Police Chief and Mayor have asked to restore the two police positions eliminated after 2011, in the 2012 budget. In my opinion, this also cannot be done without a Police Tax increase.

NO TAX INCREASE IS NEEDED BUT…

With no Police Tax increase, the gap between taxes and police expenses might be $247,112[2] in 2013.

It is estimated that two police officers, on average, for a full year, costs the Borough $186,886[3] in 2013.

Police Tax Yield vs. Police Tax Adopted Operating Budget				
	2010 Actual	2011 Actual	2012 Budget	2013 Proposed
Mil Rate	20	20	20	20
Tax Yield[4]	$3,714,590	$3,731,681	$3,723,000	$3,734,000
Police Operating Budget	$4,403,894	$4,097,984	$4,143,210	$4,124,112
Difference	$689,304	$366,303	$420,210	$390,112
Other Police Revenues	$137,776	$118,413	$124,000	$143,000
Net Deficit	$551,528	$247,890	$296,210	$247,112

The anticipated net operating deficit of the Police Department, to be covered by other revenues in 2013, will be somewhere between $166,712 and $247,112.

[1] *Non-police revenues include deed transfer tax, earned income tax, and utility PILOT payments*
[2] *Estimated deficit only, actual deficit will vary as annual expenses accumulate*
[3] *Based on average cost wages and benefits (not overtime) for average police officer per 2013 expenses*
[4] *Includes prior year uncollected taxes and revenue from the sale of tax liens from prior years as properties are sold*

Linking Borough Real Estate Taxes to the Police Department Budget

Town Council should seriously consider linking the levy of real estate taxes to the Police Department's operating budget. This would be wise because it is a fair and equitable use of a real estate tax; to protect the community. Second, it would eliminate the annual evaluation of the real estate tax because the tax would, be earmarked for, and set to, the cost of operating the Police Department. Third, the Police Department's budget rises due to items not under Town Council control (i.e. Act 111 arbitration decisions, police pension plan, unfunded mandates) and Town Council would be able to offset those costs with an automatic real estate tax adjustment. Finally, there would be no misconception as to why Chambersburg has a local real estate tax and other municipalities do not; it is to fund the Police Department.

As a result, I refer to our local real estate tax as a **Police Tax**; because, in essence, that is what it has become.

Police Tax Adopted Budget					**Other Alternatives**	
	2010 Actual	2011 Actual	2012 Budget	2013 Proposed	Balance Budget	Add 2 More Cops (Est.)
Mil Rate	20	20	20	20	21	22
Tax Yield	$3,714,590	$3,731,681	$3,723,000	$3,734,000	$3,912,250	$4,090,500
Value of 1 mil	*185,729.50*	*186,584.05*	*186,150.00*	*186,700.00*	*186,297.62*	*185,931.82*[5]
What this costs the average single family house	$329.08	$329.08	$329.08	$329.08	$345.53	$362
in Chambersburg (per assessed value of $16,454)	per year	per year	per year	per year	per year	per year

The mil rate in the Borough of Chambersburg has been set at 20 mil since 2007 when it was raised from 17 mil

One misconception that confuses the issue of the **Police Tax** is how to translate the rate (currently at 20 mil) into actual dollars. In Franklin County, the "assessed value" of one's property may be radically different from the "fair market value" of one's property. For example, within the Borough limits, the average single family house has an assessed value of $16,454; obviously you cannot buy a house for that little. That is because our County has not re-assessed real estate since 1961. Regardless, the average single family house, inside the Borough, pays a full value real estate tax bill of only $329; based upon an assessed value of $16,454. This figure was determined by combing through the tax rolls and extracting each single family house (as opposed to commercial, industrial, or multi-family buildings). Your Borough real estate tax (Police Tax) cost will vary.

To determine your Police Tax bill, take your full annual real estate tax (local, County, school, and library) and multiply it by 0.14

At $329 per year, the Borough Police Tax does not cover the full cost of the Chambersburg Police Department. This is the only real estate tax collected by the Borough and this is its only use; just for Police.

Please note that residents in the Townships do not pay the Police Tax to the Borough of Chambersburg. Also, Borough residents pay much higher taxes to the County and schools. Only 14¢ of every $1 in real estate taxes goes to support the Police Department with the balance going to the County and schools. Also, tax exempt property owners such as schools, government, churches, etc., pay no Police Tax.

Single Family House
$329 per year[6]

Schools
No tax

Non-profits
No tax

Government
No tax

Commercial/Industrial
More

The Borough's other taxes such as the Earned Income Tax or the Deed Transfer Tax are set at a maximum rate by the State of Pennsylvania. These taxes are used for a variety of purposes including covering the deficit that the Police Tax does not cover. But only the local real estate tax can be adjusted on an annual basis by Town Council and only the local real estate tax should be used for our Police Department. Other taxes are not a reliable source of revenue for public safety.

Revised: At most only 1 mil needed to balance and 1 additional mil to add 2 more cops

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[5] *The yield for any real estate tax diminishes as the rate increases therefore larger rate yields slightly less per mil*

[6] *Based upon the average assessed value of a single family home inside the Borough or $16,454; your cost may differ*

Elimination of Police Department services (i.e. the Chambersburg SET Team) would free up TIME but not MONEY. The only way to gain money is by raising the Police Tax.

Borough Real Estate Police Tax Rate						
2006	2007	2008	2009	2010	2011	2012
17	20	20	20	20	20	20
Cost to the Average Chambersburg Borough Single Family Residential Home						
$279.72	$329.08	$329.08	$329.08	$329.08	$329.08	$329.08

Please note that residents in the Townships do not pay a police tax to the Borough of Chambersburg. Also, Borough residents pay much higher taxes to the County and schools. Only 14¢ of every $1 in real estate taxes goes to support the Police Department with the balance going to the County and schools. Also, tax exempt property owners such as schools, government, churches, etc., pay no Police Tax.

To calculate your Police Tax, take your total annual real estate tax bill and multiply it by 0.14

This is the only real estate tax you pay to the Borough of Chambersburg and it is used only for Police.

Borough of Chambersburg

Chambersburg Police Tax

2013 BUDGET

Structural Deficit from 2012 Impacts 2013 Budget

In 2011, the Town Council and the Chambersburg Police Association asked a state arbitrator to settle the collective bargaining agreement between the Borough and the police. As a result of the arbitration decision and agreement, police officers in 2013 will receive wage increases offset by health insurance deductions:

- Should the Police Tax increase?
- Should the Borough add Police Officers?
- Should the Borough find Police budget savings?

For example, less police activities, shared services, less police cars, etc.

Beginning in 2012, Police Department staff was reduced by two officers through retirements to pay for 2012 expenses.

The vacancies were attributed to the Crime Impact Team (CIT) whose staff reduced from five to three.

Council also discussed the Special Equipment & Tactics Team (SET Team) but other than removing the two firefighters from the team, Council asked Chief David Arnold to explore regionalization.

Finally, the Borough did not replace one of the three K-9 dogs when he retired.

Police Department Budget (As adopted by Council:

	Dollars
2010	$4,403,894
2011	$4,097,984
2012	$4,143,210
2013	$4,124,112

The Real Estate Tax is really just A POLICE TAX! as it covers no other expenses.

	2010	2011	2012
Chief	1	1	1
Officers	33	33	31
Clerical	3	3	2

Per Year Avg. House

$329: current annual tax

$346: balances budget

$362: hires two new officers

	Cost	Mil	Tax
2012	N/A	20	$329
2013	N/A	21	$346
2 New Cops	$178,250	22	$362

You may not know, but...

The Borough does not collect a property tax, only a Police Tax; 100% of all Borough real estate taxes go to Police.

Police Tax does not go for any other service; not Council or Manager or streets, etc.

The Borough Police Tax has not risen since 2007. The average single family house pays only $329 per year to the Borough for Police; other taxes to County and schools.

Township residents, township businesses, charities, schools, churches, etc. pay no Police Tax. There is no other tax for Police; other municipal taxes (i.e. earned income tax) used for other budgets.

Tax Rate	2005	2006	2007	2008	2009	2010	2010	2012
Mils	17	17	20	20	20	20	20	20

Why do we pay so much in Real Estate Taxes if only $329 goes to the Police Tax?

Answer: The Borough keeps only 14¢ of every $1 a property owner spends on real estate taxes, the rest goes to the County and schools.

Police Tax Options for 2013

1. Police Tax – 20 mil - $329 per average single family house in Chambersburg

   If Town Council adopts the 2013 budget with a 20 mil Police Tax, the Borough will hire no additional officers, no changes to operations, no replacement of the two officers who retired in 2011, and no changes to the SET Team. The budget assumes a structural deficit of approximately $166,712, which may grow and worsen in 2014.

2. Police Tax – 21 mil - $346 per average single family house in Chambersburg

   If Town Council adopts the 2013 budget with a 21 mil Police Tax, the Borough will hire no additional officers, no changes to operations, no replacement of the two officers who retired in 2011, and no changes to the SET Team. The budget would then be in balance and pass no deficit on to 2014.

3. Police Tax – 22 mil - $362 per average single family house in Chambersburg

   If Town Council adopts the 2013 budget with a 22 mil Police Tax, the Borough will hire two (2) new Police Officers for the police academy class beginning in the Summer of 2013, the Crime Impact Team will be expanded back to five full members, and when officers retire, they would be replaced; there would be no changes to the SET Team. The budget would be in balance and pass no deficit on to 2014.

The Borough does not collect a property tax, only a Police Tax; 100% of all Borough real estate taxes go to Police.

Police Tax does not go for any other service; not Council or Manager or streets, etc.

The Borough Police Tax has not risen since 2007. The average single family house pays only $329 per year to the Borough for Police; other taxes to County and schools.

Why do we pay so much in Real Estate Taxes if only $329 goes to the Police Tax?

Answer: The Borough keeps only 14¢ of every $1 a property owner spends on real estate taxes, the rest goes to the County and schools.

This is the only tax funding police and the tax is only used for Police.

Township residents, township businesses, charities, schools, churches, etc. pay no Police Tax. There is no other tax for Police; other municipal taxes (i.e. earned income tax) used for other budgets.

Emergency Services Department

The Chambersburg Emergency Services Department is an all-hazard incident management department, which delivers fire prevention/suppression and emergency medical service to protect the lives and property of the citizens that live, work or visit the Borough of Chambersburg.

Department Head: Chief William FitzGerald

2011	Actual	2012 Budget	2013 Budget
Earmarked Revenue			
Fire Tax	$ -	$ -	$ -
Local Services Tax	$ 691,809	$ 775,000	$ 700,000
Fire Code Inspections	$2,890	$3,500	$16,000
Ambulance Fees	$935,822	$918,000	$ 1,000,000
Subtotal	*$1,630,521*	*$1,696,500*	*$1,716,000*
ES Dept. Operations	$3,339,507	$3,132,750	$3,200,317
Excess (Deficit)	($1,708,986) Deficit	($1,436,250) Deficit	($1,484,317) Deficit
SAFER GRANT	$ -	$ -	$766,165

If not but for the SAFER Grant, there would be no way to continue this operation at this expense.

There is a structural deficit in the Chambersburg Emergency Services Department. Other non-Emergency Services revenues are carrying the cost of the department.

The purpose of the Staffing for Adequate Fire and Emergency Response Grant program is to provide funding directly to fire departments and volunteer firefighter interest organizations in order to help them increase the number of trained, "front-line" firefighters or to rehire firefighters that have been laid-off. After careful consideration, FEMA has determined that the Borough's application, and detail in the project narrative as well as the request details section of the application; including budget information; was consistent with the program's purpose and worthy of the award. The Town Council agreed to perform the work described in the approved grant application including a prohibition on layoffs and keeping adequate staffing levels for the life of the grant. Over 3 budget years the total award was: Personnel: $1,012,356.00 and Fringe Benefits $602,451.00

Staff has determined that for our FY2013, the grant will transfer to the Borough $766,165 in revenue.

This will not close the structural deficit in the Emergency Services Department but will shrink it sufficiently so that non-Emergency Services Department revenues may close the gap.

The 2013 Chambersburg Emergency Services Department budget contains no staffing changes, no changes to operations, no expansion of EMS services, and no changes to the focus of the department. The budget runs a structural deficit of approximately $ 718,152. This deficit is covered by other non-Emergency Services revenues found in the General Fund.

What happens at the end of the SAFER Grant?

The time has come to evaluate the size and cost of the Chambersburg Emergency Services Department against the community need for public safety. This is not an easy measure, but given the extreme lack of growth in General Fund revenues, to ignore this measure would be foolish.

The Emergency Services Department provides three main service areas:

- Fire prevention/suppression
- Fire code enforcement
- Ambulance (basic life support)

There has been significant growth in receipts from our Ambulance service. In 2013, it is anticipated that the Ambulance service will have receipts of $1,000,000.

In addition, the Emergency Services Department generates fees of $16 ,000. In total, the Emergency Services Department covers about 1/2 of its costs, with the remaining funding coming from other General Fund revenue sources. Chambersburg collects less real estate tax than the cost of operating the Police Department. Therefore, 1/2 of the cost of operating the Emergency Services Department comes from other taxes (deed transfer tax, earned income tax, and the PILOT payments from utilities). Given the poor performance and lack of flexibility in these tax categories, the Emergency Services Department is faced with an enormous challenge; large cuts to balance their budget.

Do we need a more global solution to fire protection?

We have plenty of questions but not a lot of good answers. Further, it is not possible to ignore this problem any longer. The Chambersburg Fire Department is the best trained, most well equipped, and most reliable public safety force in Franklin County. Yet, it is too expensive for the Borough to operate. Meanwhile, we have heard that our neighbors in the Townships are struggling to find qualified and committed volunteer firefighters, response times are slowing, and the future of an all-volunteer force in the Townships is questionable. Can we work together to find a more global solution to regional firefighting?

It is my proposal that the various parties involved in this issue including the Franklin County Fire Chiefs Association, the County Department of Emergency Services, the County Commissioners, Volunteer Fire Companies, the Township Supervisors, Town Council, our Fire Chief and the fire union, all gather and see what global solutions can be proposed to address public safety in Franklin County.

If no action is taken, once the SAFER Grant ends, it is unlikely that Town Council will continue to afford the cost of the Chambersburg Emergency Services Department. This budget is the one reprieve from action afforded by the SAFER Grant, action must be taken.

Recreation Department

The Chambersburg Recreation Department provides quality recreation experiences for our community through well organized and diverse programs, as well as, a properly maintained park system.

Department Head: Guy Shaul

2011	Actual	2012 Budget	2013 Budget
Earmarked Revenue			
Recreation Tax	$ -	$ -	$ -
Recreation Fees	$412,401	$410,000	$435,000
CASD Grant	$122,245	$122,245	$122,245
Subtotal	*$534,646*	*$532,245*	*$557,245*
Recreation Operations	$1,283,388	$1,359,550	$1,410,100
Excess (Deficit)	($748,742) Deficit	($827,305) Deficit	($852,855) Deficit

There is a structural deficit in the Chambersburg Recreation Department. Other non-Recreation revenues are carrying the cost of the department.

In Chambersburg, we are fortunate, that our Memorial Park Pool does not cause a significant drain on the Borough's finances. In fact, in 2010, 2011 and 2012, the pool just about covered all its expenses with operating revenue and concessions. Of course, the same cannot be said for the many beautiful and important park facilities of the Borough or our well-used Eugene Clarke, Jr. Community Center. Overall, the Recreation Department covers 40% of their operating expenses. The balance of the Recreation Department operations comes from a Chambersburg Area School District Grant, scheduled to end in 2014, and other General Fund revenue. As such, like all General Fund departments, the Recreation Department was forced to make a large and significant personnel cut in 2012. Town Council removed 25% of the park maintenance budget in 2012 by removing one full time maintenance employee.

This proposed budget does not contemplate any tax increases and no additional personnel changes.

Department Needs

- More, qualified instructors to teach our programs
- Grow our advertising & marketing efforts so that we can inform more people about our programs
- Social Media

- More space (fields & gyms)
- New Recreation Software

Department Goals

- Collaborate with community organizations to expand our programming and find new instructors for our programs
- Continue energy efficient upgrades
- Continue to offer more child, youth and adult programs
- Continue to offer more non-sports programs
- Efficient maintenance of park system
- Fiscal responsibility
- Improvement of programs and facilities

Operational Changes

- Maintenance Foreman position no longer exists. Supervisor leading the maintenance personnel
- Park Guards at Mike Waters Memorial Park every afternoon & evening
- Park Guard roaming various park areas every evening
- Using contractor services more than in the past

Major items for 2013:

- Staff is recommending a recreation program and pool user fee increases:
    - An increase in overall program fees of $4-$6 each depending on the program; it has been 2 years for some programs since the last increase and longer for some other programs.
    - An increase for all the Pool fees:
        - Season passes have not been changed since the 2010 season; proposed increase of $10 per year, a Borough resident family season pass would increase from $200 to $210.
        - Daily rates last changed in the 2011 season; $4.50 Borough resident and $6.50 for Non resident to $5 for residents and $7 for Non residents.

- The proposed budget includes the work associated with the grant application for Mike Waters Park

- The proposed budget includes $78,000 in other park improvements but:
    - No improvements to the deteriorating Memorial Park Tennis Courts
    - No improvements to the Memorial Park Fountain to make it functional
    - No improvements to the Memorial Park Pool such as sand blasting
    - No construction of the artificial turf field at Henninger Field

- The proposed budget includes the same number of employees; no additional employees. However, as with all budgets, which include expenses related to members of AFSCME Local 246, the Recreation budget is using wage and benefit assumptions because no labor agreement exists between the Borough and Local 246 for 2013.

Land Use and Community Development Department

The Chambersburg Land Use and Community Development Department includes the planning, zoning, community and economic development functions in the Borough as well as enforcement of the building, health, and property maintenance codes. The personnel help plan the Borough's form and character, support community values, preserve the environment, promote the wise use of resources, and protect public health and safety.

Department Head: Phil Wolgemuth

2011	Actual	2012 Budget	2013 Budget
Operations	$477,985	$327,300	$380,570

The Chambersburg Land Use and Community Development Department provides high quality service when you need it. The Department will:

- Listen to and understand your needs
- Give clear, accurate and prompt answers to your questions
- Explain how you can achieve your goals under the Borough's rules or the uniform code
- Help resolve problems in an open, objective manner
- Maintain high ethical standards
- Work to improve our service

Community planning involves: citizens, neighborhood groups, businesses, stakeholder, land developers, and contractors along with Borough staff, and appointed and elected officials. The Town Council are elected officials. The Town Council appoints citizens to serve on the Planning and Zoning Commission, the Zoning Hearing Board, the Building Code Hearing Board, the Fire Code Hearing Board, the Parking, Traffic and Street Lights Committee, the Curb and Sidewalk Compliance Committee, and the Board of Health. These groups help process various parts of the planning and community development process. The Land Use and Community Development Department staff works with everyone to insure that the process is well executed. The Assistant Borough Solicitor is appointed to work with this department as well.

There are three (3) main areas of concentration in this department:

- Planning
- Zoning
- Property Maintenance and Other Codes Enforcement

In 2010, Phil Wolgemuth, assumed responsibility for management of the entire department as well as overseeing the Engineering Department (separate Internal Service Fund).

Property Maintenance and Other Codes Enforcement includes overseeing the Systematic Rental Inspection Program as well as a liaison to the Borough's Building and Health Code outside agent, Commonwealth Code Inspection Services (CCIS).

Major items for 2013:

- Staff is recommending no changes in Planning, Zoning or Code Enforcement user fees.
- The proposed budget includes the same number of employees; no additional employees.
- The proposed budget includes no capital improvements or system changes.

Highway Department

The Highway Department functions include a variety of activities from snow and ice removal to patching streets, overlaying streets and alleys, and cleaning and maintaining the Borough's municipal separate storm sewer system (MS4). Lending a hand to the Sanitation Department (separate enterprise fund) or the Motor Equipment Fund (separate internal service fund), Highway Department personnel are out fixing signs, cleaning storm drain inlets or patching holes almost every day.

Department Head: David Finch

2011	Actual	2012 Budget	2013 Budget
Operations	$1,166,030	$971,150	$1,435,221

Major items for 2012:

- David Finch, Elwood Sord and Arnold Barbour run this department, which handles the maintenance of items not associated with Sanitation, Motor Equipment, or utility operations (all of whose expenses appear in other funds). This is therefore, the balance of non-utility highway and storm sewer maintenance.
- Changes to street patching and street excavation permits will result in contractors paying additional costs when excavating inside the Borough as the Borough absorbs fewer expenses.
- Working closely with the Engineering Department, the Highway Department is undertaking a pavement inventory system.
- Working closely with the Sewer Department, the Highway Department will assist in the investigation and remediation of potential municipal cross connections between the sewer system and the storm drain system.
- In 2013, the concept of re-establishing this department as an independent Construction Department, a separate internal service fund, will be explored.
- The proposed budget includes a reservation for future capital projects of $100,000.
- The proposed budget includes the same number of employees; no additional employees. However, as with all budgets, which include expenses related to members of AFSCME Local 246, the Highway budget is using wage and benefit assumptions because no labor agreement exists between the Borough and Local 246 for 2013.

General Government

General Government functions include a variety of activities from the organization and management of Town Council to various intergovernmental activities (Council of Governments, 21st Century Partnership, etc.) to civic activities such as the maintenance of the downtown, community events, and the Shade Tree Commission.

Department Head: Jeffrey Stonehill

2011	Actual	2012 Budget	2013 Budget
Operations	$1,003,274	$1,181,857	$1,462,057

Major items for 2012:

- Elected officials compensation remains fixed with no increase (per State law)
- Borough Solicitor compensation scheduled to rise 1.5%
- The Borough Solicitor will propose a wage and compensation arrangement for management employees; the proposed budget includes a 1.5% wage increase and 1.5% deduction for pension benefits for these employees
- No additional staff will be hired and the Assistant Borough Manager will continue to serve as Public Works Director
- The same arrangement with Downtown Chambersburg Inc. for the maintenance of the downtown, with no annual increase or change in payments
- The same budget for the Shade Tree Commission, the 21st Century Partnership, civic events, and downtown events; with no changes proposed
- The proposed budget includes $250,000 in capital improvements to the City Hall
    - Refurbish HVAC Systems
    - New sound system for Council Chambers
    - Refurbish some windows and doors
    - Long term space analysis for City Hall
- The proposed budget includes the reservation of $100,000 for future capital projects

11/5/2012

Electric Department Budget

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

Electric Department Budget

As Proposed for 2013

The Chambersburg Electric Department serves approximately 10,200 electric customers covering a service territory of 6.58 square miles. Chambersburg's electric profile is composed of great diversity with a healthy traditional mix of residential, commercial, and industrial load base. Its electrical load is both summer and winter peaking with the predominant peak occurring during summer months at approximately 62 megawatts.

The availability of electricity to the Borough of Chambersburg began sometime after the Franklin Electric Company applied for a Charter to furnish electric current on August 29, 1874. It is uncertain how long this firm remained in business. The Cumberland Valley Railroad Company constructed a portable electric light plant located on a railcar in 1883. In 1884, this device lighted arc lamps around the Public Square for the Centennial and lighted the grounds for a baseball game which was played at night.

On November 29, 1889, the Borough placed a contract for installing an Electric Light Plant to light the streets of the Borough in the amount of $9,757. This street lighting system was operated from dark until twelve o'clock midnight. It was not operated on moonlit nights. In 1891, the Borough went into the commercial phase of supplying "current" to consumers. The Borough installed its first steam driven generators in 1893. The high voltage distribution system naturally grew over the years as radial spokes emanated from the power plant located at the hub of the Borough. This system became the central driving force for commerce as local industries embraced electrically driven machines. Rates were $0.12 per kilowatt hours in 1901, $0.06 in 1935 and averaged $0.0842 in 2008. About 8 million kilowatt hours were generated in 1935. In 2008, the total billed kilowatt hours were 303,299,213 of which approximately 15%, or approximately 38 million kilowatt hours, were generated by our generation facilities.

Dissatisfied persons within the Borough sought to restrain the Borough from producing electricity in its early years. Fortunately, the courts dismissed the suit. For the first fifty years of operation, all electricity distributed by the Department was produced within the Borough by its own generating equipment which was added as needed. During World War II, generators were unavailable to meet increased generation demands by the local industries producing for the war effort. Thus, a 69 kV transmission line was constructed from South Penn, later West Penn, Power Company lines to augment the Borough's generation. After the war-related restrictions were lifted, Chambersburg began to invest in needed generating equipment into the 1960s with the addition of steam turbines and later two dual-fueled diesel/gas engines.

The decision to cease the Borough's steam-driven generation operations was made in 1975 because of the age of the equipment and new environmental requirements for burning coal. Most of the electricity was then purchased at wholesale from West Penn Power. The transmission system and distribution substations were expanded over the next thirty years to meet an ever-increasing customer load.

During the past decades, the Department continued to add to and upgrade the substations and distribution system. During that time a new 3.2 megawatt dual-fuel generator was added to the two

existing dual-fuel units, which increased the Borough's generating capacity to 7.5 megawatts. The Department also upgraded to state-of-the-art control systems and installed a Supervisory Control and Data Acquisition ("SCADA") system network. During this time, the Borough has been developing and installing a Borough-wide Geographical Information System (GIS) to combine utility maps, customer service records and numerous data files into a single geographical reference system. The Department has been instrumental in installing a fiber optic cable system among the various substations and various Borough facilities located throughout the Borough. This installation will be the backbone of the next phase of the Borough's plans to expand its high speed electric protection systems computer network and telephone systems.

Another major project resulted in the Borough contracting with Wartsila to construct a power plant at Orchard Park including four eighteen-cylinder, 8,086 horsepower engines that generate 5.73 megawatts each. The $19.9 million project, which included the construction of an adjoining substation and other system improvements, became operational in 2003. As a result of the new plant, the Borough had joined the Pennsylvania, New Jersey and Maryland (PJM) Interconnection, a regional power grid and is now able to purchase and sell electricity on the grid.

In 2013, the Borough will embark on a new phase of both wholesale power purchasing and generation. In 2009, Council agreed with staff's proposal to halt work and spending on the landfill gas project as it was being conceived of at the time. The project was originally intended to be a high-BTU refinery to be built and operated at the Scotland Landfill site by the Borough and/or a refined gas pipeline to the Borough for mixing and consumption at Orchard Park Generating Station. The conclusion of staff's analysis was to give up direct negotiations for development with the landfill owner (IESI, Blue Ridge), the costly development process, and to wait and see if a third party developer would contact the Borough with a more economically viable "extension cord" power project that they were willing to develop. This was the only remaining project concept that would be considered going forward. As was somewhat expected then, in 2010, a third party, PPL Renewable Energy, contacted the Borough to solicit interest in a power-only project involving their development of the Scotland Landfill site. Several preliminary conversations/meetings were held which led to a contractual arrangement between the parties. PPL Renewable Energy has agreed to appropriate power right of way acquisition costs, the future development, engineering, and installation costs in exchange for supplying the Borough with low cost power for at least the next decade.

The Borough's current power supply agreement with DTE Energy is due to expire on December 31, 2012. Meanwhile, the cost of wholesale energy has remained favorable during this time for future power procurement. Electricity is a commodity, bought, sold, and traded hour to hour. As a result of the market variability, in 2010 Pennsylvania adopted a change to the Borough Code to allow the 35 municipal electric systems to acquire energy in a different manner than years past. Specifically, energy can be negotiated and bought without the cumbersome and untenable sealed bid process used to buy most large items by the Borough. In light of these changes, Chambersburg, along with our consultant GDS Associates of Marietta, Georgia, have developed a Power Supply Master Plan, which Town Council adopted on May 14, 2012.

We call this plan a "portfolio" approach to power supply acquisition. No more will Chambersburg acquire energy from one supplier for one period of time. In light of this plan, Chambersburg, along with our consultant, have developed the next in the series of Request for Proposals (RFP) to process for fulfillment of the Borough's future power needs. So far, the Borough has entered into a ten year arrangement with

PPL Renewable for the landfill gas electricity supply beginning in 2013. At the September 12, 2011, Regular Meeting of Town Council, the Electric Superintendent was authorized to negotiate two Purchased Power Agreements (PPA), commencing January 2013. Subsequent to that meeting, the power supply negotiation team recommended and the President of Town Council signed two more agreements:

- Exelon, 5 MW block power purchase, 7-year term, $59.60 per Megawatt-hour
- First Energy Solutions, fixed load shape, 2-year term, $45.51/Megawatt-hour

The Borough's power supply portfolio approach, effective with the end of the DTE contract, will come from these three sources and with three different terms: the 10-year Landfill Gas Electric Generation Project, the 2-year fixed load shape, and a 7-year Block Power component. Such diversification of our supply is the key to avoiding a similar situation, as that which occurred with the DTE contract, where all of our supply was in one fixed load shape for 5-years and with little to no flexibility. Our comprehensive plan, a separate item before Council previously considered, specifically spells out the strategy.

The next purchase approved by the plan in the spring of 2012 was:

- EDF Trading, 4.5 MW block power purchase, 1-year term (2015), $42.28 per Megawatt-hour

This purchase brought the total number of future contracts to four. The next step in the plan is to purchase a 4.5 MW block for a single year and a 3.7 MW block purchase for either three (3) years, 2015-2017 or five (5) years 2015-2019 and at prices not to exceed approximately $43.90/MWh for the single year, 45.57/MWh for the three year, and $49.06 for the five year option. Negotiations are still in progress with the finalists from the first round of the RFP process. Staff hopes to conclude negotiations after the final price refresh and possibly strike a deal soon after the Monday, November 5, 2012 Borough Council meeting. This purchase could be with one or more of the Block Power finalists from the RFP Process: AEP, American Municipal Power, Constellation Energy/Exelon, PSEG, EDF Trading, First Energy, Next Era Energy, Noble Gas, BP, or Cargill.

With these favorable RFP results, staff is requesting that Council authorize the execution of additional pre-PPA agreements necessary with five new finalists to then strike at the best price and for another block of future power supply with the winning supplier.

At the conclusion of the fall 2012 power RFP process, this will mark our fifth and, possibly, sixth PPA, in keeping with the Master Plan. A committee comprised of the Borough Manager, Borough Solicitor, Electric Department Superintendent, Assistant Electric Superintendent, and our consultant, have reviewed responses and asked for further clarification on proposals. At this point, the numbers are very promising.

2013 will therefore mark the beginning of a new era for the Borough of Chambersburg Electric Department.

RP3 Designation: Chambersburg is one of 176 of the nation's more than 2,000 public power utilities to earn Reliable Public Power Provider (RP3) recognition from the American Public Power Association for providing consumers with the highest degree of reliable and safe electric service. Brent McKinney, manager, electric transmission and distribution at City Utilities of Springfield, Mo., and chair of APPA's RP3 Review Panel, presented the designees on April 16 during the association's annual Engineering & Operations Technical Conference held in Cleveland, Ohio.

Electric Department

The Chambersburg Electric Department using character, competence, and collaboration will provide to our customers valuable energy products and services that are safe, reliable, and competitively priced. The Electric Department will produce economic and other benefits to the Borough, its citizens, its employees, and its customers while operating in a professional and courteous manner within a structure of local accountability and local control.

Department Head: Ronald Pezon, PE

2011	Actual	2012 Budget	2013 Budget
Revenue	$33,602,305	$32,980,332	$32,599,300
Expenses	$34,515,615	$33,093,645	$31,362,941
Excess (Deficit)	($913,310) Loss	($113,313) Loss	$1,236,359 Gain

In 2013, the Chambersburg Electric Department is proposing the first year since 2010, where the Fund will not lose value. In 2012, the proposed deficit was $113,313. However, it is likely that the Electric Operating Fund will instead finish with a much larger deficit in 2012, one as large as ($2,500,000) due to aggressive decision by Town Council to keep rates low despite how high contractual power costs were running and dwindling demand for electricity. The good news, is that 2013 looks like a "return to normalcy" and with the fine fiscal decisions that have been made over the last two years, a surplus should arrive and begin to recover some of the deficits from prior fiscal years. The positive news is three fold. First, due to Town Council's aggressive stance, our customers have not had to burden the downturn as significantly as the Borough. Town Council adopted a plan to lower the variable retail electric rate (known as the Power Supply Adjustment) so that our customers effective rates actually decreased; hence the budgeted deficits. Further, staff undertook a significant change in the manner in which we purchase our wholesale electricity. Instead of buying everything from one supplier for one fixed length of time, this time, Town Council approved five or six separate purchase power agreements; each very different. This diverse portfolio will benefit the Borough and our customers beginning in 2013 when the new contracts begin. Finally, staff continues to reduce expenses related to outside consultants and engineers. Once the fiscal position of the Borough improves, such moves are likely to appear even more beneficial.

As a result, staff is proposing that the Purchase Power Adjustment be lowered in 2013 to result in an effective decrease in customers' cost of electricity.

Approximate Effect on Average (1,000 kWh) - Residential Customer by Proposed PSA

PSA Change	Total Elec. Bill	$/month Effect
Current PSA	$114.73	
May 2013	$109.48	- $5.25 (4.6%)
Nov 2013	$104.23	- $10.50 (9.2%)
Dec 2014	$98.30	- $16.43 (14.3%)

Effectively, each residential customer will see their electric bill drop from $114.73 per month to $104.23 per month during 2013.

YEAR	$/kWh	% Change Yr. to Yr
2003	0.0591	
2004	0.0591	
2005	0.0628	+6.3%
2006	0.0696	+10.8%
2007	0.0769	+10.5%
2008	0.0842	+9.5%
2009	0.1077	+27.9%
2010	0.1150	+6.8%
2011	0.1050	-8.7%
2012	0.1050	0 %
Proposed Cumulative 10% Rate Reduction for 2013		
2013	0.09979	- 5% (May -5%/Nov -5%)
2014	0.09349	- 6.3% (December)
2015	0.08859	- 5.2% (Cum. 15.6% < 2012)

This is still a challenging time for Chambersburg's largest utility. Two factors have influenced a negative trend in electric fiscal stability for the first time in history. First, the Borough finds itself at the end of an electric supply agreement that was not favorable. Since the agreement's inception, the market rate of wholesale electricity has significantly decreased. Such market movement was the result of the downturn in the economy. As such, and in an attempt to remain competitive with regional investor owned utilities, Chambersburg has taken an aggressive stance to run a deficit for a fixed period of time until the agreement ends and subsequent agreements begin in 2013. Second, the economic downturn has both decreased the Borough's load as well as our revenue from generation and financial tools (combined referred to as mitigation tools). Revenue has seen a flat, downward slope, while expenses have increased. The Borough's current unfavorable contract is now playing a more significant role in our purchase price of electricity, as we cannot take less delivery and therefore must instead take less from the spot market.

However, there is light at the end of the tunnel and it should arrive in 2013. We anticipate a big year for electricity.

Major items for 2013:

- Staff is recommending two decreases in the Power Supply Adjustment, lowering everyone's rates in 2013.
- The proposed budget includes the end of the DTE Energy wholesale contract and the beginning of buying new electricity from a variety of sources, including the opening of the Borough's new Landfill Gas power station being developed by PPL-RE at the landfill in Scotland, PA.
- The proposed budget includes $1,777,500 in capital improvements to the Electric Department infrastructure by the separate Electric Capital Fund includes much needed projects in substations and generation assets.
- The proposed budget includes no additional full time employees to the Electric Department, no changes in the staffing. However, as with all budgets, which include expenses related to members

of AFSCME Local 246, the Electric Department budget is using wage and benefit assumptions because no labor agreement exists between the Borough and Local 246 for 2013.

- The proposed budget is balanced using revenues for the first time in many years; however, it is anticipated that Town Council will want to start rebuilding lost cash reserves for future years.

Largest Customers (in $ order)

1. Chambersburg Hospital - Main
2. TB Woods 1 - Foundry
3. TB Woods 2 - Melting
4. Edge Rubber
5. Chambersburg Cold Storage
6. Chambersburg Health Services
7. Knouse Foods
8. Wilson College
9. Borough of Chambersburg WWTP 1
10. Borough of Chambersburg WWTP2
11. Giant Market – Wayne Ave
12. TST/Impresso Inc.
13. Catch-up Logistics
14. Weis Market - Wayne Ave
15. Giant Market – Norland
16. Menno Haven Inc Scotland Ave.
17. Ozburn-Hessey Logistics
18. Target
19. Chambersburg Area Senior High School
20. Menno Haven Penn Hall Manor

As you know, the Borough Electric Department makes a PAYMENT IN LIEU OF GROSS RECEIPTS TAXES (PILOT) to the General Government operations of the Borough. If the Electric Department were an investor owned electric utility licensed for operation in Pennsylvania, the Electric Department would pay "taxes" to the Commonwealth of Pennsylvania. In its current legal format, the Chambersburg Electric Department is not licensed by Pennsylvania, it is exempt from most Public Utility Commission rules, regulations, and tariffs, and is exempt from paying taxes.

As a result, the Electric Department shifts its tax burden to the Borough of Chambersburg where it transfers the PILOT payment. Please find enclosed a Chambersburg PILOT Tax Return form. The calculation, adopted herein, results in an annual PILOT payment of $1,010,580 for 2013:

2011	Actual	2012 Budget	2013 Budget
PILOT	$900,000	$950,000	$1,010,580

Borough of Chambersburg Finance Department			
Electric Gross Receipts Tax			
For Tax Year: 2013			
BOC		**Total Budgeted**	**Total Taxable**
Acct #	**Source of Gross Receipts**	**Gross Receipts**	**PA Receipts**
	Utility Plant & Allowance		
	Revenues - Electric Plant Leased to Others		
20018/20020/20021	Other Utility Operating Income	125,000	$125,000
20015	Revenues - Merchandise & Jobbing	75,000	
	Revenues - Nonutility Operations		
	Nonoperating Rental Income		
20019/20024	Interest & Dividend Income	5,000	
20016/20017	Miscellaneous Nonoperating Income	570,000	
	Gain/Loss on Disposition of Property		
20011	Residential/Commercial/Industrial Sales	31,600,000	31,600,000
	Public Street & Highway Lighting		0
	Other Sales to Public Authorities		0
	Sales to Railroads & Railways		0
20012	Sales for Resale	0	0
	Interdepartmental Sales		
	Other Sales, Nonmajor Only		0
	Provision for Rate Refunds		0
	Forfeited Discounts		0
20022	Miscellaneous Service Revenues	500	500
	Sales of Water and Water Power		0
20023	Rent from Electric Property	42,000	42,000
	Interdepartmental Rents		
20013	Other Electric Revenues	39,200	
	Revenues from Transmission of Electricity of Others		0
	Regional Transmission Service Revenues		0
20014/20025/20026	Miscellaneous Revenues	142,000	142,000
20027	All Other Sources	600	600
	Totals of each column	**$32,599,300**	**$31,910,100**
	Tax at the rate of 44 mills Gross Receipts Tax		**$1,404,044**
	Town Council Adopted Multiplier		**71.9764%**
	Payment in Lieu of Gross Receipts Tax		**$1,010,580**

11/5/2012

Gas Department Budget

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

Gas Department Budget

As Proposed for 2013

The Chambersburg Gas Company was started on April 4, 1856 when the Pennsylvania Legislature, by special grant, authorized the construction and operation of a gas system. It was a private enterprise, manufacturing and distributing gas until 1946. In December 1946, the Borough of Chambersburg purchased the gas utility and became the second of only two municipal gas operations within the Commonwealth of Pennsylvania, (Philadelphia being the other). Because of Public Utility Commission action, the Philadelphia Gas Works is now falling more heavily under PUC jurisdiction and control. This now leaves Chambersburg as the only true, municipal gas system in the State of Pennsylvania.

Throughout its history, Chambersburg's gas system has made changes in its operation to remain competitive and in business while others have failed, been bought out, or mismanaged to the point of large public scrutiny. This again is one of those times where we need to position ourselves to remain competitive and retain the ability to give our customers a reliable, cost effective and safe gas system.

Chambersburg delivers the lowest cost gas in Pennsylvania, while operating the safest system. In 2011, the Borough delivered 1,036,000 DTH of gas to our customers; this was an 8% decrease from 2010, primarily due to decreased power plant use. The Electric Department power plants are the single largest customer of the Gas Department.

In 2011, the Borough replaced over 1 mile of CI gas main and will replace 1 mile CI main in 2012. A new Gas conversion financing program has over 100 homes participating with a total value $439K in 0% interest loans. The Borough of Chambersburg's Main Street Energy Efficiency Financing Program is an on-bill financing program designed to improve energy efficiency for customers by providing low-cost financing to residential homeowners for the purchase and installation of natural gas Energy Star rated appliances to replace non-gas units.

Funds are available for residential homeowners where natural gas service is available for the purchase and installation of natural gas ENERGY STAR residential appliances – natural gas furnaces, natural gas tank-less water heaters, and certain tank water heaters.

The Main Street Energy Efficiency Financing Program is a municipal service for citizens and customers located within the natural gas service areas of the Borough-owned natural gas distribution system.

Structure & Requirements of Loan for Chambersburg Loans:

- Maximum loan amount - $5,000
- Maximum loan term – 60 months
- Loans will carry a 0% interest rate
- Each loan will carry a $3.00 per month administrative fee
- Loans require 24 month good utility bill payment history
- Loan repayments will be added to customer's monthly utility bill

The Borough received the annual Marketing Excellence Award from our partner, the Municipal Gas Authority of Georgia (MGAG) for the highest customer growth, due in part to this loan program.

A new initiative that the Borough is exploring is that of building a Compressed Natural Gas (CNG) filling station. As directed by Council, staff is pursuing a CNG filling station for fleets. Customer interest is substantial because the proposed concept provides them large cost savings and emissions reductions. As of now, the Borough has already secured a location for the proposed CNG filling station site at Wayne Avenue and I-81. Already, local landfill operator, IESI, is converting two trucks and they have requested we provide a temp station, which will be at the Service Center on Franklin Street. Staff is currently negotiating long-term customer take-or-pay agreements with large fleet customers: without adequate contracts, the proposed project will not proceed (including site lease). Staff anticipates that 2013 may be the year of the CNG filling station and expect to send out station design/build RFP in the winter of 2012 for a station installation by the summer of 2013.

In addition, the Borough continues to replace old gas mains and services:

- 70 miles of main (cast iron 13 miles; 11 miles of cast iron replaced in past 12 years)
- New corrosion control system beginning operation
- Rt. 316 bridge gas main out of service

Department Goals for 2013

- Replace gas mains and services on Rt. 11 and N. Franklin St.
- Begin operation of CNG Station and expand customer base
- Complete updates to pipeline corrosion prevention system
- Further expand participation in Loan Program and customer base

Price of Wholesale Natural Gas

The wholesale price of natural gas in the US from 2001 through 2008 was the most volatile commodity on the New York Mercantile Exchange (NYMEX), hitting a high of about $15 per DTH in 2005. Since the beginning of 2008, however, dramatic production increases from shale deposits, such as the Marcellus Shale, have driven prices lower and have decreased upward volatility. Over the past few years, wholesale gas prices have averaged around $3 per DTH.

To mitigate price risks and volatility, the Borough uses a portfolio approach when purchasing gas. This includes purchasing gas during the summer (when prices are generally lower) and storing it for use during the winter. It also includes a combination of hedging gas using the NYMEX futures market (fixed price contracts and options trading), purchasing gas using monthly indexes and purchasing gas using the daily spot market. Most of the gas purchased recently has been produced in the Marcellus Shale, further helping to cut down on our costs as we don't have to pay to transport it from the Gulf Coast. Although this portfolio approach has been less necessary with the decreased volatility over the past few years, we believe it is still critical to be prepared in case of potential price spikes in the future.

Gas Department

The Chambersburg Gas Department will provide our customers with prom pt, professional service; a reliable and safe system with reasonable and stable rates. We exist to generate benefits for the community we serve.

Department Head: John Leary

2011	Actual	2012 Budget	2013 Budget
Revenue	$8,634,948	$9,080,900	$8,705,450
Expenses	$8,559,172	$8,433,020	$8,703,450
Excess (Deficit)	$75,776 Gain	$647,880 Gain	$2,000 Gain

In 2013, the Chambersburg Gas Department is proposing to maintain a path of strong operating margins. Chambersburg has the lowest natural gas rates in Pennsylvania: an average residential bill of $633 for the past twelve months vs. $ 892 at private utili ty rates; as approved by the Pennsylvania Public Utilities Commission.

The Borough's retail rates have three components; Gas Supply, Gas Distribution and the Monthly Charge. Gas is sold in hundred cubic feet (ccf) units.

The Gas Supply cost is a direct pass through to customers of the cost for gas delivered to Chambersburg. The Gas Supply rate is $0.96 per ccf. To account for fluctuations in monthly gas costs, the Purchased Gas Adjustment (PGA) factor is added. The PGA is the same for all customer classes. The PGA is currently a credit, -$0.37. The Gas Distribution Rate varies by customer class. Our largest class of customers, Residential Heat, pays a distribution rate of $0.1664 per ccf. The Monthly Charge also varies by customer class. Residential Heat customers pay $8.70 per month.

Month	Avg. Res. Gas Use (CCF)	Base Rate	PGA	Monthly Charge	Total Bill	Cost per Unit
Dec-11	137	1.1264	-0.35641	$8.70	$114.19	$0.83
Jan-12	136	1.1264	-0.40019	$8.70	$107.46	$0.79
Feb-12	108	1.1264	-0.40201	$8.70	$86.93	$0.80
Mar-12	50	1.1264	-0.38257	$8.70	$45.89	$0.92
Apr-12	40	1.1264	-0.31376	$8.70	$41.21	$1.03
May-12	16	1.1264	-0.34006	$8.70	$21.28	$1.33
Jun-12	12	1.1264	-0.33131	$8.70	$18.24	$1.52
Jul-12	12	1.1264	-0.29754	$8.70	$18.65	$1.55
Aug-12	13	1.1264	-0.31255	$8.70	$19.28	$1.48
Jun-12	12	1.1264	-0.33131	$8.70	$18.24	$1.52

Our system, regulated by the Federal government is still exempt from most Pennsylvania regulations. However, we continue to implement our own safety and operational changes including a new corrosion control system. In addition, regular and aggressive upgrades and preventive maintenance schedules have so far prevented any gas safety incidents in Chambersburg.

The Gas Department is actively searching for additional ways to market natural gas. The cost of line extension is prohibitive or the Gas Department would be moving into new neighborhoods. One way they have expanded sales has been through a low cost loan program from our municipal consortium, the Municipal Gas Authority of Georgia. As a major non-Georgia member, Chambersburg has taken full advantage of this program to convert oil-based appliances to clean, safe and affordable natural gas.

Another initiative of the Gas Department is the development of a Compressed Natural Gas (CNG) filling station. In 2012, Town Council secured a site for the proposed station at the World Harvest Outreach building on Wayne Avenue and began negotiations with fleet operators for contracts to supply CNG beginning in 2013.

So, 2013 will appear very similar in many respects to 2012. We don't anticipate any significant changes unless the CNG initiative really takes off.

Major items for 2012:

- Staff is recommending no gas retail rate change, no increase again in 2013.
- The proposed budget includes $420,000 in capital improvements to the Gas Department infrastructure; including the replacement of old gas mains and services.
    - 70 miles of main (cast iron 13 miles; 11 miles of cast iron) replaced in past 12 years.
- The proposed budget also includes a $2 million construction of a Compressed Natural Gas (CNG) filling station that is conditioned upon Town Council approving fleet agreements sufficient in quantity to justify this capital expense.
- The proposed budget reserves $332,419 for future capital improvements to the distribution system.
- The proposed budget includes the same number of employees; no additional employees. However, as with all budgets, which include expenses related to members of AFSCME Local 246, the Gas Department budget is using wage and benefit assumptions because no labor agreement exists between the Borough and Local 246 for 2013.

Largest Customers (in $ order)

Customer Name	Gas Volume (MCF)	Cost
Chambersburg Hospital	91,858	$ 663,103
Knouse Foods	53,134	$ 375,870
TB Woods	53,204	$ 373,843
Ventura Foods	37,874	$ 294,868
CASHS	27,765	$ 198,258
Orchard Park Power Plant	26,966	$ 132,799
Wilson College	14,311	$ 115,413
Menno Haven	7,945	$ 60,389
Falling Spring Power Plant	6,880	$ 34,558

Note: 1 MCF = 10 CCF

As you know, the Borough Gas Department makes a PAYMENT IN LIEU OF GROSS RECEIPTS TAXES (PILOT) to the General Government operations of the Borough. If the Gas Department were an investor owned gas utility licensed for operation in Pennsylvania, the Gas Department would pay “taxes” to the Commonwealth of Pennsylvania. In its current legal format, the Chambersburg Gas Department is not regulated by Pennsylvania, it is exempt from most Public Utility Commission rules, regulations, and tariffs, and is exempt from paying taxes.

As a result, the Gas Department shifts its tax burden to the Borough of Chambersburg where it transfers the PILOT payment. Please find enclosed a Chambersburg PILOT Tax Return form. The calculation, adopted herein, results in an annual PILOT payment of $400,000 for 2013:

	2011	Actual	2012 Budget	2013 Budget
PILOT	$375,000		$400,000	$400,000

Borough of Chambersburg Finance Department			
Gas Gross Receipts Tax			
For Tax Year: 2013			
BOC		**Total Budgeted**	**Total Taxable**
Acct #	**Source of Gross Receipts**	**Gross Receipts**	**PA Receipts**
	Utility Plant & Allowance		
	Revenues - Gas Refinery Plant Leased to Others		
30018/30020/30021	Other Utility Operating Income	225,000	$225,000
30015	Revenues - Merchandise & Jobbing	4,000	
	Revenues - Nonutility Operations		
	Nonoperating Rental Income		
30019/30024	Interest & Dividend Income	7,000	
30014/30016/30017/30027	Miscellaneous Nonoperating Income	309,050	
	Gain/Loss on Disposition of Property		
30011/30026	Residential/Commercial/Industrial Sales	8,140,000	8,140,000
30028	Other Sales to Public Authorities	0	0
	Sales to Railroads & Railways		0
	Sales for Resale		0
	Interdepartmental Sales		
	Other Sales, Nonmajor Only		0
	Provision for Rate Refunds		0
	Forfeited Discounts		0
30022	Miscellaneous Service Revenues	0	0
	Sales of Water and Water Power		0
	Rent from Gas Property		0
	Interdepartmental Rents		
30013	Other Gas Revenues	19,400	
	Revenues from Transmission of Electricity of Others		0
	Regional Distribution Service Revenues		0
30025	Miscellaneous Revenues	1,000	1,000
	All Other Sources		0
	Totals of each column	**$8,705,450**	**$8,366,000**
	Tax at the rate of 44 mills Gross Receipts Tax		**$368,104**
	Town Council Adopted Multiplier		**108.6650%**
	Payment in Lieu of Gross Receipts Tax		**$400,000**

11/5/2012

Water Department Budget

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

Water Department Budget

As Proposed for 2013

A good source of water has always been essential to the well being and survival of communities throughout civilization. It is no wonder that the original Colonel Benjamin Chambers Fort was built over the Falling Spring to provide a good source of water for the use of the inhabitants as well for fire protection. The Chambersburg Water Company was organized around 1818. A waterwheel was employed to pump water from the Falling Spring to a reservoir sited on the current Chambersburg Hospital land. Water then flowed to customers through hollowed pine logs which were joined "end to end". It is estimated that the cost of this undertaking was approximately $40,000.

The water system was improved and expanded in 1871 with the development of the Borough's first utility enterprise, the Birkinbine Reservoir which consisted of a 300,000 brick reservoir near the intersection of Reservoir and Franklin Streets (Reservoir Hill). A steam engine powered pumping station along the Conococheague Creek lifted the water from the creek into the reservoir. Over six miles of cast iron pipe was installed to transport the water to the reservoir and then distribute it to the North Main Street area as well as to the center of town. From these mains, smaller pipes distributed water to the populace. The water was taken from the creek with little regard to the fact that raw sewerage was being piped into the creek about a mile above the pumping station.

In January of 1891, the C. B. Gish flour mill at what is now called "Siloam" was purchased. It consisted of a mill dam and the impounding area above it. An additional land purchase gave rise to the possibility of a 2 million gallon reservoir. Initially, it was expected that the mill's wheel would force water to the new reservoir known as Horst Reservoir. The experiment was less than successful and steam driven pumps where implemented. In 1905, a Worthington steam driven pump was successfully installed with the plant producing about 1.5 million gallons per day in 1907. Unfortunately, the water from the Conococheague Creek flowed through miles of pastures and fields making it a less than an agreeable source of water. In 2005, the Siloam Dam was breached and the stream's banks restored.

In 1909, the Burgess, Mr. A.W. Zacharias, prompted the locals to work on the "water situation of the Borough". By 1910, Town Council decided to look to the east of the Borough and develop the town's main water source, the Conococheague Creek, in the valley above Caledonia Park east of town in the South Mountain. This system would eventually provide the Borough with pure water from a gravity fed water system eliminating the costs of pumping water. To obtain the State Department of Health's approval, the Borough agreed to install the first sanitary sewer system along with a sewerage treatment plant. The Borough issued a $150,000 bond package in 1910 to construct the stream intake facilities, a 2 million gallon reservoir east of town and a fourteen inch pipeline into town terminating at South Sixth Street.

The first water from the new source arrived on July 3, 1911 and was of sufficient purity that no chemical treatment was necessary for many years. Water hardness was measured at four parts per million, as contrasted with sixteen units per million from the same stream collected at the Siloam Dam. The elevation at the center of Chambersburg was about 975 feet below that of the intake dam providing water pressure of fifty to eighty pounds per square inch throughout the town. In later years, chlorine was utilized to treat

the water for microorganisms and fluoride compounds were added to help protect the residents' teeth. In the early 1930's, a reinforced concrete dam was constructed across the Birch Run creating a storage capacity of 3.9 million gallons.

In the late 1960's, the Borough decided to enlarge its water storage reserve and improve other facilities. A new dam called the Long Pine Run Dam was constructed upstream from the Birch Run Dam creating a lake with a surface of 150 acres and storing 1.8 billion gallons of water. Additionally, a new water treatment plant with a daily flow capacity of six million gallons was constructed. Also, a three million gallon "ground based steel water storage tank" was built at the former Birkenbine open reservoir site on Reservoir Hill. In 1967 and 1969, bond issues were floated for a total of $8,325,000 to cover the $7,41,850 cost of these projects. Up until that time, this was the largest utility project ever initiated by the Borough of Chambersburg. Since that time the Borough has initiated many projects that have enhanced the quality of service to the customers of the Borough's water department.

Currently, the Borough water department serves: Domestic: 7,621 Commercial: 828 Industrial: 19 Municipal: 1 Total: 8,469

While providing high quality water to its diverse customer base, the Borough's water department has consistently kept its rates (cost per unit) at one of the lowest levels in the region.

Water Department Services

- Water supply, treatment, transmission, and distribution.
  - Treated 1.284 billion gallons of water in 2011.
- Operation and maintenance of the water production and distribution facilities.
  - 42 water maintenance excavations in 2011.
  - 5 water main breaks repaired in 2011. The national average – 33 breaks.
  - 19.7% unaccounted water lost in the system in 2011.
- Operation of the water treatment plant laboratory.
  - Perform regulatory and control testing for the WTP and distribution system.
  - Perform testing for area water authorities.
- Water supply for fire protection.
  - Replaced 8 fire hydrants in 2011.
- Plumbing inspection and meter replacements.
  - Performed 1,100 inspections in 2011.
  - Transitioned plumbing inspection to Commonwealth Code in July 2012.
  - Replaced 81 water meters in 2011.

Water Department

The Chambersburg Water Department provides high quality drinking water, fire protection flow, and public sewer service for Borough customers, including the Bear Valley Authority, through cost effective operation and maintenance of our infrastructure while meeting the ever-changing challenges of continual growth and environmental protection.

Department Head: Lance Anderson, PE

2011	Actual	2012 Budget	2013 Budget
Revenue	$3,121,529	$2,991,800	$3,239,700
Expenses	$3,903,024	$2,972,671	$3,239,646
Excess (Deficit)	($781,495) Loss	$19,129 Gain	Balanced

In 2012, the Chambersburg Water Department is proposing to return to a path of strong operating margins. Chambersburg has not raised their retail water rates since 2001 (twelve years). The average water bill remains one of the lowest in Franklin County and the fiscal condition of the fund is stable. In 2012, the Water Department has reserves of over $7,100,000 in capital funds for future capital projects. In 2013, no additional reservation is required.

Our system supplied, treated, transmitted, and distributed 1.284 billion gallons of water in 2011. The system is mostly exempt from Pennsylvania Public Utilities Commission regulations (except our Guilford Township customers) and staff is working on a number of cooperative initiatives with the Guilford Water Authority to improve that situation.

There are a number of pressing issues facing the water system. Specifically, the Julio D. Lecuona Water Treatment Plant is still plagued by repeated shut-downs due to turbidity and color issues with the raw water coming into the plant. This so-called Iced Tea issue still needs to be addressed. However, in 2012 the Borough switched consulting engineers and our new team has promised a review of the entire water system before recommending any fix. Second, the Borough has begun significant maintenance upgrades at the Long Pine Reservoir, the Raw Water Intake, and throughout the distribution system. This process will continue into 2013 with the replacement of the sand filter media at the Water Treatment Plant.

Major items for 2013:

- Staff is recommending no water retail rate change, no increase again in 2013. However, it is likely that a rate increase will be needed in 2014 once system improvements begin.
- The proposed budget includes $2,849,600 in capital improvements to the Water Department infrastructure; including:

- Intake Facility repairs
- "Ice Tea" Water Analysis
- Water distribution upgrades
- Sand Filter Maintenance/Upgrades

- The proposed budget includes the same number of employees; no additional employees. However, as with all budgets, which include expenses related to members of AFSCME Local 246, the Water Department budget is using wage and benefit assumptions because no labor agreement exists between the Borough and Local 246 for 2013.

Largest Water customers
Data Range: October 2011 - September 2012

Customer	Units Used	Cost	Daily Avg. (gallons)
Bear Valley Authority	3,897,861	$ 697,284.90	798,795
Ventura Foods	625,500	$ 66,588.88	128,185
Chambersburg Hospital	457,762	$ 58,403.72	93,810
Edge Rubber	439,050	$ 41,632.37	89,975
Knouse Foods	279,742	$ 29,394.74	57,328
Menno Haven	177,080	$ 23,154.24	36,289
Menno Haven (Penn Hall)	148,000	$ 32,461.20	30,330
Manor Care	85,720	$ 9,845.40	17,567
Wilson College	77,859	$ 17,415.39	15,956
Chambersburg HS	55,330	$ 12,460.50	11,339
Four Points Sheraton	42,500	$ 6,104.49	8,710

The Borough is still seeking an assistant department head for the water and sewer departments; and their wages are included in the budget.

As you know, the Borough Water Department makes a PAYMENT IN LIEU OF GROSS RECEIPTS TAXES (PILOT) to the General Government operations of the Borough. If the Water Department were an investor owned water utility licensed for operation in Pennsylvania, the Water Department would pay "taxes" to the Commonwealth of Pennsylvania. In its current legal format, the Chambersburg Water Department is not licensed by Pennsylvania, it is exempt from most Public Utility Commission rules, regulations, and tariffs, and is exempt from paying taxes.

As a result, the Water Department shifts its tax burden to the Borough of Chambersburg where it transfers the PILOT payment. Please find enclosed a Chambersburg PILOT Tax Return form. The calculation, adopted herein, results in an annual PILOT payment of $72,000 for 2013:

	2011	Actual	2012 Budget	2013 Budget
PILOT	$72,000		$72,000	$72,000

Borough of Chambersburg Finance Department
Water Gross Receipts Tax
For Tax Year: 2013

BOC Acct #	Source of Gross Receipts	Total Budgeted Gross Receipts	Total Taxable PA Receipts
	Utility Plant & Allowance		
	Revenues - Water Plant Leased to Others		
40018/40020	Other Utility Operating Income	100,000	$100,000
40015	Revenues - Merchandise & Jobbing	4,000	
	Revenues - Nonutility Operations		
	Nonoperating Rental Income		
40019/40024	Interest & Dividend Income	9,500	
40017	Miscellaneous Nonoperating Income	0	
	Gain/Loss on Disposition of Property		
40011	Residential/Commercial/Industrial Sales	2,820,000	2,820,000
	Other Sales to Public Authorities		0
	Sales to Railroads & Railways		0
	Sales for Resale		0
	Interdepartmental Sales		
	Other Sales, Nonmajor Only		0
	Provision for Rate Refunds		0
	Forfeited Discounts		0
40013/40022	Miscellaneous Service Revenues	21,000	21,000
	Sales of Water and Water Power		0
	Rent from Water Property		0
	Interdepartmental Rents		
40014	Other Water Revenues	21,600	
	Revenues from Distribution of Electricity of Others		0
	Regional Transmission Service Revenues		0
40016/40025/40026	Miscellaneous Revenues	31,000	31,000
	All Other Sources		0
	Totals of each column	**$3,007,100**	**$2,972,000**
	Tax at the rate of 44 mills Gross Receipts Tax		**$130,768**
	Town Council Adopted Multiplier		**55.0590%**
	Payment in Lieu of Gross Receipts Tax		**$72,000**

11/5/2012

Sewer Department Budget

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

Sewer Department Budget

As Proposed for 2013

When the Borough of Chambersburg decided in 1910-1911 to obtain its water supply for the State Forest at Caledonia, it was necessary to obtain a permit from the Pennsylvania State Health Department, and when the State Health Department issued this permit, it granted to Chambersburg the right to the water of Birch Run, but it also provided that, for this right, the Borough of Chambersburg was to install a Sanitary Sewerage System with a proper Disposal Plant of a capacity sufficient to take care of the town for twenty years to come.

The same Bond Issue, providing funds for the construction of the water supply line between Caledonia and Chambersburg, provided also for sufficient bonds in the amount of $65,000 to put in a Sanitary Sewerage System in Chambersburg (Note: The Treasurer's office is the proud possessor of bond number 25, in the amount of $500, an "Improvement Bond of 1910" Series A which carried a 4 ½% interest rate. This note matured in 1915. The current Borough's logo is adapted from a depiction of City Hall found on that bond.). This system was constructed and put into service August 1, 1912, and portions of this initial system are still in service today.

From the time of the initial construction, continuous improvements have been made with major improvements being made in 1939, 1959, 1978, and 1997 to the treatment facility. Following is a list of major facility milestones:

- 1938 Upgrade: Upgrades were completed in October 1939 at a cost of $217,715.41 (45% was funded through a grant). Plant capacity was rated at 2 mgd.
- 1957 Upgrade: Upgrades were completed in 1959 at a cost of $990,330.13.
- 1948: A WWTP laboratory was established and the plant processes have been monitored for efficient operation ever since. The current laboratory facility is accredited by the PA DEP.
- 1978 Upgrade: The J. Hase Mowrey Regional Wastewater Treatment Facility was dedicated on November 16, 1980. The facility was upgraded to a capacity of 5.2 mgd at a cost of $9.045M (75% was funded through a grant)
- 1997 Upgrade: Upgrades were completed in July 1999 at a cost of $18.5M. Plant capacity was rated at 6.8 mgd with a maximum capacity of 17.0 mgd.

Additionally, the WWTP has evolved into a regional facility providing sewage treatment for our Municipal partners in Greene, Guilford, and Hamilton Townships. Hamilton Township initially provided connections in 1972. Through an expansion of the conveyance system in the 1970's, the remaining townships ultimately connected to the system in 1980.

2012 – 2014 WWTP Upgrades

Chambersburg's 6.8 mgd, J. Hase Mowrey Regional Wastewater Treatment Plant serves Chambersburg, Greene Township, Guilford Township, Hamilton Township and indirectly part of Letterkenny Township. In addition to the Commonwealth's 2008 Chesapeake Bay Tributary Strategy, which forced a cap on the

amount of nitrogen and phosphorus discharged from the facility, Chambersburg is also facing the demand of building additional capacity (a 60% increase) to meet projected twenty-year build out in the service region, as required by DEP's Act 537 Plan Study. These two mandates initially resulted in proposed facility renovations with an estimated price tag of up to $50 million.

The existing treatment facilities at the Chambersburg WWTP are not able to meet the pending nutrient discharge limits. Therefore, upgrades to the WWTP will be required to meet the nitrogen and phosphorus caps. In addition to meeting these caps, an expansion from 6.8 mgd to 11.28 mgd is needed to accommodate the anticipated growth within the service area. The facilities must be able to convey a total influent peak flow of 33.5 mgd based upon analysis of the Borough's collection and conveyance system. The extensive scope includes upgrades to all facets of the treatment process with an emphasis on being cost effective, energy efficient, and environmentally sensitive. Key project components include:

- A new headworks and influent pump station will replace the existing deficient facilities. The new facility is sized for 33.5 mgd of influent flow, and all internal conveyance infrastructures must be capable of passing flows that are associated with this peak as well.
- An improved biological treatment process will provide nutrient (nitrogen and phosphorus) removal in order to meet discharge limits that have been established by the PA DEP. Compliance with these limits is required beginning in October, 2012 for the 2012-2013 operating year.
- A new biosolids treatment process resulting in an improved final product quality which can be utilized for beneficial reuse in land application. Land application of biosolids has become one of the most cost-efficient biosolids management strategies available to treatment facilities.
- An expanded UV disinfection system will be sized to meet a peak flow 33.5 mgd. The new UV system was installed in Spring 2012.

The WWTP upgrades are estimated to cost $35M and will be constructed between 2012 and 2014. This will make the project the largest public works project in Chambersburg's history. Initially, prior to design projected costs were estimated to be $50 million with a reduced scope of construction. Costs are shared with the Municipal partners as defined in the Intermunicipal Agreement which was executed on September 13, 2010.

Chambersburg's J. Hase Mowrey Regional Wastewater Treatment Plant has been a symbol of intermunicipal cooperation for 40 years. The current upgrades will allow the facility to support the Chambersburg area for decades to come.

Sewer Department Services

- Regional wastewater conveyance and treatment.
    - Treated 2,447,000,000 gallons of sewage in 2011.
    - Average daily wastewater treatment plant flow: 6.70 MGD.
    - 18% increase from 2010Water supply, treatment, transmission, and distribution.
- Operation and maintenance of the collection and treatment facilities.
    - 106 wastewater maintenance repairs in 2011.
    - 61 wastewater maintenance repairs through June 2012.
    - 809 feet of sewer lined through June 2012
    - 42 water maintenance excavations in 2011.
- Operation of the sewer treatment plant laboratory.
    - Perform regulatory and control testing for the WWTP.

Sewer Department

The Chambersburg Sewer Department is committed to its fundamental objective of providing the highest quality municipal wastewater service for its residential, commercial and industrial users at a reasonable price; and to meet that objective, the Sewer Department will adhere to the following principles:

- Providing effective collection and treatment of wastewater which complies with all state and federal regulations
- Working with the regional community to plan for future capacity to ensure the long-term success, public health and environmental quality of the area
- Providing prompt and effective customer service
- Staffing the organization with qualified professionals
- Striving for excellence with each employee participating as a team member to continually improve the performance of the organization

Department Head: Lance Anderson, PE

2011	Actual	2012 Budget	2013 Budget
Revenue	$5,638,373	$5,088,800	$5,591,700
Expenses	$4,372,593	$4,774,220	$5,591,695
Excess (Deficit)	$1,265,780 Gain	$314,580 Gain	Balanced

In 2013, the Chambersburg Sewer Department is proposing to maintain a path of strong operating margins. Having raised rates in 2009, 2010, and 2012, the average sewer bill remains one of the lowest in Franklin County and the fiscal condition of the fund is stable. As of 2012, the cash balance of the Sewer Operating Fund has been restored and the Borough is equipped for our capital obligations going forward.

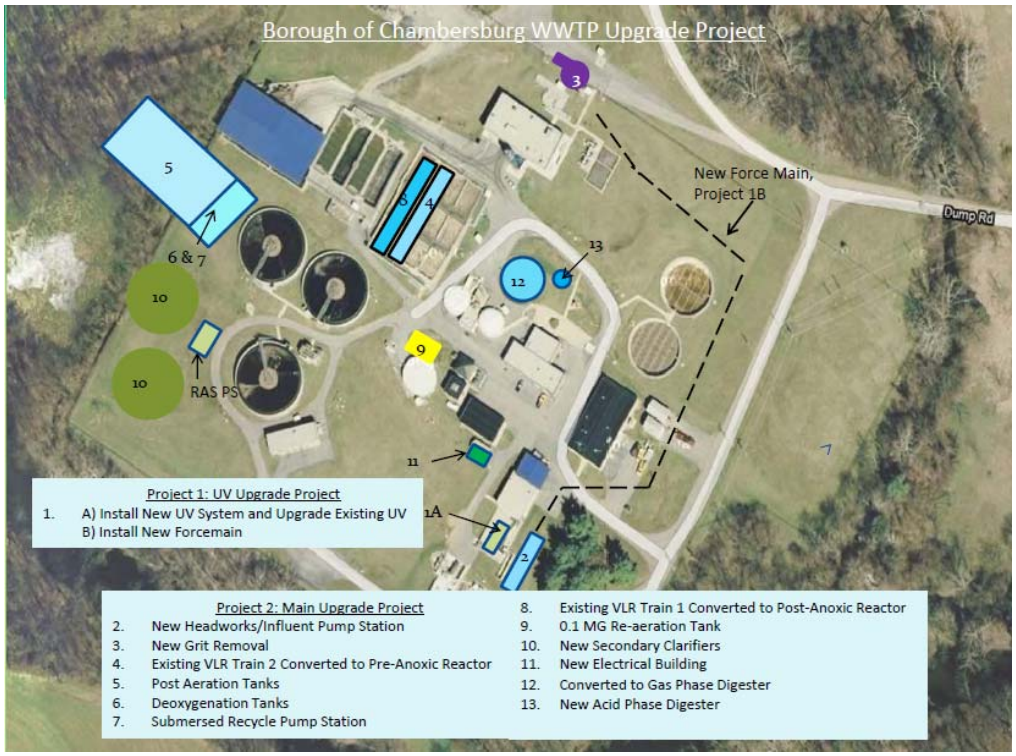
As of now, no additional rate increase is contemplated.

The cause of the December 2012 rate increase of 16% was the capital expenses related to the sewer treatment plant upgrade project. The 2011 Second Consent Order and Agreement with PA DEP has now been fully satisfied and we anticipate it being lifted shortly. However, the Borough has permanently accepted the challenge to investigate and determine sources of inflow (rainwater) and infiltration (groundwater) entering into the sewer system.

To that end, beginning in 2013, the Borough will actively investigate and where needed, remediate potential municipal cross connections between the sewer system and the storm drain system with $70,000 per year reserved for such work.

In 2012, the Borough's consulting engineer made great strides in the design of necessary and required upgrades to the J. Hase Mowrey Regional Wastewater Treatment Facility. It is anticipated that the

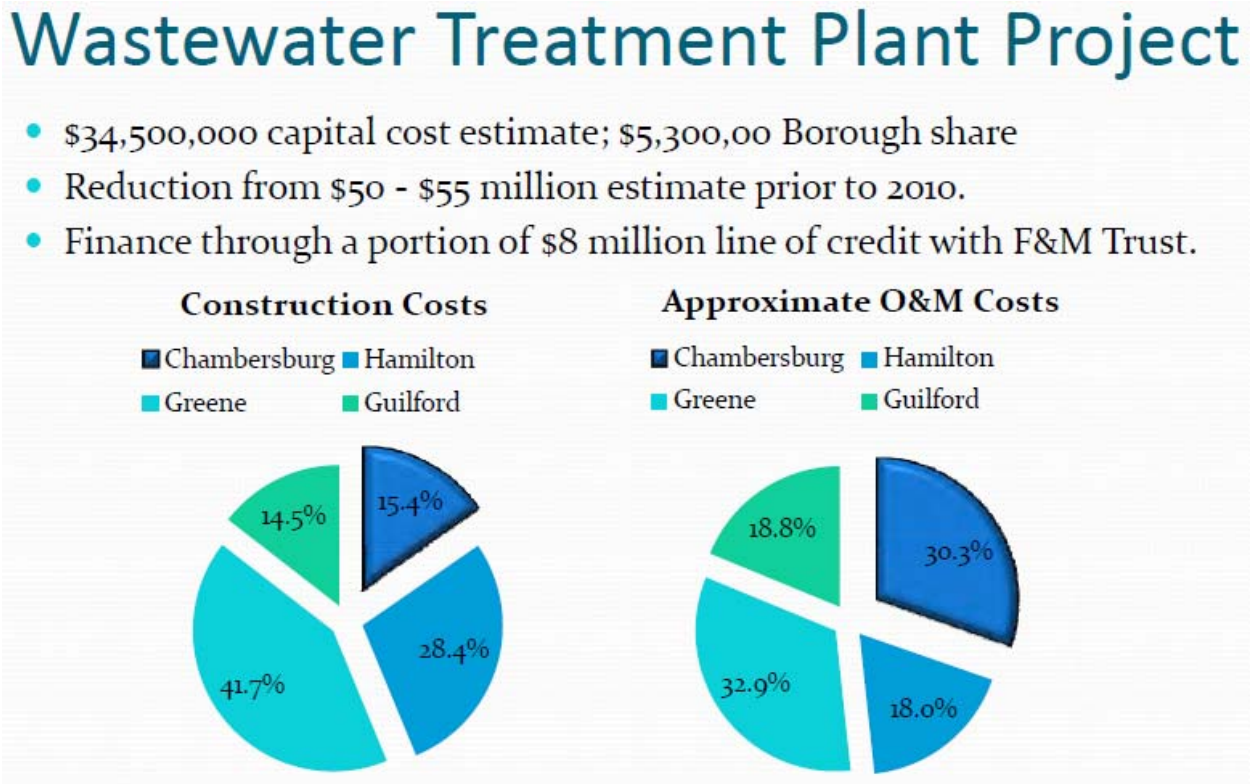
capacity of the facility will expand from 6.8 million gallons per day to 11.28 million gallons per day and a process upgrade will be added for nitrogen and phosphorus removal to meet Chesapeake Bay rules. This is the largest public works project in Chambersburg history with an anticipated capital cost of $34,466,560 ($5,300,000 Borough share with the balance from the neighboring townships), which represents a significant reduction from the original estimates of $40 - $45 million for the plant alone in 2010.



From There to Here: Summary of Costs

Items	Previous	Today	Change in Cost	Cost Reduction Percent
WWTP Expansion	$39,144,800			
CPI Adjustment (2% a year for 3 years)	$2,348,688			
New Headworks	$10,000,000	$34,466,560	$18,226,928	46.6%
UV System Upgrade	$1,200,000			
Nutrient Credits	* $2,724,000	** $600,000	$2,124,000	78.0%
Interceptors	$27,507,600	$2,000,000	$25,507,600	92.7%
TOTAL	**$82,925,088**	**$37,066,560**	**$45,858,528**	**55.3%**

Note: All above based upon estimated costs
* At $9 per Nitrogen credit and $5 per Phosphorus credit for 3 years
** Does not include September 2012 $336,150 USDA Conservation Innovation Grant



Growth in regional population results in growth in sewer customers for us and our municipal partners. Sewer systems and sewer capacity are **major economic development** issues.

Sewer	customers:
Residential	7,480
Commercial	783
Industrial	19
Municipal	3
Total	8,285

Our system collected, treated, and released 2,447,000,000 gallons of wastewater in 2011. The system provides treatment for Borough residents and businesses as well as customers of the Greene, Guilford and Hamilton Sewer Authorities. In the past two years, staff has worked on a number of cooperative initiatives to improve our intermunicipal relationships.

The Borough is still seeking an assistant department head for the water and sewer departments; and their wages are included in the budget.

2012 will appear similar in many respects to 2011 as we move towards the big project; any day the first phases of that project will begin in earnest and construction will continue for well over eighteen months.

Major items for 2012:

- Staff is recommending no sewer rental rate change, no increase in 2013.

- The proposed budget includes $23,106,000 in capital improvements to the Sewer Department infrastructure; including:
    - $20 million for our share and the Township share of the treatment plant project
    - $1.9 million for our share and the Township share of interceptor improvements
    - $70,000 in inflow and infiltration municipal cross connection remediation

- The proposed budget includes the same number of employees; no additional employees. However, as with all budgets, which include expenses related to members of AFSCME Local 246, the Sewer Department budget is using wage and benefit assumptions because no labor agreement exists between the Borough and Local 246 for 2013.

11/5/2012

Other Enterprise Department Budgets

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

Other Enterprise Department Budgets

As Proposed for 2013

Sanitation Department

The Sanitation Department pursues a c ommitment to provide a s afe, efficient, and effe ctive municipal solid waste collectio n and disposal system tha t protects the natural environment, citizens of Chambersburg and businesses. We also strive to preserve the quality of life of our citizens and their environs today and in the future.

Our Goals:

- To safely and efficiently collect residential solid waste and dispose of it at the landfill
- To safely and efficiently collect residential recyclable materials for processing and reuse
- To provide general cleanliness to the Chambersburg community

Department Head: David Finch

2011	Actual	2012 Budget	2013 Budget
Revenue	$2,108,337	$2,178,600	$2,599,400
Expenses	$2,267,412	$2,235,744	$2,362,240
Excess (Deficit)	($159,075) Loss	($57,144) Loss	$237,160 Gain

It has long been the policy of Town Council to avoid an annual adjustment to the municipal sanitation collection fee but, instead, raising the fee, once in awhile, and letting that rate increase create a large enough fund balance, to avoid an increase for several years. Accordingly, the last rate increase for trash collection was 2005. In 2013, after seven years, another increase will become needed.

In 2011, the Sanitation Fund saw an annual deficit of $159,075; in 2012, the deficit was budgeted for $59,144. At this rate, the fund balance would be insufficient for 2013 and beyond. In addition, there is a requested capital expense of a new Leaf Vacuum Truck and while there is sufficient balance in the Motor Equipment Fund for the purchase, as an increase to the Sanitation Department fleet, the overall rental rate for motor equipment will reflect this acquisition.

Staff is recommending an increase in the Sanitation fee schedule of 22%; the first such increase in trash rates in the Borough since 2005.

Currently, the residential rate is $11.50 per month ($138 per year). The new residential rate would be $14 per month or $168 per year. For illustration purposes, IESI charges $336 per year to collect residential trash outside the Borough. A Resolution adopting this change will be submitted when the budget is adopted.

As of now, the Sanitation Department has 7,261 residential customers and 655 commercial customers.

As a pool, the Sanitation Department is less than perfect. Currently, there are two categories of users that the Borough does not serve: roll off construction dumpsters and compactor dumpsters for large retailers. It is proposed that by 2014 the Borough consider adding these services by contracting with an outside vendor to provide this service on the Borough's behalf. Such a move would require a Request for Proposals to select a contractor, a change to our local law, and a time line to migrate existing customers away from other contractors that they might be using for this service. By pooling and controlling these functions, just as we do with other trash and recycling, the Borough can ensure consistency, lower rates, and revenue.

In 2013, the Sanitation Department will also explore two other areas of discussion: yard waste and recycling. The Borough of Chambersburg meets all state requirements for yard waste and recycling but there are often calls to expand these services. There are operating costs associated with both, but it is contemplated that Town Council would like to receive a detailed report of its options related to yard waste and recycling in 2013; so as to make an informed decision as to whether to expand customers' options.

There are no changes contemplated to the very successful annual bulky waste drop off days.

Major items for 2012:

- Staff is recommending a trash retail rate change of 22%; first increase in seven years.
- No changes to the recycling program
- No changes to the residential and dumpster collection programs
- No changes to the Spring Clean Up Days at the closed landfill
- No changes to the very successful new street cleaning program
- A new system for leaf collection including a Leaf Vacuum Truck
- The proposed budget includes $50,500 in capital improvements to the Sanitation Department infrastructure; including:
    - Improvements to the old landfill
    - Purchase of containers and recycling equipment
- The proposed budget includes the same number of employees; no additional employees. However, as with all budgets, which include expenses related to members of AFSCME Local 246, the Sanitation Department budget is using wage and benefit assumptions because no labor agreement exists between the Borough and Local 246 for 2013.

Parking, Traffic and Street Lights

Created in 2012, this Department includes: Downtown Parking, Street Lights, Traffic Signals and Parking & Traffic. An inter-departmental ag ency, the missio n of this department is Public Safety through the proper management of vehicular in frastructure and regulation under the advice and dir ection of the Borough's Parking, Traffic and Street Lights Committee. Services include:

- Downtown parking meters and parking lots
- Traffic control devices, traffic signals, and speed control devices
- Street lights, illumination, and public lighting

As an inter-departmental agency, the Borough Manager supervises these functions. He is as sisted by the Electric Department, the Engineer ing Department, the Parking & Customer Service Office of the Administrative Services Department, and the Police Department.

Department Head: Jeffrey Stonehill

2011	Actual	2012 Budget	2013 Budget
Revenue	N/A	$744,150	$1,057,850
Expenses	N/A	$744,128	$1,057,383
Excess (Deficit)	N/A	Balanc ed	Balanced

As usual, the department is proposing to merely cov er its expenses rather than create additional equity. However, if Town Council is inclined to invest more resources in parking or traffic, it would become clear that additional revenue sources would need to be developed in coordination with such plans.

For example, if additional parking resources need to be constructed, this budget does not contemplate any additional equity to invest in such a venture.

In 2012, the Borough eliminated metered parking spaces in two areas in downtown Chambersburg for development. There are no plans to expand parking resources downtown.

Major items for 2013:

- Staff is recommending no parking rate change, no increase again in 2013.
- No additional parking lots
- No new traffic signals
- The proposed budget includes $148,000 in capital improvements to the Parking, Traffic and Street Lights Department infrastructure; including

Traffic Signal Upgrade West Washington Street/Cedar Street	$50,000
Traffic Signal Upgrade Norland Avenue/Walker Road (PennDot Grant)	$30,000
Add Left Turn Signal Norland Avenue/St. Paul Drive	$25,000
Add Left Turn Signal Norland Avenue/Parkwood Drive	$20,000
Mount Radar Speed Indicator Southbound Fifth Avenue	$5,000
Mount Radar Speed Indicator Eastbound Mill Road	$5,000
Mount Radar Speed Indicator Northbound Brumbaugh Avenue	$5,000
King Street/Glen Street Signage and Street Painting	$8,000
Total	$148,000

- The proposed budget includes no employees; employees work for other departments and bill their time to this fund as needed.

11/5/2012

Internal Service Funds

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

Internal Service Funds

As Proposed for 2013

When governments wish to allocate the cost of providing certain centralized services (e.g., motor pools, data processing, warehouses) to the other departments of the government entity that uses the services, they utilize a charge back system called Internal Service Fund accounting. Chambersburg does this for many of our operations in order to better account for utility operations.

An internal service fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service through user charges to other departments. We call this "cost based accounting."

The Borough of Chambersburg's six internal service funds are used by management to charge the costs of certain activities, such as insurance, motor equipment, engineering, and others, to individual funds. A portion of these assets and liabilities of the internal service funds are included in the governmental activities and are allocated based on the usage of those funds by the governmental funds.

The Borough's internal service funds consist of:

- Stores Fund – The Stores/Warehouse Department is responsible for the purchase, storage, and disbursal of inventory which is used to support the construction and maintenance functions of the Borough utilities as well as our Customer Service Center.
- Administrative Services Fund – Administrative Services was synonymous with the Finance Department which is responsible for the complete financial, utility meter reading, and parking meter operations as well as the operation and maintenance of Borough Hall. Last year new functions were added to Administrative Services: the clerical pool of employees, Information Technology, and Personnel/Payroll. As a result, this fund is much more significant than in prior years.
- Motor Equipment Fund – This fund supports the activities of the Motor Equipment Department which manages a rolling stock of more than 120 vehicles.
- Self-insurance Fund – This fund is used for the purpose of funding risk which the Borough does not transfer to commercial insurance carriers or insurance pools.
- Engineering Fund – This fund supports the activities of the Engineering Department which is responsible for furnishing engineering, surveying, drafting, and utility location information to other departments. The department also designs and inspects public works projects.
- Worker's Compensation – This fund underwrites the risks to the Borough resulting from job-related injury or illness to its employees.

For the purposes of this narrative, this Chapter will focus only upon the Stores/Warehouse Department, the Administrative Services Department, the Motor Equipment Department, and the Engineering Department. The balances of these funds are covered in statistical format only.

Stores/Warehouse Department

The Stores/Warehouse Department provides the public with exceptional customer service for both emergency and routine calls through the Customer Service Center, as well as provides each utility operation with an efficient and effective purchasing and warehousing system.

Department Head: John Leary

2011	Actual	2012 Budget	2013 Budget
Revenue	$787,520	$1,034,800	$779,950
Expenses	$748,907	$740,611	$688,402
Excess (Deficit)	$38,613 Gain	$294,189 Gain	$91,548 Gain

The Chambersburg Stores/Warehouse Department has significant equity invested in its large utility equipment inventory. The purchase of supplies and the distribution to the various utilities might skew the fiscal performance of the department. In general, it is just a pass-through operation, consolidating purchasing for the utilities and covering its expenses.

- This department handles most purchasing for Borough operations
- Warehouses items needed for Borough utility emergencies and normal operations - over $1.5 million inventory
- In 2012, the department updated security system to protect employees and prevent theft
- In 2012, the department cleaned up grounds and added screening to improve appearance to neighborhood

The Chambersburg Stores/Warehouse Department is also the home of the Borough's 24/7 Call Center, the Customer Service Center. The Borough's utility operations require live 24/7 customer service for both safety and Federal Pipeline Safety law.

- Provides 24 hour customer support and emergency dispatch for utilities
- In 2011 processed 5,215 service orders and trouble reports
- Implemented enhanced customer service training
- Hired new Lead Dispatcher
- Hired new 3rd shift Dispatcher and PT Dispatchers

It is our goal to continue to enhance and maximize use of this valuable department. We would like to see the Customer Service Center provide services for other municipal organizations. We would like to see more collaborative purchasing programs. We also believe that our Customer Service Center is akin to a front door to our Borough operations, and the more services we can provide, the better the communications, the more inviting that front door becomes.

Administrative Services Department

Chambersburg's Administrative Services Department preserves and protects the Borough's financial, technology, and human re sources, in o rder to attra ct, select and retain an ef fective workforce and to facilitate the effective use of the City Hall, Borough staff and our community resources.

Our Goals:

- To provide accurate, timely and meaningful reports on the Borough's financial status
- To attract and retain quality team members and to assure that municipal services are provided in an effective manner
- To develop and manage cost-effective programs for loss prevention, self-insurance, compensation, and benefits
- To minimize the Borough's exposure to financial risk and overall liability
- To continually develop and enhance the professionalism and service orientation of our personnel
- To manage the data, technology, and information systems in a cost-effective manner

At the end of 2012, Finance Director Casimir Rzomp, Jr., will be retiring and we wish him the best of luck.

2011	Actual	2012 Budget	2013 Budget
Revenue	$2,453,488	$3,542,619	$4,996,500
Expenses	$2,453,488	$3,174,840	$4,614,850
Excess (Deficit)	Balanced	$367,779 Gain	$381,650 Gain

In 2012, the Borough changed the size, complexity, and purpose of the Administrative Services Department to better reflect all the various internal administrative services provided by the Borough to its various departments.

As a result, employees and expenditures previously accounted for under other cost centers in other funds were transferred to the Administrative Services Department beginning in 2012. For example, the Borough Secretary and Assistant Borough Secretary, previously under General Government, are now more properly accounted for under Administrative Services – Clerical Pool because they do work for all departments. The following are the new areas of concentration under Administrative Services:

Personnel and Payroll	- Jeffrey Stonehill, Supervisor
Information Technology	- Jeffrey Stonehill, Supervisor
Accounting	- Casimir Rzomp Jr., Supervisor
Customer Service & Meter Reading	- David Finch, Supervisor
Clerical Pool -	Jeffrey Stonehill, Supervisor

This department structure is more akin to all the back office work processes of City Hall. These functions have always shared a close relationship. They are mostly in one facility, work together on most administrative functions, and provide services to the other agencies of the Borough.

As with all internal service funds, other Borough departments provide all the funding for the Administrative Services Department. In order to complete the reorganization, the Administrative Services Department is proposing a new charge-back formula for its expenditures. The new formula results in the following shared expenses:

Fund	% Distribution
Electric Fund	35.55%
General Fund	12.83%
Gas Fund	9.94%
Water Capital	8.22%
Motor Equipment	6.59%
Water Fund	6.43%
Sewer Fund	5.46%
General Capital	3.18%
Sanitation Fund	3.03%
Electric Capital	2.81%
Sewer Capital	2.47%
Gas Capital	1.35%
Stores/Warehouse	1.13%
Engineering Fund	0.39%
Sanitation Capital	0.31%
Parking Traffic & Street Lights	0.17%
Parking Capital	0.15%

Based upon the proposed 2013 budget

Major items for 2013:

- Staff is recommending a regional or national executive recruitment for Finance Director.
- On an interim basis the Borough Manager is proposing the appointment of :
    - Rachel Krum as Acting Finance Director
    - Nancy Foster as Acting Treasurer
    - Neither Ms. Krum nor Ms. Foster currently meet minimum qualifications for the position of Finance Director but both are valued members of the team to assist in the transition
- The Capital Improvement Plan includes various technology and equipment upgrades for this department
- There are no other personnel changes contemplated until a new department supervisor is appointed

Motor Equipment Department

The Motor Equipment Department maintains and repairs the Borough's fleet, and provides safe and affordable internal services to Chambersburg Borough departments. Further, it is the Motor Equipment Department's intention to provide these services in an efficient, economical, and safe work environment for Borough employees.

Department Head: David Finch

2011	Actual	2012 Budget	2013 Budget
Revenue	$2,214,904	$2,091,100	$2,150,747
Expenses	$1,527,572	$1,300,542	$2,042,986
Excess (Deficit)	$687,332 Deposit	$790,558 Deposit	$107,761 Deposit

In 2012, the Borough changed the concept of the Motor Equipment Fund to a true motor pool, a savings account for the accumulated equity and vehicles of the various departments, rented back to each department. The new philosophy allowed for us to withdraw significant equity in 2013 based on various deposits in years past.

The point of keeping motor equipment in a separate fund and renting that equipment back to the other Borough agencies is so that sufficient equity may accumulate to acquire new equipment with cash on hand rather than debt. To that end, the Motor Equipment Fund regularly earns a surplus. However, in 2013, reconciliation will allow a one-time withdrawal of equity and transfer into vehicles rather than cash.

There are 127 pieces of equipment owned by the Department including everything as diverse as riding lawn mowers, bucket trucks, ambulances, and police cars. In 2013, nine (9) vehicles are scheduled for replacement and one (1) new piece of equipment:

Department	New Vehicle	Replace Existing	Estimated Cost
Electric	2013 Freightliner Digger Derrick	1998 Freightliner Digger Derrick (No. 820)	$230,000
Electric	New cable pulling trailer unit.		$50,000
Fire	2013 Ford Expedition 4WD SUV	2001 Dodge Durango 4WD SUV (No. 101)	$40,000
Police	2013 Ford Police Interceptor Sedan	2001 Ford Crown Victoria Interceptor (No. 1,700)	$40,000
Police	2013 Ford Police Interceptor Sedan	1995 Jeep Cherokee SUV (No. 1,587)	$40,000
Recreation	2013 regular cab 4WD pickup truck	2000 Chevrolet 4WD pickup truck with plow (No. 2).	$25,000
Sanitation	2013 Leaf Vacuum Truck with interchangeable leaf/dump bodies including snow plow/spreader attachment	1993 Diamond Reo Dump Truck	$230,000
Water/Sewer	2013 regular cab 4WD pickup truck with plow	1999 Dodge 4WD regular cab utility truck with plow (No. 960)	$30,000
Water/Sewer	2013 regular cab 4WD pickup truck	1999 Dodge 2WD regular cab utility truck (No. 941)	$25,000
Water/Sewer	2013 Husqvarna FS4800 D walk behind concrete saw	1990 Target walk behind concrete saw (No. 50)	$22,000

Engineering Department

The Engineering Department reviews the design process and inspection of all public works and utility projects. Such projects include, but are not limited to storm sewers, streets, and sidewalks. In general, the Engineering Department provides support services to all Borough departments from preliminary layout to final completion, construction inspections services and guidance for proposed internal development. In conjunction with the Borough's Land Use and Community Development Department, the Engineering Department maintains a record of all assets within the public right of way.

Department Head: Phil Wolgemuth

2011	Actual	2012 Budget	2013 Budget
Revenue	$195,679	$266,900	$395,250
Expenses	$180,162	$267,003	$302,978
Excess (Deficit)	$15,517 Gain	Balanced	$92,272 Gain

In 2012, the Borough changed the concept of the Engineering Department to better reflect all the various internal engineering services provided by the Borough to its various departments.

The point of keeping engineering in a separate fund and renting those services back to the other departments is so that the other departments can share and pool their resources and use one office to do all their Geographic Information System (GIS) services and other construction and inspection services together.

In 2013, the Engineering Department is proposing the purchase of new aerial photography for the Borough.

Major items for 2013:

- New improved service delivery for Borough utilities.
- Expansion of consulting engineering services for civil engineering and storm water design
- There are no personnel changes contemplated

11/5/2012

Charts and Tables

As Proposed for 2013 by Jeffrey Stonehill, Borough Manager

The Borough of Chambersburg

Charts and Tables

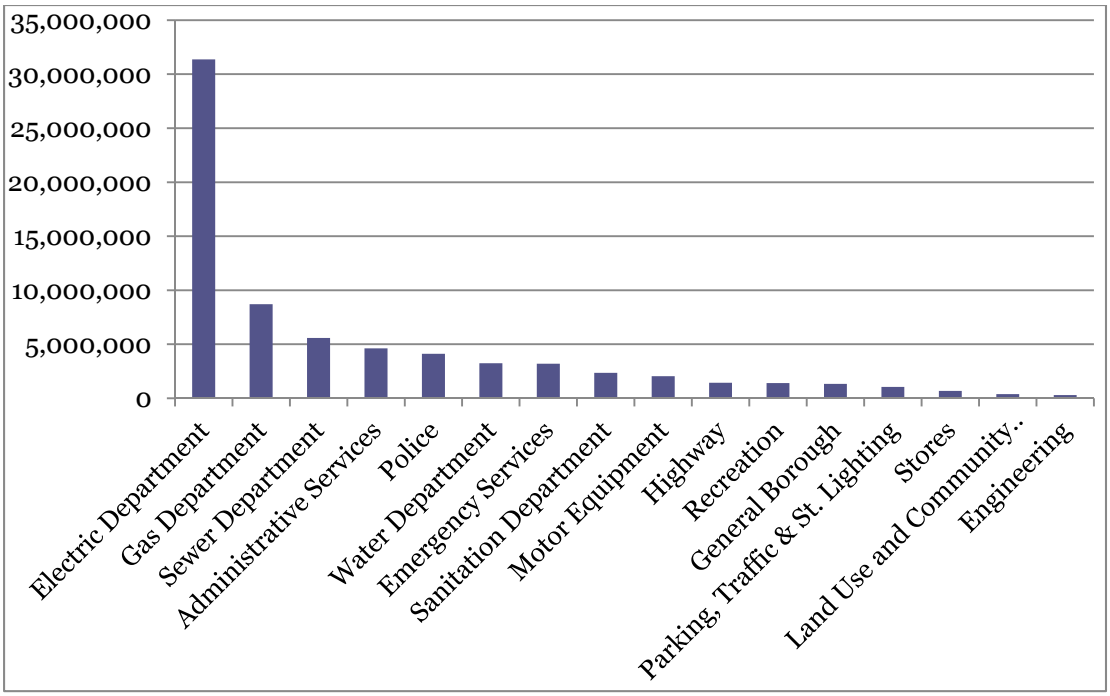
As Proposed for 2013

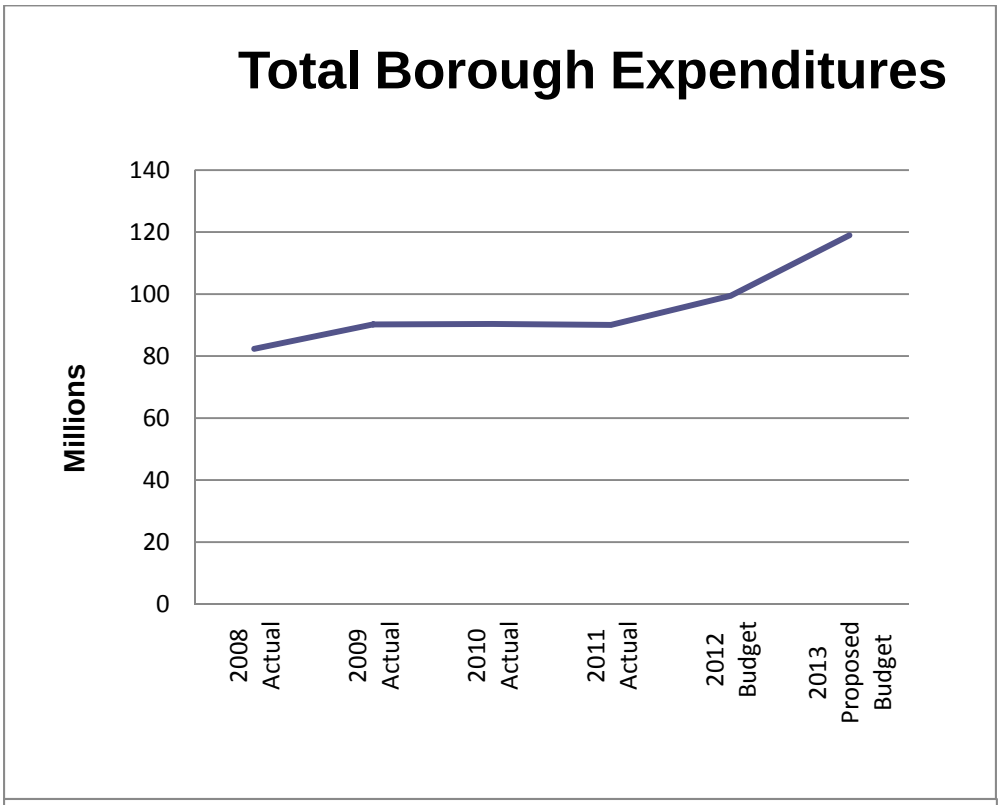
2013 REVENUES & EXPENDITURES BY FUND

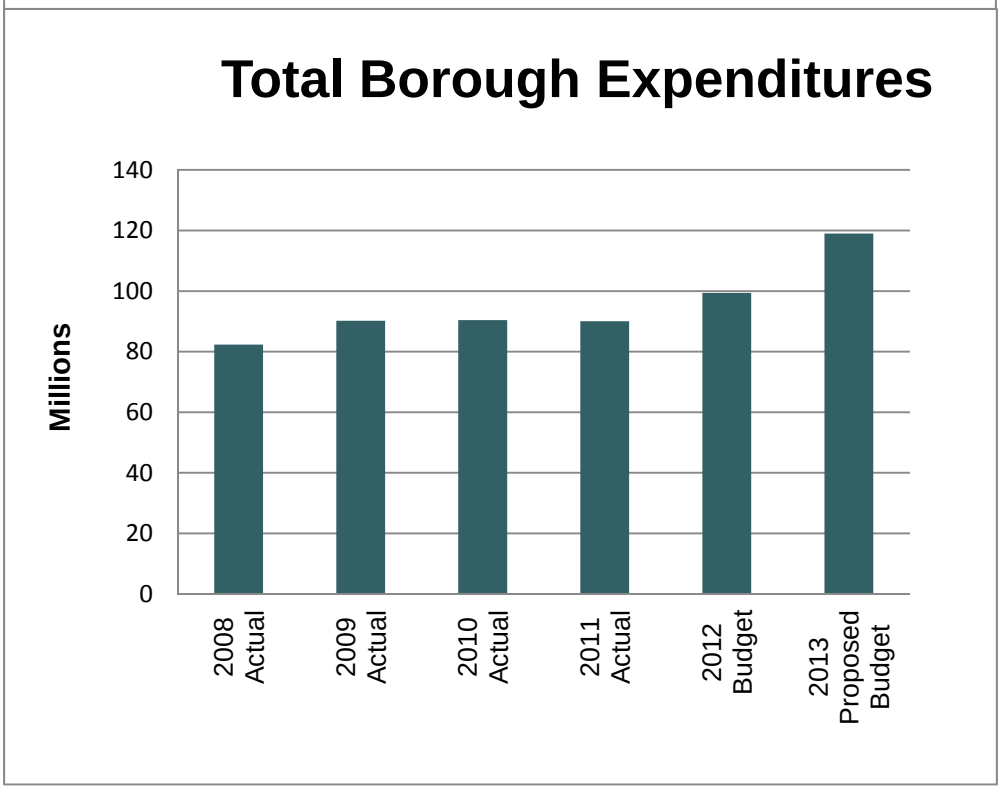
2013 Revenues Proposed Budget		2013 Expenditures Proposed Budget	
Gen Operating Fund:		Gen Operating Fund:	
Gen Borough Operating Income	10,828,280	Gen Borough Operating Expenses	1,208,232
Interfund Transfers to Gen Borough	1,241,165	Interfund Transfers from Gen Borough	22,625
		Highway	1,435,221
		Emergency Services	3,200,317
		Police	4,124,112
		Recreation	1,410,100
		Planning	74,700
		Zoning	45,070
		Property Maintenance Code	260,800
		Miscellaneous	131,200
		Special Interfund Transfers	100,000
Total Gen Operating Fund Revenues	*$12,069,445*	*Total Gen Operating Fund Expenditures*	*$ 12,012,377*
Gen Capital Reserve Fund:	396,000	Gen Capital Reserve Fund:	404,000
Other Gen Fund:		Other Gen Fund:	
Special Revenue Fund	2,335,705	Special Revenue Fund	2,384,544
Liquid Fuels Tax	395,300	Liquid Fuels Tax	400,000
Surplus Operating Fund	100	Surplus Operating Fund	100
Total	*$2,731,105*	*Total*	*$2,784,644*
Total Trust and Agency Funds:	*$13,114,779*	Total Trust and Agency Funds:	*$13,092,279*
Enterprise Operating Funds:		Enterprise Operating Funds:	
Electric Department	32,599,300	Electric Department	31,362,941
Gas Department	8,705,450	Gas Department	8,703,450
Water Department	3,239,700	Water Department	3,239,646
Sewer Department	5,591,700	Sewer Department	5,591,695
Sanitation Department	2,599,400	Sanitation Department	2,362,240
Parking, Traffic & St. Lighting	1,057,850	Parking, Traffic & St. Lighting	1,057,383
Total	*$53,793,400*	*Total*	*$52,317,355*
Enterprise Capital Reserve Funds:		Enterprise Capital Reserve Funds:	
Electric Capital Reserve	2,515,000	Electric Capital Reserve	1,777,500
Gas Capital Reserve	2,335,419	Gas Capital Reserve	2,420,000
Water Capital Reserve	100,500	Water Capital Reserve	2,849,600
Sewer Capital Reserve	23,345,050	Sewer Capital Reserve	23,106,000
Sanitation Capital Reserve	0	Sanitation Capital Reserve	50,500
Parking Capital Reserve	176,000	Parking Capital Reserve	47,000
Total	*$28,471,969*	*Total*	*$30,250,600*
Internal Service Funds:		Internal Service Funds:	
Stores	779,950	Stores	688,402
Motor Equipment	2,150,747	Motor Equipment	2,042,986
Engineering	395,250	Engineering	302,978
Workers Compensation Fund	368,450	Workers Compensation Fund	199,328
Administrative Services	4,996,500	Administrative Services	4,614,850
Self Insurance Fund	230,025	Self Insurance Fund	271,100
Total	*$8,920,922*	*Total*	*$8,119,644*
Total 2013 Budget Revenues	$119,497,620	**Total 2013 Budget Expenditures**	118,980,899
		Difference between Rev & Exp	$516,721

2013 Operating Expenditures

Electric Department	31,362,941	43.65%
Gas Department	8,703,450	12.11%
Sewer Department	5,591,695	7.78%
Administrative Services	4,614,850	6.42%
Police	4,124,112	5.74%
Water Department	3,239,646	4.51%
Emergency Services	3,200,317	4.45%
Sanitation Department	2,362,240	3.29%
Motor Equipment	2,042,986	2.84%
Highway	1,435,221	2.00%
Recreation	1,410,100	1.96%
General Borough	1,339,432	1.86%
Parking, Traffic & St. Lighting	1,057,383	1.47%
Stores	688,402	0.96%
Land Use and Community Development	380,570	0.53%
Engineering	302,978	0.42%
Total Operating Expenditures	71,856,323	100.00%




Total Borough Expenditures
Millions
140
120
100
80
60
40
20
0
2008 Actual
2009 Actual
2010 Actual
2011 Actual
2012 Budget
2013 Proposed Budget


Total Borough Expenditures
Millions
140
120
100
80
60
40
20
0
2008 Actual
2009 Actual
2010 Actual
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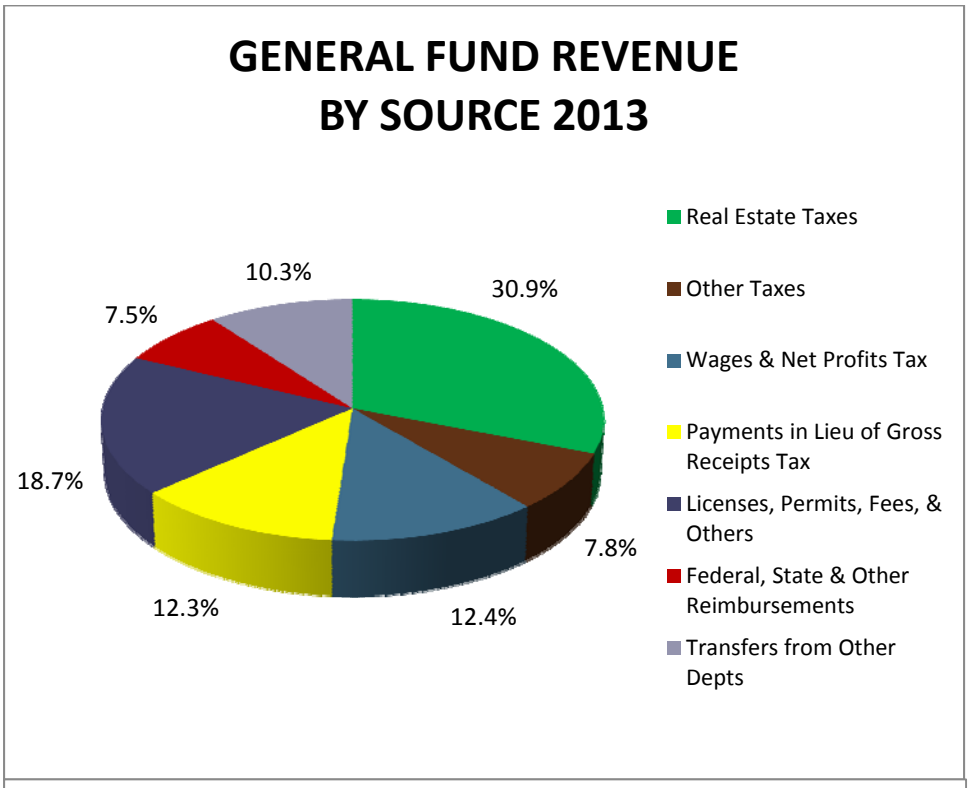
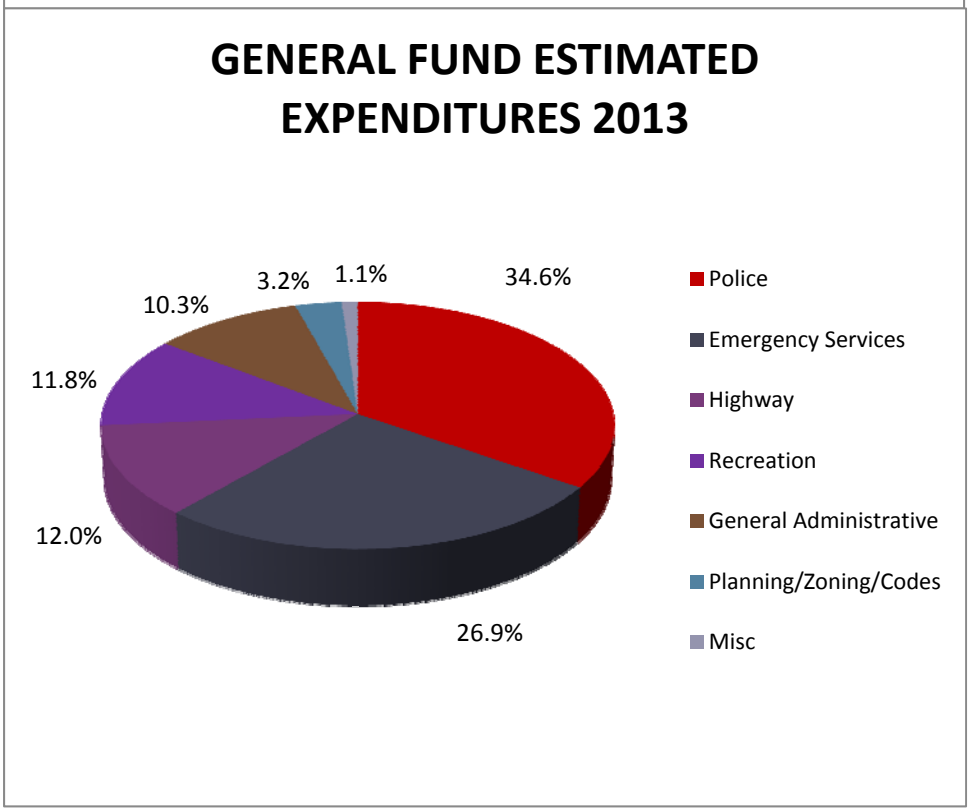
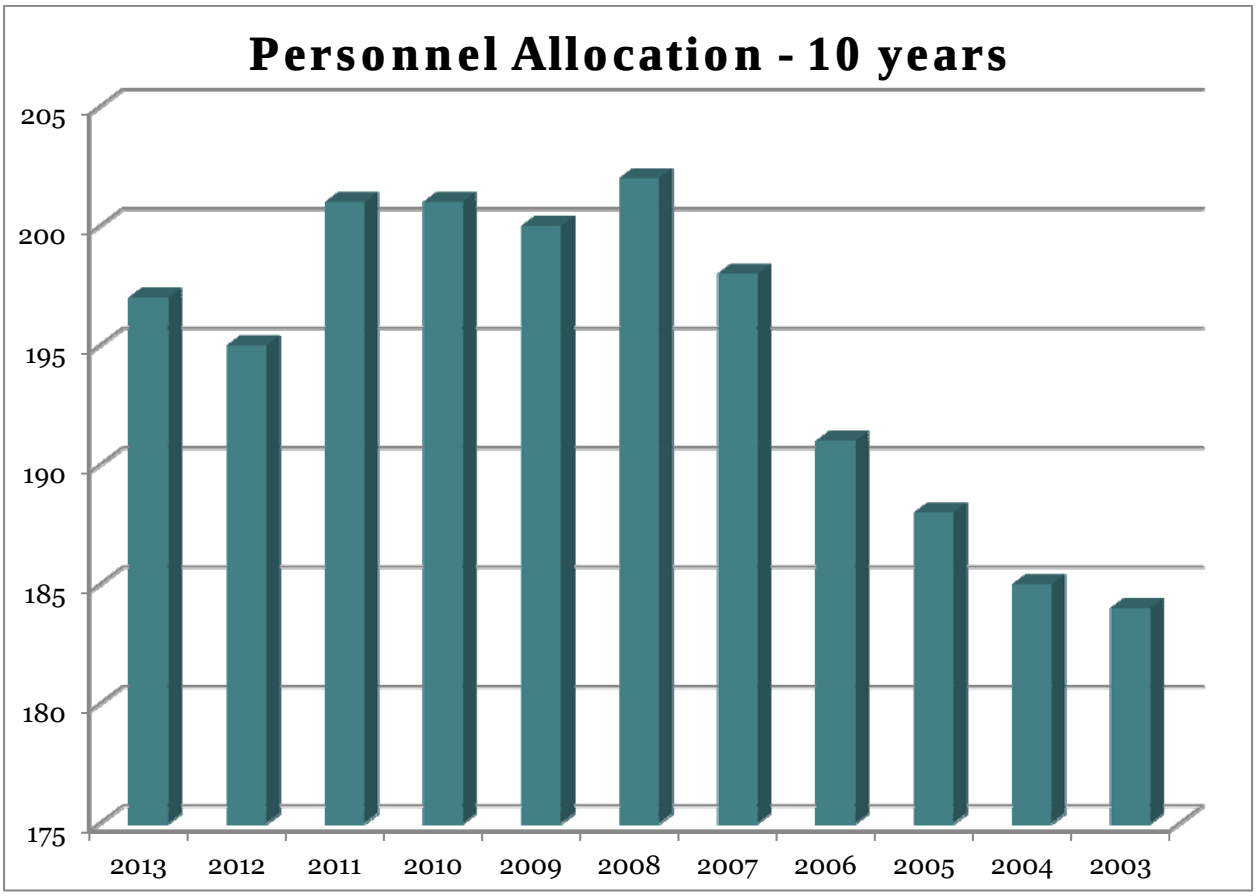
2012 Budget
2013 Proposed Budget


GENERAL FUND REVENUE
BY SOURCE 2013
10.3%
30.9%
7.5%
18.7%
7.8%
12.3%
12.4%
Real Estate Taxes
Other Taxes
Wages & Net Profits Tax
Payments in Lieu of Gross Receipts Tax
Licenses, Permits, Fees, & Others
Federal, State & Other Reimbursements
Transfers from Other Depts


GENERAL FUND ESTIMATED
EXPENDITURES 2013
3.2%
1.1%
34.6%
10.3%
11.8%
12.0%
26.9%
Police
Emergency Services
Highway
Recreation
General Administrative
Planning/Zoning/Codes
Misc

Personnel

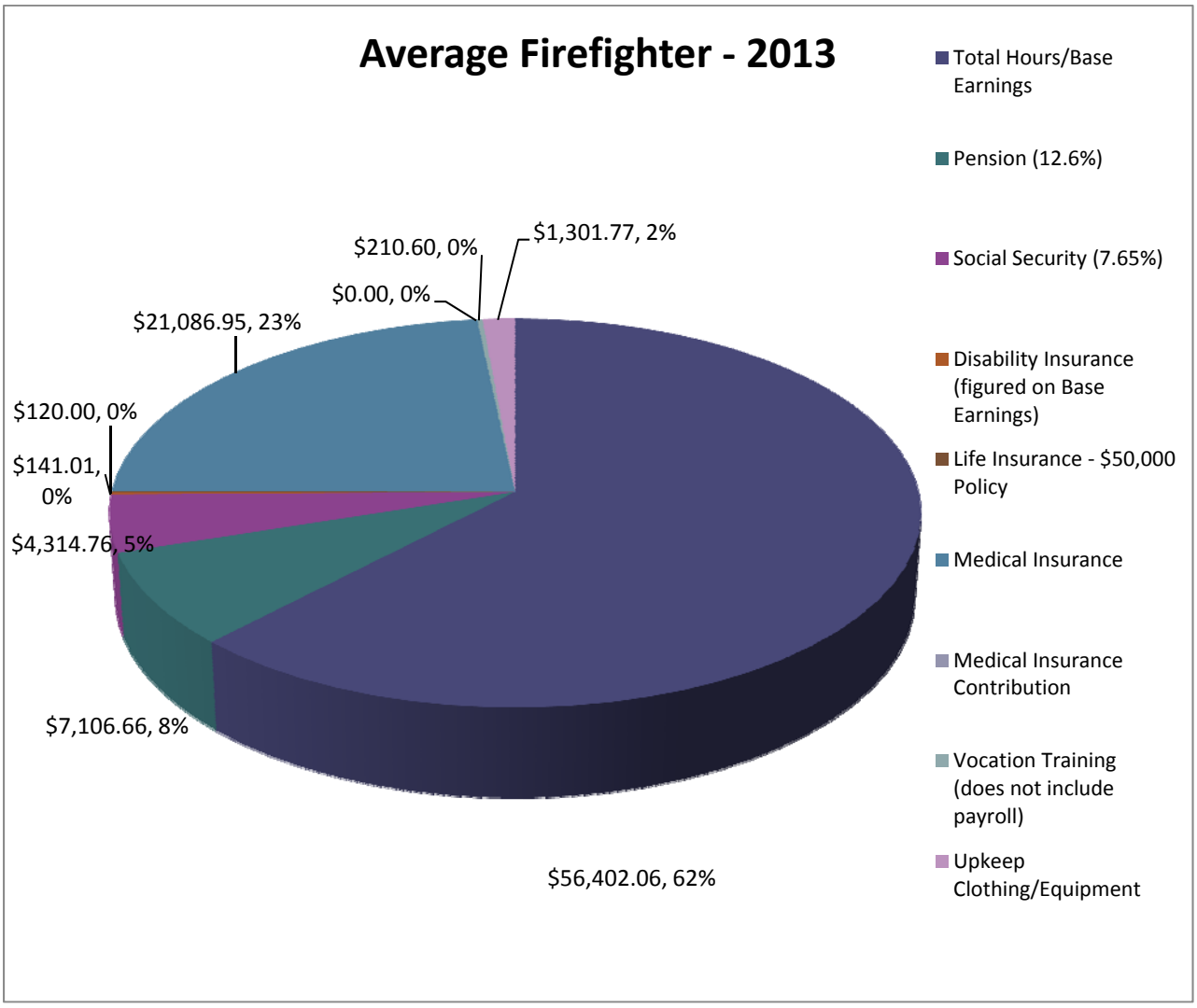


Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Totals	197	195	201	201	200	202	198	191	188	185	184

Year	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Function/program											
General Government:											
Supervisory	4	4	4	4	5	4	4	4	4	4	4
Technology	5	5	5	5	5	5	5	5	5	4	4
Finance	23	23	22	22	22	22	22	22	22	22	22
Community Development:											
Land Use/Zoning	2	2	2	2	2	2	2	1	1	1	1
Inspections	2	2	4	4	4	4	4	4	4	5	6
Public Works:											
Administration	2	2	2	2	2	2	2	2	2	2	2
Maintenance/Labor	24	24	26	26	26	25	25	22	22	22	24
Human Services:	0	0	0	0	0	0	0	0	0	0	0
Public Safety:											
Police Officers	31	31	33	33	33	33	33	30	30	30	30
Police Civilians	3	3	4	4	4	4	4	4	4	4	4
Fire	21	21	21	21	21	22	21	21	18	18	18
Fire Civilians	3	3	3	3	3	3	3	3	3	3	2
Recreation:											
Supervisory/Maintenance	6	6	7	7	5	5	5	5	5	5	5
Utilities (5):											
Supervisory	13	13	13	13	13	17	14	14	14	14	14
Maintenance/Operations											
Electric Department	21	19	18	18	18	19	19	19	19	17	16
Gas Department	13	13	13	13	13	8	8	8	8	8	8
Water Department	14	14	14	14	14	11	11	11	11	11	10
Waste Water Treat. Plant	9	9	9	9	9	15	15	15	15	14	13
Parking Department	1	1	1	1	1	1	1	1	1	1	1
Totals	**197**	**195**	**201**	**201**	**200**	**202**	**198**	**191**	**188**	**185**	**184**

Source: Borough of Chambersburg Human Resources Department.

Average Firefighter



AVERAGE FIREFIGHTER
2013
****estimate only****

Background

Pay Rate	$18.59
Base Earnings	$56,402.06
Total Earnings	$56,402.06

Base Earnings Breakout

	Hours	Earnings
Total Time Worked	3034	$56,402.06
Total Hours/Base Earnings	3034	$56,402.06

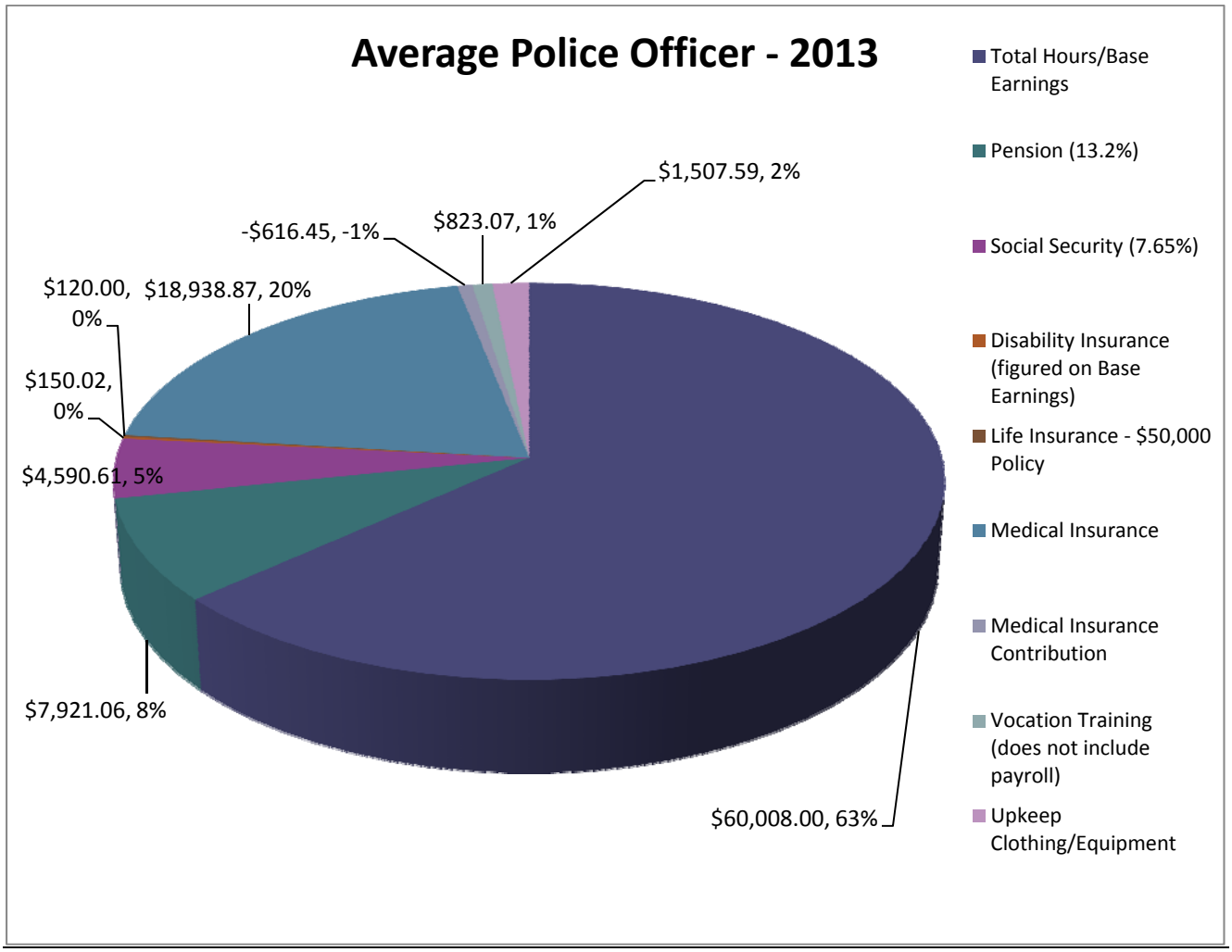
Benefits

Pension (12.6%)	$7,106.66
Social Security (7.65%)	$4,314.76
Disability Insurance (figured on Base Earnings)	$141.01
Life Insurance - $50,000 Policy	$120.00
Medical Insurance	$21,086.95
Medical Insurance Contribution	$0.00
Vocation Training (does not include payroll)	$210.60
Upkeep Clothing/Equipment	$1,301.77

Total Benefits $34,281.74

Total Earnings and Benefits $90,683.80

AVERAGE POLICE OFFICER



AVERAGE POLICE OFFICER
2013
****estimate only****

Background

Pay Rate	$28.85
Base Earnings	$60,008.00
Total Earnings	$60,008.00

Base Earnings Breakout

	Hours	Earnings
Total Time Worked	2080	$60,008.00
Total Hours/Base Earnings	2080	$60,008.00

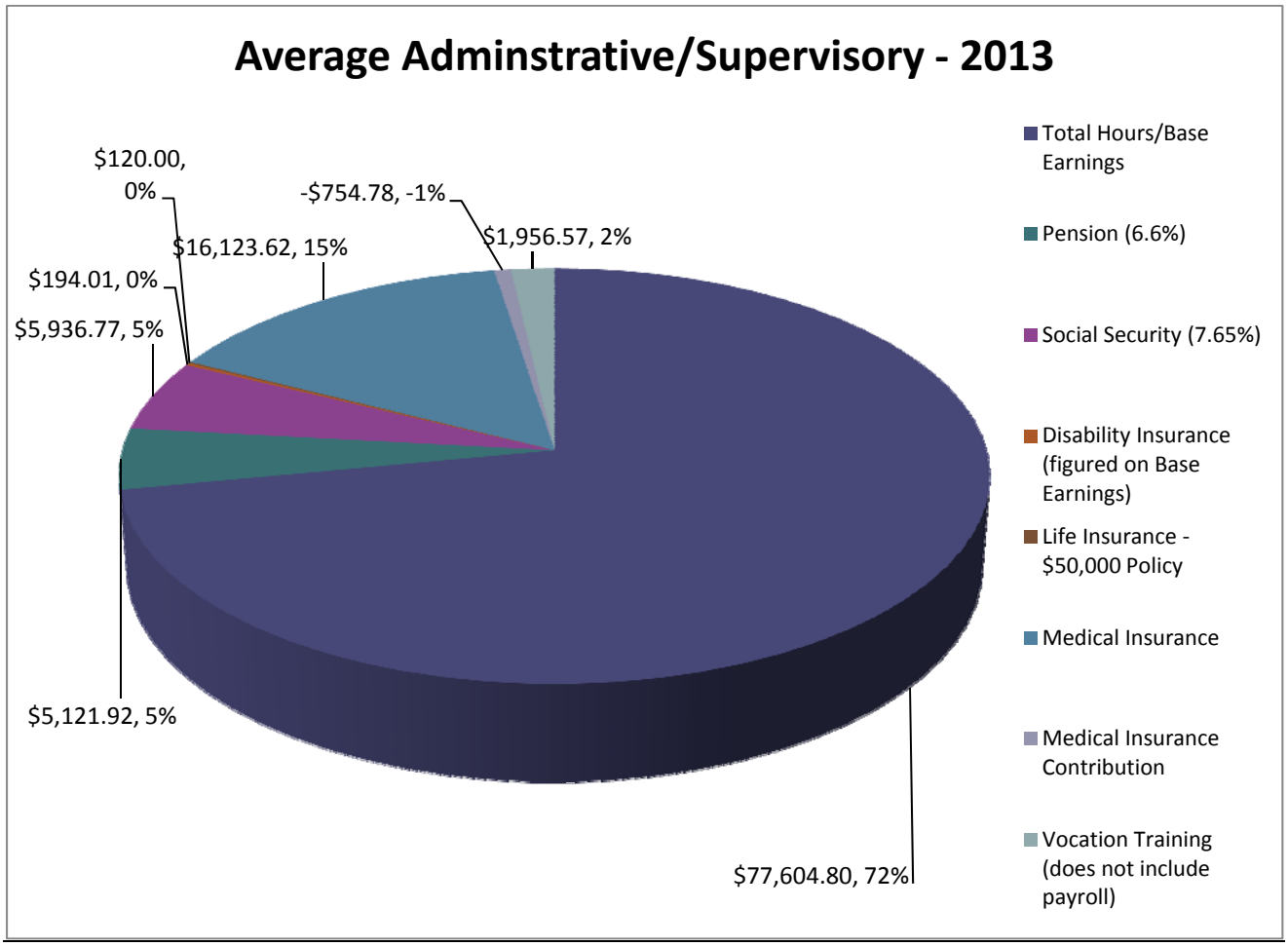
Benefits

Pension (13.2%)	$7,921.06
Social Security (7.65%)	$4,590.61
Disability Insurance (figured on Base Earnings)	$150.02
Life Insurance - $50,000 Policy	$120.00
Medical Insurance	$18,938.87
Medical Insurance Contribution	-$616.45
Vocation Training (does not include payroll)	$823.07
Upkeep Clothing/Equipment	$1,507.59

Total Benefits $33,434.77

Total Earnings and Benefits $93,442.77

AVERAGE SUPERVISORY EMPLOYEE



AVERAGE Administrative/Supervisory
2013
****estimate only****

Background

Pay Rate	$37.31
Base Earnings	$77,604.80
Total Earnings	$77,604.80

Base Earnings Breakout

	Hours	Earnings
Total Time Worked	2080	$77,604.80
Total Hours/Base Earnings	2080	$77,604.80

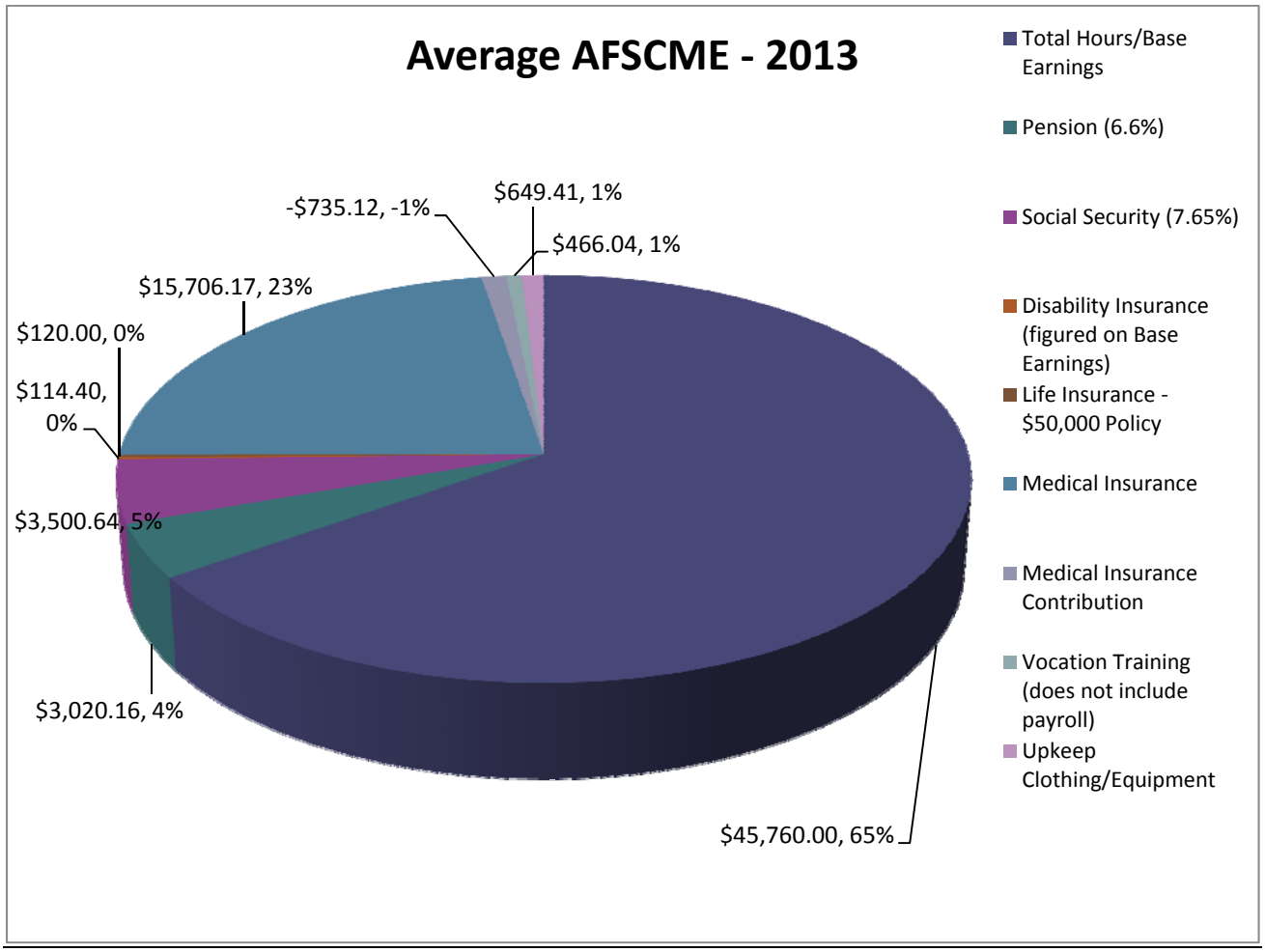
Benefits

Pension (6.6%)	$5,121.92
Social Security (7.65%)	$5,936.77
Disability Insurance (figured on Base Earnings)	$194.01
Life Insurance - $50,000 Policy	$120.00
Medical Insurance	$16,123.62
Medical Insurance Contribution	-$754.78
Vocation Training (does not include payroll)	$1,956.57

Total Benefits $28,698.11

Total Earnings and Benefits $106,302.91

AVERAGE AFSCME EMPLOYEE



AVERAGE AFSCME
2013
****estimate only****

Background

Pay Rate	$22.00
Base Earnings	$45,760.00
Total Earnings	$45,760.00

Base Earnings Breakout

	Hours	Earnings
Total Time Worked	2080	$45,760.00
Total Hours/Base Earnings	2080	$45,760.00

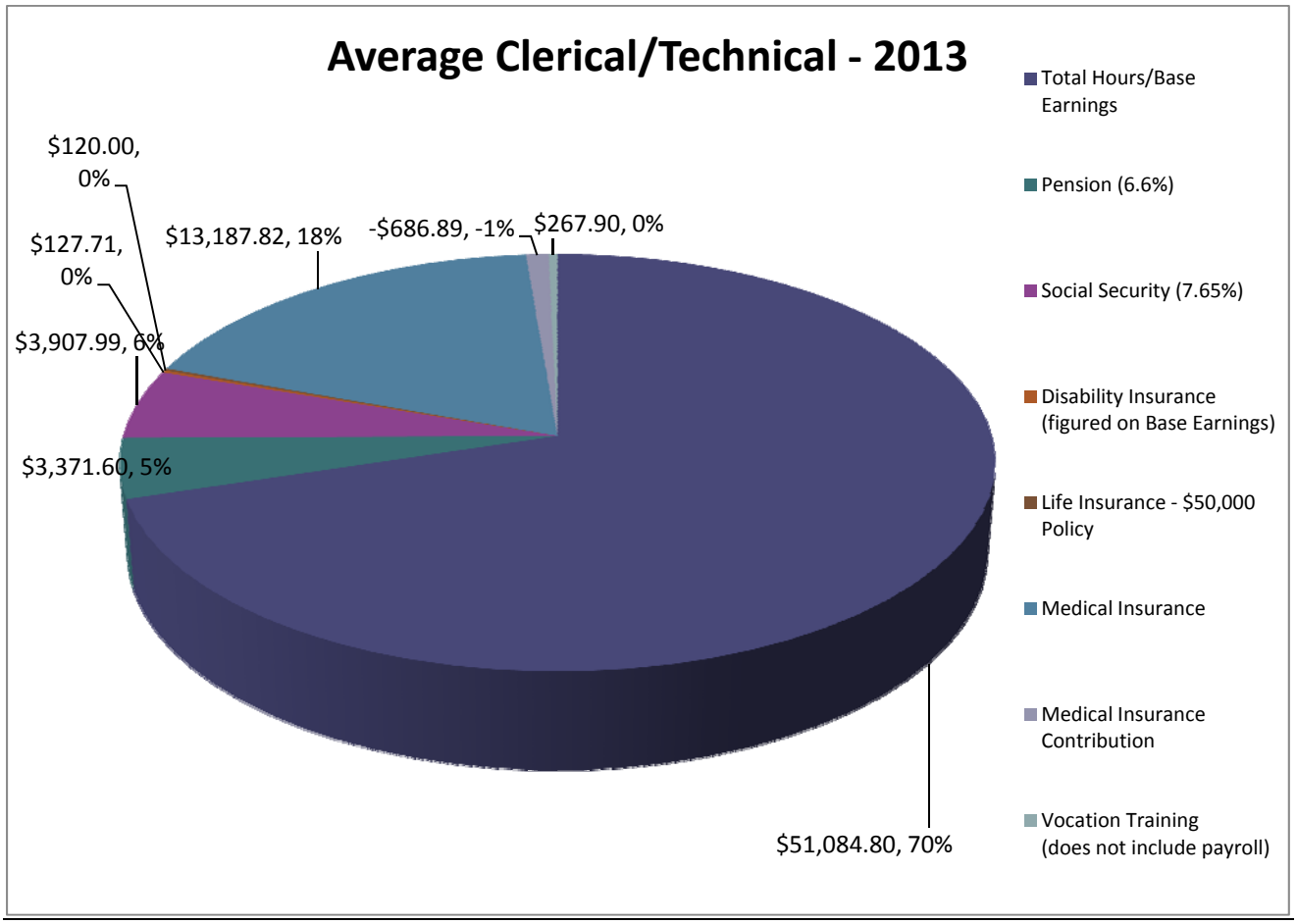
Benefits

Pension (6.6%)	$3,020.16
Social Security (7.65%)	$3,500.64
Disability Insurance (figured on Base Earnings)	$114.40
Life Insurance - $50,000 Policy	$120.00
Medical Insurance	$15,706.17
Medical Insurance Contribution	-$735.12
Vocation Training (does not include payroll)	$466.04
Upkeep Clothing/Equipment	$649.41

Total Benefits $22,841.70

Total Earnings and Benefits $68,601.70

AVERAGE TECHNICAL OR CLERICAL EMPLOYEE



AVERAGE Clerical/Technical
2013
****estimate only****

Background

Pay Rate	$24.56
Base Earnings	$51,084.80
Total Earnings	$51,084.80

Base Earnings Breakout

	Hours	Earnings
Total Time Worked	2080	$51,084.80
Total Hours/Base Earnings	2080	$51,084.80

Benefits

Pension (6.6%)		$3,371.60
Social Security (7.65%)		$3,907.99
Disability Insurance (figured on Base Earnings)		$127.71
Life Insurance - $50,000 Policy		$120.00
Medical Insurance		$13,187.82
Medical Insurance Contribution		-$686.89
Vocation Training	(does not include payroll)	$267.90

Total Benefits $20,296.13

Total Earnings and Benefits $71,380.93