



The County of Lackawanna's 2012 Revised Budget Message

Summary of County Debt Position

In January 2008, the anticipated debt service for 2009 was estimated at \$18.8 million. As part of the Administration's debt reduction efforts, a debt-restructuring plan was implemented reducing the 2009 debt service to \$15.6 million, a reduction of more than \$2 million.

Through further debt restructuring in 2009 through 2011, Lackawanna County (the "County") was effectively able to limit its variable rate exposure. In spite of the County's best efforts to manage its debt portfolio, the County's annual debt service will increase to \$19.5 million in 2012 because of the need to fund unfunded debt.

Financial Policies of Lackawanna County for 2012

In 2012, the Administration will continue to follow its primary financial policy articulated in 2008, which is demonstrating fiscal responsibility, restraint and management when facing the County's financial challenges. The County will continue to find ways to increase fees where possible and reduce both non-personnel and personnel-related expenses.

The Administration will continue to follow a financial policy focused on streamlining County government by reducing non-personnel related expenses and reducing the size of the County workforce to the extent such reductions are prudent. Since 2008, the Administration has reduced County expenditures by more than \$20 million and reduced the size of the workforce by 32%. Personnel-related expenses (salaries, wages and health care) comprise 60.8 percent of the County's general fund budget. The Administration will continue to hold the line on expenses and enforce a non-essential, employee hiring freeze to limit the expansion of County government.

The Administration will focus on overcoming the constant challenge facing County government, which is doing more with less.

Important Features of the Budget

The 2012 general fund budget includes a 15 mil tax increase. For a County taxpayer whose property is assessed at \$7,000, the increase will amount to \$105.01 annually or \$8.75 a month.

Factors that impacted the 2012 budget included lose of \$32.5 million in revenue from the 2006 and 2007 County property tax cuts, debt service payments associated with a more than doubling of the County's debt between 2004-2007 totaling \$118 million, a significant reduction

of federal and state funds, increasing employee health care costs, mandatory contractual wage increases and the state of the global economy. The important features of the 2012 budget include: (1) funding debt reduction; (2) funding transportation, technology and physical plant infrastructure improvements; (3) funding unfunded actuarial liabilities of the County pension fund; and (4) increasing funds for the Lackawanna County Library System.

Reasons for Major Financial Policy, Expenditure & Revenue Changes from 2011 Budget

As indicated above, the Administration will continue to follow its primary financial policy articulated in 2008, which is demonstrating fiscal responsibility, restraint and management when facing the County's financial challenges. Due to unforeseen cutbacks in federal and state funding, the exhaustion of one-time revenue sources that were used in prior years, and increased debt service pressure as a result of policies from prior administrations, the County's 2012 budget will exceed the 2008 budget, the first time the budget has surpassed 2008 expenditure levels.

The human services area will continue to be a hallmark of the services offered by the County government. In addition to human services, emergency response, the court system and other vital functions performed by the County government will comprise the majority of the County's 2012 expenditures.

Budget Overviews

The 2012 general fund budget totals \$91,542,597. The 2012 capital budget totals \$7,955,146, which includes \$1,250,000 in infrastructure improvement funds to be transferred from the general fund. The 2012 special purpose funds budget totals \$46,543,213.

This Revised Budget Message is respectfully submitted this 15th day of November 2011 pursuant to Section 1.12-1203 of the Lackawanna County Home Rule Charter

Corey D. O'Brien, Chairman
Board of Commissioners

Michael J. Washo, Vice Chairman
Board of Commissioners