

2005 TENTATIVE BUDGET

Today we present to the citizens of Lackawanna County our 2005 Tentative Budget. Lackawanna County continues to face enormous financial challenges. As of this presentation, there is a cash shortfall of \$16 million. We will hold a series of public meetings throughout the County to receive input before the final adoption of the 2005 budget. We believe that with your help, we can balance the huge deficit created by the previous administration. We invite the public to comment regarding this very important process.

We have promised prudent fiscal action and a change from past spending habits. We are in the process of delivering on that pledge. For the first time, Lackawanna County will undertake a multi-year budgeting process. This will aid in our effort to track spending growth and allow us to build a base for a fiscally sound future.

THE YEAR

For 2004, we were faced with over \$14.4 million in unpaid bills, including a \$7 million Tax Anticipation Note payment. In addition, we were left with an unfunded pension liability of over \$4 million. Further, the County's failure to obtain a credit rating and their refusal to undertake audits for 2002 and 2003 thwarted our efforts to refinance the County's debt. These problems and an inability to obtain a bond or credit rating cost

taxpayers more than \$3.7 million in fiscal 2004. Finally, an unaddressed structural deficit of as much as \$10 million annually has been foisted upon the taxpayers.

We have paid most of the outstanding bills and will deal with both this albatross and the structural deficit by obtaining a \$20 million unfunded debt loan. The principal on this loan will be paid down with future revenues and the proceeds of asset sales. The problems we confront were not created in a day, so our plan to pay down this old debt will be executed over the 10 year life of the loan. Eliminating the spiraling structural deficit we inherited will be accomplished over the course of this fall's budget process.

Lackawanna County's assets include roads, bridges, raw real estate, buildings and other properties which were never evaluated to determine if they were needed, how much they cost, or whether the space or type of facility was appropriate to the task. Indeed, no one had even identified or catalogued these properties so that these determinations could be made. Many of our bridges were outmoded or closed due to neglect. Merli- Sarnoski Park was closed indefinitely on the day we were inaugurated. We have now identified, valued and listed each County asset and are planning sales of nonessential properties according to a four-prong test which must be met before a sale takes place. Does the County realize operating savings in future years? Is the facility or property non-essential? Can we obtain a market price or fair value for the taxpayers in such a transaction? And finally, will a sale interrupt the delivery of services to our citizens?

We have undergone a comprehensive study and valuation of County roads and bridges and initiated an aggressive program of investments, upgrades and repairs. With

the coordinated efforts of our Departments of Parks and Roads and Bridges we reopened Merli-Sarnoski in the early months of our administration.

Incredibly, Lackawanna County's \$100 million plus operation was being run without the benefit of modern technology or accurate accounting systems which would allow taxpayers to know where their government and finances stood. A mom and pop cash accounting system allowed significant problems to be hidden and prevented us from fully addressing the County's financial woes earlier.

We are investing in new software, converting to a modified accrual system, updating and reorganizing our record-keeping and bill-paying systems and integrating the operations of our Departments of Purchasing and Revenue & Finance with the offices of the Treasurer and Controller. This effort will prevent future administrations from hiding the facts from the public and will allow us to make better decisions as we work our way out of the current morass.

We took dramatic steps to help fix a prison that was in utter chaos when we took office. We hired a new warden and provided him with a broad mandate including his own team of assistants along with other necessary administrators. With their help, we have instituted the first ever objective qualifications test for hiring which, despite some fits and starts, is proceeding apace. Reform and professionalism come at a price however and we will be forced to pay for these steps.

In an effort to develop the same program for Lackawanna County government, we are instituting a five year schedule to create a cabinet level salary of \$60,000 per year. This effort is critical to retain and attract top level talent to direct the huge business that is Lackawanna County.

LONG TERM NEEDS

Despite our fiscal straightjacket we must and in fact are committed to take on problems which were long ignored. We could not fathom a future where these essential duties continue to be overlooked.

As January of 2004 dawned, Lackawanna County was still using an antiquated voting system developed by a company no longer in business with voting machines purchased in the 1920's. In the face of repeated calls for change and proof that these ancient machines might be failing, investment in this most obvious component of our democracy was ignored.

From the start, we focused on this effort naming a Director of Voter Education. In concert with our newly created grant-writing department, the Office of Strategic Planning and Special Projects, Lackawanna County obtained a \$2.2 million grant from the State to upgrade our voting technology. We are also requesting funds to finish the process as we reduce polling places and bring voting here into the modern era.

One of the basic functions of County Government is to provide a full and accurate assessment of properties under its supervision. Lackawanna County's last reassessment was commenced in 1965 and completed in 1971. Despite repeated Motions and efforts in the last four years, Lackawanna County failed to undertake this most basic and critical task. This refusal helped rank our County as one of the worst for tax fairness in the entire State of Pennsylvania. We have committed to, passed legislation and are seeking funding for a complete reassessment of Lackawanna County's ninety thousand

plus parcels of land. We must do this regardless of the political consequences so County, municipal and school district leaders can meet their growing needs and so the taxpayer can know that everyone is paying their fair share. Finally, investors will know that Lackawanna County is part of the 21st century and a good place to develop and innovate.

Our Assessor's office, under new leadership, has placed over \$50 million of property on the tax rolls in 2004. This will benefit all Lackawanna County taxpayers.

As we took the majority, we found the Lackawanna County Courthouse to be a crumbling shell of its former self. The failure to make prudent and necessary capital investments made it not only an embarrassment but virtually unusable and expensive to maintain. In addition, the County Administration Building and other facilities which housed critical agencies were falling apart or mismatched with the services they were required to provide.

Lackawanna County is undertaking an historic reconstruction program on Courthouse Square to bring that building back to its former glory, increase its utility and security as well as consolidating all court-related and social services according to a long range master plan developed early in our Administration. State and federal funds will greatly assist this effort with the help of Senator Robert Mellow and our state and federal delegations.

Over the years a costly and inefficient structure of government developed where political fiefdoms disguised as independent authorities were quietly costing taxpayers millions. These bodies were unanswerable to the public, were poor stewards of taxpayer's funds and did not work together (with each other or the county government) to pool resources or save money. The Stadium Authority alone, in defiance of the public

good, cost Lackawanna County over \$6 million since 1996, including a \$1.6 million bond payment this past August. The Solid Waste Authority, operators of the Lackawanna County Recycling Center, lost over \$600,000 in 2003 partly because the previous administration refused to do business with anyone deemed to be “on the outs” politically. Montage continued to bleed red ink in the 2003-2004 season.

To address these issues, we have created the position of Director of Business Operations whose efforts will focus on reducing these losses, making prudent investments and integrating operations at the various business units. We have created a Council on Sports and Recreation to advise, oversee and help create synergies at the Stadium, the County Parks, the Amphitheater and Montage. At the Recycling Center, we have reduced administrative costs, opened up to new markets and buyers and will consolidate operations with the Lackawanna River Basin Sewer Authority, the Agriculture Preservation Board and the Soil Conservation District under the auspices of the Council on Environmental Preservation and Quality. The Visitor’s Bureau, Heritage Valley, Model Mine and Trolley Museum will work together as the Council on Historic Preservation and Attractions. Much more is being done to reduce losses at our five retail stores with our Director of Business Operations and Director of Retail Operations at the helm allowing for joint purchasing and sharing of personnel and software. Finally, our Council on Marketing, a leading-edge concept, has placed five of our top advertising agencies in charge of all marketing and promotion for these businesses and the County as a whole. We believe their combined talents will also provide the impetus for a Lackawanna County image campaign which will tell the region about the great attractions and opportunities available here.

As we approached 2004, the County's educational mission was at risk. Our library system absorbed state budget cuts which required layoffs and service reductions. These were not addressed even as the community's needs grew. Our Cultural Center and the Everhart Museum were struggling and starved for funds. In this budget, we are providing a restoration of funding to our award-winning library system and a renewed commitment to the education and literacy of our people, through a nominal (.4 mil) increase in our library tax. We are also endeavoring to foster culture, education and the arts by creating a Council on Education and Culture consisting of members of the Library, Everhart and Cultural Center boards. Earlier this year, we also created the Council on the Arts to provide assistance and patronage to our growing and ever more important arts community. But these efforts require funding. To this end, we are instituting a small (1 mil) fee, whose spending will be dedicated to the survival and growth of our cultural, educational and artistic institutions and communities.

OTHER PRIORITIES

After September 11, 2001, security became a priority in major metropolitan areas across this country. Smaller communities such as ours, failed to step up their efforts in this regard. Our administration believes that we need to be prepared. To this end we have brought in renowned experts to review security measures at County facilities and to help develop plans for our County's institutions, municipalities and private businesses. This coordinated, ground-breaking effort will show the wider world we are serious about protecting investment and jobs in Lackawanna County.

Our commitment to environmental issues in Lackawanna County will be paramount in 2005. By continuing to invest the Landfill Trust Fund we can insure that it

will be there for future generations. Millions of this fund were spent in the past, ignoring the people and the towns which were forced to endure the existence of these facilities. If the money is ever spent, it will be devoted to capital improvement projects which benefit those communities. We are continuing and reinvigorating the \$30 million Watershed 2000 Project with an eye toward cleaning the entire Lackawanna River Basin. The County's recently adopted Green Space Plan provides us with a blueprint for a greener future. Our newly created Council on Environmental Preservation and Quality will direct both of these projects.

The Munchak/Cordaro administration starts its first budget year with a \$16 million hole. We must balance our budget by law. The journey to the completion of this task will be arduous as we confront choices and make decisions which were inexplicably dodged. We will now follow a direct but difficult path to financial recovery, doing what we must to make Lackawanna County strong and healthy once again.