



The County of Lackawanna's 2016 Budget Message

Financial Policies of Lackawanna County in 2016

In 2016, 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.

Important Features of the Budget

- The 2016 General Fund Budget includes no tax increase.
- Personnel-related expenses (i.e. wages and healthcare) comprise 60 percent of the County's general fund expense.
- Factors that impacted the 2016 Budget include Federal and State staffing mandates at the County Prison and escalating personnel-related expenses associated with the Affordable Care Act and the Family Medical Leave Act.
- The County is renewing its commitment to Economic Development in the 2016 Budget. Beginning in 2013, the County introduced programs such as the nationally recognized SBA Loan Fee Waiver Program, the Community Reinvestment Program, 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 2016 Budget renews funding for these programs.
- The 2016 Budget provides resources for an 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. This fee will be assessed until we are able to restore our investment grade rating. Eliminating the surveillance fee continues to be one of this Administration's top priorities. We are currently engaging rating agencies with the hope of restoring our investment grade rating, and if successful, we will eliminate the annual surveillance fee.
- By completing its fourth consecutive financial audit in a timely fashion under the terms of its bond indentures, the County generated a modest operating surplus during 2012, and significant surpluses in 2013 and 2014, which resulted in an accumulated fund balance totaling, \$11.1 million as of December 31, 2014. The County anticipates another moderate surplus during 2015, with a projected fund balance of \$11,211,295 as of December 31, 2015, despite being hit with unbudgeted expenses in 2015. In 2016, the County is projecting a lower fund balance. The expected accumulated fund balance at December 31, 2016 will amount to an estimated 9.5 percent of the County's annual Budget. That is viewed positively in the eyes of the rating agencies. However, the estimate for 2016 is not guaranteed because of unexpected expenses that may arise at any time.
- As another indicator of financial stability, the County's pension fund was funded at more than 80% as of the most recent valuation date.

Summary of County Debt Position

- Through a concerted effort of restructuring debt, beginning in 2008 and continuing through 2015, the County has managed to convert a risk-laden debt portfolio into a more conservative portfolio by the end of 2015. 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 2016 will be \$19.3 million, without any significant increase in debt since 2007.
- The County will continue to follow its policy of refinancing debt whenever possible at lower interest rates to produce savings to the County without extending the term of the debt.

Reasons for Major Financial Policy, Expenditure & Revenue Changes from the 2015 Budget

- Human Services continue to be a hallmark of the services offered by County government. During 2014, the County was selected by the state to participate in a pilot Human Services Block Grant Program, which has enabled the County to direct Human Services funding to the most effective programs, enhancing the services provided. In spite of the state's budget crisis, the County has continued to provide a high-level of Human Service Programs at no additional cost to the taxpayers. 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 2016 expenditures. The Courts and Corrections alone comprise approximately 40 percent of the County's total anticipated 2016 expenditures.
- Other high-impacting factors to the budget include the cost of Law Enforcement, independent arbitrator awards, and unforeseeable expenses.

Budget Overviews

- The 2016 General Fund Budget totals \$110,263,499, which includes a Fund Balance of \$11,211,295. The 2016 Capital Budget totals \$4,202,826, which includes \$1,250,000 in infrastructure improvement funds to be transferred from the general fund. The 2016 Debt Service Fund totals \$19,318,714, and the 2016 Special Purpose Funds Budget totals \$46,950,801. The total of all County funds' budgets is \$180,735,840.

This Budget Message is respectfully submitted this 15th day of October 2015 pursuant to Section 1.12-1203 of the Lackawanna County Home Rule Charter.


Jim Wansacz, Chairman Patrick M. O'Malley Edward G. Staback
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