

2018 BUDGET MESSAGE
J. Richard Gray, Mayor
City of Lancaster

Tonight, I present for your review and consideration, the proposed budget for 2018.

For the past twelve years, restoring the City's fiscal stability and establishing credible financial management has been my top priority. In 2007, a State-funded financial analysis and operations audit conducted by consultants from Management Partners warned that, unless immediate reforms were implemented, all our savings would be depleted by 2009, and the City would have accumulated a \$69 million deficit by 2012.

Over the past decade, our Administration has implemented all or part of the 182 recommendations contained in that Management Partners report. At the same time, we have made substantial changes in how resources are allocated, how departments are managed, and in how City government responds to the public service needs of our residents and businesses. Today, our workforce is more efficient; our culture is driven by collaboration and customer service; and our governing model is focused, deliberate and forward-thinking.

The result has been stable City financial management with growth in spending limited to an average of only 2.6 percent each year since 2007; steadily increasing Earned Income Tax revenues; and Real Estate Transfer Tax revenues that have nearly doubled over the past five years due to a very strong city real estate market.

The budgeting path we've followed over the past decade has taken us from uncertainty to stability. With the state's failure to deliver comprehensive local tax reform, we have taken responsibility for our own destiny and have been able to restore General Fund reserves to nearly \$13 million; we've avoided property tax increases in five of the last eight budgets since the end of the Great Recession in 2011; and our A1 bond rating from Moody's adds credibility to the City's financial management strategy.

Our proposed General Fund Budget for 2018 reflects the impact of the County's Property Value Reassessment. Property owners should be encouraged that the total assessed value of City properties increased by 36 percent since the last assessment was conducted in 2005. Because property values saw a healthy increase, the City property tax rate will not increase. Instead, the City's tax millage rate will be adjusted down from 14.44 mills to 10.70 mills to keep total property tax revenues level for 2018. Depending on the new assessed value of their property, some taxpayers will see an increase, some will see a decrease and others will pay roughly the same as they did in 2017.

Although we've been able to hold the line on property taxes, rate increases are needed for Stormwater Management and Sewer fees. A Stormwater Management Fee was established in 2014 to finance the cost of infrastructure that reduces water pollution. The burden of meeting

EPA mandates continues to drive Stormwater Management costs. The vast majority of property owners, nearly 80%, will see their Stormwater Management fee increase up to an additional \$7.89 per quarter in 2018. Customers inside the City will also see an increase in Sewer rates of \$8.72 per quarter for the average residential customer. This increase is needed to continue investing in long-term improvements to the City's aging sewer system.

Next year marks the 12th year of the City's single-hauler trash and recycling program. No rate increase is needed or proposed for 2018. This program is among my administration's most successful new efforts, resulting in reduced waste going to the landfill or incinerator, increased recycling and a cleaner city overall. And all of this has been done with only one \$10 rate increase, in 2010, since its inception in 2006. The rate for our senior citizens has never increased in the twelve-year history of the program.

Looking ahead, implementation of a new management software system city-wide is nearing completion. When fully implemented, management of financial information and program data will be more efficient and effective. The next Administration will be tasked with evaluating technology that will enable residents to more easily communicate with City departments, file permit applications electronically, and participate more fully in City government deliberations.

The next administration will also be tasked with proposing a Capital Improvement Plan and budget. Next year will see the start of construction on a long-awaited and much-needed Public Works Operations Center, and a comprehensive review of options for bringing Fire Bureau facilities into the 21st century.

At the same time, the next administration will benefit from the impact that new development will have on improving certain revenue streams. Several projects, such as the Fulton Bank and Marriott expansions, the relocation of Cargas Systems downtown and the buildout of the entire 101 North Queen development are projected to bring hundreds of new, good paying jobs to the city. This will further generate new revenue to the City treasury and increased commercial activity throughout the city. The continued creation of new owner-occupied and rental housing in the city will bring new housing opportunities for current and future city residents, not to mention the new tax revenues those residents produce to support City-provided services.

We are moving in the right direction and Lancaster is a very different City today than it was just a short decade ago. Looking ahead, we must continue to invest in adequate public safety, neighborhood improvement and economic development. To do so, we must be willing to develop new and innovative ways to attract private investment and the economic activity that results. We must continue to rely on and build partnerships with the business and non-profit community. Partnerships such as those established with the Lancaster City Alliance, the Lancaster Housing Opportunity Partnership, and Lancaster General Health provide program and staffing support that would otherwise cost City taxpayers millions of dollars. And we must further develop and utilize the CRIZ and the Land Bank. These innovative tools, created over

the past few years, promise to bring economic opportunity and neighborhood revitalization successes throughout the City.

In closing, I want to thank the Senior Staff, the Leadership Team, and the entire City workforce for their unwavering pursuit of our common goals. It does not go unnoticed or under-appreciated.

Finally, to the residents, business community, non-profit leaders, and educational institutions – thank you for your support, your encouragement, and your participation over the past twelve years. Together, we have created a community united and optimistic about the ideal urban experience we call home.

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