

Borough of Carlisle

“Committed to Excellence in Community Service”

Fiscal Year 2022 Budget Message

November 15, 2021



To the Honorable Mayor and Borough Council:

I respectfully submit the Borough of Carlisle’s Proposed Fiscal Year (FY) 2022 Budget pursuant to Carlisle Borough’s Home Rule Charter, Article V, §502 that states, *“On or before the thirtieth (30th) day prior to the end of the fiscal year, the Manager shall submit to the Council a budget and an accompanying message for the ensuing year.”*

The Proposed Budget contained herein is a comprehensive plan that is reflective of the goals and objectives set forth by Borough Council. It forecasts the anticipated revenues and expenditures for all borough operations – general government, police, fire, streets, community development, recreation, water, wastewater, stormwater, parking, and solid waste. It includes the Borough’s Capital Improvement Plan thus, the document not only serves as a policy guide for FY 2022, but it also provides the framework for sound decision-making for the Borough’s future.

The Proposed Budget includes eight funds – General, Water, Sewer, Stormwater, Parking, Solid Waste, Capital Improvement and Highway Aid Funds resulting in a total budget of \$45,210,505. The reader will find that the comprehensive budget document is explained in fiscal terms and in terms of programs, policies, activities and plans. It summarizes the accomplishments and challenges encountered in FY 2021, and points to major issues for the upcoming year. It outlines financial policies for FY 2022 and provides snapshots of changes in financial policies, expenditures and revenues of the current year, as well as the Borough’s debt position.

The comprehensive budget document being presented was only made possible through the collective efforts undertaken by each department and many team members throughout the organization. *A special recognition and note of appreciation to Department of Finance Director Richard Juday for his diligent oversight and contributions in the drafting of this budget and overall fiscal stewardship.*

The Budget Message that follows contains key elements pertaining to each of the Borough’s eight funds that are incorporated in the comprehensive budget document.

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Overview

For the benefit of the public who may be reading a Budget Message for the first time, the following pages will summarize the Borough’s eight funds. Each fund ultimately must be self-supporting and decisions on the revenues and expenses for each of these funds are normally considered independently.

Below is a snapshot of the Borough’s projected year-end surpluses/deficits for the General Fund and primary enterprise funds for FY 2021 and FY 2022:

Description	Projected Year End Surplus (Deficit)					
	01 General	06 Water	07 Stormwater	08 Sewer	09 Solid Waste	32 Parking
Projected 12/31/21 Fund Balance	\$7,266,812	\$5,493,128	\$ 1,373,440	\$11,410,187	\$ 218,370	\$979,424
Recommended Rate Change for FY 2022	No Tax Increase *	3.48% Rate Increase **	No Fee Increase	3.37% Rate Increase ***	No Rate Increase	No Rate Increase
Projected 12/31/22 Fund Balance	\$6,352,504	\$5,547,731	\$ 1,720,325	\$11,772,001	\$ 70,946	\$889,281
Projected FYE 2022 Surplus (Deficit)	\$ (914,308)	\$ 54,603	\$ 346,885	\$ 361,814	\$ (147,424)	\$ (90,143)

*FY 2022 General Fund Budget proposes no tax increase.
 **Water utility rates scheduled to increase pursuant to the Water & Sewer Rate Study conducted by Gannett Fleming in 2018
 ***Sewer utility rates scheduled to increase pursuant to the Water & Sewer Rate Study conducted by Gannett Fleming in 2018
 NOTE: All other rates recommended to remain unchanged.

The following section highlights key elements that are applicable to all funds. Overviews of each of the funds and recommendations for each fund for FY 2022 can be found starting on Page 13.

Stewardship at the Local Level

The Borough of Carlisle has been steadfast in its mission of core service delivery and sound stewardship of the public’s resources.

Twenty months into the global pandemic crisis, the Borough’s commitment to public service has not wavered. Our organization’s motto *“Committed to Excellence in Community Service”* resonates throughout our organization as we remain community-focused, responsive, and diligent in our mission and in our roles as public servants. Our workforce, many of whom do not have the ability to telework, have continued to carry out their work responsibly and seamlessly staying the course to deliver services critical to our community’s health, safety, and wellbeing.

The Fiscal Year 2022 reinforces the Borough’s commitment to a sustainability, resiliency and equity as we monitor, manage and maximize resources responsibly, drive innovation, initiate change, invest in community, elevate accountability, and ensure constant delivery of services. Examples of each will be highlighted in this Message, as well as found throughout the FY 2022 budget document.

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Focusing on a Sustainable, Resilient and Equitable Future

All-America City Award: In February 2021, the Borough partnered with Dickinson College to enter the Carlisle community into the National Civic League's 2021 All-America City competition. The award recognizes the work of communities in using inclusive civic engagement to address critical issues and create stronger connections among residents, businesses, and nonprofit and government leaders. The theme for 2021's competition was "Building Equitable and Resilient Communities."

Carlisle's application focused on three community-driven projects with a focus on building equitable and resilient communities. The three projects highlighted were:

- Strides to address racial inequity and injustice highlighting the efforts undertaken at the Lincoln Cemetery and its rededication;
- Responses by the Carlisle Community Action Network to address issues relating to the pandemic, including housing and food security, childcare resources, and vaccination efforts, and
- Efforts to ensure inclusiveness and equity while addressing climate change by the Borough of Carlisle's Climate Action Commission (CAC).

After a successful presentation by community members directly impacted and/or involved with the projects, Carlisle Borough was proud to be named one of ten All-America City Award winners for 2021 - the first community in Pennsylvania in twenty years to receive this honor.

2022 will continue the Borough's commitment to each of the aforementioned causes.

Community Engagement Advancements: In 2020 and 2021, the Borough has undertaken a number of initiatives to advance community engagement to achieve sustainable outcomes and equitable decision-making. As restrictions lifted and more people could attend meetings in-person this year, the Borough had to find a solution for conducting public meetings both in-person and virtually that would provide a smooth viewing experience for participants and viewers. To achieve this, the Borough significantly upgraded technology in Town Hall that allows participants to interact seamlessly. Livestreaming Council meetings to social media also provides residents with easier access to the Borough's public meetings.

Social media has also been used to share important information and to highlight the stories of the Borough. In March 2021 "Engage Carlisle" was launched. This community engagement platform provides an online hub for residents and stakeholders to learn about ongoing Borough projects and initiatives, discuss and share ideas with fellow residents, and weigh in on important issues. The most successful project on the platform to date has been the northwest Fairground Avenue Linear Park projects. This tool, as well as holding in-person and on-site meetings with residents of the neighborhood provided opportunities for community input into the project's design. Over 200 individuals have participated to date.

More traditional engagement methods have also proved useful in 2021. To help spread the word about the Coronavirus and vaccine information including availability, the Borough collaborated with the Carlisle Community Action Network to distribute informational door hangers. When potential traffic calming

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measures near Bedford and East Streets were being discussed, Borough representatives met residents in their neighborhood by holding a meeting at Biddle Mission Park as well as distributed mailers and door hangers to the residents impacted by the proposed project. When concerns were expressed regarding the condition of the Borough’s Memorial Park, an outreach meeting was held at the site. Residents provided feedback on public health and safety issues as well as suggestions going forward. Volunteers have stepped forward to assist with maintenance activities and programming enhancements led by neighbors and stakeholders are on the rise.

As we approach 2022, the Borough will continue to seek effective ways to engage with our residents to seek solutions to the problems affecting them and involve our neighborhoods in decision-making processes as well as improve service delivery.

Truth and Reconciliation: A community town hall on racial inequity and systemic racism was held on January 16, 2021. Over 100 individuals attended the town hall to share their stories, pose questions, highlight issues of racial inequality, and make recommendations that included establishing a Truth and Reconciliation Commission (TRC) to delve into racial inequality.

The TRC is composed of seven members some of whom represent communities that have been marginalized and oppressed by systemic racism. Part of the Commission’s work includes examining and documenting policies, practices and actions by the Borough and the Council that have contributed to racial inequity and systemic racism; providing opportunities for individuals impacted and traumatized by systemic racism to share their stories and experiences; facilitating conversations among and between community members; collaborating with the Carlisle community; and identifying, analyzing, and recommending institutional and policy reforms to mend the wounds and combat systemic racism.

On March 11, 2021, Carlisle Borough Council established the TRC, and formally acknowledged through the passage of Resolution 03-11-2021-01, *“...the existence of painful, systemic, persistent, and varied forms of racial inequity in the Borough of Carlisle...look comprehensively at its past if it is to overcome the issues of racial inequity and systemic racism”*.

The Borough furthermore acknowledged that the land upon which the Borough of Carlisle is situated is the *“traditional and unceded territory of the Susquehannock and other indigenous people who stewarded the land for generations and were forcibly removed through physical violence, fraudulent purchases and broken treaties”*.

On August 4, 2021, the Borough Council and TRC held a joint public hearing to receive public comment on the TRC’s Mission Statement, By-Laws and Action Plan with both bodies voting in support.

The Fiscal Year 2022 Budget supports advancing the TRC’s ongoing work through the engagement of a data analysis consultant, guest speakers and/or facilitators, and miscellaneous costs.

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Carlisle Seal: At its August 4, 2021 meeting, Borough Council discussed the potential retirement or modification of the Borough Seal that was designed in the 1950s. Council consensus was to move forward exploring options for re-design and phasing out the seal from uniforms, forms, etc. The FY 2022 Budget includes funding for this effort. *Note: This budget document utilizes the All-America City Award insignia given the ongoing effort.*

Community/Economic Development Restructuring: Recognizing the need to take a holistic approach to sustainability in order to advance innovative economic development, community planning, and sustainable growth strategies and activities which cultivate and revitalize the businesses and neighborhoods in the Borough of Carlisle, the Borough has created the Sustainable Community and Economic Planning (SCEP) Department. This restructured department is envisioned to direct initiatives that will ultimately make the Borough a better place to live, work, and learn with an emphasis on planning, decision-making, and resource allocation that support socially equitable and inclusive policies, programs, and opportunities.

The SCEP will strive to create a healthy, safe, and sustainable community of choice through leadership, education, partnerships, and stewardship of resources and assets. Part of the department’s goals in 2022 will include launching the Borough of Carlisle’s rental inspection program. Thus, the FY 2022 budget has assumed increased capacity needs and has built in additional staff - two full-time and one part-time employee, understanding that the SCEP Director will be responsible for evaluating the department’s current capacity, functions and options including outsourcing.

Climate Change: One of Borough Council’s primary objectives include developing a meaningful, implementable, and measurable Climate Action Plan. Borough Council passed a resolution in July 2020 to develop and implement a strategy to reduce Greenhouse Gas (GHG) emissions consistent with the US International Paris Accord Commitments to commit to reducing its GHG emissions 26% by 2025 and 80% by 2050 compared to 2005 levels. In order to accelerate these objectives, a Climate Action Commission was formed to provide alternative pathways for reaching, and equitably implementing the Borough’s goals. The CAC anticipates bringing forward a Plan to Borough Council by year end. In concert with this work, the CAC has collaborated with Widener University and Dickinson College to develop draft policies for addressing matters related to climate change, housing impediments, and zoning modifications.

In 2021, the Borough advanced the evaluation of a renewable energy system at the Borough’s Wastewater Treatment Plant to help power the plant and offset carbon-based energy use elsewhere in the Borough; replaced 100% of the Borough’s Lab facility with energy efficient LED ceiling fixtures utilizing a rebate program; collaborated with PPL to convert a second phase of street lights from HPS to LED fixtures; continued research on sustainable energy options such as electric vehicle charging stations within public facility areas; and, continuing an education program to reduce the amount of disposable waste through recycling and re-use strategies. The Borough also procured two police hybrid vehicles in 2021. The FY 2022 budget includes funding to continue advancing climate action goals.

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Human Resources & Professional Development Initiatives: In Spring 2021, the Borough hired a Human Resources Manager whose responsibilities among others includes evaluating, coordinating, and implementing a broad range of HR disciplines and functions within the Borough’s centralized municipal personnel program and participate and oversee the Borough’s HR equity efforts to advance and deepen diversity and inclusion objectives.

For FY 2022, the HR Manager will continue to seek avenues to open lines of communication and create a diverse workforce that is reflective of the people we serve that ultimately improves decision-making, sparks creativity, encourages diversity of thought, and strengthens community relations. The FY 2022 budget supports building employee training and development programs to increase cultural awareness and to address the challenges to diversity, equity, and inclusion, such as irrational assumptions, prejudice, fear, and bias.

Fiscal Soundness: Maintaining and ensuring long-term structural financial sustainability requires the Borough to be disciplined in the use of our financial resources. In June 2021, Moody’s Investor Service assigned an Aa1 credit rating to the Borough of Carlisle noting that the rating “reflects the borough’s strong, improved financial position that is expected to remain stable, and moderate but manageable debt burden and pension liabilities.” The Borough’s focus on maintaining a structurally sound financial foundation can be attributed to a multi-pronged approach – sound fiscal policies enacted by Council, a conservative approach to budgeting, balancing short and long-term goals, pursuing grant opportunities to leverage and maximize funding, and elevating transparency to maintain the public trust.

Elevated transparency and oversight occurred in Fiscal Year 2021 with the Borough presenting quarterly financial presentations on its activities and status of each budget during regularly scheduled Borough Council Meetings. These quarterly financial snapshots, along with the annual audit findings provided by the auditor mid-year, advanced transparency among our organization and the community which we serve.

Maximizing Funding Sources to Support and Advance Community Initiatives

Coronavirus Aid, Relief, Economic Securities Act “CARES Act of 2020” Funding, \$387,008: In 2020, the Borough was notified that it would be the recipient of a special allocation of CDBG funds to be used to prevent, prepare for, and respond to coronavirus (COVID-19). A total of \$387,008 was awarded to the Borough in two phases (\$227,901 and \$159,107). The Borough took strategic steps to maximize the use of these limited funds to unmet needs internally and externally.

The first allocation was allocated in fall 2020. \$150,000 was designated to 46 businesses in the form of small business recovery grants; \$40,000 for reimbursement of eligible expenses incurred by the Borough and \$37,901 to the Borough’s grant administrator for costs associated with the program.

In August 2021, the second allocation of funding was designated to activities, which once again reinforces the Borough’s strategic use of funds:

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- \$63,197 for a utility bill assistance program designed to help homeowners with utility bills that may have fallen in arrears;
- \$40,000 for an emergency services assistance program offered to Borough of Carlisle emergency service providers;
- \$40,000 for reimbursement of eligible expenses incurred by the Borough of Carlisle; and,
- \$15,910 for general administration and oversight of the CDBG-CV funds and reporting requirements by the Borough’s agency partner, Redevelopment Authority of Cumberland County.

American Rescue Plan Act of 2021, \$9,186,671: The American Rescue Plan Act (ARP) was passed by Congress and signed into law on March 2021 by the President. The legislation included \$350 billion in Coronavirus State and Local Fiscal Recovery Funds for eligible governments across the nation. The U.S. Department of the Treasury launched this relief “to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery”. Among other uses, the funds can be used to make necessary investments in water, sewer, and broadband infrastructure; replace lost revenue for eligible governments; decrease the spread of the virus; stabilize the economy; and, address systemic public health and economic challenges that have contributed to the unequal impact of the pandemic.

The Borough received its first tranche of ARP funding totaling \$4,593,335.50 on June 11, 2021 and the remaining tranche is due to be released at a later date. The Borough was required to submit its first report to the Treasury by September 2021 that included reporting its total revenue loss during 2020, which involved taking the average of the past three years’ revenue pre-COVID. That loss totaled: \$4,567,387.

Borough Council will discuss the ARP funding as part of its 2022/2023 Biennial Goal Planning Session. The session, which is traditionally held in the first quarter of each even numbered year, comprehensively identifies and sets internal and external priorities, and implements associated strategies, that ultimately become the framework for guiding policy and advancing initiatives to strengthen our community and organization’s resilience. While the majority of funding will be vetted during the 2022 Biennial Goal Planning Session, the Fiscal Year 2022 budget proposes utilizing \$730,516 for:

- implementing a co-response pilot program that among others provides effective responses to people experiencing a mental health crisis, minimizes risk of harm and stigmatization, maximizes mental health professional efficiency, and advances cross-training and capacity building among a diverse network of first responders;
- investing in a new police department records management system that is envisioned among others to provide extensive reporting capability;
- addressing stormwater needs and traffic improvements in the northeast quadrant of the Borough; and,
- elevating internal cybersecurity

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Community Development Block Grant (CDBG) Program Year 2021, \$405,438: As a HUD entitlement community, the Borough receives an annual allotment to improve the quality of life for our community, with focus given to our residents living at low and moderate income levels. The program is designed to leverage funds to build community assets and “create transformative impact” in one’s community. The Borough’s CDBG PY 2021 (July 1, 2021 – June 30, 2020) has committed \$405,438 to activities focusing heavily upon various aspects of sustainability – economic development, housing rehabilitation, Lincoln Cemetery preservation, public services and facilities, energy efficiency assistance, and neighborhood recreation enhancements.

HOME Grant Funds Provide Homeownership Opportunities to Low-Moderate Income Families, \$553,000:

In May 2018, the Borough received conditional approval from HUD to acquire property for resale to first time homebuyers, who were credit worthy and income eligible. The Borough, along with its partner agencies, identified and secured a vacant property at 157/159 East South Street, which met the HOME program objectives, as well as the Borough’s efforts to address blight. Construction was completed and an open house event held in November 2021. Potential homebuyers are required to undergo a pre-purchase workshop facilitated by the Cumberland County Housing Program Specialist. In addition to being awarded the HOME grant funds of \$553,000, the Borough also has committed \$30,000 in CDBG funds for down payment and closing cost assistance.



Before & After:
157/159 East
South Street



The Borough has utilized HOME program grant funds in the past for a number of low-moderate homeownership programs in the Borough including the Pride Projects and East End Homeownership initiatives such as Pitt Street Pride, North Street Pride, West Street Pride and East End Phases I, II, and III rehabilitations. These projects were only made possible through the coupling of funds and collaboration with key agencies and community partners.

Carlisle Borough Outside Agencies, \$10,000: The FY 2022 Proposed Budget also includes \$10,000 for funding of projects that enhance the quality of life for the Carlisle community including initiatives centered on community beautification, social programs, community activities and education. During the September 2021 Council Workshop Meeting, applicants presented their requests and justification for how their respective project/mission aligns with the Borough’s current objectives. Seventeen initiatives are proposed to be awarded funding in FY 2022.

Police K-9 Fundraising Campaign, \$101,605.38: The Police Department embarked on a fundraising campaign in 2021 for a second K-9 unit that will be used for explosive detection, tracking, and community engagement activities – connecting officers with the community they serve. Through the generous

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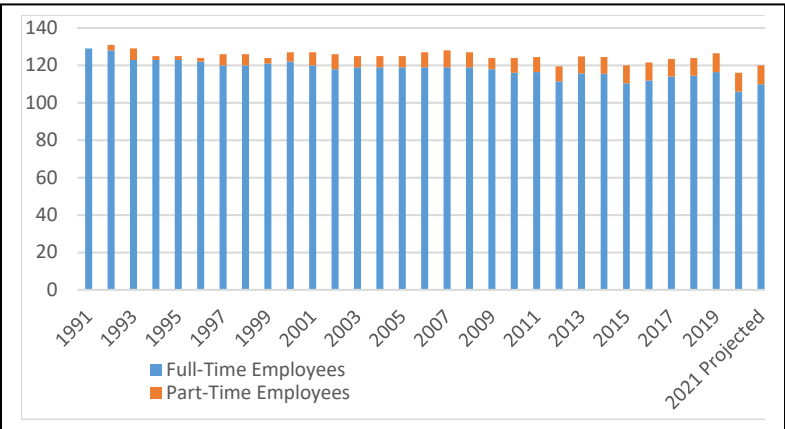
support of the community, the Borough was able to procure in 2021 K-9 Jackson, a German Shorthaired Pointer and associated equipment. The program is currently envisioned to be self-sustaining through the continuance of fundraising in 2022.

Fiscal Snapshot 2020-2022: The Borough took steps in 2020 and again in 2021 to address pandemic-related impacts to its budgets and operations.

Fiscal Year 2020 saw controlled discretionary spending, a hiring moratorium of select full-time (FT) permanent positions and 40 part-time seasonal staff. These measures, along with utilizing grant funding where applicable, was instrumental in lessening the effects on the FY 2020 Budget. In fact, the Borough monitored and managed resources so well that it was successful in closing a significant budget deficit in its FY 2020 General Fund that resulted in a Fiscal Year End audited surplus of \$499,545.

Fiscal Year 2021 budget was developed without knowing the duration or full impact of COVID-19. Staff focused on responsible budgeting practices by estimating revenues conservatively, and reducing expenditures where possible, while maintaining the current level of essential services with existing resources. A temporary freeze was placed on six positions and left unfunded until July 1, 2021, another position eliminated from the complement, and modest reductions in part-time hours in two departments were made. In addition to these measures, the Borough continues to monitor and manage internal costs responsibly. For example, the FY 2021 General Fund Operating budget was initially projected to end the year with a deficit of \$630,113. Projections now indicate that gap has narrowed to \$260,871. *Refer to Page 83 of the budget document for Projected FY 2021 Net Activity/Fund Balance Projections for all funds.*

Fiscal Year 2022 budget will continue the practice of monitoring open positions, but will also address organizational needs through restructuring and allocating additional resources to meet our organization and community’s priorities. For example, out of the six positions that were left unfunded until July 1, 2021, the Borough has determined that two of those positions will remain unfilled until September 1, 2022 as we continue to monitor operations and evaluate current capacity. Three other vacant positions will be evaluated closely to determine whether the position(s) should be filled. For budgeting purposes, all three have not been incorporated into the budget until April 1, 2022.



To provide additional perspective on staffing levels, the Borough has decreased its number of employees from a high of 131 in 1992. The chart to the left provides a historical snapshot of full-time and part-time Borough employees over the course of the past 30 years, excluding seasonal staffing.

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The Borough will continue to evaluate current full-time vacant positions along with any other positions that may become vacant before authorizing hiring. The measures taken will require diligent monitoring and evaluation of any potential service delivery impacts. Our goal is to manage internal costs responsibly by building a culture that seeks innovative solutions and efficiencies through collaboration, restructuring, and consolidation of duties when possible.

Employee Compensation: The Borough’s employees are the foundation to our success in the constant delivery of vital, core services. In 2009, the Borough recognized the need for a compensation strategy that is competitive to attract and retain necessary talent to carry out our mission. The non-uniformed plan is designed to be reviewed periodically based on market data and includes a cost-of-living adjustment and a merit component based on an employee’s successful evaluation. This plan underwent a review in 2020 of all non-uniformed positions with the exception of department leadership positions as it was anticipated that these positions would undergo a review in 2021. The Fiscal Year 2022 budget includes a cost of living adjustment of 3.0% and a merit component for eligible non-uniformed employees. The COLA and merit on average non-uniformed employees comes to 3.75%. The budget also includes an estimated adjustment for senior level staff given these positions have not been evaluated yet, understanding that Council would approve the proposal prior to authorizing any adjustments. Uniformed staff receive compensation pursuant to the terms of the Collective Bargaining Agreement that calls for a 3.0% cost of living adjustment and step increases that vary based on tenure and rank. The average uniformed increase is 3.77%. The breakdown for FY 2022 proposed compensation impacts are outlined below:

Fund	Non-Uniform	Uniform
General Fund	61,828	92,409
Water Fund	30,306	
Stormwater Fund	12,359	
Sewer Fund	46,226	
Solid Waste Fund	633	
Parking Fund	1,466	
Total	152,818	92,409
Average Employee Change	3.75%	3.77%

Healthcare Costs Rise by 6.6% in FY 2022 –

Non-Uniformed Employee Contribution Modifications Result in a FY 2022 Reduced Impact by \$51,000: The Borough’s healthcare coverage is estimated to increase by 6.6% for Fiscal Year 2022 primarily due to the past several years’ claim experience ratio. The Borough took steps in 2021 to review our health coverage and explore options through the creation of a working group of non-uniformed employees. This committee was charged to bring back recommendations for healthcare design options that ideally could reduce costs and provide options for employees.

The group took their task seriously and ultimately brought forward recommendations that included increasing the non-uniformed employees’ contribution for a second consecutive year, modest changes to

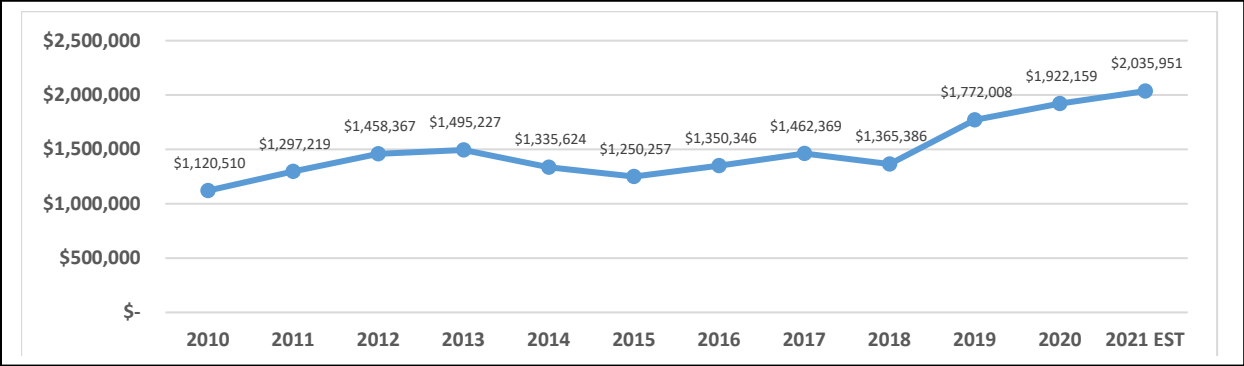
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plan design, and a recommendation to implement a high deductible Health Savings Account (HSA) option. The high deductible health plan is proposed to be offered to employees in FY 2022 with the first year the Borough contributing \$3,500 toward a family plan and \$1,750 toward a single employee plan. The funding for this contribution is proposed to come from the use of Assigned Fund Balance titled, “Future Employee Benefit Expenditures”. The HSA has a potential to reduce monthly premiums but relies heavily upon participation.

The Borough also anticipates that as part of its wellness programming, unvaccinated employees’ contribution for healthcare will be higher in FY 2022 given the Coronavirus impacts to the Borough’s plan.

The following chart provides a snapshot of healthcare costs from 2010 through present.



Workers’ Compensation Costs Estimated to Drop by \$40,000 in FY 2022: The Borough is a member of the Susquehanna Municipal Trust, which provides self-funded workers’ compensation coverage for Pennsylvania municipal entities and their employees. The rating is earned based on a number of categories such as having a safety committee, a return to work (light duty) program, and achieving low loss ratios. Because of our rating, the Borough’s workers’ compensation costs are estimated to go down by approximately \$40,000 for 2022.

Pension Plans Remain Solvent for FY 2022: The Borough receives state funding to offset the amount it is required to contribute to the non-uniformed and uniformed pension plans. This aid comes from the foreign fire insurance tax on out-of-state insurance companies doing business within Pennsylvania. The Borough currently anticipates it will receive \$652,430 in state aid in FY 2022. Thus, the pension plans will be funded entirely through the state aid received and the required employee contributions (Non-uniformed 1.5% of salary; uniformed 5.0% of salary).

Electric and Natural Gas: Another factor that affects the Borough’s General Fund and enterprise funds is electricity and natural gas. Since 2009, the Borough has participated in a cooperative purchasing program through the Municipal Utility Alliance, a program offered through the Pennsylvania Municipal League.

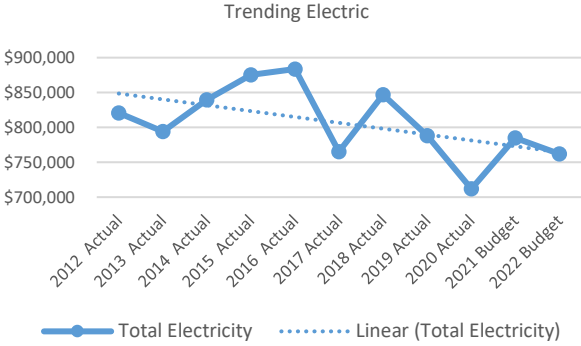
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The Borough has been able to capitalize on bulk purchasing of electricity and anticipates that the trend will continue in 2022 as the Borough realized savings under a new contract that was entered into in 2021. Rates were 9% lower than its former counterpart.

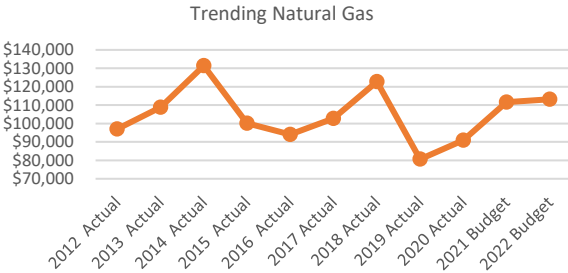
Electric

The Borough’s most recently executed contract became effective January 1, 2021 requires the supplier utilize 100% renewable energy, which is consistent with one of Council’s goals to pursue sustainable/renewable energy. Also, the Borough has the ability to pursue separate contracts for solar power or other renewable energy and not be penalized for a decrease in electric usage.



Natural Gas

As the chart to the right reflects, the Borough’s actual FY 2020 costs came in at \$90,000. However, the Borough’s practice is to budget conservatively. The FY 2021 Budget and FY 2022 Budgets reflect this approach. It is currently anticipated that the Borough will still explore options in FY 2022 to seek a more competitive contract that may help lower costs.



Pay-As-You-Go (PAYGO): The Borough has recently adopted policies requiring use of cash reserves before issuing debt. The Borough’s most recent PAYGO strategy is to pay for capital expenditures with 20% of cash and 80% by debt. Recent budgets are centered around this philosophy.

Debt: The Borough focuses to pay for capital projects first through available cash reserves. If the Borough does not have sufficient cash reserves to fund capital projects in a given year, it considers debt to finance the projects. However, the Borough emphasizes the need to only finance projects with a useful life of at least the term of the debt issued for the particular project. In evaluating borrowing needs, the Borough considers resources available to cover capital project needs for two upcoming years, in this case 2022 and 2023. In Fiscal Year 2022, the Capital Projects Fund is being funded with available cash reserves and bonds.

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General Fund Overview

FYE 2020 - Deficit Gap Closed, Surplus Realized

FYE 2021 Projection – Initial Deficit Gap of \$630,113 Narrowed to \$260,871 (est)

FY 2022 - No Property Tax Increase Proposed - Appropriated Fund Balance Use Option Recommended

Revenues to Increase by 1.49%; Expenditures Rise by 4.44%

Operations supported through the General Fund include general government, police, fire, streets, community development, code enforcement, traffic signage/signalization/control, street lighting, parks and recreation.

The Borough must adopt a balanced operating budget with estimated revenue equal to appropriated expenditures for all funds. A budget is considered balanced when either:

- ✓ Revenues equal Expenditures
- ✓ Revenues exceed Expenditures
- ✓ Revenues plus appropriated fund balances equal expenditures

FYE Audit of 2020: The Borough’s FY 2020 was built and approved with a \$581,020 deficit that was envisioned to be balanced using fund balance. Three months into the year, the global pandemic surfaced and a number of measures undertaken to lessen its effects on the FY 2020 strained and structural deficit.

Controlled discretionary spending, a hiring moratorium of select positions, project delays, and utilizing grant funds received, helped offset estimated General Fund revenue shortfalls and expenditures associated with the pandemic. Due to the significant measures taken, the Borough closed its deficit and realized an audited General Fund surplus of \$499,545.

FYE 2021 Projection: The FY 2021 General Fund Operating budget was initially projected to end the year with a deficit of \$630,113. That deficit is now projected to narrow to approximately \$260,871 by year end. Should a deficit still exist at year end, it will be balanced through use of appropriated fund balance.

Note: These projections are based on activity through the third quarter and are subject to change based on final audited numbers. Any deficit will be covered through fund balance reserves.

Fiscal Year 2022 Balanced through Use of Appropriated Fund Balance: The Proposed FY 2022 General Fund Operating Budget is projected to end the year with an operating deficit of \$523,917 and is recommended to be balanced through use of appropriated fund balance as Reserves are projected to be above Council’s goal at year-end.

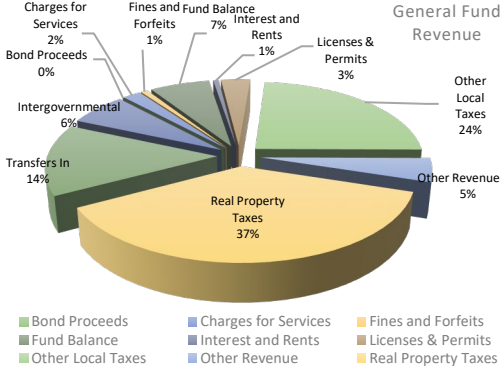
This is a structural deficit that is expected to continue as a number of the expenses noted in this Overview and outlined on Pages 9 and 18 are currently deemed temporary. The FY 2022 shortfall can be attributed to transfers to the Capital Projects Fund, rising costs of healthcare, and new governmental services and programming.

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FY 2022 Revenues Forecasted to Increase by 1.49%: For a local government, like the Borough of Carlisle, the primary sources of revenues are real estate taxes, Earned Income Tax (EIT), and the Local Services Tax (LST), along with some miscellaneous revenue producers. The chart to the right reflects the Borough’s FY 2022 revenue sources and supports this statement.

The Borough anticipates that revenues in Fiscal Year 2022 will increase just slightly primarily due to an increase in Intergovernmental Revenue related to the use of grant funding made available through the American Rescue Plan. Refer to Page 7 of this Message for additional information.



Real Estate Tax - No increase in Borough taxes or tax rates for 2022

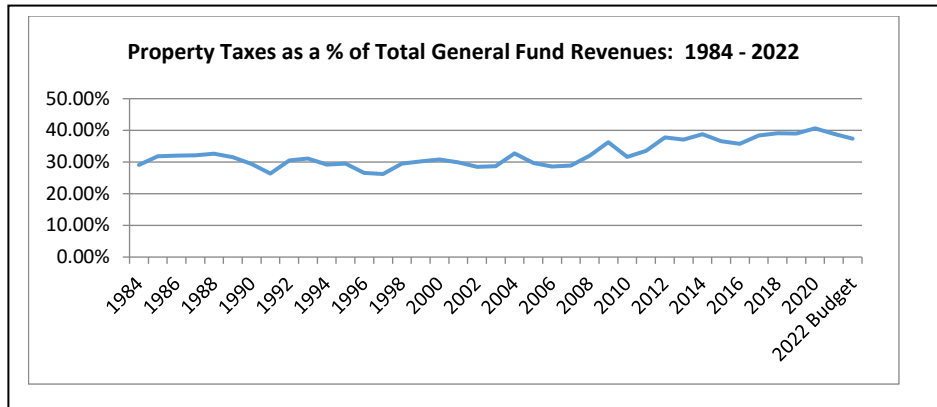
The Borough’s anticipated fund balance reserves are projected to be 54.23% at FYE 2022, which is above Council’s goal of 25%. This allows the Borough the flexibility to delay issuing a tax increase in FY 2022. Nonetheless, the Borough will need to continue to monitor accordingly based on the current composition of revenues and expenditures. For example, in order to maintain Council’s fund balance goal through 2026, the Borough’s current mill rate of 3.495 would need to be adjusted to 4.105. The impact of this action to a property valued at \$150,000 would be a \$91.50 increase in annual Borough real estate taxes (\$524.25 in 2021; \$615.75 in 2022).

Local Government Finance: Real estate taxes are considered the backbone of local government. They are one of the only sources of revenue that the Borough has the ability to increase. Other taxes such as the Earned Income Tax (EIT) and Local Services Tax (LST) are limited statutorily. On the other hand, the state’s primary sources of income are sales tax and earned income tax. Earned income taxes are also received and considered a primary source of income by the federal government.

Sales taxes and earned income taxes typically grow as people’s incomes and the price of goods increase, which results in revenue growing at the rate of the Consumer Price Index (CPI). For example, according to the U.S. Bureau of Labor Statistics, the CPI from August 2020 to August 2021 has grown 5.25%. Unlike the state and federal government, the Borough relies heavily upon real estate taxes as its primary source of income. The real estate tax base can only grow through the construction of new homes and/or businesses or through a County reassessment of properties. With just a few exceptions, the Borough of Carlisle has very little room to grow as we are considered an older, built out community. Thus, as expenses for core services increase, and/or revenues decrease or become stagnant, there are few options other than increasing the real estate tax rate or to reduce costs.

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Snapshot:

Real estate taxes have consistently comprised 28.4% to 43.2% of the Borough’s General Fund revenues.

For purposes of calculating the appropriate amount of real estate tax to include in the budget, the Borough assumes a collection factor of 97% based on historical information.

The Borough’s Home Rule Charter requires the Borough to levy real estate taxes pursuant to the limitations established by the Pennsylvania Borough Code. Therefore, the Borough has the ability to annually levy and collect real estate tax, not to exceed 30 (thirty) mills for general borough purposes.

The Borough’s current tax structure is two-tiered as reflected here:

The “General Purposes” mill rate helps fund general government, police, fire, streets, traffic signage/signalization, lighting, code enforcement, community and economic development, parks and recreation, etc.

Millage Rate	
General Purposes	3.058
Fire Services	.437
	3.495

The “Fire Services” mill rate helps fund a small portion of our volunteer fire departments’ needs. Unlike some Pennsylvania boroughs and cities, volunteers primarily operate the Borough’s fire companies (Carlisle Fire & Rescue and Union Fire Company). These volunteers rely heavily upon the generosity of citizen and business donations, and municipal contributions to maintain a highly trained, effective, first responder volunteer base.

Real Estate Tax History			
Year	Millage (Combined)	Change	Notes
2022	3.495	-	
2021	3.495	-	
2020	3.495	-	
2019	3.495	-	
2018	3.495	-	
2017	3.495	0.220	Fire Tax Increase
2016	3.275	-	
2015	3.275	-	
2014	3.275	-	
2013	3.275	0.217	Fire Tax Increase
2012	3.058	-	
2011	3.058	(0.51)	*County Reassessment
2010	3.570	0.49	
2009	3.080	0.27	
2008	2.810	-	
2007	2.810	-	
2006	2.810	-	
2005	2.810	(0.29)	
2004	3.100	0.15	
2003	2.950	0.29	
2002	2.660	-	

The Fire Tax currently pays for 58% of the Borough’s overall fire department budget’s needs, the remainder of the costs are absorbed through the Borough’s General Fund revenues.

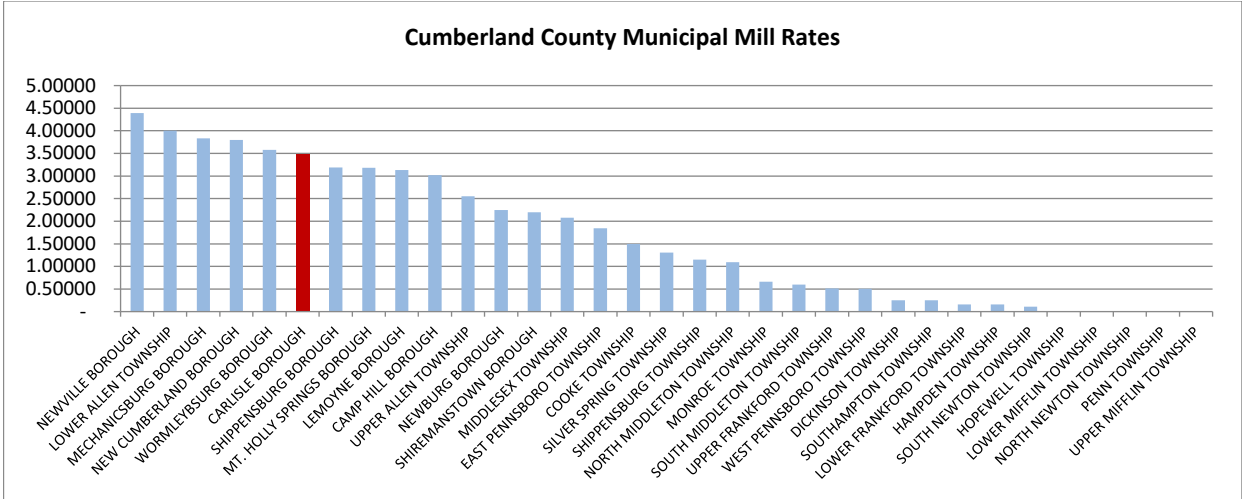
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The mill rate of 3.495 was imposed in 2017 and has remained constant even though inflation has risen over the course of the past four years by 8.72%. According to the chart on Page 15, the Borough has only raised its millage rate six times since 2002.

NOTE: Millage rates are the amount per \$1,000 that is used to calculate one’s property taxes. Thus, a property with a tax valuation of \$150,000 would be assessed \$524.25 in Borough property taxes (\$3.495/\$1,000 of assessed value).

Below is a comparison of 2021 municipal mill rates within Cumberland County.



In addition to the real estate property assessment tax, the Borough’s General Fund operations rely upon realty transfer taxes. Pennsylvania’s realty transfer is imposed at a rate of one percent (1%) on the value of real estate that is transferred by deed, instrument, long term lease or other writing. The Borough and School District split this tax with each receiving one half percent. *NOTE: There are some exemptions to the realty transfer tax requirement.*

Below is a chart reflecting the Borough’s real transfer tax revenues from 1984 to present.



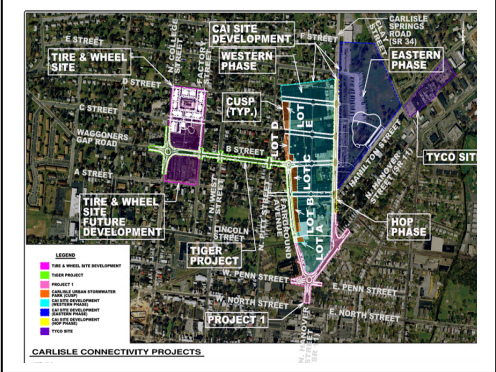
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FY 2022 Real Estate Growth Expectations: Progress continues on the Carlisle Urban Redevelopment Plan that is located in the northern part of Carlisle Borough and focuses on land use, transportation, and economic development.

As with the FY 2021 budget development, staff is once again taking a conservative approach estimating FY 2022 tax revenue given the status of each site.

Affordable Housing Located at the Former Carlisle Tire & Wheel Site, North College Street: A moderate tax revenue increase occurred with the overall completion of this development. Affordable housing in the form of 52 townhomes, and 42 rental units are now occupied, along with an office building. A required commercial component will need to be constructed before the total project buildout is considered complete.



Northside Village - Former IAC/Masland Industries Site, Carlisle Springs Road: The developer received a zoning amendment in FY 2019 that among other items set a threshold for multi-family apartments and minimum dwelling unit sizes, and a reduction in off-street parking requirements. Additionally, construction started, but stalled during COVID-19, on a 92-room Hilton-brand hotel (Homewood Suites). In 2020, the Borough also approved plans for 99 single-family dwelling units, and 190 stacked flat apartments. The initial assessment of this site was \$1,197,200 prior to improvements and has since increased to an assessed value of \$16,246,000. Staff does not however anticipate seeing significant tax revenue from this site given it is in a designated Tax Increment Financing (TIF) District. This district was created to help defray infrastructure costs associated with the Carlisle Urban Redevelopment Plan and Connectivity Transportation Projects. The Borough will realize a tax revenue stream after construction is complete and the tax increment financing debt issuance(s) are repaid.

While the Borough is not responsible for repayment of the debt itself, the Borough is under a limited guarantee to cover the debt service for the first five (5) project years in the event that a shortfall should occur. The first three years of that guarantee did not require a payment; however, the Borough anticipates that in FY 2021 it will likely be obligated to pay a debt service payment of \$611,723.63.

Former Tyco Site, Hamilton Street: In 2019, a final subdivision and land development plan was approved for this site including the demolition of the existing building and consolidation of the lots, two located in North Middleton and one located in Carlisle Borough. A proportionate split in the generated taxes is anticipated once development occurs. In the interim, the property was reassessed as a vacant lot that consequently decreased the Borough’s tax revenue until such time when development occurs.

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FY 2022 Expenditures Forecasted to increase by 4.4%: The FY 2022 Proposed General Fund Operating & Capital Budget excluded approximately \$416,489 of capital expenditures and general operating expenditures lined below: Delayed capital items totaling \$1,285,200 have been incorporated into future capital budget years as reflected in the chart to the left. Some of these delays were due to cost saving measures, and the result of a detailed review of planned projects, to determine a completion date that more accurately reflects available staff resources.

Even with the above exclusions, the Borough’s FY 2022 General operating fund had a gap of \$523,917 as expenditures are anticipated to far exceed revenues. This is not new for the Borough as expenditures continue to grow at a faster pace than revenues. In years’ past, the budgets have been able to be balanced through a combination of one-time revenue sources and unexpended funding sources.

The Proposed Budget anticipates balancing its General Fund with fund balance instead of a proposed tax mill increase. This recommendation is being made under the understanding that the Borough is faced with a number of challenges (e.g. debt service, rising healthcare, and funding capital expenses) in the coming years that will likely require a tax increase.

2022 General Fund Budget Savings and Delays		
Operating	Budget Decreases	
Full-Time Salaries & Benefits - Delays	\$ 177,024	Delayed Hiring of 6 General Fund Positions
Maintenance - Building	20,500	Police Department Flooring
Part-Time Salaries	18,420	Pool Wages Lowered From Initial Proposal
Maintenance - Equipment	5,000	Street Tree/Sidewalk Program Reduction
Maintenance - Land	5,000	Filter Sand Replacement Project
Small tools & Equipment	4,925	Roadsign Sign Ladder Purchase Fire Tools
Overtime	4,000	Detective Overtime Reductions
Maintenance - Land	3,500	Thornwald Park Brick Wall
Other Service Fees	3,500	Various Service Fees
Training	3,000	Fire Department Training
Dues & Subscriptions	1,720	PA Chiefs Association Park & Recreation Membership
Insurance & Bonding	1,200	Department Manager Reductions
Operating Supplies	1,100	Signage & Teen Night Supplies
Items for Resale	1,000	Pool Resale Items
Postage	400	Department Manager Reductions
Cleaning Supplies	200	Cleaning Supplies
Total General Fund Operating	\$ 250,489	
Capital & 5 Year CIP	Budget Decreases	Description
MPSAC Truck Enforcement Vehicle	\$ 100,000	Not an anticipated program in the next 5 years.
Codes Trucks (92 and 94)	66,000	Not anticipated for replacement in the next 5 years.
Total Eliminations	\$ 166,000	
Road Way Roundabouts	\$ 200,000	Pushed out 1 year.
License Plate Reader	20,200	Pushed out 1 year.
P25 Radio Project	430,000	Pushed out 1 year.
Borough Hall HVAC Improvements	435,000	Pushed out 1 year.
Enlarge Multipurpose Room	40,000	Pushed out 1 year.
Admin Staff Car	40,000	Pushed out 2 years.
Salt Brine System	120,000	Pushed out 2 years.
Total Delays	\$ 1,285,200	
Total Operating Savings and Capital Eliminations	\$ 416,489	

Successful budget management in the past several years has resulted in a net surplus rather than the expected deficit. The reserves of the Borough’s General Fund continue to exceed Council’s reserve goal of 25% and are regularly monitored for indication of trend shifts. Reserves will allow the flexibility to close the current deficit and remain above Council’s reserve goal of 25% of annual operating expenditures, and

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provide staff and Council an opportunity to evaluate ongoing challenges and more accurately determine how best to close any future funding gaps. The current real estate tax rate of 3.495 mills would need to be adjusted to 4.105 in the FY 2022 Budget in order to maintain Council’s fund balance goals through 2026. For a property valued at \$150,000, this would translate to \$91.50 increase in Borough real estate taxes (Current tax: \$524.25 to adjusted rate of \$615.75).

General Fund Debt Service (Principal Balance \$2,571,986 as of 12/31/2021): The Borough issues debt to finance significant capital projects having a useful life of at least the term of the debt issued. Moody’s Investor Services upgraded the Borough’s bond rating from Aa2 to Aa1 in early 2016, but the rating was withdrawn later that year when the Borough refinanced its only outstanding bond with a bank note. Most recently, Moody has reinstated the rating when the Borough issued new bonds during 2021. The Aa1 rating is recognized as a very strong rating, one level below the highest Aaa rating.

Capital Projects Debt Service (Principal Balance \$7,313,986 as of 12/31/2021): Beginning in 2017, all general capital projects are now recorded in the Capital Projects Fund. No capital projects are recorded in the 2021 General Fund Budget.

Capital Projects: \$7,462,829 of capital projects will be undertaken and paid through various sources including previously issued bonds, committed fund balance, and grants. The Urban Redevelopment Plan’s Connectivity Project is once again one of the most significant projects in FY 2022 totaling: \$5,303,000.

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Water Fund Overview

FYE 2021 Current Projection – Revenues Exceed Expenditures by \$3,044

Water Rates to Increase 3.48% pursuant to 2018 Water Rate Study Recommendation

Typical Water Consumer Bill to Increase \$2.00/quarter for single user;

\$9.00/quarter for family of four

The Water Fund is used specifically for water related services including water related infrastructure and appurtenances, water treatment, conveyance of potable water to customers, and laboratory services. The following will summarize the Borough’s Water Fund Revenues, Expenditures, Capital Projects and Debt Service. Additional information may be found in the comprehensive budget document that follows this Message.

FYE 2020 Audit – Revenues Exceed Expenditures: In 2018, the Borough engaged the services of Gannett Fleming, a consulting firm to perform a water and sewer rate study. In the scope of that study, the consultant was tasked to review the rate structure and billing practices. The consultant recommended increases for FYs 2020, 2021 and 2022 given the significant costs facing the Water Fund due to the Borough’s aging infrastructure and costs associated with the rehabilitation of lines. FY 2020 audit resulted in revenues exceeding expenditures by \$936,454. The surplus of funds generated is dedicated to the Water Fund that supports the continued implementation of the Capital Improvement Plan to address water system infrastructure needs.

FYE 2021 Current Projection – Revenues to Exceed Expenditures: In FY 2021, the Borough built the Water Fund with operating revenues exceeding operating expenses and the use of fund balance reserves to pay for capital expenditures. Current projections indicate that the Water Fund will have a slight surplus of \$3,044. As noted above, surplus monies allow the Borough to continue the necessary improvements to the Borough’s aging infrastructure as such, funds are dedicated to the Water Fund for such purposes. *Note: These projections are based on activity through the third quarter and are subject to change based on final audited numbers.*

Fiscal Year 2022: The Proposed FY 2022 Water Fund Operating Revenues exceed Operating Expenses. Fund balance reserves by approximately \$377,103 with \$322,500 of that total being used to fund current capital needs as the Borough continues its recent practice to utilize reserves to pay for capital projects. “PAYGO” financing (20% reserves, 80% debt) to help lessen the need for future debt issuances.

Revenues: The FY 2022 Water Fund anticipates that revenues will decrease by approximately 2.76% which can be attributed to a decline in water usage over the course of the last several years and the 2022 Budget reflecting this decline.

In 2016, the Borough retained the services of Gannett Fleming to evaluate the condition of our water system and concluded that the Borough’s revenues were not adequately keeping up with capital costs. In 2018, the Borough once again contracted with Gannett Fleming to perform a water and sewer rate study

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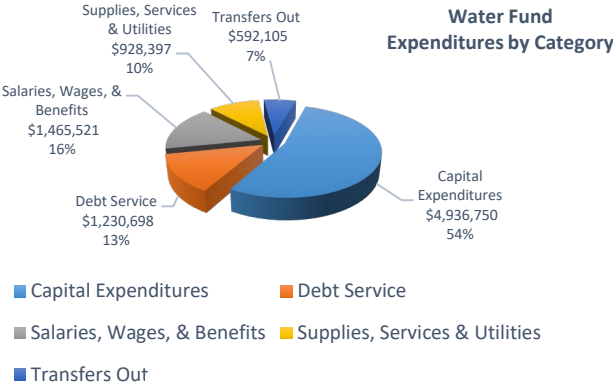
for the purpose of determining how best to fund our operational and capital costs going forward. This analysis recommended an increase for 2022 of 3.48%.

According to the EPA, a typical person uses approximately 7,920 gallons per quarter (1100 cubic feet). Using this information a single user in 2021 would see a typical bill of \$63 and a family of four would see a bill of \$253. In 2022, the single user could expect to see a \$65 quarterly bill (\$2 increase) and the family of four could expect a quarterly bill of \$262 (\$9 increase).

Operating Expenditures: The Proposed Budget anticipates that operating expenditures will increase by approximately 1.18%, which is primarily attributed to labor and healthcare costs as well as increases associated with anticipated debt related to a new bond issuance.

Budget Surplus: The Proposed Budget anticipates an operating budget surplus of \$54,603.

Capital Projects: \$4,936,750 of capital projects will be undertaken and paid through previously issued bonds, along with cash. Two significant projects include continuing the Water System Rehabilitation Project that addresses one to two miles of distribution line annually, replacing a water transmission line and repainting the Ridge Street Water Tank.



54% of the overall budget is designated for capital expenditures.

Water Fund Debt: The Borough does not anticipate issuing any new debt in 2022. The use of bond proceeds will be solely from available proceeds of past issuances. Debt is typically issued based on the capital needs for two years after taking into account “Pay-As-You-Go” financing (20% cash, 80% debt).

Water Fund Debt Service (Principal Balance \$11,453,690 as of 12/31/2021): As noted previously, the Borough issues debt to finance significant capital projects having a useful life of at least the term of the debt issued.

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Water and Sewer Utility Comparison: The Borough periodically receives inquiries on how we compare to other municipalities with respect to water and sewer utility rates. The rates are based on 12,000 gallons usage per quarter and reflect 2022 rate increases that were known at the time of this Message.

<u>Municipality</u>	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Middlesex Township	31.50	47.25	\$78.75
Shippensburg Borough	70.87	82.20	\$153.07
South Middleton Township*	58.28	129.36	\$187.64
North Middleton Township	82.92	114.89	\$197.81
Borough of Carlisle	95.45	122.88	\$218.33
Newville Borough	132.17	98.33	\$230.50
Upper Allen Township	152.11	112.00	\$264.11
Mechanicsburg Borough	152.11	136.00	\$288.11
Silver Spring Township**	152.11	144.00	\$296.11
Hampden Township	209.70	102.54	\$312.24
Lower Paxton Township	152.11	153.00	\$305.11
Silver Spring Township	209.70	144.00	\$353.70
Camp Hill Borough	209.70	174.00	\$383.70
Lemoyne Borough	209.70	415.00	\$624.70

**2022 rates not known at this time.*

***Depending on address, some customers have Pa American Water; others Suez Water.*

Water rates for Pa American Water customers anticipated to increase in 2022.

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Stormwater Fund Overview

FYE 2021 Projection – Revenues to Exceed Expenditures

FY 2022 – No Proposed Change to Stormwater Fees

The Stormwater Fund is used specifically for Stormwater management and related services to provide, operate, and maintain an appropriate level of Stormwater infrastructure that adequately serves existing and new development, meets MS4 permit conditions, and addresses persistent flooding and water quality issues.

The following will summarize the Borough’s Stormwater Fund Revenues, Expenditures, Capital Projects and Debt Service. Additional information may be found in the comprehensive budget document that follows this Message.

FYE 2020 Audit – Revenues Exceed Expenditures: In 2017, the Borough engaged the services of Raftelis, a consulting firm to evaluate stormwater funding needs, conduct public outreach and propose a rate structure to meet the Borough’s anticipated stormwater needs. The fund was established in 2019 and anticipated that reserves would be utilized as a pay-as-you-go financing for anticipated capital projects planned for the Borough’s aging stormwater infrastructure. The FYE 2020 Audit resulted in revenues exceeding operating expenses by \$787,366. This surplus is anticipated to be used for capital projects identified by the modeling that is currently underway.

FYE 2021 Projection: The FY 2021 Budget was built with operating revenues exceeding operating expenses by \$149,111. Current projections indicate a surplus of \$489,081. Surplus monies are dedicated to the Stormwater Fund and the capital needs anticipated to implement a strategic stormwater infrastructure repair/replacement program similar to the Borough’s water and sewer infrastructure programs. *Note: These projections are based on activity through the third quarter and are subject to change based on final audited numbers.*

Fiscal Year 2022: The Proposed FY 2022 Stormwater Fund Operating Revenues exceed Operating Expenses by \$854,385 with \$507,500 paying for Capital needs. A surplus of \$346,885 is expected.

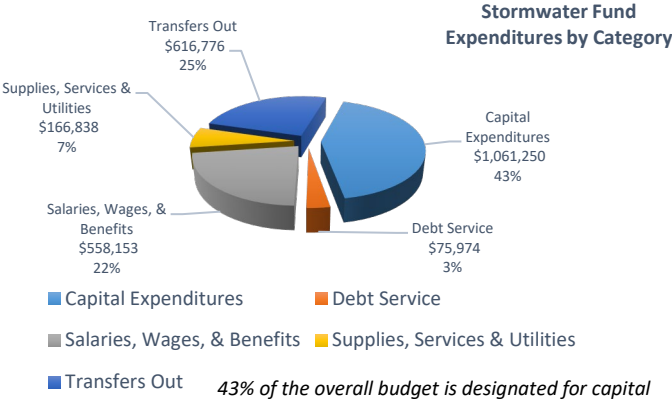
Revenues: In July 2019, the Borough implemented the Stormwater fee to address stormwater-related issues within the Borough limits. Unlike taxes, this fee is imposed on all properties within the Borough including tax-exempt properties. The fee is based on the amount of a property’s impervious surface area. Single-family residential properties are billed on a tiered basis and non-single family residential properties are charged a base rate for each 2,410 square feet of impervious surface area.

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Operating & Capital Expenditures:

Given FY 2020 was the first full year of the Stormwater Fund’s implementation, our primary objective was to have a study performed to evaluate the Borough’s stormwater infrastructure and to prioritize accordingly. The Borough hired a consultant to develop a stormwater master plan and secured equipment for Borough staff to perform support field surveys. The complete model and masterplan are anticipated to be completed by end of FY 2022. This will be similar to the modeling that has occurred in the past for the Borough’s water and sewer infrastructure repair/replacement programs.



Budget Surplus: The proposed budget anticipates a budget surplus of \$346,885.

Stormwater Debt Issuance: The FY 2022 Budget does not propose a debt issuance, but rather will use existing debt and cash.

Stormwater Fund Debt Service (Principal Balance \$1,304,259 as of 12/31/2021): As noted previously, the Borough issues debt to finance significant capital projects having a useful life of at least the term of the debt issued.

Stormwater Planned Capital of \$1,061,250: As noted in the American Rescue Plan (ARP) section of this Message on Page 7, the Borough anticipates utilizing \$500,000 in ARP funding to address stormwater and safety issues in the northeast quadrant of the Borough that is envisioned to include stormwater management enhancements and realignment of the intersection of Penn Street, Kerr Avenue and N. Bedford Street.

The Borough also anticipates bringing forward to Borough Council in FY 2022 a potential recommendation to enhance leaf disposal programming within Borough limits

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Sewer Fund Overview

FYE 2021 Current Projection – Revenues Exceed Expenditures by \$367,452

FY 2022 – Rates to Increase 3.37% pursuant to 2018 Water Rate Study Recommendation

***Typical Water Consumer Bill to Increase \$2.00/quarter for single user;
\$11.00/quarter for family of four***

The Sewer Fund is used specifically for sewer related services including wastewater collection, conveyance, and treatment services including laboratory services. The following will summarize the Borough’s Sewer Fund revenues, expenditures, capital projects and debt service. Additional information may be found in the comprehensive budget document that follows this Message.

FYE 2020 Audit – Revenues Exceed Expenditures: In 2018, the Borough engaged the services of Gannett Fleming, a consulting firm to perform a water and sewer rate study. In the scope of that study, the consultant was tasked to review the rate structure and billing practices. The consultant recommended increases for FY 2019, 2020 and 2021 given the significant costs facing the Sewer Fund due to the Borough’s aging infrastructure and costs associated with the rehabilitation of lines. FY 2020 audit resulted revenues exceeding expenditures by \$1,069,961. The surplus of funds generated is dedicated to the Sewer Fund and continued implementation of the Capital Improvement Plan to address sewer system capital needs.

FYE 2021 Current Projection – Revenues to Exceed Expenditures: In FY 2021, the Borough built the Sewer Fund with an anticipated surplus of \$588,662 and did not impose the 2021 rate increase of 3.37% as recommended by Gannett Fleming due to the public health crisis and anticipated surplus and reserves. Current projections indicate that the Sewer Fund will have a surplus of \$367,452. As noted above, surplus monies allow the Borough to continue the necessary improvements to the Borough’s aging infrastructure as such, surplus funds are dedicated to the Sewer Fund for those purposes. *Note: These projections are based on activity through the third quarter and are subject to change based on final audited numbers. Any deficit will be covered through fund balance reserves.*

Fiscal Year 2022: Although the 2018 Rate Study performed by Gannett Fleming recommended a 2021 rate increase of 3.37%, the FY 2021 budget postponed this increase until FY 2022 due the public health crisis.

The Proposed FY 2022 Sewer Fund Operating Revenues exceed Operating Expenses by \$1,346,188 however \$984,374 is anticipated to pay for necessary capital as the Borough continues its recent practice to utilize reserves to pay for capital projects. “PAYGO” financing (20% reserves, 80% debt) is used to help lessen the need for future debt issuances. A surplus of \$361,814 is currently anticipated.

Revenues: For 2022, the Sewer Fund Budget anticipates that revenues will by approximately 1.34% which can be attributed to an increase in anticipated contributions by our inter-municipal agreement. The

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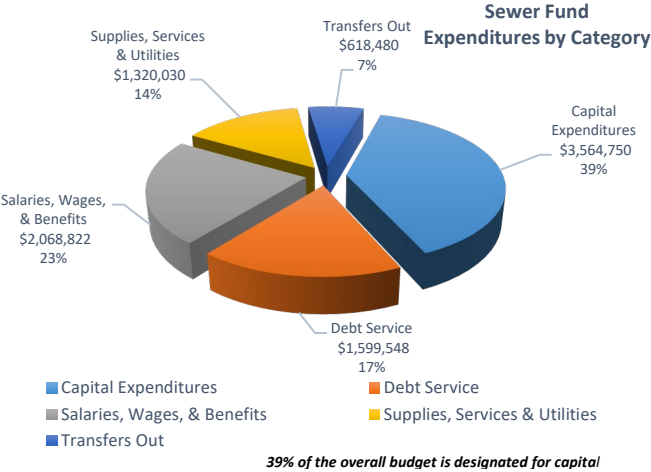
Borough’s inter-municipal partners pay only toward those capital expenditures that can be attributed to their specific service/area. As noted in the Water Fund overview section, the Borough underwent a water and sewer rate study in 2018 that determined how best to fund our sewer operational and capital costs. This analysis recommended an increase in 2021 of 3.37%. However, the available reserve balance allowed the Borough the flexibility to delay imposing a rate increase in FY 2021 given the public health crisis; the rate increase is however included in the FY 2022 Proposed Budget.

According to the EPA, a typical person uses approximately 7,920 gallons per quarter (1100 cubic feet). Using this information a single user in 2021 would see a typical bill of \$63 and a family of four would see a bill of \$253. In 2022, the single user could expect to see an \$82 quarterly bill (\$2 increase) and a family of four could expect a quarterly bill of \$326 (\$11 increase).

Operating Expenditures: The Proposed Budget anticipates that operating expenditures will decrease by 1.94%, which is primarily attributed to savings realized during the FY 2021 debt issuance that reduced the overall debt burden of this fund.

Budget Surplus: The proposed budget anticipates a budget surplus of \$361,814.

Capital Projects: \$3,564,750 of capital projects will be undertaken and paid through a combination of previously issued bonds, as well as new bonds, cash and inter-municipal contributions. One of the top priorities in FY 2022 will be the continuance of the Sanitary Sewer System Rehabilitation Program, a multi-year project that is estimated to cost nearly \$13.5 million over the next five years. For FY 2022, a total of \$2,532,000 has been designated. The budget also includes a study related to the Borough’s Bio-Solids Program. Depending on the results of the study, over \$9M in capital costs would be incurred for potential implementation of an Auto-thermal Thermophilic Aerobic Digestion (ATAD) Project.



Sewer Fund Debt Service (Principal Balance \$18,067,579 as of 12/31/2021): As noted previously, the Borough issues debt to finance significant capital projects having a useful life of at least the term of the debt issued.

FY 2022 Water and Sewer Utility Comparison: The Borough periodically receives inquiries on how we compare to other municipalities with respect to water and sewer utility rates. A comparison chart of sewer rates can be found on Page 22 of this Message.

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Solid Waste Fund Overview

FYE 2021 Current Projection – Initial Deficit Gap Narrowed from \$87,594 to \$43,801 (est)

FY 2022 – Trash Bag Prices Proposed to Remain at \$5.85/bag

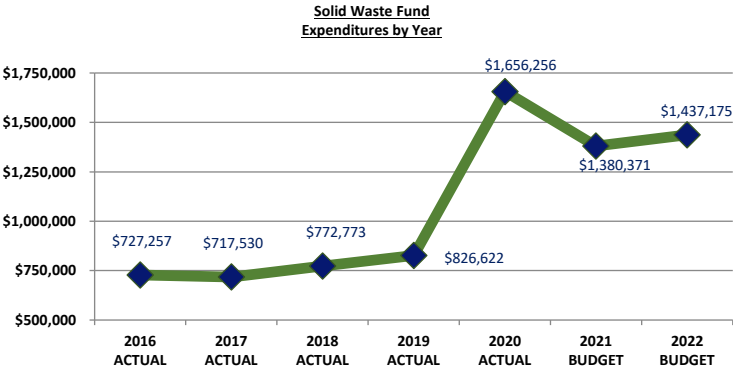
Collection Service Costs to Rise by 3% Per Contract Terms

The Solid Waste Fund is specifically used for trash, recycling, yard waste collection and composting services within the Borough.

The Borough’s “Pay as You Throw” (PAYT) program was implemented over 30 years ago as a response to Pennsylvania’s 1988 Municipal Waste Planning Recycling and Waste Reduction Act (Act 101) that requires larger municipalities, like Carlisle, to provide curbside recycling. The PAYT program is designed to incentivize residents to generate less household trash and recycle more.

While some municipalities have opted for solid waste collection services to be paid through real estate property taxes or a fixed rate fee, the PAYT program has traditionally placed the resident in a position to make a conscientious decision on how much trash they wish to generate – the less trash thrown away, the less one pays.

Solid Waste and Recycling Contract FYs 2020, 2021 and 2022: In fall 2019, the Borough opted to retain the traditional PAYT program for Fiscal Years 2020, 2021 and 2022 following a competitive bidding process as required by law. Two vendors submitted bids, which were subsequently opened on November 12, 2019. The outcome was a significant increase in costs for the new contract (FY 2020, 2021, and 2022) in comparison to the prior three years.



NOTE: The fluctuation shown in the graph above for 2020 is due to rising costs related to recycling waste collection and treatment. These costs were anticipated to be passed on to the Borough in its new solid waste collection contract. These costs were passed on to consumers through increased trash bag rates.

During the November 14, 2019 Meeting, the Borough weighed the merits of the Borough’s current PAYT program compared to a quarterly flat fee alternate. It was once again noted that since the last contract award of Fiscal Year 2017, the worldwide recycling market had dramatically changed. In FY 2017, the Borough’s hauler was paid by the recycling center for recycling tonnage. A year later, China (one of the recycling industry’s largest markets), enacted a policy banning the import of most plastics and other materials that did not meet the lack of contamination requirements. Haulers have since been challenged

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by stricter recycling standards, and imposed fees. The Borough’s hauler now has to absorb a per ton charge imposed by recycling centers to take the material. Additionally, due to the competitive labor market, the haulers have been faced with increased labor costs to stay competitive with industries like transportation logistics where the demand for licensed truck drivers continues.

The average trash bag use by Borough residences is just under 10 bags per quarter, based on Borough bag sales records. When weighing the cost per bag versus the quarterly fee alternative, it was found that 11 bags per quarter would be the “break even” point for the two systems. Individuals averaging 10 bags or less per quarter will continue to benefit by the bag system while those placing a bag per week, or more, at the curb would see less of an increase or even a possible reduction through the quarterly fee alternative.

This data, along with the following factors, were used to make a final determination for FY 2020, 2021 and 2022 trash and recycling services, which essentially retains the PAYT Program for the next year (FY 2022):

Equity:

- The PAYT program is considered inherently fair. When trash/recycling services are charged through a flat rate, or through taxes, those residents who recycle or take other actions to reduce waste generation subsidize higher waste generating households.
- Those individuals, like the elderly, widows, and couples who may only put out one bag per month would have seen increased costs as much as 460% or more through the quarterly flat fee option.

Economic Sustainability:

- Because of the PAYT Program, the Borough has been able to provide complementary programs including composting, curbside brush and leaf collection, Christmas tree collection, bulk item pick-up.
- Reduce, reuse, and recycling practices can help keep costs and waste generation down.

Environmental Sustainability:

- PAYT Program encourages one to reduce waste and recycle more. Thus, fewer natural resources are extracted and greenhouse gas emissions are reduced.
- The less trash disposed, the less landfill space consumed.

During FY 2020 (the first contract year), a number of changes were made including a new bag design and color, new recycling bins and totes featuring lids to mitigate overflow issues; and, a change to regulations requiring properties with four units or more to contract separately for trash and recycling services. The Borough staff continued public outreach and education on the Borough’s new programming and vetted

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inquiries and concerns received in FY 2021. Additionally, the Borough continued its practice to offer contactless point of sale options for trash bags and home delivery, which continue to this day.

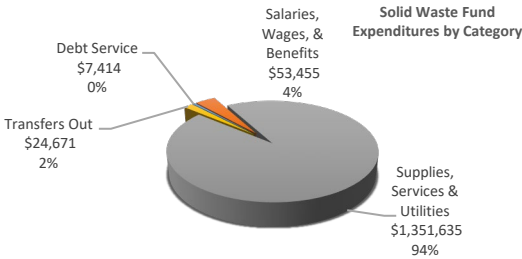
FYE 2020 Audit: The FYE 2020 Audit indicated expenditures of \$1,656,256 while revenues collected came in at \$1,480,230 resulting in a loss of \$176,026. At the November 14, 2019 Council Meeting, the Borough weighed the merits of the cost of the new contract and trash bag costs. The Borough set the price point of trash bags at \$5.85 and use reserves to supplement the costs. This deficit was covered through available fund balance reserves.

FYE 2021 Projections: The FY 2021 Solid Waste Fund was initially built with an operating fund deficit of \$87,594 as expenditures were projected to exceed revenues collected given the contract increased by 3%. In order to eliminate the deficit, trash bag rates would have needed to increase to \$6.28 per bag in 2021. The Borough opted to not raise bag prices and rather close any deficit through fund balance reserves. Current projections indicate that the FYE 2021 deficit will narrow to approximately \$43,801. *Note: These projections are based on activity through the third quarter and are subject to change based on final audited numbers. Any deficit will be covered through fund balance reserves.*

Fiscal Year 2022: The Proposed FY 2022 Solid Waste Fund includes an operating fund deficit of \$147,424. Fund balance reserves are currently recommended once again to cover the shortfall between rising contract costs and trash bag rates. The waste hauler’s contract increases 3% annually so in order to eliminate an operating deficit a trash bag rate of \$6.57 per bag would be needed. An evaluation of the program will occur in 2022 prior to the current contract’s expiration with proposed options coming before Borough Council for consideration.

Revenues: The FY 2022 budget anticipates that revenues will decrease by approximately .23% (net of fund balance) which is the result of a decrease in interest revenues. The budget for this fund has also appropriated fund balance of \$147,424 to help offset the increases and assist in reducing the price per bag.

Operating & Capital Expenditures: The 2022 operating expenditures are anticipated to increase by approximately 4.12%. This increase is attributed to the contract increase for solid waste and recycling collection services. No capital projects are planned for FY 2022.



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Budget Deficit: The proposed budget anticipates a budget deficit of \$147,424. A rate of \$6.00 per bag would be needed to meet a reserve balance of \$100,000; a rate of \$6.57 per bag would be needed to eliminate the current year deficit; and, a rate of \$7.30 would be needed to meet Council’s reserve goal of 25%.

Solid Waste Fund Debt Service (Principal Balance \$69,204 as of 12/31/2021): As noted previously, the Borough issues debt to finance significant capital projects having a useful life of at least the term of the debt issued. No debt is being proposed for issuance in FY 2022. The anticipated principal balance outstanding in the Solid Waste Fund for debt issued in Years 2017(A) and 2021 (refinancing) is \$69,204.

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Parking Fund Overview

FYE 2021 Projection – Deficit of \$163,109 (est)

FY 2022 - Recommend No Parking Rate Adjustments

Fund Balance Reserves of \$90,143 for Capital Expenditures

Forecast: Revenues to Decrease by 3.83%; Expenditures Increase by 8.75%

The Parking Fund is used specifically for parking related services including the parking garage, borough owned parking lots, parking metered spaces, and parking enforcement. The following will summarize the Borough’s Parking Fund revenues, expenditures, capital projects and debt service. Additional information may be found in the comprehensive budget document that follows this Message.

FYE Audit 2020: Parking operations were significantly impacted in 2020 by the pandemic. Year-end parking revenues ended the year at \$416,004, compared to pre-pandemic revenues in excess of \$700,000. Revenue decreases can be attributed to temporary moratoriums that permitted free on-street and off-street parking flexibility.

Controlled discretionary spending and operational modifications, helped offset some of the revenue shortfalls and expenditures associated with the pandemic. The final result was an audited deficit of \$123,508.

FYE 2021 Projection: Fiscal Year End 2021 Parking revenues are currently projected to end the year around \$551,743 while expenditures are projected at \$714,852 resulting in a net deficit of \$163,109. In comparison, FY 2019 (pre-pandemic) reflected revenues of \$739,014 and expenditures of \$525,190. The Borough opted not to raise parking rates in FY 2021, but rather use reserves should the need arise.

Even though projections indicate a budget deficit currently, consideration should be given to committing the \$50,000 in FY 2021 that was designated by Council for an economic development activity that has yet to be identified in order to advance economic development and recovery in FY 2022 and/or beyond.

Note: These projections are based on activity through the third quarter and are subject to change based on final audited numbers. Any deficit will be covered through fund balance reserves. Refer to Table 4 of Page 83 for Budgetary Fund Balance Projections.

Fiscal Year 2022 Balanced Through Use of Appropriated Fund Balance: The Proposed FY 2022 Parking Fund Budget is projected to end the year with a deficit of \$90,143 and is recommended to be balanced through use of appropriated fund balance for planned capital projects.

Revenues: For 2022, the Parking Fund Budget anticipates that revenues will decrease by approximately \$27,847 or 3.83% (net of fund balance and bond proceeds), which can be attributed to a projected decrease in interest and rents as well as a planned decrease in the County’s subsidy related to the Pomfret Street Parking Garage. Still, for FY 2022, parking rates are not planned to increase as factors such as the

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pandemic’s duration, economic impacts on employment, business recovery and consumer confidence remain at the forefront of decision-making.

Operating Expenditures & Capital Expenditures: The Proposed FY 2022 Budget anticipates that operating expenditures will increase by approximately \$55,217 or 8.75%, which is primarily attributed to the Borough’s focus on community and economic sustainability and restructuring of the department as noted on Page 5 of this Message.

In 2022, the Parking operations plan to continue to advance the new smart meter technology to collect data that shall be used to identify strengths, weaknesses and opportunities in the downtown parking core; potentially add electric vehicle charging stations and a pay-on-foot station; and, continue to address maintenance needs at the Borough’s aging parking garage facility.

The Parking Fund is also proposed to continue funding the Borough’s downtown main street organization (DCA) at the same level (\$58,000) as FY 2021 and provide downtown snow removal services that are envisioned to be reimbursable through the Borough’s CDBG-CV grant.

Budget Deficit: The proposed budget anticipates a non-operating budget deficit of \$90,143 that will be closed through use of fund balance.

Parking Fund Debt Service (Principal Balance \$524,296 as of 12/31/2021): As noted previously, the Borough issues debt to finance significant capital projects having a useful life of at least the term of the debt issued. The anticipated principal balance outstanding in the Parking Fund for debt issued in Years 2017(A), 2017 (B), and 2021 is \$524,296. No debt is being proposed for issuance in FY 2022; however, \$100,000 in bond proceeds are being designated in FY 2022 from available proceeds of a previous issuances.

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Highway Aid Fund Overview

PennDOT Liquid Fuels Grant Anticipated to Decrease Slightly in FY 2022

The Highway Aid Fund is used specifically for road and pedestrian mobility projects. Expenditures from this fund can only be incurred if revenues exist to offset them. The sole source of funding is from Pennsylvania Department of Transportation’s Municipal Liquid Fuels grant program.

The Borough has been notified of the State’s anticipated reduction in Liquid Fuels grant monies for local municipalities. Because the Borough relies heavily upon this program to fund failing roads and improve pedestrian and mobility issues, we remain hopeful that the State will reconsider and fund liquid fuels at the level necessary to assist local municipalities, like Carlisle, who have very few revenue generating options and rely heavily upon our state and federal partners to help us meet the needs within our respective communities.

The Borough anticipates receiving approximately \$504,286 in FY 2022. These funds, as well as approximately \$175,714 in fund balance and interest will be used to meet capital needs.

Capital Projects: \$680,000 of capital projects will be undertaken and paid through a combination of state grant monies and fund balance reserves. Street paving and curb ramp upgrades comprise the majority of capital project expenses.

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REFLECTING BACK

As the year draws to a close, we reflect back on a number of noteworthy initiatives that have either been undertaken and/or successfully completed. Below is just a snapshot of pandemic-related strategies that continue and several accomplishments during Year 2021.

COVID-19 Operations, Community Support and Recovery Efforts:

- ✓ Precautionary measures for employees- mandatory masking
- ✓ Hygiene and social distancing enhancements at Borough facilities
- ✓ Curbside pickup accommodations for downtown patrons
- ✓ Moratorium of utility bill terminations and late penalty assessments
- ✓ Flexible utility bill agreements
- ✓ Free on-street parking at gold meters until August 2021
- ✓ Street sweeping schedule modified in response to on-street parking moratoriums
- ✓ Contactless purchasing and home delivery of Borough trash bags
- ✓ Mobile flu clinic that was spearheaded by Borough resident
- ✓ Door to door COVID educational material provided to select neighborhoods in collaboration with partner, Community Action Network.
- ✓ Emergency Management assistance provided in selection of regional vaccination center
- ✓ Collaboration continued with Community Action Network-connecting people to needed resources
- ✓ Sidewalk expansion ordinance enacted to allow C-1 businesses ability to expand outdoor footprint
- ✓ Open container ordinance enacted in C-1 Business District
- ✓ Use of public spaces permitted for expanded business activities and events

Community and Organizational Initiatives

- ✓ Town Hall held on racial inequity and systemic racism
- ✓ Truth and Reconciliation Commission created
- ✓ Public engagement elevated with the implementation of on-line citizen engagement tools, traditional methods, and neighborhood meetings
- ✓ Technology at Town Hall upgraded to improve virtual meeting capabilities
- ✓ Emergency management readiness maintained
- ✓ Carlisle Urban Redevelopment Plan (CURP) including land use and infrastructure advanced
- ✓ Sustainable Community & Economic Development Department created
- ✓ Grant award totaling \$400,200 awarded for comprehensive upgrade of downtown adaptive signals.
- ✓ HOME Project at 157/159 E South Street completed providing LMI homeownership opportunities
- ✓ Rental Housing Inspection program advanced
- ✓ Fundraising activities for self-sustaining K-9 program conducted
- ✓ Fairground Linear Park design and community outreach performed
- ✓ Recreation programming expanded – 20 new programs offered
- ✓ Co-response pilot program advanced
- ✓ Telecommunications franchise agreement executed

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Initiatives cont'd:

- ✓ Public Safety programming advanced – smoke detectors, fire safety, engagement, etc.
- ✓ Compost site managed 8,000 seasonal visits
- ✓ Grant award totaling \$220,700 for leaf collection enhancements
- ✓ Audible crosswalk controls installed at select intersections
- ✓ Connectivity Project (TIGER) construction and infrastructure improvements advanced
- ✓ Curb ramp upgrades completed in conjunction with roadwork
- ✓ Road maintenance programming undertaken – 1.4 Miles milled/paved; 1.14 miles wearing course
- ✓ Sanitary sewer lining projects completed to reduce peak flows
- ✓ Sanitary sewer system inspections – 12,495' televised, 55 manholes, and, 39,440' flushed
- ✓ Semi-annual fire hydrant flushing performed
- ✓ Leak detection performed on entire water system-Among others, 10 water mains repaired
- ✓ Water meter remote communication equipment installed in-house on 5,200 units
- ✓ Backlog of utility street cut road restorations was reduced by more than 90%
- ✓ Personnel medical plan design and health savings account options researched and advanced
- ✓ Recruitment efforts elevated and onboarding of new hires improved
- ✓ Employee training and advancement opportunities continued
- ✓ Zero loss-time work related injuries attained
- ✓ GFOA Award for Excellence in Financial Reporting and GFOA Budget Award received
- ✓ Unmodified audit opinion received for 2020 audit report
- ✓ Climate Action Commission's creation of Climate Action Plan supported
- ✓ Laboratory lighting replaced with LED fixtures utilizing a PPL rebate program
- ✓ Accredited environmental testing laboratory maintained
- ✓ Repairs and upgrades completed at various facilities (security, internal and exterior repairs)
- ✓ Perfect compliance record with Pa DEP and EPA bio solids operations
- ✓ Second phase of PPL-owned street lights to be converted from HPS to LED
- ✓ Met all monitoring requirements of the Safe Drinking Water Act

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CLOSING REMARKS

A year ago, the Budget Message and budget document for Fiscal Year 2021 reflected the collective work undertaken to mitigate the effects of the Coronavirus, and the optimism, dedication and commitment by Borough leadership and staff to our mission. We remained disciplined and strategic in the utilization of resources balancing service delivery with economic realities.

The Proposed Fiscal Year 2022 Budget reinforces the same optimism, commitment and strategic approaches as we prioritize and advance the Borough’s objectives of sustainability, resiliency and equity including among others confronting systemic racism, inequity and injustice, investing in healthy, stable and affordable housing, supporting a thriving and inclusive economy, elevating government transparency and accountability, engaging and empowering community in decision-making, connecting and strengthening neighborhoods, responding to climate change, linking people to services, and building capacity, diversity, and inclusion.

I would like to take this opportunity to thank everyone involved in the preparation of the Proposed FY 2022 Budget - department heads, senior staff, budget managers, supervisors, and team members but most notably, the work of Director of Finance Richard Juday. I would also like to extend my sincere appreciation to our entire staff for carrying out their work responsibly and seamlessly this year in delivering vital services critical to our community’s health, safety, and wellbeing. Thinking creatively, collaborating among departments, seeking efficient and effective solutions, inspiring one another, and embracing the impact that their roles play within our community have all been key to successes realized.

Thank you to Carlisle Borough Council and Mayor Scott for your ongoing support and guidance throughout this year navigating pandemic-related impacts to our community and laying the framework for our future. I look forward to the opportunity to present the Fiscal 2022 budget for your consideration and continuing our work of building a more sustainable, resilient, and equitable future for our organization and community.

Respectfully submitted,

Susan D. Armstrong
Borough Manager