

Home Rule Education Sessions

Mayor Danene Sorace
Fall 2024



CITY OF
LANCASTER

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How does Home Rule impact:

- City services
- Taxes



What city services do our tax dollars support?



Public Safety expenses
comprise 60% of the
General Fund Budget.





Public Works expenses
comprise 10% of the
General Fund Budget.



General Fund Fixed Expenses

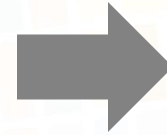
Debt Service	\$7.5 million
Pension Obligations	\$9.4 million
Retiree Medical Benefits	\$3.7 million
<u>Active Employee Medical</u>	<u>\$8.0 million</u>
Total Fixed Costs	\$28.6 million

A stylized, semi-transparent map of Lancaster, Pennsylvania, showing a grid of streets and various colored blocks in shades of yellow, orange, and light blue. The map is tilted slightly to the right. The background of the slide is white with a light blue and yellow pattern at the top, and a red and blue gradient at the bottom.

What taxes pay for these services?

Four City Taxes

Real Estate Tax



Set by Mayor/Council
Currently 12.64 Mills; 30 Mill Cap

Earned Income Tax



Set by State Law
0.6% for City residents only

Local Services Tax



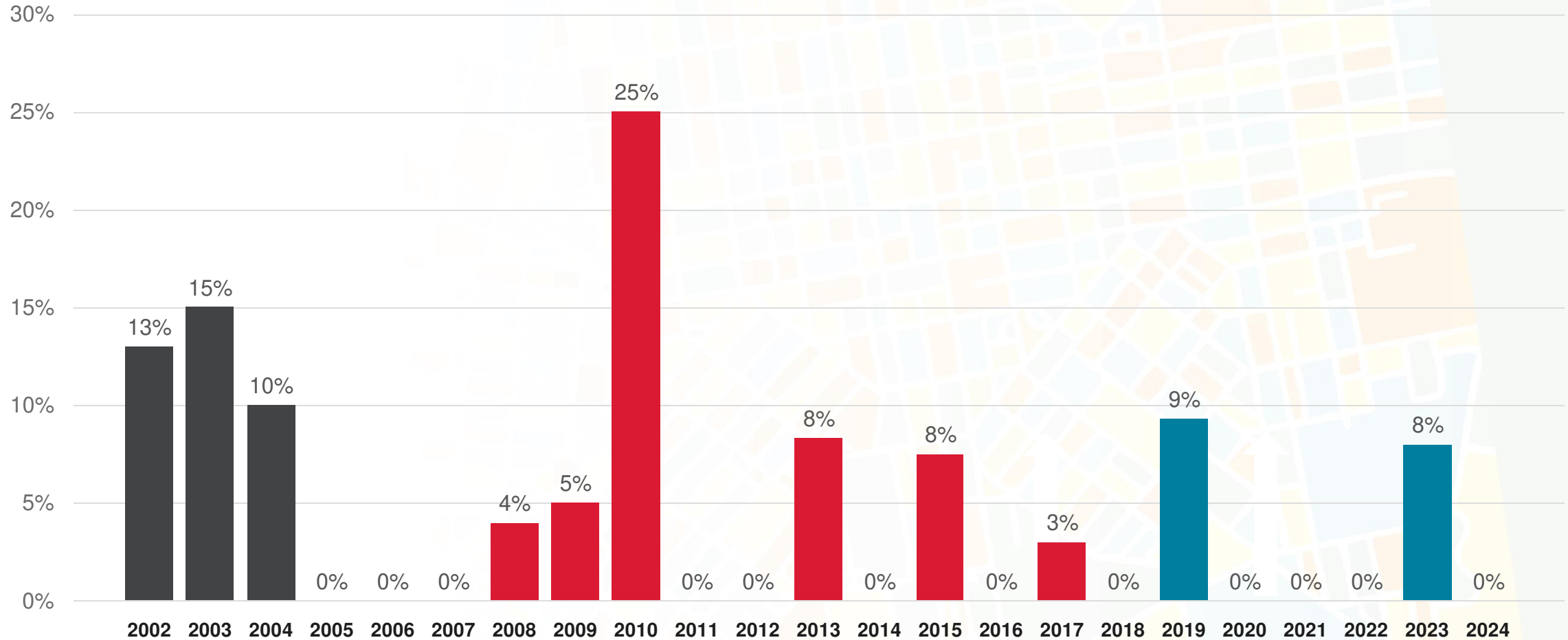
Set by State Law
\$47/year for those who work in the City

Real Estate Transfer Tax

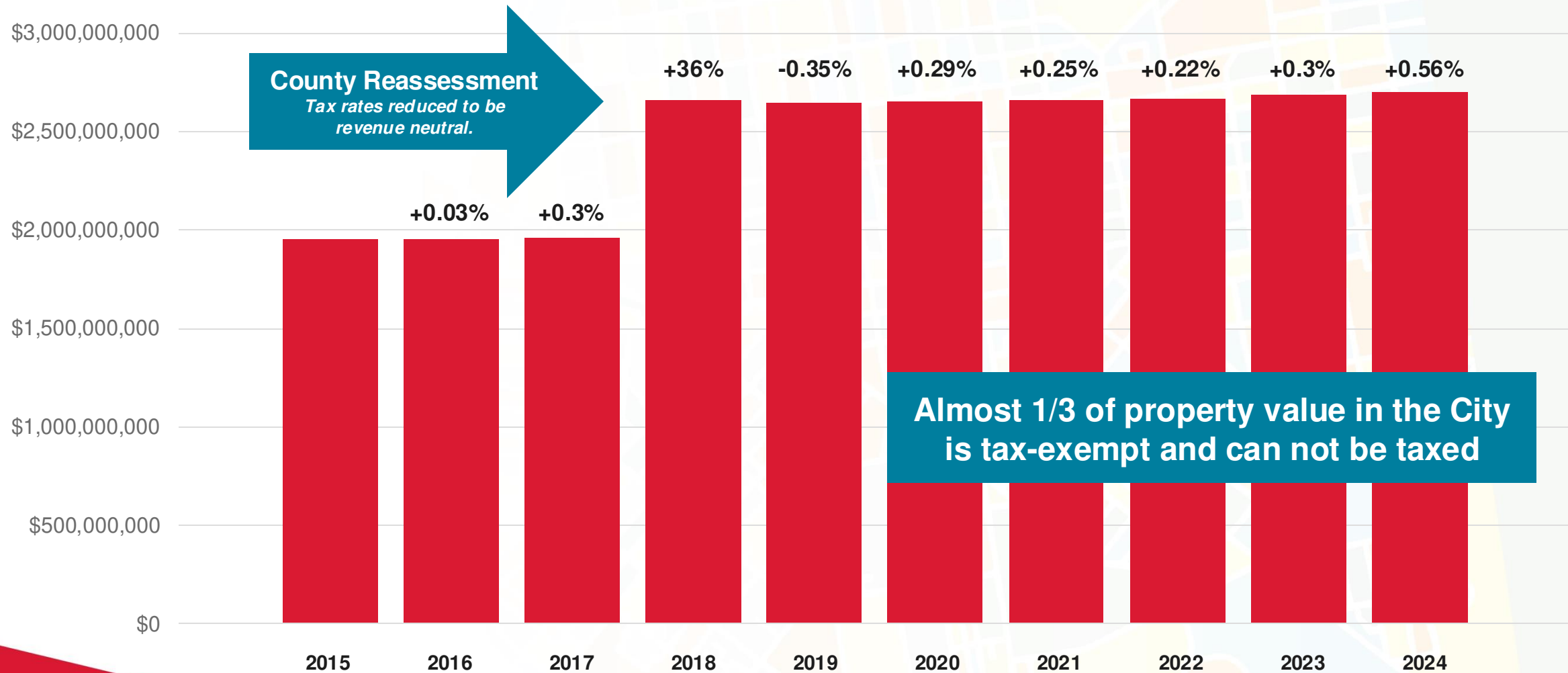


Set by State Law
0.5% of sale price

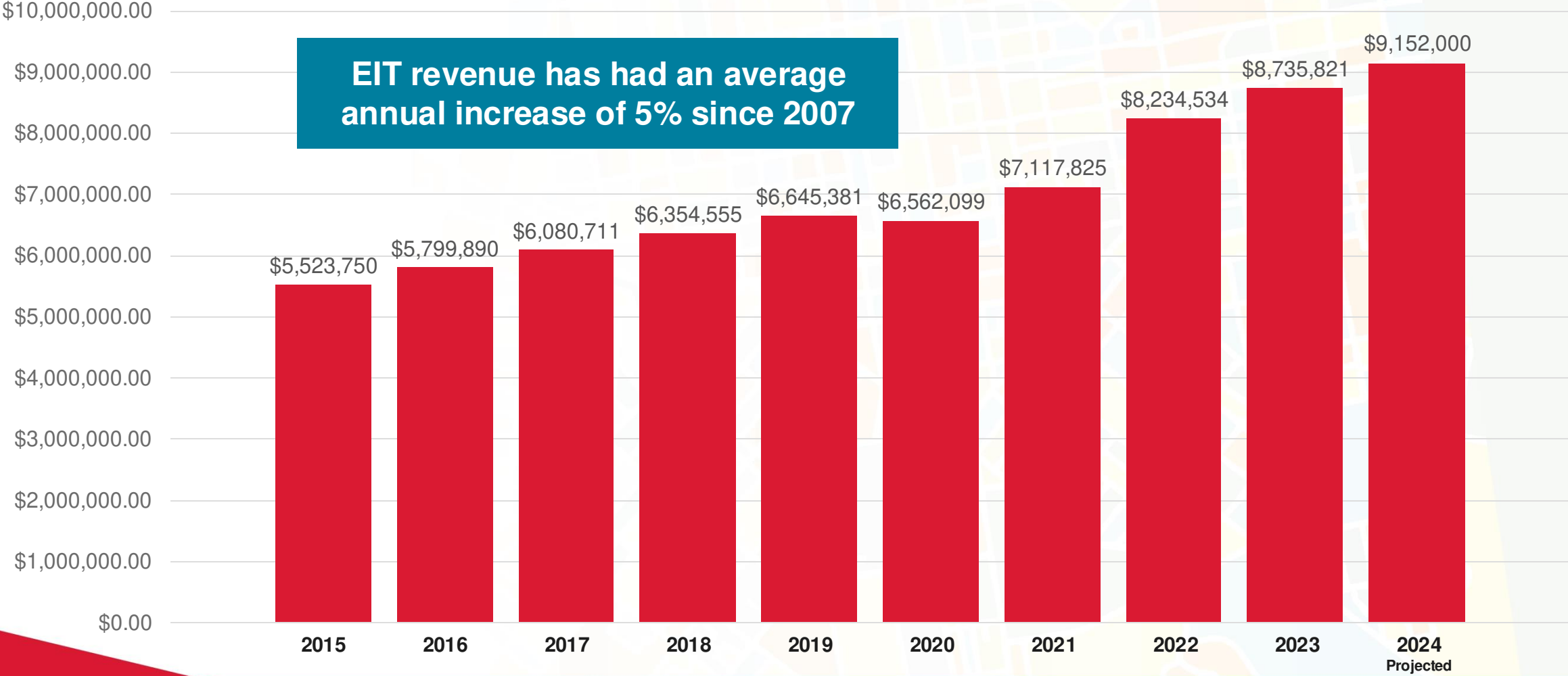
Property Tax Increases, 2002–2024



Total Assessed Value of Real Estate

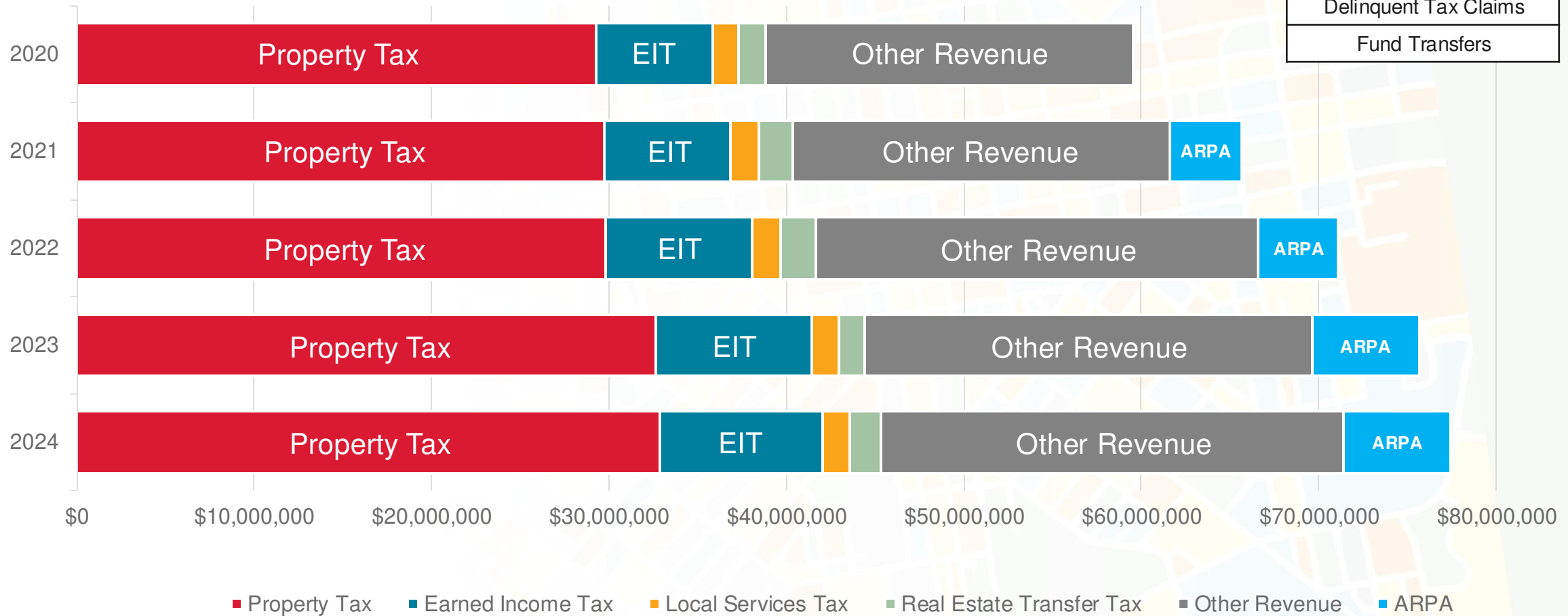


Earned Income Tax Revenue, 2015–2024



General Fund Revenue, 2020–2024

Other Revenue Includes
Fees for Service
Fines
State Pension Aid
Delinquent Tax Claims
Fund Transfers





What impact could Home Rule have?

How would Home Rule impact taxes?

- No new taxes are allowed
- All four current taxes remain
- Earned Income Tax (EIT) could be increased
- Total tax revenue growth limited to 6% annually
 - Currently, City Council can increase property taxes up to 30 mills (a 137% increase over the 2024 rate.)

Pros and Cons of EIT and Property Tax

EARNED INCOME TAX

Pros

- Varies over time as a person's income changes
- Revenue grows
- Revenue compounds
- Retirees don't pay

Cons

- More sensitive to economic downturns

PROPERTY TAX

Pros

- Less sensitive to economic downturns

Cons

- Not variable
- Does not naturally grow
- Adds to housing costs for owners and renters alike



Looking Ahead: 2025 and Beyond

2025 Budget – Summary

- Two General Fund budget options for Council consideration
- Both are balanced
- Both include reductions in operating expenses
- Both do NOT include any use of reserves (i.e., savings)
- Both are higher than last year
 - 99% of increase driven by pension and healthcare costs
- Both will propose a tax increase

2025 Budget – Reductions in Spending

- Eliminate 20-22 positions
 - Largely vacant positions and some consolidation
- Consolidation of technology services
- Reduction in fleet costs and other operational savings



City Council Budget Hearing
Saturday, October 12, 2024

Looking Beyond 2025

SCENARIOS

- Three scenarios
- 10-year projections
- Impacts for taxpayers as well as city services

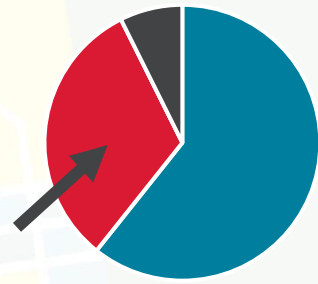
ASSUMPTIONS

- Expenses increase between 2-3%
- No additional borrowing
- Same staffing levels

#1: Status Quo (Property Taxes)

Taxpayer Impact

City
32%



Assessed Value	2024 City 12.64 mills	2025 City 13.65 mills	2026 City 15.02 mills	2028 City 15.7 mills	2031 City 17.01 mills	2034 City 18.39 mills
\$101,000	\$1,277	\$1,379	\$1,517	\$1,586	\$1,718	\$1,857
\$150,000	\$1,896	\$2,048	\$2,253	\$2,355	\$2,552	\$2,759
\$250,000	\$3,160	\$3,413	\$3,755	\$3,925	\$4,253	\$4,598
<i>Assessed Value ≠ Market Value</i>		+8% over 2024	+18% over 2024	+24% over 2024	+34% over 2024	+45% over 2024

#1: Status Quo (Property Taxes Only)

City Budget Impact



	2024	8% Tax Increase	10% Tax Increase		5% Tax Increase			8% Tax Increase				8% Tax Increase
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue	\$71.4M	\$76.3M	\$77.4M	\$78.3M	\$81.3M	\$82.3M	\$83.4M	\$87.8M	\$88.9M	\$90.1M	\$94.9M	\$92M
Expenses	\$71.4M	\$76M	\$77.9M	\$79.9M	\$82M	\$84.1M	\$85M	\$87.2M	\$89.5M	\$91.8M	\$94.3M	\$92.4M
Surplus (Deficit)	(\$11K)	\$262K	(\$586K)	(\$1.6M)	(\$691K)	(\$1.7M)	(\$1.6M)	\$546K	(\$594K)	(\$1.7M)	\$623K	(\$309K)
Fund Balance	\$11.1M	\$11.4M	\$10.8M	\$9.2M	\$8.5M	\$6.8M	\$5.1M	\$5.7M	\$5.1M	\$3.3M	\$3.9M	\$3M
Fund Balance % of Operating	15.6%	15.0%	13.9%	11.6%	10.4%	8.1%	6.1%	6.5%	5.7%	3.6%	4.2%	3.3%

#2: 0.3% EIT & 0% Property Tax Increase

Taxpayer Impact

Taxable Income	Current EIT Rate	0.3% EIT Rate Increase	
	City – 0.6%	City – 0.9%	Difference over 2024
\$30,000	\$180	\$270	\$90
\$60,000	\$360	\$540	\$180
\$120,000	\$720	\$1,080	\$360

#2: 0.3% EIT & 0% Property Tax Increase

City Budget Impact



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue	\$71.4M	\$77.9M	\$76.4M	\$77.6M	\$78.8M	\$80.1M	\$81.5M	\$82.9M	\$84.4M	\$85.9M	\$87.5M	\$88.6M
Expenses	\$71.4M	\$77M	\$79M	\$81M	\$83.1M	\$85.2M	\$86.2M	\$88.4M	\$90.7M	\$93.1M	\$95.5M	\$93.6M
Surplus (Deficit)	(\$11K)	\$826K	(\$2.6M)	(\$3.4M)	(\$4.2M)	(\$5M)	(\$4.6M)	(\$5.5M)	(\$6.3M)	(\$7.2M)	(\$8M)	(\$5M)
Fund Balance	\$11.1M	\$12M	\$9.3M	\$5.9M	\$1.6M	(\$3.3M)	(\$8M)	(\$13.5M)	(\$19.8M)	(\$27.1M)	(\$35.2M)	(\$32M)
Fund Balance % of Operating	15.6%	15.6%	11.9%	7.3%	2.0%	-3.9%	-9.3%	-15.3%	-21.9%	-29.1%	-36.8%	-34.4%

#3: 0.5% EIT & 0% Property Tax Increase

Taxpayer Impact

Taxable Income	Current EIT Rate	0.5% EIT Rate Increase	
	City – 0.6%	City – 1.1%	Difference over 2024
\$30,000	\$180	\$330	\$150
\$60,000	\$360	\$660	\$300
\$120,000	\$720	\$1,320	\$600

#3: 0.5% EIT & 0% Property Tax Increase

City Budget Impact



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Revenue	\$71.4M	\$79.8M	\$79.7M	\$81.1M	\$82.5M	\$84M	\$85.6M	\$87.2M	\$88.9M	\$90.6M	\$92.4M	\$93.8M
Expenses	\$71.4M	\$77M	\$79M	\$81M	\$83.1M	\$85.2M	\$86.2M	\$88.4M	\$90.7M	\$93.1M	\$95.5M	\$93.6M
Surplus (Deficit)	(\$11K)	\$2.7M	\$721K	\$97K	(\$531K)	(\$1.1M)	(\$583K)	(\$1.2M)	(\$1.8M)	(\$2.4M)	(\$3.1M)	\$149K
Fund Balance	\$11.1M	\$13.9M	\$14.6M	\$14.7M	\$14.2M	\$13M	\$12.4M	\$11.2M	\$9.3M	\$6.8M	\$3.7M	\$7M
Fund Balance % of Operating	15.6%	18.0%	18.5%	18.2%	17.1%	15.3%	14.4%	12.7%	10.3%	7.4%	3.9%	7.5%

In the 65 communities that have had Home Rule since 1999...

Earned Income Tax rates were flat or reduced over

90%
of the time

Property Tax rates were flat or reduced

63%
of the time

Real Estate Transfer Tax rates were flat or reduced over

95%
of the time

Data compiled by Pennsylvania Economy League

Ballot Question

- A “**yes**” vote means that you are voting to adopt the proposed Home Rule Charter for the City of Lancaster.
- A “**no**” vote means you favor keeping the status quo.

Election Day

Tuesday, November 5, 2024 • 7AM–8PM

Write-in *Escribir en*

LANCASTER HOME RULE CHARTER REFERENDUM
Referéndum sobre la Carta Autónoma de Lancaster

Shall the Home Rule Charter contained in the Report, dated August 15, 2024, of the Government Study Commission, prepared in accordance with the Home Rule Charter and Optional Plans Law, be adopted by the Third Class City of Lancaster?
¿Deberá la Ciudad de Tercera Clase de Lancaster adoptar la Regla de Autonomía contenida en la Informe, de fecha 15 de agosto de 2024, de la omisión del Estudio Gubernamental, elaborado de conformidad con la Carta de Autonomía y la Ley de Planes Opcionales?

Yes *Sí*

No *No*