

2009 Adopted General Fund
Budget Summary
&
Five Year Budget Projection



J. Richard Gray
Mayor

Balancing Fiscal Health and Taxpayer Impact

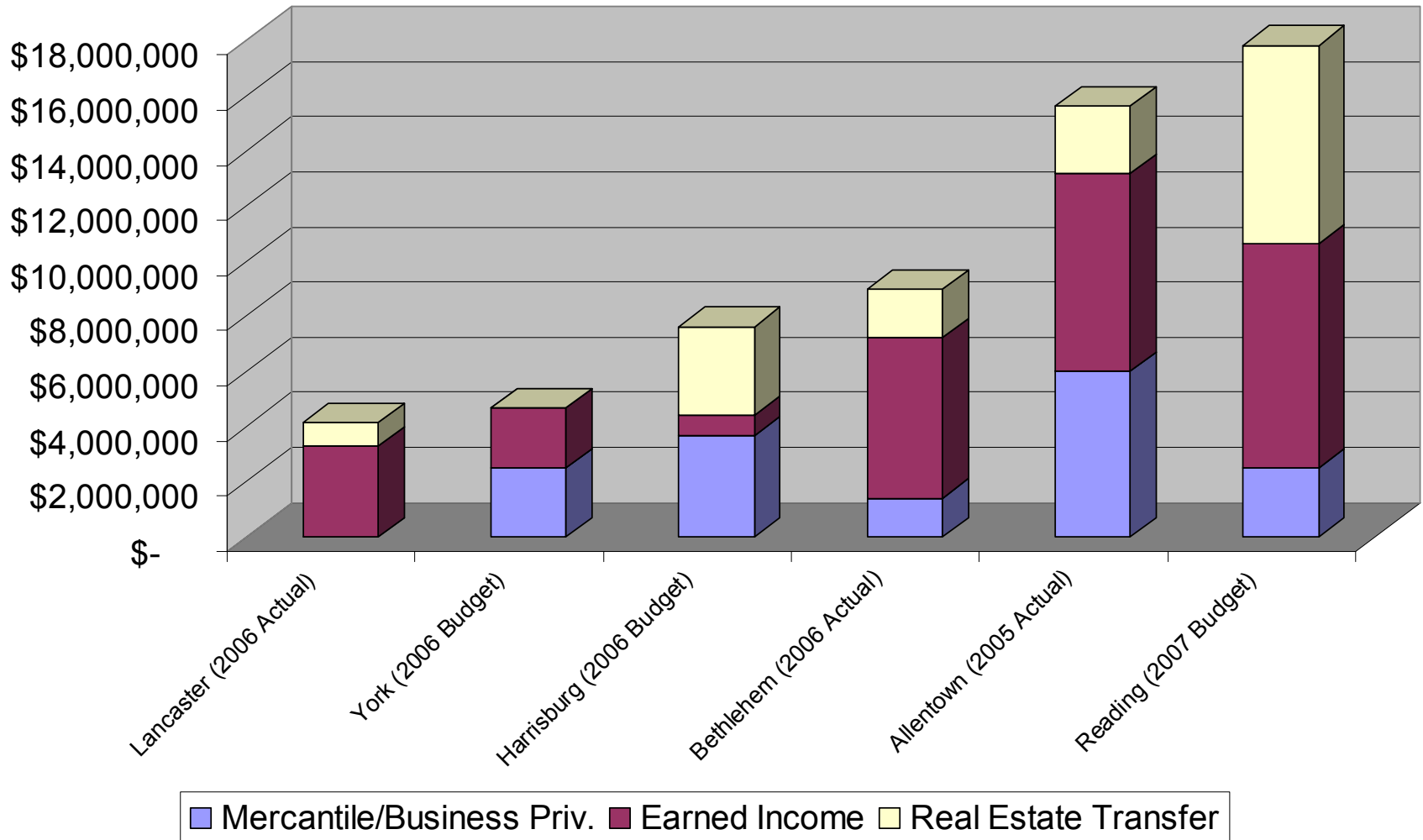


The City's Budget Problem is a Revenue Problem

Expense growth has been limited, but the City's few sources of revenue can not keep pace with even small cost increases

Third Class City Revenues

Business Gross Receipts, Earned Income and Real Estate Transfer Taxes



State Restrictions on Revenue Sources Limit Annual Revenue Growth

City	Business Gross Receipts Tax	Earned Income Tax	Realty Transfer Tax	Total Revenues From These Sources
Lancaster	NO - Prohibited by Tax Reform Act of 1988 because tax was not in place prior to November 30, 1988.	YES - .6% on City residents only (Maximum allowed without Home Rule Charter)	YES - .5% (Maximum allowed without Home Rule Charter)	
Revenues from these taxes (2006 Actual)	\$0	\$3,300,818	\$825,661	\$4,126,479
York	YES	YES	NO	
Revenues from these taxes (2006 Budget)	\$2,478,653	\$2,174,024	\$0	\$4,652,677
Harrisburg	YES	YES	YES	
Revenues from these taxes (2006 Budget)	\$3,648,165	\$3,214,400	\$756,000	\$7,618,565
Bethlehem	YES	YES	YES	
Revenues from these taxes (2005 Actual)	\$1,407,703	\$5,807,174	\$1,762,429	\$8,977,306
Allentown	YES	YES	YES	
Revenues from these taxes (2005 Actual)	\$5,987,283	\$7,176,320	\$2,458,166	\$15,621,769
Reading	YES	YES - By referendum in May 2007, voters approved a change to the Home Rule Charter increasing the EIT on City residents to 2.7%.	YES - Under the Reading Home Rule Charter, the Real Estate Transfer Tax is set at 4%	
Revenues from these taxes (2007 Budget)	\$1,290,000	\$8,131,390	\$7,215,868	\$16,637,258

General Fund Revenues

General Fund Revenues

Revenue Highlights:

- **Taxes**
 - **Real Estate Tax Revenues** provide less than **40%** of General Fund Revenues
 - Real Estate Tax increase is equal to a **\$35** increase for the average single family home (average assessment for these City homes is \$75,000)
 - For the average City household, **total taxes** paid to the City will increase by only **\$39** in 2009

Average City Family Tax Payments to City

- Owns home assessed at \$75,000
- 2009 Household income* of \$36,500 vs. \$35,850 in 2008
- One wage earner works in City & pays Local Services Tax

(* source: US Census Bureau 1999 Median Household Income – increased by 2%/year.

Taxes Paid to City	2008	2009
Real Estate Taxes (9.18 to 9.64 mills)	\$688	\$723
Earned Income Taxes (.6% to City)	\$215	\$219
Local Services Tax (\$47 to City)	\$47	\$47
Total Taxes Paid	\$950	\$989

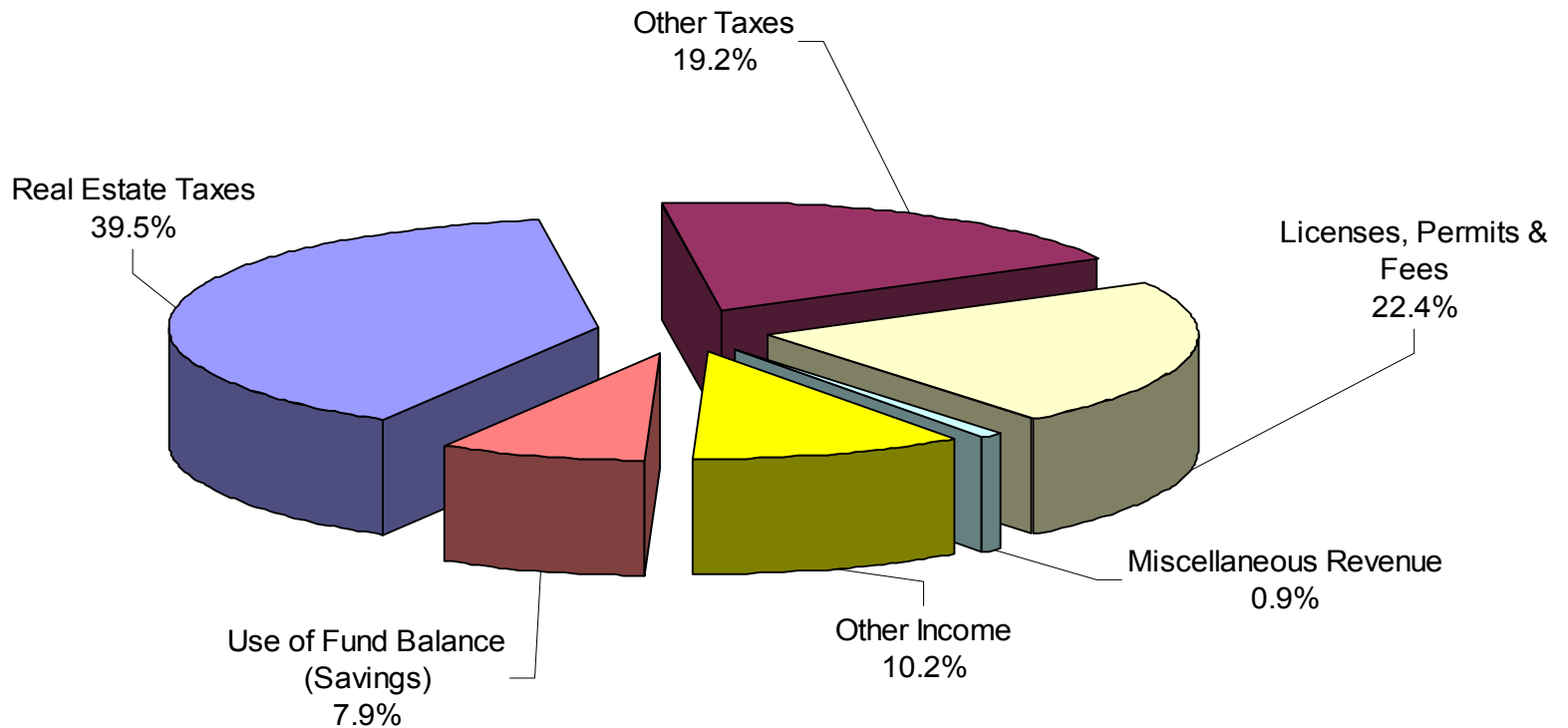
Revenue Highlights Continued:

- **The National Economic Impact**

- **Building Permit** revenues are estimated to drop **\$300,000 (37%)** from 2008 Budget
 - 2008 Building Permit revenues have dropped 36% through October compared to the same 10 month period in 2007
- **Interest earnings** are projected to drop over **\$450,000 (50%)** from 2008 Budget
 - 2008 interest earnings through September were 53% below earnings during the same period in 2007
- **Real Estate Transfer Tax** revenues have not been impacted as dramatically, but are estimated to drop **10%** from 2008 Budget
 - 2008 Real Estate Transfer Tax revenues through October are equal to the three-year average for the same period from 2005-2007, but estimated to drop \$115,000 (12%) from record year in 2007

- Downward revenue estimates require a \$1.1 million (45%) increase in the use of **Fund Balance Reserves (Savings)** to balance the budget

2009 Budget - Revenues by Type

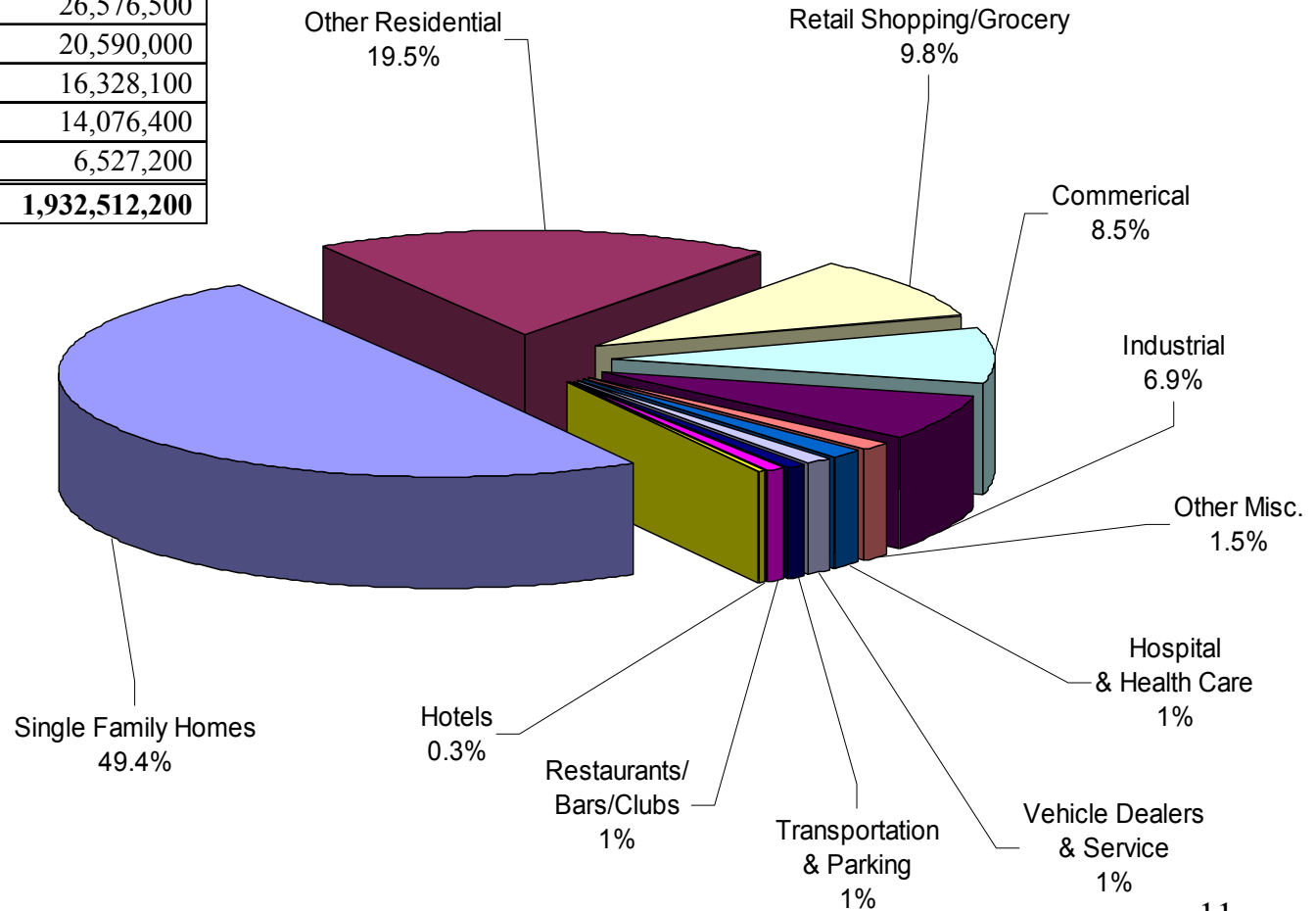


Revenue Description	2009 Budget
Real Estate Taxes	\$ 18,200,000
Other Taxes	\$ 8,836,766
Licenses, Permits and Fees	\$ 10,342,583
Miscellaneous Revenue	\$ 403,750
Other Income	\$ 4,697,062
Use of Fund Balance (Savings)	\$ 3,636,599
TOTAL	\$ 46,116,760

Who Pays Real Estate Taxes? Assessments by Property Type

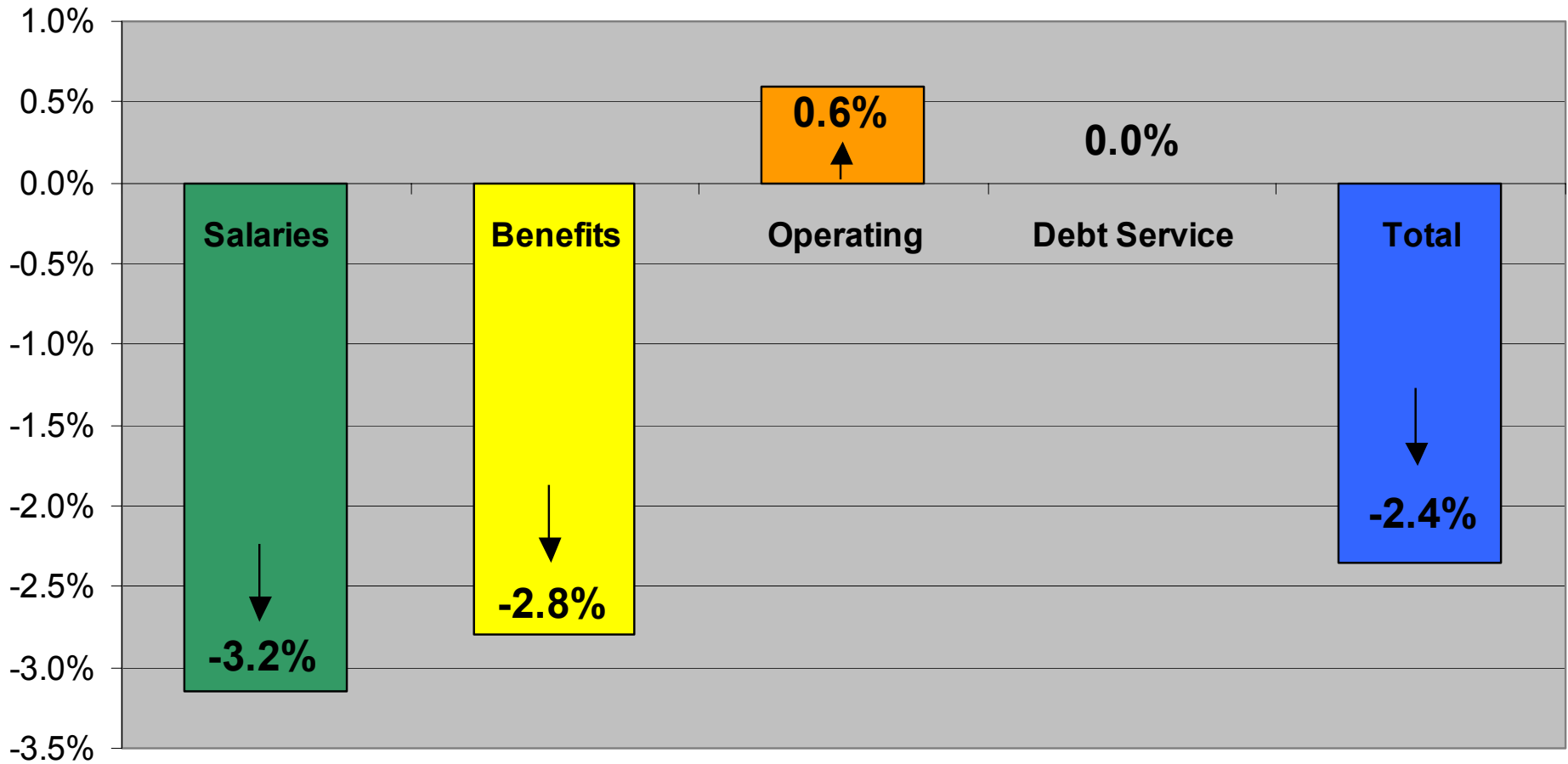
Property Type	2006 Assessed Value
Single Family Homes	\$ 954,821,700
Other Residential	\$ 377,254,600
Retail Shopping/Grocery	\$ 188,489,000
Commerical	\$ 164,319,500
Industrial	\$ 134,141,200
Other Misc.	\$ 29,388,000
Hospital/Health Care	\$ 26,576,500
Vehicle Dealers/Service	\$ 20,590,000
Transportation/Parking	\$ 16,328,100
Restaurants/Bars/Clubs	\$ 14,076,400
Hotels	\$ 6,527,200
Total	\$ 1,932,512,200

According to the Lancaster County Assessment Office, the 2009 taxable property value in the City is \$1,910,544,000. This 1.1% drop since 2006 is due to downward reassessments that have outpaced increased assessments due to economic development.



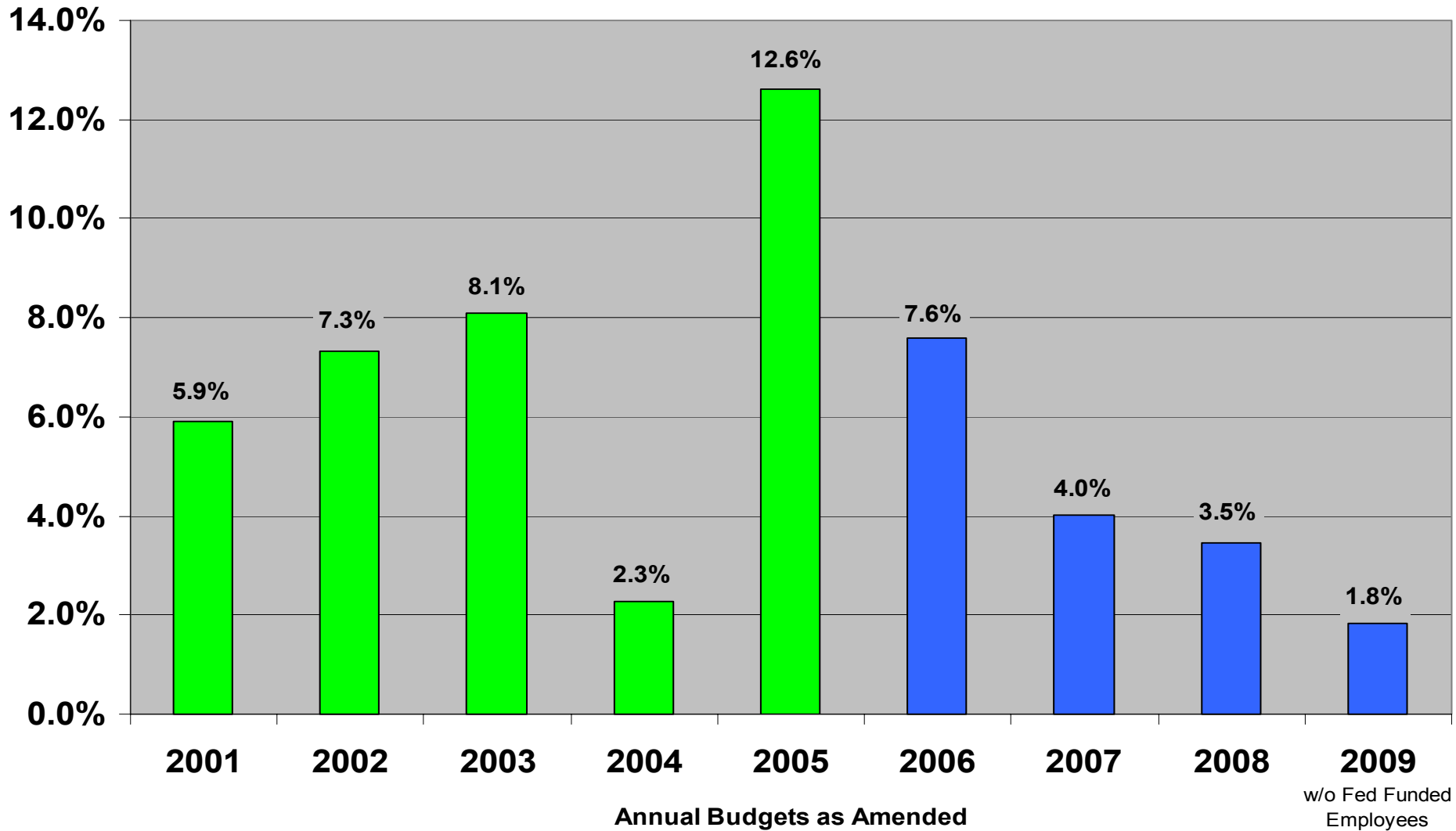
General Fund Expenditures

Holding the Line on Expenses 2008 Projections vs. 2008 Budget



Slowing the Growth of City Government Spending

Spending Increase Over Prior Year Budget



General Fund Expenditures

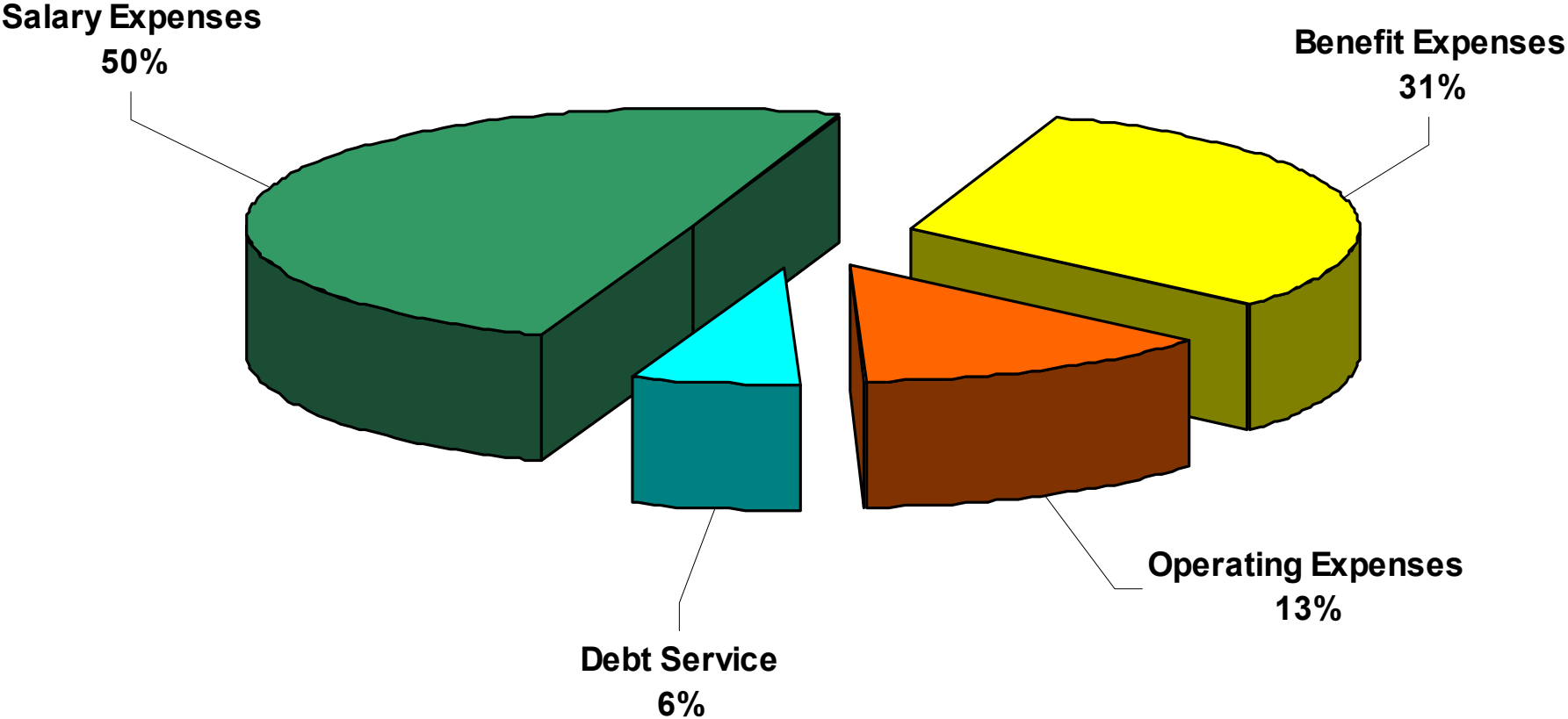
Expenditure Highlights:

- Total expenditures rise only **1.8%** when compared to 2008 Budget
 - 2009 Budget includes Federally Funded employees. When these salary costs are included, budget is still only 2.4% higher than 2008
- Salary expenses are **50%** of the 2009 Budget
 - Salary expenses increase by only **1.8%** vs. 2008 Budget
 - Full-time positions **reduced by 11** (2.5%) vs. 2008
 - Full-time positions **reduced by 22** (5%) since 2006
 - AFSCME, Firefighter and Police union contracts include 3% salary increases
 - Non-Bargaining employees (less than 15% of workforce) receive 3% salary increase

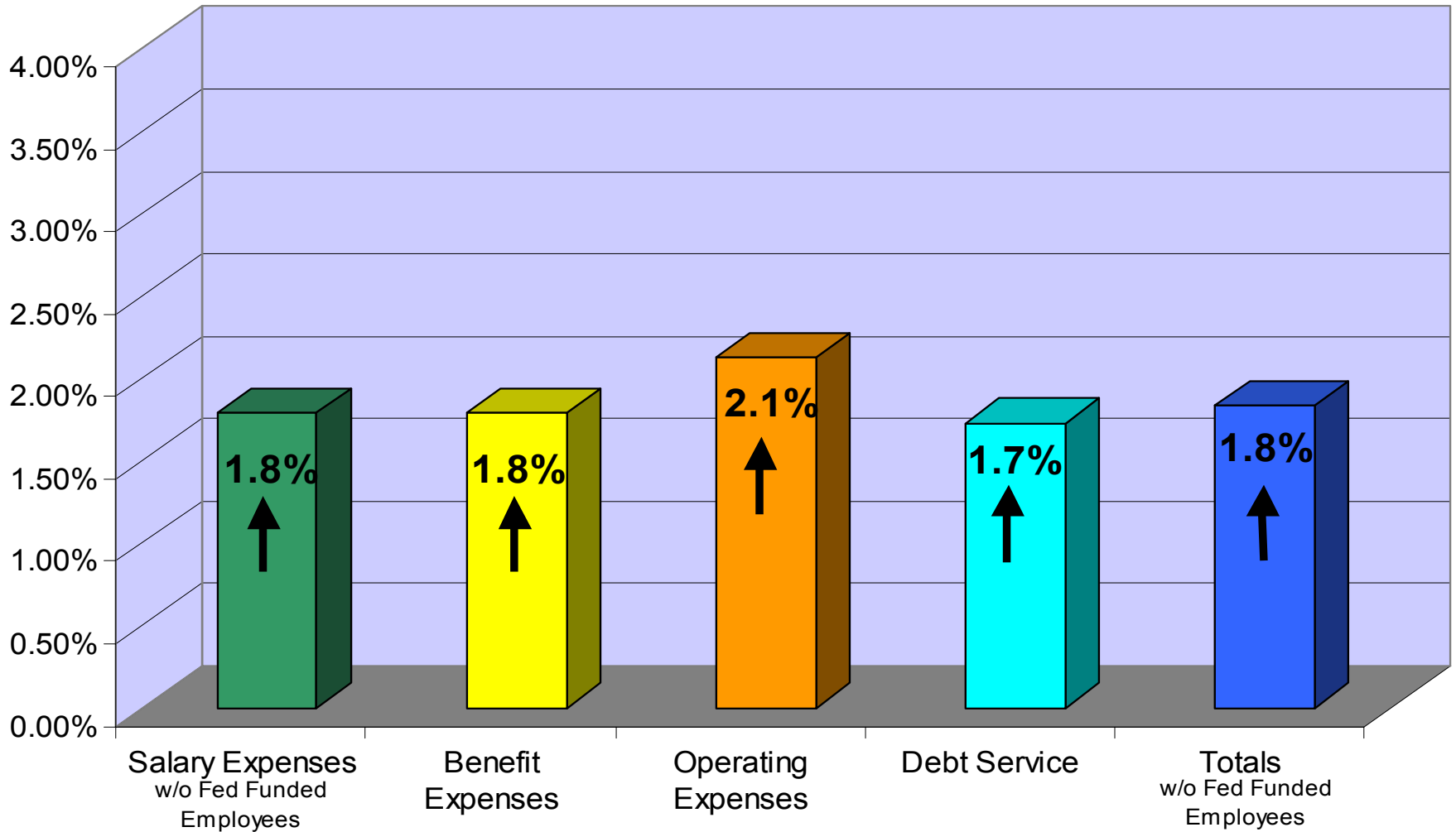
Expenditure Highlights Continued:

- Benefit expenses are **31%** of the 2008 Budget
 - Benefit costs increase only **1.8%** vs. 2008 Budget
 - Medical/Dental/Vision Insurance costs total **\$8.1 million** - 18.4% of the total General Fund Budget
- Operating expenses are **13%** of the 2008 Budget
 - Operating expenses held to **2.1%** increase (\$125,000) vs. 2008 Budget
- Debt Service on the City's General Obligation Bond Issues (not including Pension Bond Issues) represent only **6%** of General Fund Expenditures

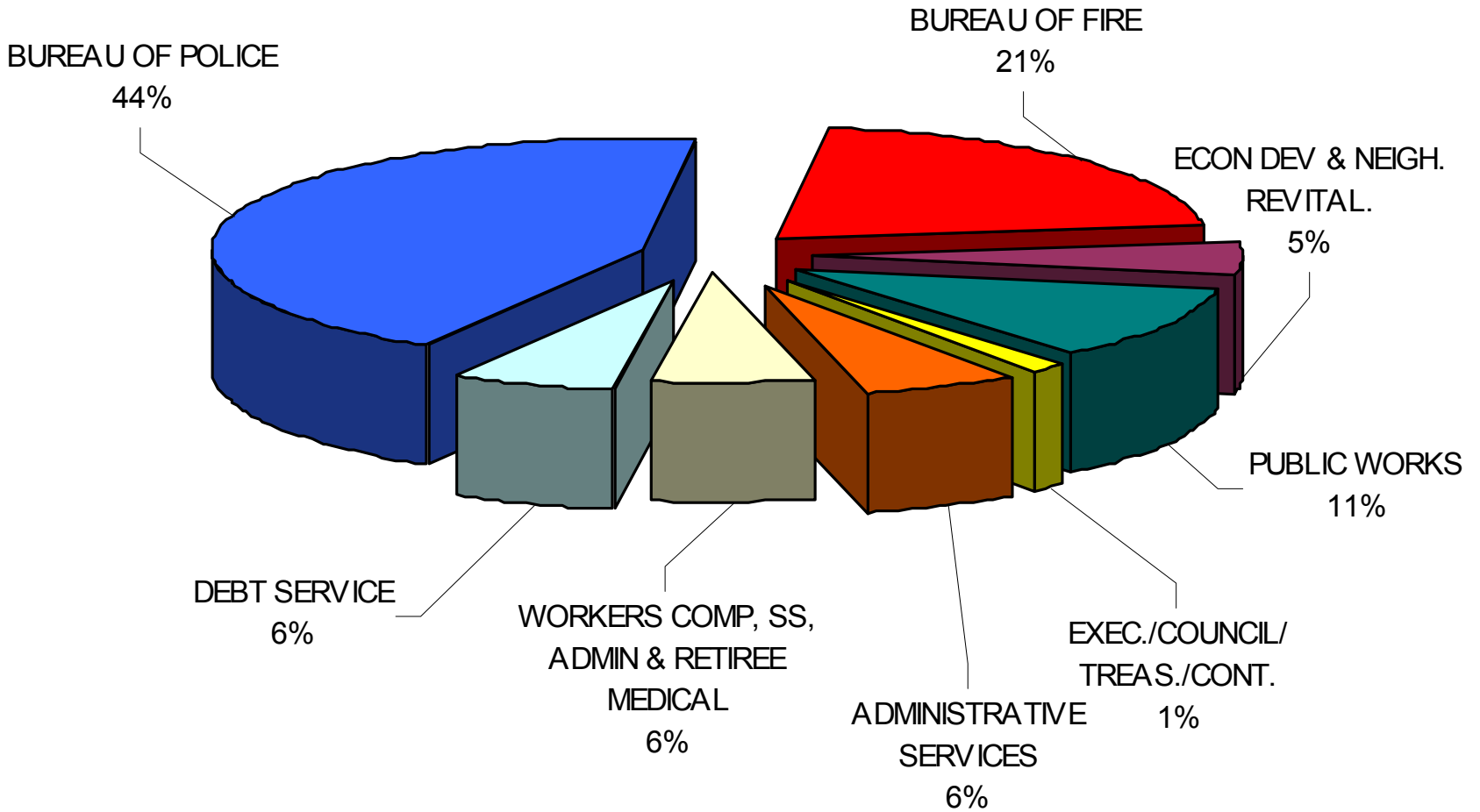
2009 General Fund Expenditures by Type



General Fund Expenses 2009 Budget vs. 2008 Budget by Category



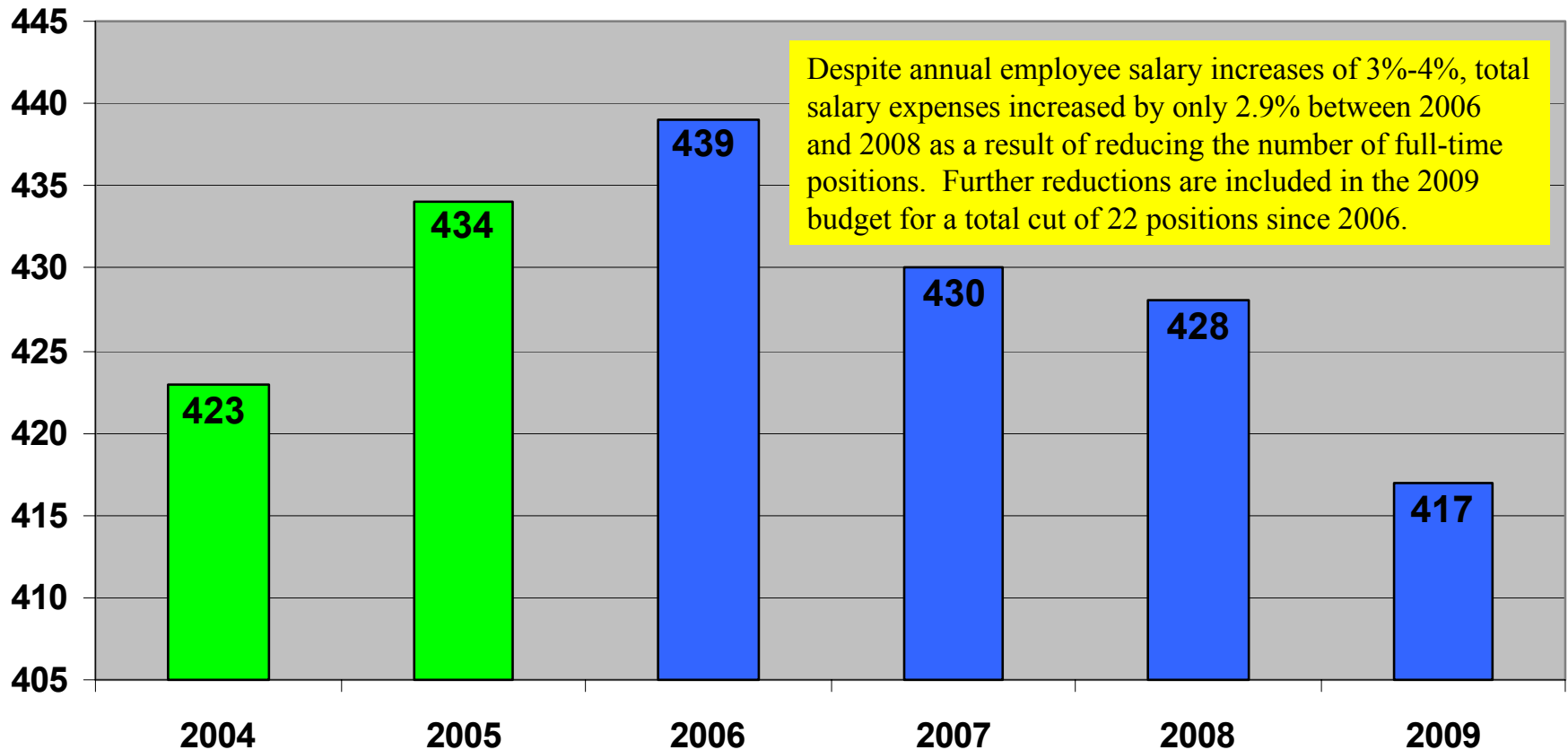
2009 General Fund Expenditures by Department/Category



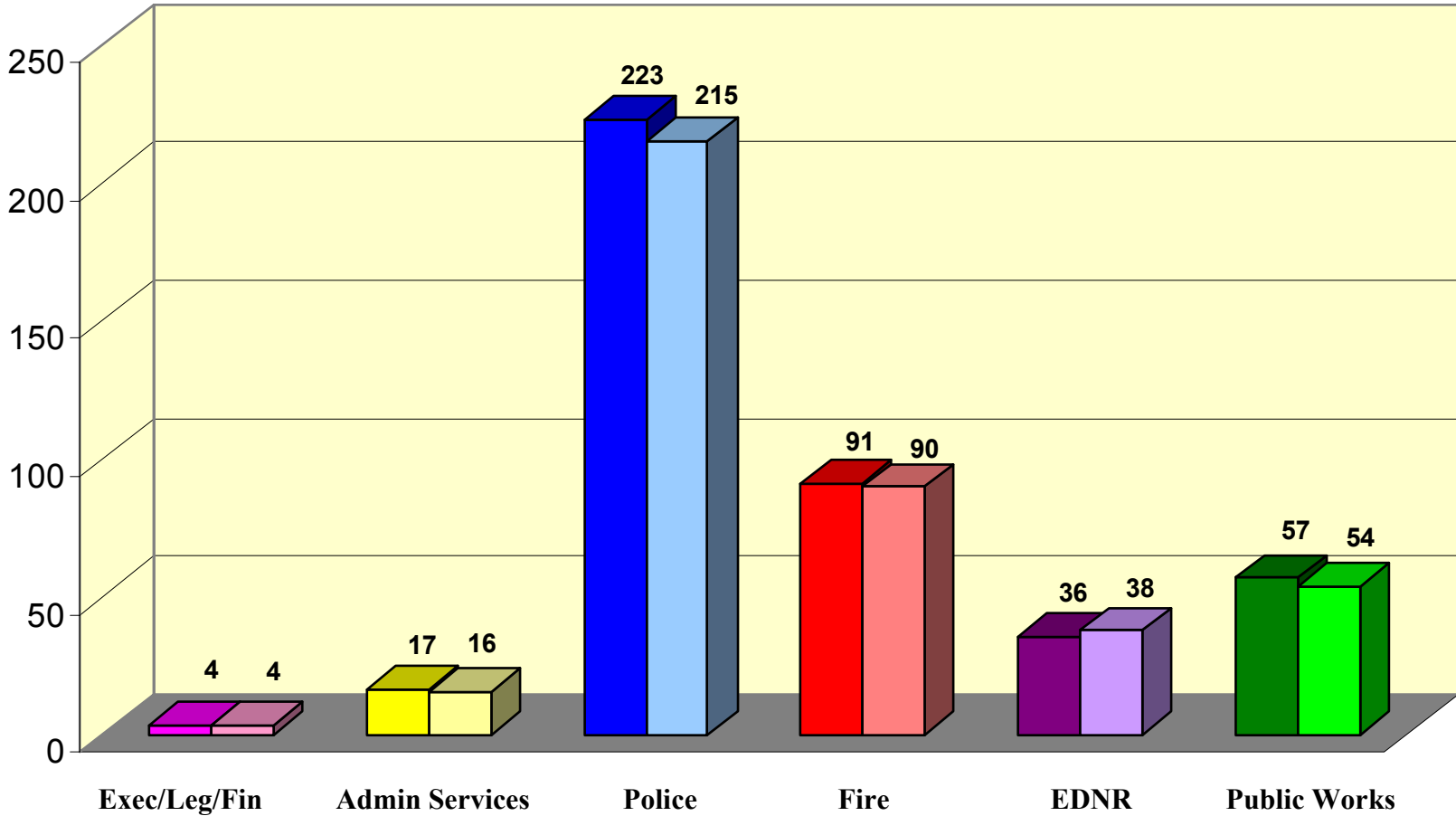
General Fund Salary Expenses

Offsetting Salary Increases by Position Attrition

Full-time General Fund Employees 2004-2009



Full-Time Budgeted Positions By Department 2009 Budget vs. 2008 Budget (General Fund Only)

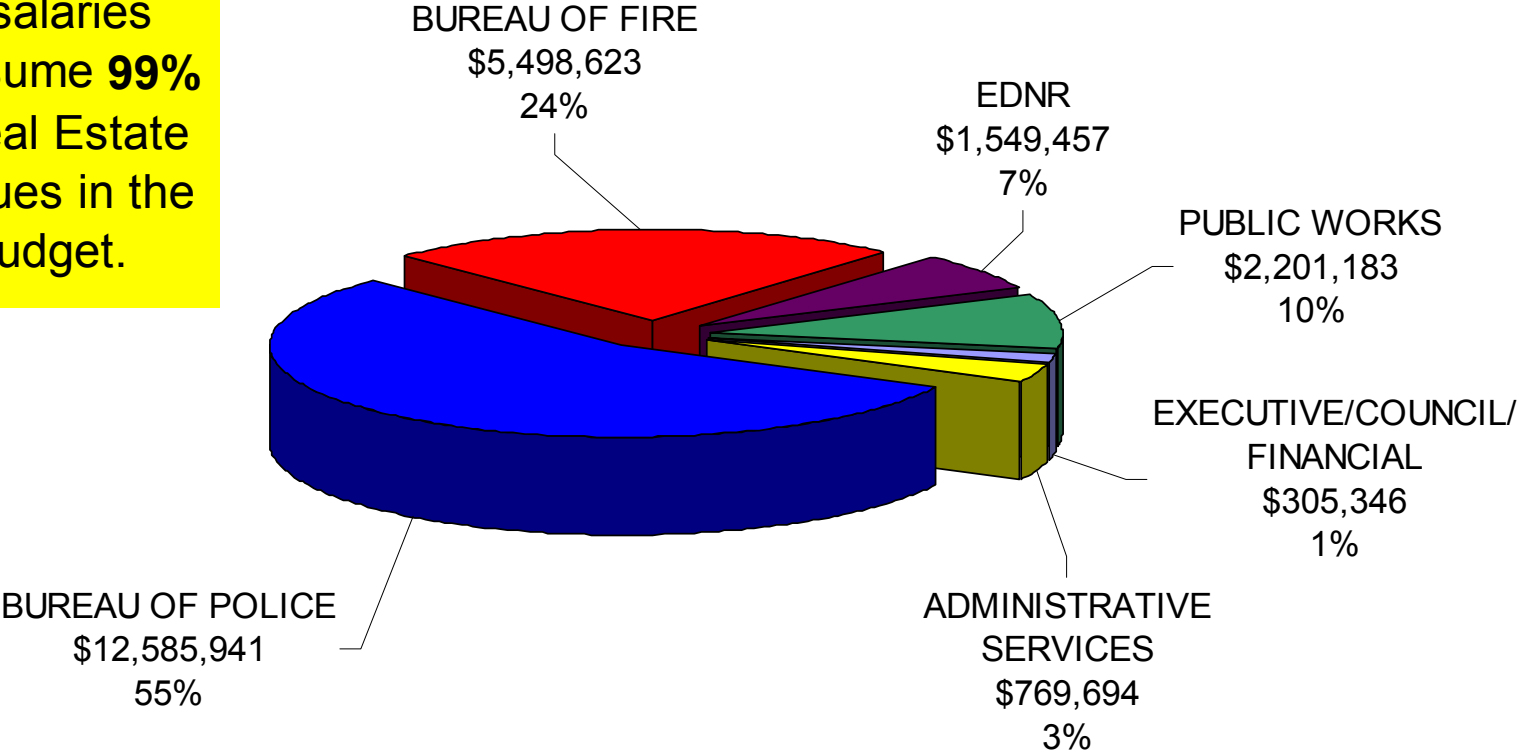


Full-time Positions

2008	428	2009	417
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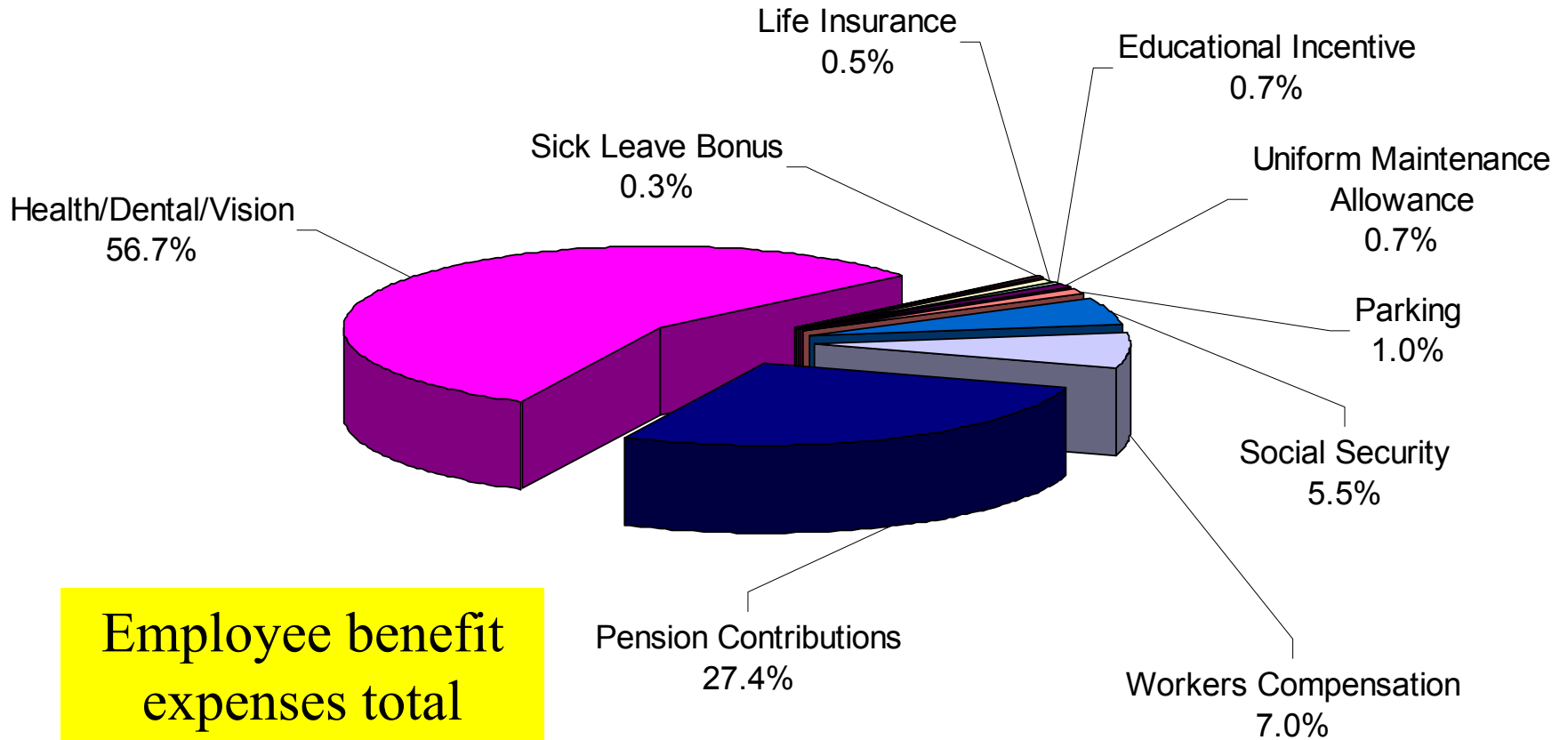
Salary Expenses by Department 2009 Budget

Police and Fire Bureau salaries alone consume **99%** of total Real Estate Tax revenues in the 2009 Budget.



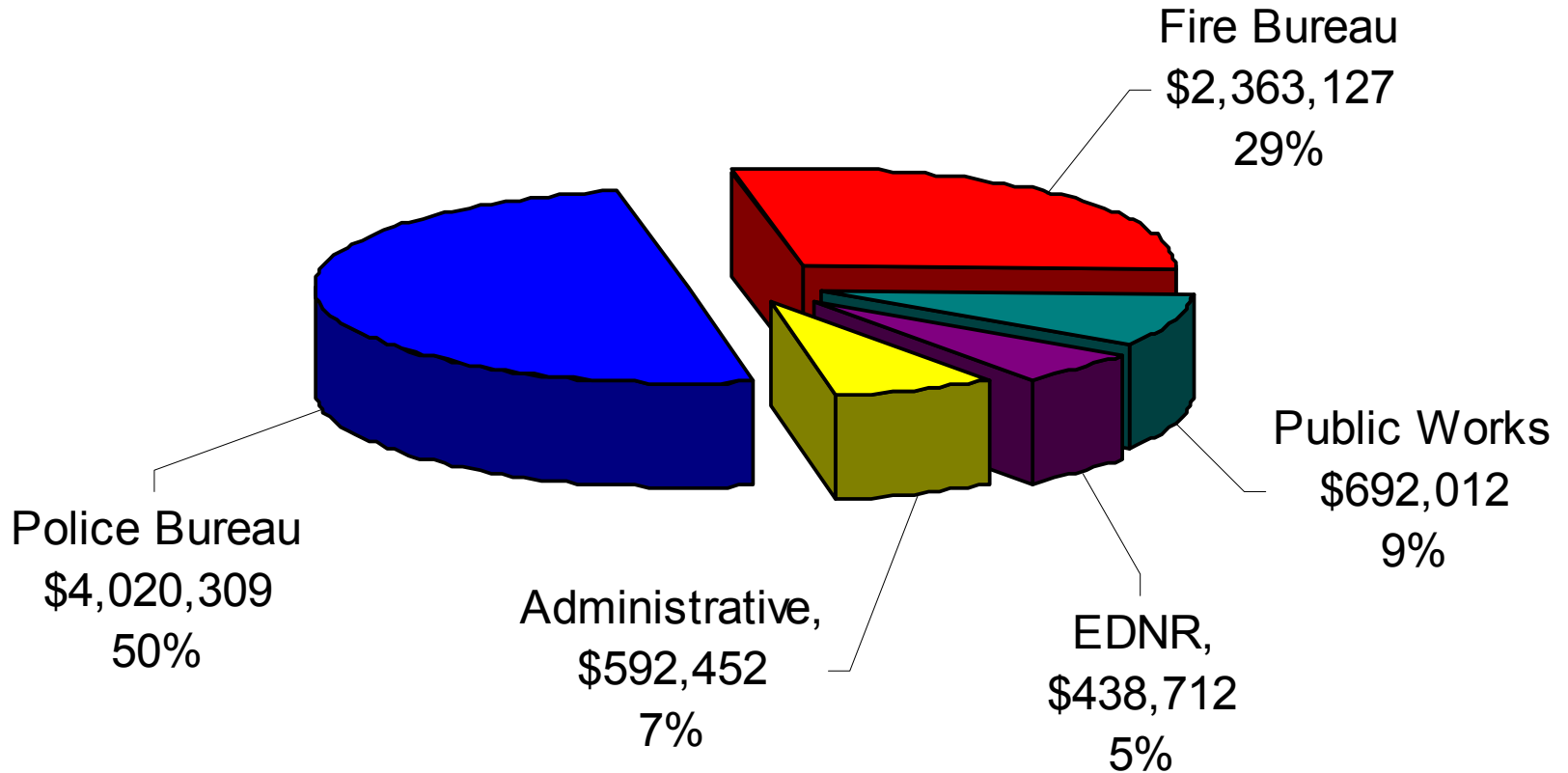
General Fund Benefit Expenses

General Fund Benefit Expenses by Type

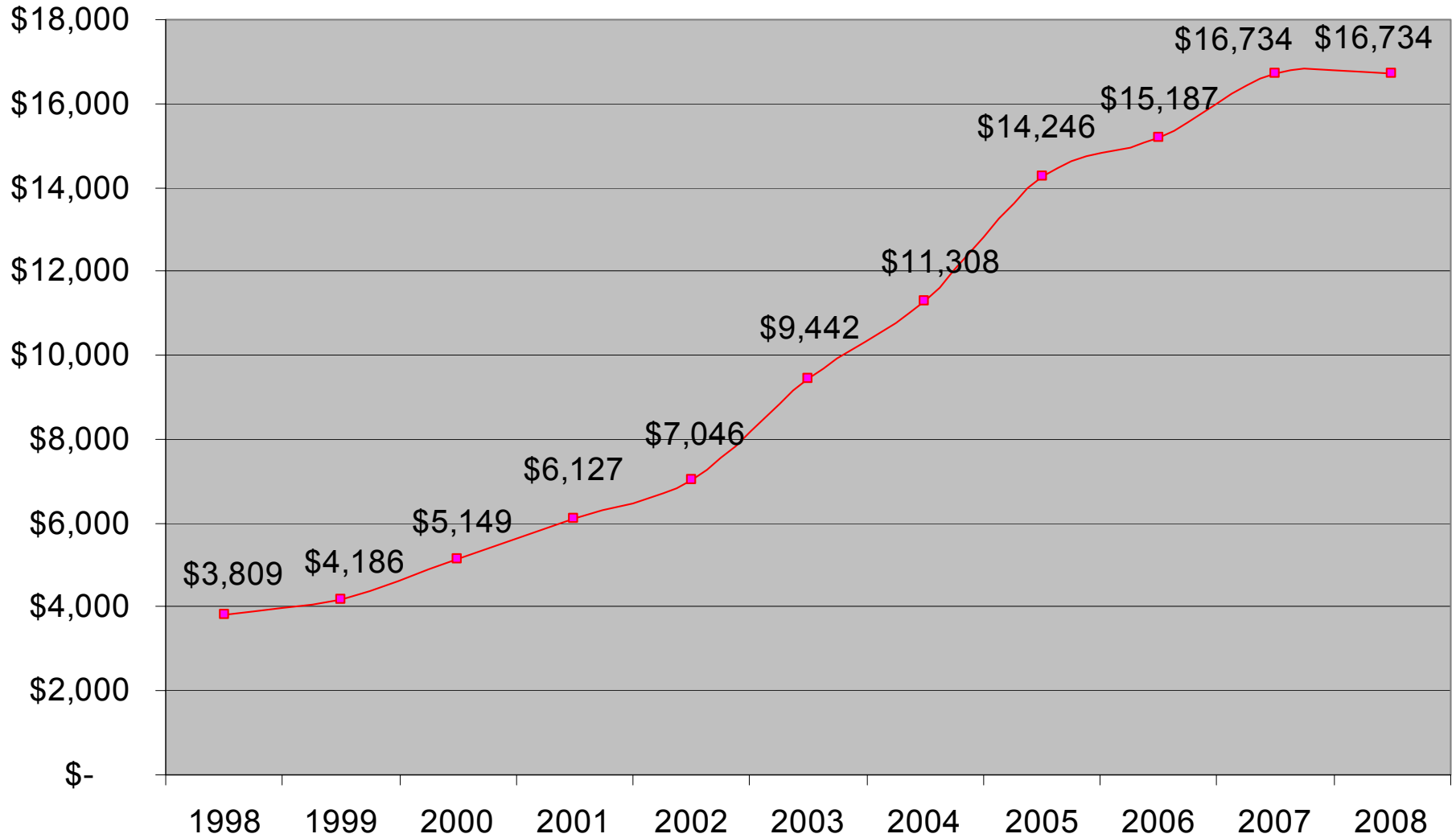


Employee benefit expenses total \$14.3 million - 31% of the General Fund Budget.

2009 General Fund Budget
Health/Dental/Vision Insurance Expenses by Department
Active and Retired Employees



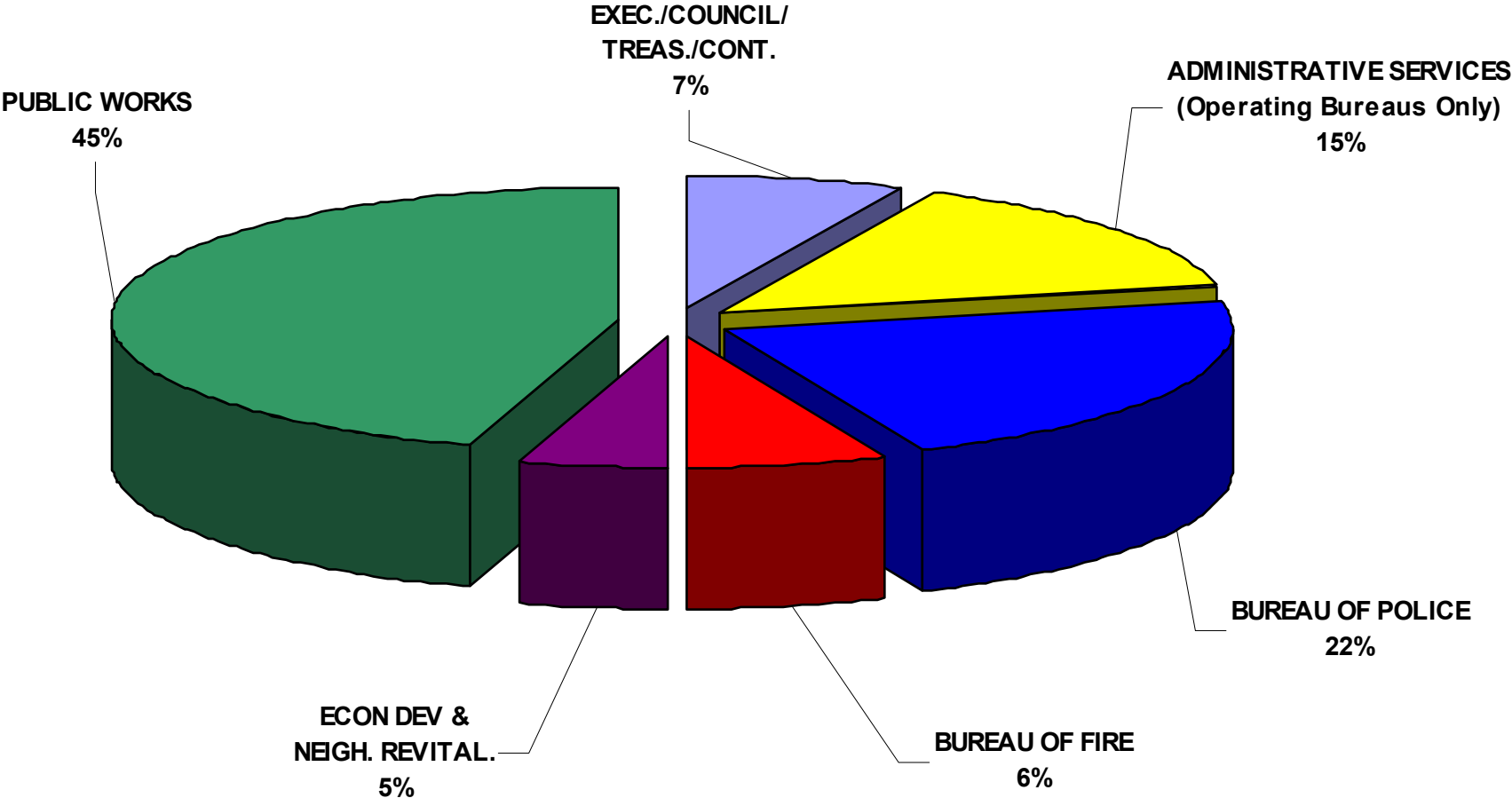
Medical Insurance - Family Coverage Annual Premiums 1998-2008



Note: Above premiums for Fire and Police. Non-Uniformed coverage rates are approx. 4% lower

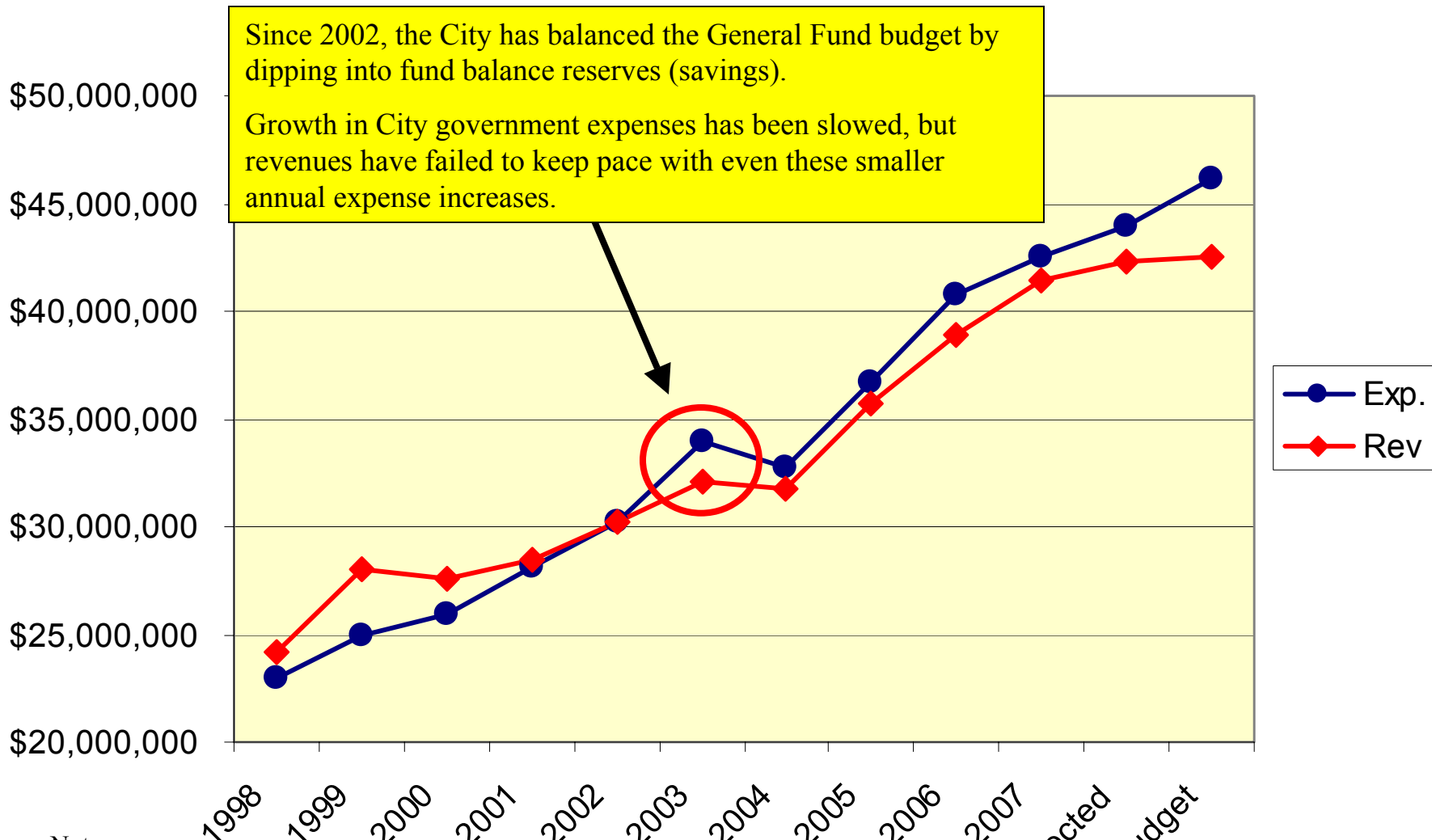
General Fund Operating Expenses

2009 General Fund Operating Expenses by Department



Five Year Projections

General Fund Revenues vs. Expenses 1998 - 2009



Notes:

2004 Revenues do not include Swap proceeds.

Includes Neighborhood Police Fund Revenues and Expenses

Important notes on projections

- Projections are only a snapshot using currently known information
- Projecting revenues and expenses over a five-year period is inexact
- The farther out we try to project, the less exact the estimates become
- Improvements in non-tax revenues and reductions in expenditures can dramatically effect the five-year trends seen in the projections
- **These projections ONLY show what could happen for the next five years if NO steps are taken to reduce the growth of expenses or increase the City's revenues.**

	2008 Budget	2008 Projection	2009 Budget	2010 Projected	2011 Projected	2012 Projected	2013 Projected
Taxes Paid on \$75,000 Home	\$688.24	\$688.24	\$722.65	\$722.65	\$722.65	\$722.65	\$722.65
Annual Increase	\$26.47	\$26.47	\$34.41	\$0.00	\$0.00	\$0.00	\$0.00
Weekly increase	\$0.51	\$0.51	\$0.66	\$0.00	\$0.00	\$0.00	\$0.00
Tax Increase %	4.0%	4.0%	5.0%	0.0%	0.0%	0.0%	0.0%
Real Estate Millage	9.18	9.18	9.64	9.64	9.64	9.64	9.64
Real Estate Revenue	\$17,150,000	\$16,820,000	\$17,600,000	\$17,600,000	\$17,600,000	\$17,600,000	\$17,600,000
Earned Income Tax	\$3,650,000	\$4,797,515	\$4,200,000	\$4,242,000	\$4,284,420	\$4,327,264	\$4,370,537
EMS Tax	\$2,100,000	\$2,150,000	\$2,200,000	\$2,211,000	\$2,222,055	\$2,233,165	\$2,244,331
Sale of City Tax Claims	\$1,000,000	\$444,818	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
Police Services	\$2,286,552	\$2,262,000	\$2,149,000	\$2,245,705	\$2,346,762	\$2,452,366	\$2,562,722
Other Revenues	\$13,578,056	\$13,346,977	\$13,075,940	\$13,057,068	\$13,237,566	\$13,421,657	\$13,609,412
PA Pension Aid (GF only)	\$2,718,357	\$2,493,767	\$2,655,221	\$2,708,325	\$2,762,492	\$2,817,742	\$2,874,097
Total Revenues	\$42,482,965	\$42,315,077	\$42,480,161	\$42,664,098	\$43,053,295	\$43,452,194	\$43,861,099
(not including use of Fund Balance Reserves)							
Expenditures							
Total Salaries	\$ 22,248,302	\$ 21,546,706	\$ 22,910,244	\$ 23,602,372	\$ 24,386,054	\$ 25,196,101	\$ 26,033,404
Total Benefits	\$14,051,239	\$13,658,436	\$14,303,597	\$15,178,965	\$16,137,589	\$17,187,654	\$18,338,156
Total Labor Costs	\$ 36,299,541	\$ 35,205,142	\$37,213,841	\$38,781,337	\$40,523,643	\$42,383,754	\$44,371,560
Total Operating Costs	\$5,855,101	\$5,930,184	\$6,020,840	\$6,143,861	\$6,267,293	\$6,393,810	\$6,523,490
Total Debt Service	\$2,833,039	\$2,833,039	\$2,882,079	\$2,850,000	\$2,850,000	\$2,850,000	\$2,850,000
Total Non-Labor Costs	\$8,688,140	\$8,763,223	\$ 8,902,919	\$8,993,861	\$9,117,293	\$9,243,810	\$9,373,490
Total Expenditures	\$ 44,987,681	\$ 43,968,365	\$ 46,116,760	\$ 47,775,198	\$ 49,640,936	\$ 51,627,564	\$ 53,745,050
Operating Surplus/(Deficit)	(\$2,504,716)	(\$1,653,288)	(\$3,636,599)	(\$5,111,100)	(\$6,587,641)	(\$8,175,370)	(\$9,883,951)
CDBG Float Loan Repayment							
RACL KOZ Loan							
Unreserved Fund Balance	\$701,898	\$1,553,326	\$0	\$0	\$0	\$0	\$0
Unreserved Fund Balance as a percent of Expenditures	1.6%	3.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Reserved Fund Balance	\$ 10,040,856	\$ 10,040,856	\$ 7,957,583	\$ 2,846,483	\$ (3,741,158)	\$ (11,916,528)	\$ (21,800,479)
TOTAL GF FUND BALANCE	\$ 10,742,754	\$ 11,594,182	\$ 7,957,583	\$ 2,846,483	\$ (3,741,158)	\$ (11,916,528)	\$ (21,800,479)
Total Fund Balance a percentage of Expenditures	22.3%	22.8%	17.3%	6.0%	-7.5%	-23.1%	-40.6%