

THE COUNTY OF YORK
2010 PRELIMINARY BUDGET PRESENTATION
November 25, 2009

The Good News Is.....

In a meeting of all elected officials and department heads in February 2009, the Board of Commissioners made it very clear that there would be no County real estate tax increase in 2010! The Board's mandate was driven by both the national and local economic conditions and the need to provide some relief to the upward trending cost of government services on County taxpayers. And I am pleased to announce that the County **WILL NOT** raise taxes in 2010!

The Economic Realities

These are truly difficult economic times for everyone... although the job market deterioration has slowed, nationwide we have lost over 7.2 million jobs in the last 21 months and unemployment has risen to over 9%. Economists tell us we have experienced the worst recession in decades, and most of us would not argue with that assessment.

Here in York County, our local economy continues to slough off jobs and we have just learned that one of our largest employers will be reducing its workforce by one half. These are difficult times and our Commissioners recognized clearly that our taxpayers could not continue to bear the burden of the rising costs of government. County government had to step up and make sacrifices now.

The People Who Made This Possible

Holding the line on taxes is not as simple as "just cutting spending across the board." The services we provide are comprehensive and are often mandated by the state with insufficient funding to cover direct and indirect costs associated with those services. But with the cooperation of County elected officials and department heads, we were able to achieve a combination of new revenue generation and cost reductions that balanced our 2010 budget without the need to increase real estate taxes.

This process did not just begin in August of this year as has been our past practice. The foundation for our 2010 budget was laid back in February and has been a continual process throughout the year. The hard decisions that had to be made for 2010 have been in process a long time and included early-on discussions with union officials to explore ways we could work together to ease the burden on County taxpayers.

A number of individuals who worked tirelessly throughout this process need to be recognized:

The Budget Team:

- Treasurer Barbara Bair
- Controller Robb Green; and
- Deputy Controller Deb Myers

Also, the Commissioners' Executive \ Management Team:

- Court Administrator Bob Chuk
- Solicitor Mike Flannelly
- Exec. Dir. – Human Services Bev Mackereth
- Exec. Dir. – Human Resources Bob Nace; and
- Exec. Dir. – I.T. Al Raniero

And finally, on behalf of the Commissioners, all of our elected officials and department heads who have worked with us to reduce costs, develop new revenue streams and implement new procedures and processes to make County government more efficient and productive.

We could not have been successful without the cooperation and willingness of everyone to make sacrifices in manpower and resources. We have asked a lot of our elected officials and department heads in this time of crisis, and almost to person, they have responded professionally and appropriately to the challenge we laid before them.

The Bottom Line

The total Preliminary County Budget for 2010 is \$361.7 million. This spending plan represents a decrease of \$43.1 million from the 2009 budget.

The \$361.7 million budget includes the General Fund plus all Enterprise and Human Service Categorical budgets which are funded primarily through state and federal dollars. The decrease in the total budget is due primarily to a statewide change in processing provider payments within the MH/MR system. Approximately \$41.9 million of York/Adams MH/MR program dollars are now “direct payments” from the state to local providers. Previously, these payments flowed from the state to the County and ultimately to the local providers. That payment process has been converted across the Commonwealth and processing of payments is now consolidated at the state level.

The Preliminary General Fund Budget for 2010 is \$166,895,521, and adjusted for an internal change in how we account for juvenile placements, represents a \$500,000 increase in spending from the 2009 budget, or .2%. The millage rate for York County will remain at 4.15 mills.

Taxpayers with a home assessed at \$100,000 will see a tax bill of \$415, representing no change from one year ago.

Inside the Numbers - Details of the 2010 Preliminary Budget

Revenue Sources

The continued sluggishness in the housing market and new home construction in York County is evident by the lack of growth in the County's 2010 taxable assessed property value.

Total taxable assessed value in 2009 was \$26.1 billion, and our 2010 projection reflects a minimal 1.3% increase. As a result, this budget reflects no increase in real estate tax revenues. Unfortunately, we expect this slow growth trend to continue for at least another year. Other complicating factors are the growing number of commercial and industrial real estate appeals and the increased rate of delinquent tax payments.

The 2010 budget assumes an increase in Prison revenue from one year ago of \$340,000. Total Prison revenue in 2010 will exceed \$20 million. On a daily basis, we plan to house 745 BICE inmates and 100 state inmates to maximize our revenue potential and help offset Prison operating costs.

Personnel Costs

The County currently employs 2,653 men and women in jobs ranging from custodial services to department executive directors. Overall, personnel costs comprise approximately 45% of the County's total General Fund budget. Obviously, in order to reduce costs, we had to take steps to reduce the workforce in 2010. This budget, therefore, includes the elimination of over 44 positions through a combination of layoffs and the elimination of vacant positions.

We have asked our elected officials and department heads to reduce their departmental operating costs by 5% in 2010. The bottom line is, many departments could only achieve that goal through workforce reductions.

Of the 44 positions identified to-date for elimination, 32 are currently vacant; 11 employees will be furloughed; and one position is a transfer to another internal department.

All the positions to be furloughed are located at the County's Youth Development Center, where plans are underway to decertify 12 of the 24 Juvenile Detention beds. Falling demand for detention beds is the sole cause for the planned reduction in capacity. Over the past several years, alternative sentencing programs and other intervention methods have significantly reduced the number of juveniles held in detention at the facility. It is important to note that this action to reduce the capacity of our Detention facility is independent of our workforce reduction

plan. We would have taken this action regardless of the economic situation.

Our Human Resources department will be working with affected employees to help them to locate other positions within the County or assist them in outplacement services.

Overall, the total 2010 General Fund Payroll is projected to be \$52.6 million. Elimination of the 44 positions identified to date plus anticipated additional workforce reductions in the Sheriff's office, the D.A.'s office and Juvenile and Adult Probation, will ultimately result in a net reduction in the County's total payroll for 2010 of approximately \$2.1 million.

Most non-bargaining unit employees will receive a 2.0% general wage increase for 2010. However, Directors, senior level Deputies and other highly compensated employees will receive no pay rate increase for 2010. Elected Officials will receive a 3% increase as provided for by County ordinance.

Unfortunately, the Board of Commissioners' attempt to implement a County-wide moratorium on wage increases across the board was unsuccessful. The County's 5 unions and 14 bargaining units refused to partner with the Commissioners to hold the line on increasing wages in 2010. Subsequently, all bargaining unit employees will receive their contracted increase, with the average increase ranging from 3.3% to 4.0%.

Retirement Benefits

As part of the effort to minimize the 2009 tax increase last year, the County did not make a full Annual Required Contribution (or ARC payment) to the County Retirement Plan. Last year the contribution was "paid short" approximately \$1.3 million.

Unfortunately, we will need to "pay short" the contribution once again in 2010. The shortfall in 2010 will be \$2 million. While we understand continued deferment of these payments could have an adverse effect on future ARC payments, it is hoped that improved investment returns will offset the cumulative impact of lower ARC payments to the plan. Year to date, the plan has yielded a cumulative return of 24%, up significantly from one year ago.

Pleasant Acres Nursing & Rehabilitation Center

The County's 2010 subsidy for the Pleasant Acres Nursing & Rehabilitation Center will be \$2.6 million, an increase of \$1.4 million from the 2009 budget.

While this represents a 100% increase in the County subsidy to operate the facility, it is important to note that the 2009 actual subsidy is anticipated to be \$5.0 million. The 2009 actual results were negatively impacted by two primary factors:

- A higher than anticipated loss of Medicare revenue due to the ongoing \$7 million capital project to improve infrastructure at the facility. More beds were vacated than planned due to unanticipated construction interruption; and
- A year-long delay in implementing an in-house Therapy Department which adversely affected revenue generation in 2009.

In order to reduce the County subsidy and improve the performance of the Nursing Home in 2010, The County has taken the following proactive measures:

- We are outsourcing housekeeping and laundry operations to Sodexo Operations, LLC to improve efficiency and lower costs. This action has already been implemented;
- We have commissioned a review of staffing, scheduling, agency utilization and admission procedures by Premier Healthcare Resources with the intent to identify strategies to increase revenue and reduce costs ; and
- We are ramping up the development of our in-house Therapy capability in order to generate additional revenue.

We believe these steps will enable the Nursing Home to move rapidly toward a break-even performance over the next several years.

Dept. Of Justice Settlement Payment

The County will also make its last payment to the federal government in October of 2010 related to the daily rate dispute with the Dept. of Justice. A planned payment of \$2.0 million is scheduled for 2010 and will complete the \$18 million settlement agreement.

Special Allocations

Funding to support a variety of non-profit entities is included in the 2010 Preliminary Budget, totaling \$6.6 million. These allocations include the York County Planning Commission, York County Economic Development Corporation, York County Fire School, the

Father's Workshop, Rabbittransit, SPCA, and other community organizations.

All organizations funded by the Board of Commissioners have been asked to take a 5% reduction in their annual allocation consistent with our internal departmental mandate.

For 2010, the County will be making a \$350,000 allocation to the Farm & Natural Lands Trust, to provide for the preservation of open space in York County. This program, in collaboration with the County's Ag Preservation program, provides a comprehensive plan for preserving the county's natural resources. The \$350,000, combined with a funding commitment of \$90,000 in 2008 and \$377,000 in 2009, represents the Commissioners commitment to provide \$1 million in funding for the F&NLT preservation program.

The York County Library System has again agreed to make a \$100,000 allocation to the County from its dedicated Library Tax. The County is grateful for the Library's cooperation and willingness to make this commitment to the taxpayers of York County.

Vector Control Programs

There is good news in battle to control the Gypsy Moth problem in York County. No allocation for Gypsy Moth spraying will be necessary in 2010 due to the decline in the proliferation of this woodland pest. Our Penn State Extension Service will continue to monitor the Gypsy Moth populations and ensure that we are alerted to any new outbreak should it occur.

Capital Equipment

Due to the serious cutbacks required in the 2010 Preliminary Budget, General Fund Capital equipment purchases have been essentially eliminated. The only capital purchase in the 2010 General Fund is a \$90,000 upgrade to our financial software to ensure ongoing technical support by the software vendor.

2010 Preliminary Budget Summary

As indicated earlier, this budget represents the culmination of many hours of program examination and expense review deliberation by the Budget Team, elected officials, department heads and the Board of Commissioners. At a minimum, it includes the elimination of 44 positions including eleven furloughs. Final workforce reduction figures, however, will not be known until the Sheriff's Office, the D.A.'s office, and Probation plans are finalized.

All elected officials and department heads contributed to this effort and although we initially strove to achieve a 5% reduction in operating and salary and wage

expenses, we were able to reduce our budgets by over \$2.1 million from one year ago. That represents an aggregate, net 2% reduction overall, and takes into consideration the many fixed expenses, such as utilities, contracted services, etc.

Again, the good news is... there will be no County tax increase for 2010!

The Next Step

This budget will be available for public inspection for 20 days. It can be viewed at the Commissioner's office front counter, Monday through Friday, from 8:30 am to 4:30 pm.