



## **POSITION STATEMENT ON HOME RULE CHARTER REFERENDUM FOR THE CITY OF LANCASTER**

### **POSITION**

Lancaster City leadership is fiscally responsible and in doing so is currently in a stronger position than others in the Commonwealth. However, it is clear that under current fiscal restraints, the City continues to face deficits.

Given our mission, the ongoing public and private investment in the City of Lancaster and our commitment to the continued success of the City, the Lancaster City Alliances supports the adoption of the Home Rule Charter as the only viable way to address the structural deficit in an equitable way for City taxpayers and we encourage City residents to vote in support of adoption.

With that said, we remain disappointed that without action from State lawmakers, this is the best of a very limited set of options, including act 47, in order for Lancaster and all third-class Commonwealth cities to maintain financial sustainability for the foreseeable future.

### **BACKGROUND**

Lancaster City Alliance works to create a clean, safe, vibrant and thriving City of Lancaster where everyone can share in its success. Maintaining a fiscally sound City is key to our efforts and the continued growth of Lancaster.

Across Pennsylvania, communities face financial struggles as a result of the Commonwealth's antiquated local government structure. This is especially true for third-class cities – all cities in PA except for Philadelphia, Pittsburgh, and Scranton (collectively, "Cities"). These Cities are governed by the state's Third-Class City Code which specifically mandates services the Cities must provide and the rates of taxes they can collect in order to fund those services.

Currently, the structure of municipal finance forces Pennsylvania Cities to rely on the property tax as the main source of revenue, with little power to create new revenue sources or to impose different taxes to reduce the burden of property taxes on its residents. Currently, and unfortunately, the only meaningful avenue available to Cities to have flexibility in its taxing structure and to access other tools to ensure the health, safety and welfare of its residents is to enter into the Commonwealth's program for financially distressed municipalities (Act 47).

The Lancaster City Alliance has long supported the efforts of Mayor Sorace and past administrations to provide Lancaster City with tools to address their structural deficit before they are forced to reach Act 47 status, which is essentially filing for bankruptcy. This is essential to limit, if not reduce, the burden on City residents, property owners and negatively affect the economic and community growth of Lancaster.

For more than a decade, City administrations have been working to address the city's structural deficit. Simply put, the city's costs increase by an average of 3.85% per year on average and the city's revenue increases at less than one percent.

Lancaster City's safety depends on its police and fire service, which comprises 60% of the city's budget; public works comprises another 10%.

The city is heavily reliant on property taxes because it is the only legally available tax that City Council can increase and over the last 22 years, city property taxes have increased 11 times and are expected to increase 5 times in the next 10 years. This simply is not sustainable.

The Earned Income Tax is currently legally capped at .6%. A modest increase in the Earned Income Tax could provide additional revenue to the city to pay for essential services without having to rely on property tax increases.

In search of a sustainable solution, Lancaster City explored the potential of a Home Rule Charter. This would transfer authority to act in municipal affairs from state law, as set forth by the General Assembly, to a local charter, adopted and amended by City voters. Adopting a Home Rule charter in Lancaster would allow the city more independence in codifying taxes and raising revenue, with an interest in modifying the rate of the local earned income tax and the real estate transfer tax. Twenty-six cities throughout The Commonwealth have adopted a Home Rule charter.

Lancaster City Alliance supported the establishment of a Home Rule Study Commission to study any and all solutions that address the structural deficit. After nearly a year of difficult and dedicated work by the elected nine-member commission, a Home Rule Charter was drafted and is up for vote on the November 5<sup>th</sup> ballot.

After review of the Charter, we offer the following observations.

The Home Rule Charter would allow City Council to modestly increase Earned Income Tax, which naturally grows by 5% on average.

Included in the Home Rule Charter is a taxpayer protection that limits total tax revenue from increasing by more than 6% any year without the support of a super majority of City Council.

Additionally, the Home Rule Charter provides additional important benefits to taxpayers including increased oversight, transparency, and requirements for budget planning, including capital planning.

*Approved by Lancaster City Alliance Board of Directors on 10.25.24*