2027 Proposed Budget

Supplemental Information

November 2, 2026

OVERVIEW

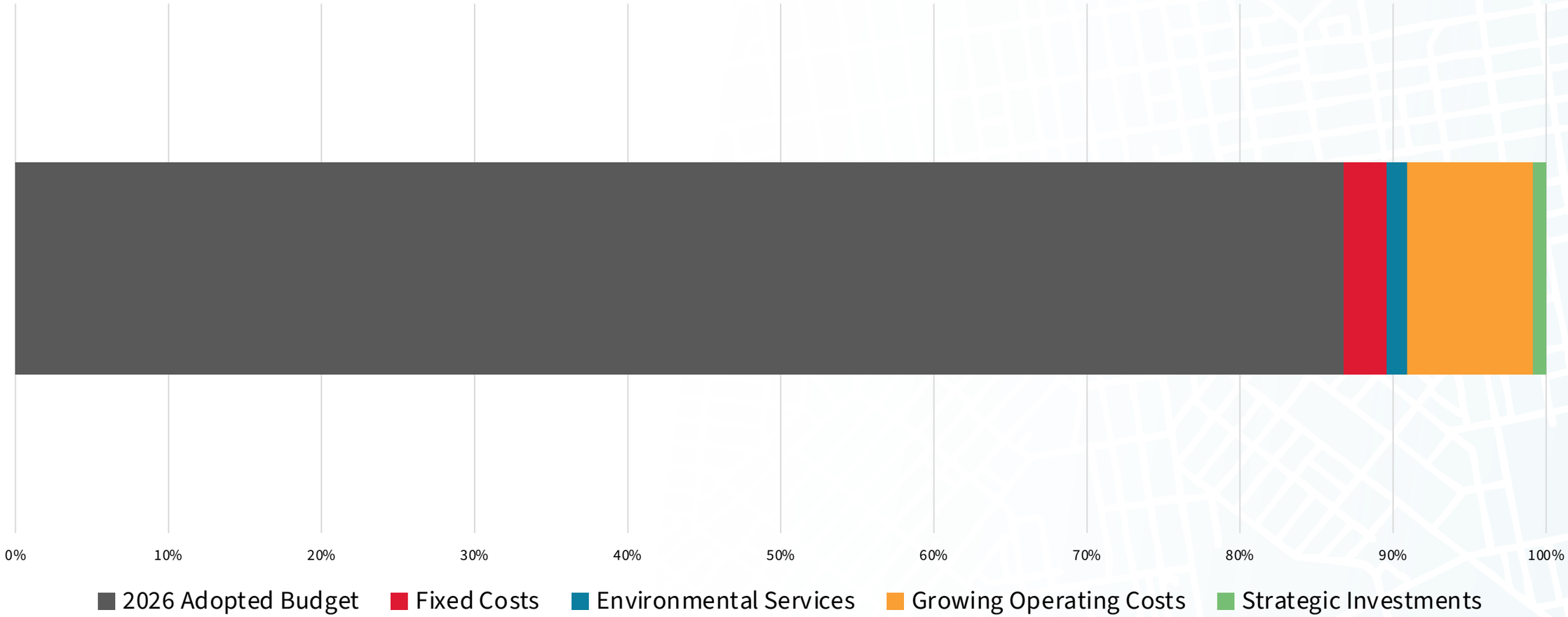
What has changed since the Home Rule Charter was adopted?

- Regulatory uncertainty at the State and Federal level
- Increased inflation, especially in already high-cost areas like energy
  - Gasoline +34.2% YOY[1]
  - Fuel Oil +74.2% YOY[1]
- Environmental Services moved to General Fund
  - *Borough of West Chester v. Pennsylvania State System of Higher Education*
- Growth in Fixed Costs
  - Pension Obligations
  - Healthcare

[1] Source: Trading Economics, https://tradingeconomics.com/united-states/inflation-cpi

2027 GENERAL FUND BUDGET

What is driving increased costs?



FIXED COSTS

Pension Obligations

	2025	2026	2027	YoY Change - $	YoY Change - %
Non-Uniform	$1,230,265	$1,327,834	$1,728,804	$400,970	30.2%
Fire	$1,449,850	$1,522,343	$1,930,959	$408,616	26.8%
Police	$5,231,019	$5,266,696	$5,479,515	$212,819	4.0%
Total	**$7,911,134**	**$8,116,873**	**$9,139,278**	**$1,022,405**	**12.6%**

Minimum Municipal Obligation (MMO): mandatory minimum amount a local government in Pennsylvania must contribute each year to fund its employee pension plans under Act 205

FIXED COSTS

Fringe Benefits *(excluding Pensions)*

	2025	2026	2027	YoY $	YoY %
Healthcare	$9,628,980	$9,982,718	$10,604,771	$622,053	6.2%
Dental & Vision	$315,914	$295,368	$326,119	$30,751	10.4%
Social Security	$1,279,458	$1,297,748	$1,350,777	$53,029	4.1%
Life Insurance	$81,235	$77,000	$77,950	$950	1.2%
Unemployment	$5,196	$60,000	$60,000	$0	0.0%
Workers Comp	$673,484	$559,716	$650,000	$90,284	16.1%
Parking	$89,029	$80,000	$97,998	$17,998	22.5%
Total	**$12,073,296**	**$12,352,550**	**$13,167,615**	**$815,065**	**6.6%**

FIXED COSTS

Debt Service

	2025	2026	2027	YoY $	YoY %
Fees	$1,623	$1,500	$2,247	$747	49.8%
Interest	$2,824,608	$2,444,998	$3,228,657	$783,659	32.1%
Principal	$3,807,000	$2,700,000	$2,820,000	$120,000	4.4%
Total	**$6,633,231**	**$5,146,498**	**$6,050,904**	**$904,406**	**17.6%**

FIXED COSTS

Overview of Fixed Costs

	2025	2026	2027	YoY $	YoY %
Pensions	$7,911,134	$8,116,873	$9,139,278	$1,022,405	12.6%
Fringe Benefits	$12,073,296	$12,352,550	$13,167,615	$815,065	6.6%
Debt Service	$6,633,231	$5,146,498	$6,050,904	$904,406	17.6%
Total	**$26,617,661**	**$25,615,921**	**$28,357,797**	**$2,741,876**	**10.7%**

OVERVIEW

What has the City already done to cut costs?

Examples of Cost Cutting Measures and Annual Savings

Change emergency/mass notification providers	$15,000
Change fiber internet provider	$34,000
Reduce legal advertising costs with new website	$60,000
Occupancy-based HVAC controls	$60,000
Energy savings from solar installation	$60,000
Move trash billing to monthly billing/merge with water bill	$65,000
Reduce bill credit from trash eBills	$8,500
Remove legacy fiber connection from Police to Ops Center	$19,200
Migrate 3 City facilities from Comcast to fiber connection	$18,900
Total	**$340,600**

2027 Proposed Budget

Submitted Questions

November 2, 2026

Data Transfer Errors

Question: There is a discrepancy in the General Fund Revenue totals between the budget overview presentation and the book. The presentation shows $88,546,599 and the book shows $89,021,598. Which is accurate?

Answer: **$89,021,598 is correct.**

Two items were updated late and did not flow through to the report properly: The data center revenue marked for Critical Repair ($300,000) and the Energy Efficiency Program ($175,000). Both of those items had been approved by council in 2026, but the funds won't be spent until 2027.

Reserve Balance

Question: There were two questions about the reserve balance projections between the 2026 budget and the 2027 proposed budget.

Answer 1: First and foremostly, the original 12/31/2025 unaudited fund balance was presented in error. The updated unaudited fund balance as of 12/31/2025 is **$25,578,958**.

This was due to data center permit fees originally not included in our 2025 projections. At the time of 2026 budget process, the accounting team was in discussions with our external auditors on the appropriateness of recognizing the revenues in the 2025.

Reserve Balance – Unaudited totals

Answer 2: In addition to the addition of the data center permit fees from one year to the next, comparing unaudited totals and projections from one year to the next, makes it difficult to compare one year to the next.

Our budget process starts well before our audits are complete.

Organic EIT Growth v Proposed EIT Increase

Question: What is the difference between the projected organic EIT growth from 2026 to 2027 versus the revenue generated by a .1% increase?

Answer: We project that the 0.1% EIT increase will be responsible for **$1,290,132.20** (49% of the total projected increase in EIT revenue) and the organic growth will be responsible for **$1,353,317.80** (51% of the total projected increase EIT revenue).

Reminder: *Fixed Costs are projected to increase by $2,741,876 in 2027.*

6% Growth Cap

- Real Estate Tax
- Earned Income Tax
- Local Service Tax
- Real Estate Transfer Tax

Total Assessed Valuation Received

November 2, 2026

(today)



FTE and Organizational Changes

Organizational Structure Updates

EXAMPLE

Human Resources moved under the Mayor's Office

Fund Reallocations

EXAMPLE

Environmental Services salaries move from Stormwater to Parks and Streets in the General Fund

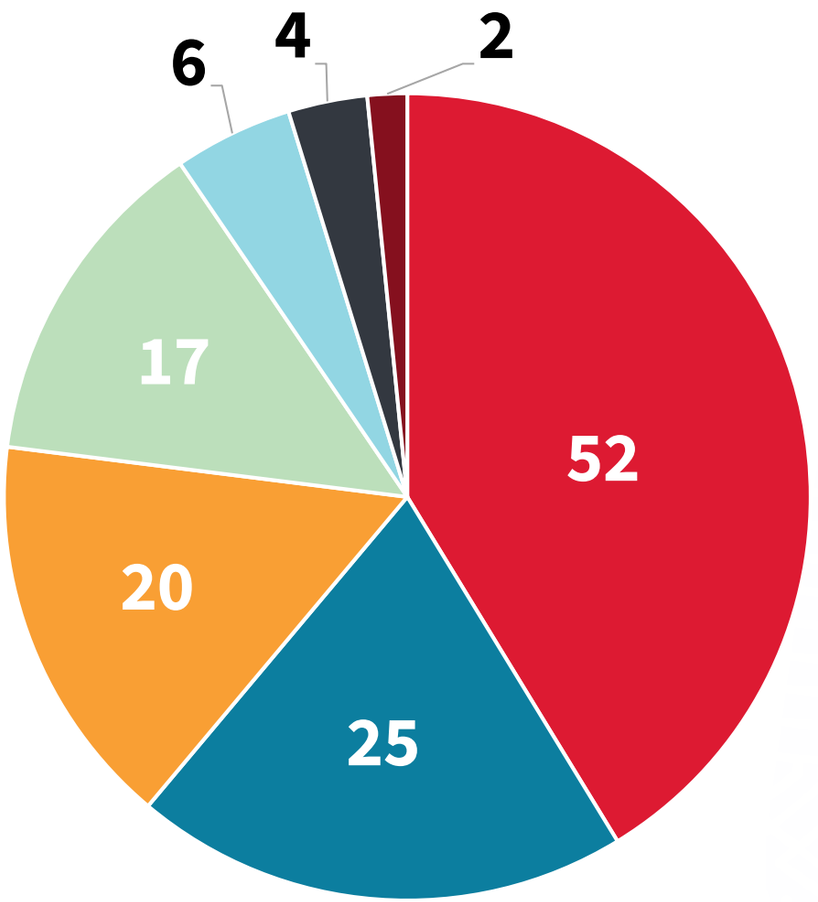
Allocation Corrections

EXAMPLES

Grounds maintenance positions moved out of the Water Fund

Permit Coordinator moved out of Admin Services

What do our grants support? — 126 Open Grants



- DPW
- Mayor's Office
- Neighborhood Engagement
- CPED
- Police
- Fire
- Admin

2027 Proposed Budget Timeline

November 17	Budget Hearing Number 2
November 20	Questions due on Engage Lancaster
November 20	Questions due from Council
November 30	Answers to questions posted to Engage Lancaster
December 8	Second Reading