



The County of Lackawanna's 2014 Budget Message

Financial Policies of Lackawanna County in 2014

In 2014, the Lackawanna County Administration will continue to follow a conservative fiscal policy, which includes demonstrating fiscal responsibility, restraint, and management when facing the County's financial challenges.

This Administration will continue its focus on streamlining County government by investigating avenues to increase fees where possible, and reducing non-personnel related expenses, and reducing personnel-related expenses to whatever extent possible without impairing County services.

Personnel-related expenses (i.e. wages and healthcare) comprise 59.5 percent of the County's general fund budget. The Administration has been pursuing the implementation of a comprehensive health insurance benefit plan that could realize an increased efficiency in management-related expenses.

Important Features of the Budget

- The 2014 General Fund Budget includes no tax increase.
- Factors that impacted the 2014 Budget included additional Federal and State staffing mandates at the County prison, and the continuing challenge of escalating personnel-related expenses.
- The County is renewing its commitment to Economic Development in the 2014 Budget. Beginning in 2013, the County introduced programs such as the SBA Loan Fee Waiver Program, the Community Reinvestment Program, the Bioscience Initiative, and the Permit Fee Waiver Program – all of which were intended to encourage the creation of private-sector, family-sustaining jobs while stimulating economic growth in Lackawanna County. The 2014 Budget renews funding for these programs.
- The 2014 Budget provides resources for a potential annual surveillance fee imposed by a bond insurer. In 2005 as a condition of past borrowings a surveillance fee was implemented by a bond insurance company in the event of a lapse in the county's Investment Grade Rating. Due to the sins of past practices by the Cordaro-Munchak administration, this fee will be assessed until we are able to restore our investment grade rating.
- By completing its 2011 and 2012 financial audits in a timely fashion under the terms of its bond indentures, the County has generated a modest operating surplus during 2012 and an accumulated fund balance at December 31, 2012. The County anticipates another moderate surplus during 2013 and an accumulated fund balance at Dec. 31, 2013 and Dec. 31, 2014. The accumulated fund balance will amount to an estimated 2.5 percent of the County's annual Budget. That is viewed positively in the eyes of the rating agencies. However, the estimate for 2014 is not guaranteed because of unexpected expenses that may arise at any time.

Summary of County Debt Position

- Through a concerted effort of restructuring debt, beginning in 2008 and continuing through 2013, the County has managed to convert a risk-laden debt portfolio in the beginning of 2008 into a more conservative portfolio by the end of 2013. The County has eliminated four of five SWAPS that were part of the Debt Portfolio in the beginning of 2008 and converted all but approximately \$45 million of County debt into a fixed-rate mode.
- The County's annual debt service for 2014 will be the same as 2013, \$20.4 million.

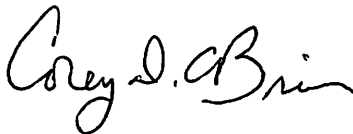
Reasons for Major Financial Policy, Expenditure & Revenue Changes from the 2013 Budget

- The Human Services area continues to be a hallmark of the services offered by County government. In addition to the Human Services programs, emergency response, the Court system, Corrections, and other vital functions performed by the County government will comprise the majority of the County's 2014 expenditures.

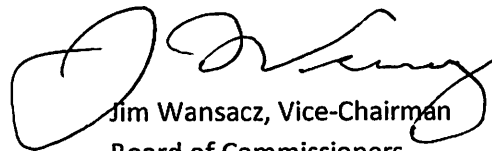
Budget Overviews

- The 2014 General Fund Budget totals \$96,225,152. The 2014 Capital Budget totals \$8,231,237, which includes \$1,250,000 in infrastructure improvement funds to be transferred from the general fund. The 2013 Debt Service Fund totals \$20,442,221, and the 2014 Special Purpose Funds Budget totals \$46,185,933.

This Budget Message is respectfully submitted this 15th day of October 2013 pursuant to Section 1.12-1203 of the Lackawanna County Home Rule Charter.



Corey D. O'Brien, Chairman
Board of Commissioners



Jim Wansacz, Vice-Chairman
Board of Commissioners