CITY OF LANCASTER

IMPACT OF COVID-19 ON MUNICIPAL FINANCES

South Central Assembly
Pandemic Response
Series
Webinar 16
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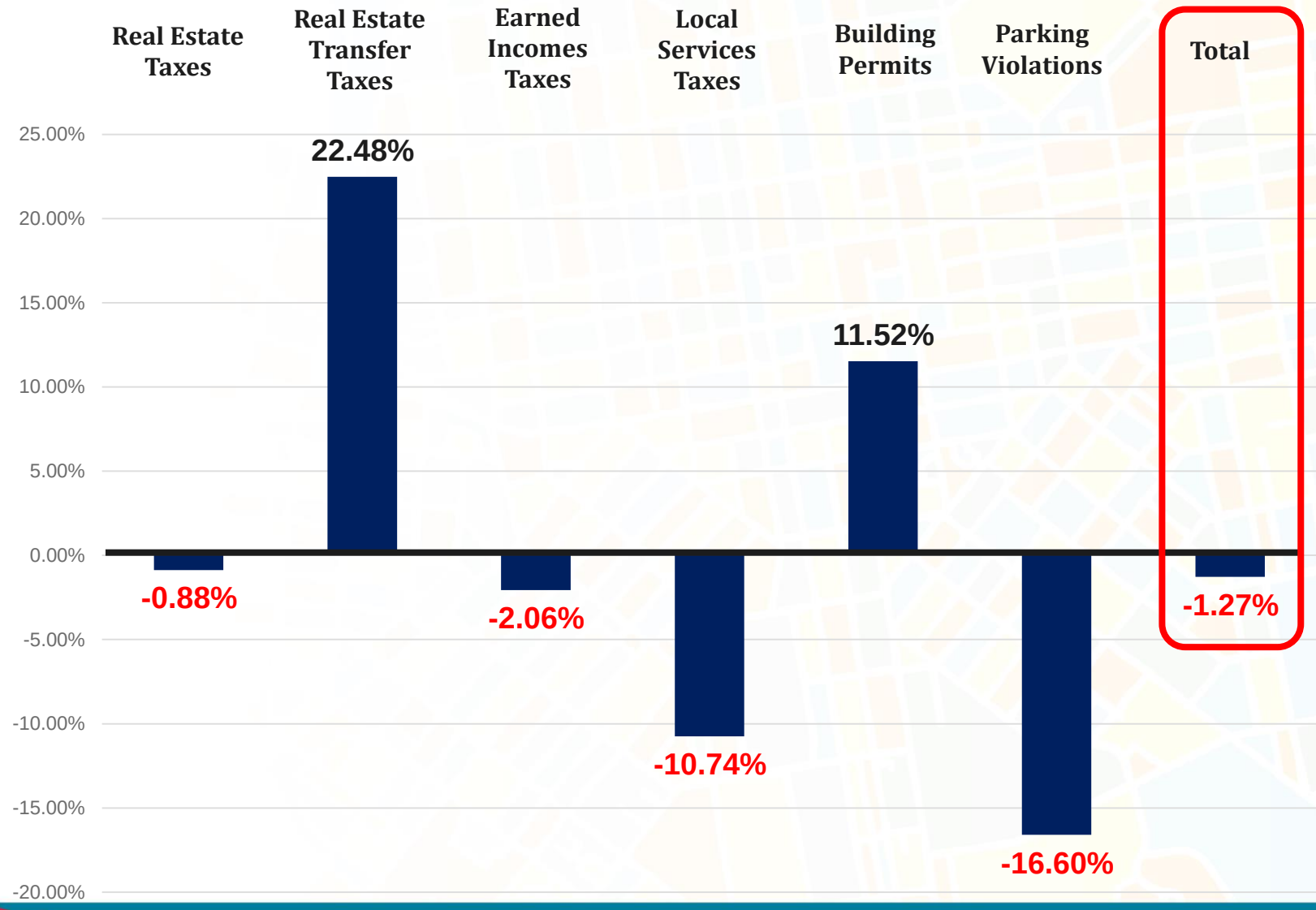
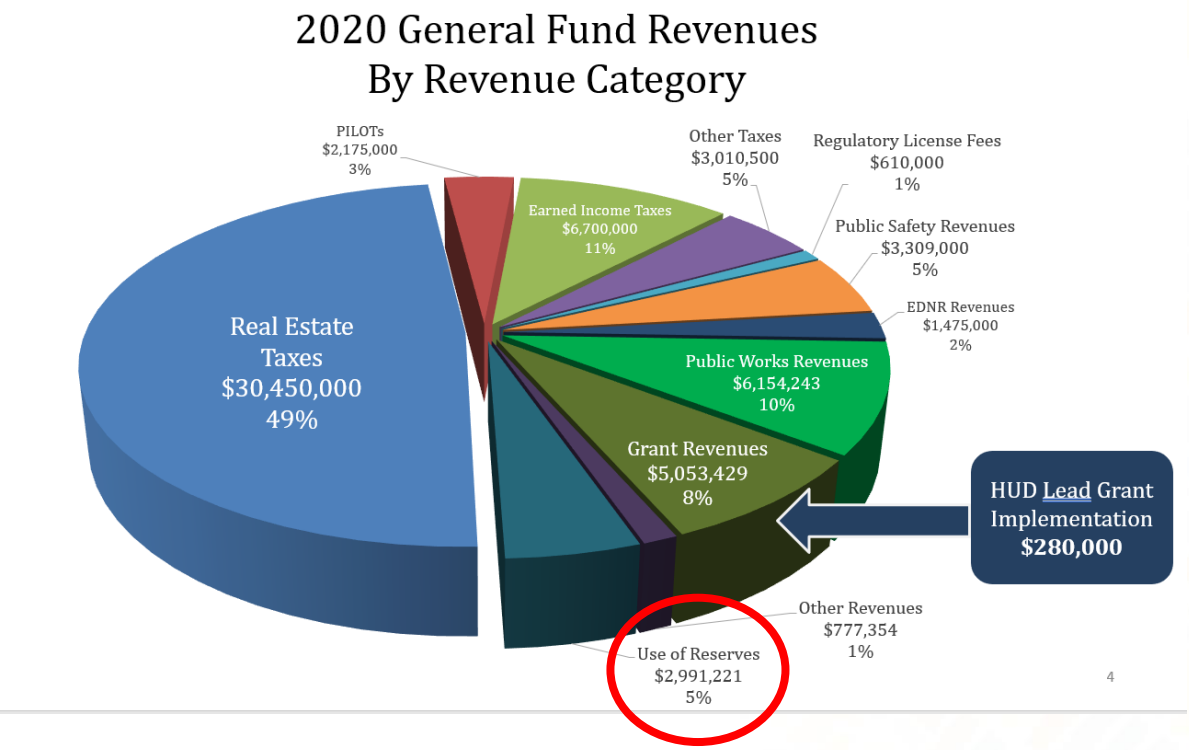
CITY OF LANCASTER

2020 Pandemic Impacted Revenues



2020 Budget vs. 2020 Audited Results



CITY OF LANCASTER, PENNSYLVANIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

YEAR ENDED DECEMBER 31, 2020

Net Change in Fund Balance	(393,169)
Fund Balance:	
Beginning of year	15,393,664
End of year	$ 15,000,495

2021 Trends

- Real Estate Tax payments back to normal
- Earned Income Tax revenues (thru Oct) up 2.46% vs. 2020
- Local Services Tax revenues still lagging
- Real Estate Transfer Tax highest ever thru November

- Sewer & Water – Significant account delinquencies linger
  - ERAP
  - Low-Income Household Water Assistance Program (LIHWAP)

2022 & beyond opportunities & challenges

- ARPA Revenue Replacement
  - Opportunity – The 4.1% ARPA revenue replacement escalator is well beyond City of Lancaster's typical revenue growth
  - Challenge – Avoiding a "fiscal cliff" when ARPA revenue replacement ends
- Labor shortages
  - Challenge – Filling professional and skilled labor positions is getting harder and we're paying more
- Increased costs for goods and services
  - Challenge – 2022 Budgets being built on shifting sands of higher gasoline, commodity & services costs

American Rescue Plan Act Funding Guiding Principles

Excerpts from an article published March 17th, 2021 by Mark Funkhouser, a municipal finance expert who has spent decades in government service. As the mayor of Kansas City during the Great Recession, Mark made the tough choices to put his city on the path to fiscal sustainability. That experience, his long tenure as an auditor and his most recent post as the publisher of Governing magazine have made him a trusted and credible advisor to government officials across the country.

HOW NOT TO SCREW UP YOUR GOVERNMENT'S STIMULUS WINDFALL

3 Liz Farmer, a municipal finance expert, wrote 'The 7 Deadly Sins of Public Finance' several years ago. At the top of the list is the commandment to **avoid using one-time funds to fix long-term problems.** Frankly, it's a good thing that governments are barred by the American Rescue Plan from using stimulus dollars to pay down pension debt. But there are other places where it may be tempting to plug gaps with stimulus dollars. If you use that money to paper over this year's structural problems, you'll have squandered your cash – and still be in a financial rut next year.

2

Another trap governments should **avoid is using the stimulus to build new assets or launch new programs that will saddle them with new, unfunded operating costs. If you create new long-term operating expenses, you may be in a worse position than if you hadn't spent the money at all.**

The $350 billion heading to state and local governments to backfill revenue deficits and stimulate additional public spending is an incredible opportunity for not only relief but for growth. Localities have wide latitude on their use the money, and the money coming their way is significant. Given this windfall, what should localities do?

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For many of us, it's been a while since we traveled by air. **But we all remember the instructions to "Secure your own mask first before assisting others." The same rule applies for local government. First, fix your own emergency before tackling anything else**. Replenishing depleted reserves would be responsible, for example, even if it wouldn't generate the same headlines as a groundbreaking for a new community center or light-rail line. Second, consider investing some of that money to reduce your operating costs. We all know deferred maintenance costs more the longer you put it off. Now is an opportunity to make those long-overdue investments in infrastructure.