



# **County of Lehigh 2015 Budget Veto**

**October 27, 2014**

## **Budgeting Glossary**

- **Budget Deficit/Surplus**

The difference in the Operating Fund between revenue and spending

- **Structural Budget Deficit**

Budget deficit that is not simply due to one-year influences

- **Balanced Budget**

Budget where revenue and spending are brought into balance by applying funds from one or more non-operating funds, as allowed and if necessary

**Note:** The County is required to have a balanced budget.

## **Administration's Proposed "Miracle" 2015 Budget**

Tax Dollar Revenue	\$105,513,582
Tax Dollar Spending	\$111,005,599
Deficit	<b>\$5,492,017</b>

## **Impact of Commissioner Amendments on Deficit**

<b>Amendment</b>	<b>Value</b>	<b>Impact on 2015 Deficit</b>	<b>Impact on Structural Deficit</b>
Ag Conservation Easements	\$250,000	(\$250,000)	No
Green Future Fund Balance	\$1,149,014	No	No
Cedarbrook Funding	\$740,000	No	No
Eliminate 2015 Longevity Pay	\$148,807	(\$148,807)	No
Jail Food Cost Reduction	\$81,300	(\$81,300)	(\$81,300)
Judicial Records Microfilming	\$150,000	(\$150,000)	No
Add Line for Priority Based ...	\$1	+\$1	No
Millage Rate Reduction	\$1,250,000	+\$1,250,000	+\$1,250,000

## **Impact of Commissioner Amendments on Deficit**

Amendment	Value	Impact on 2015 Deficit	Impact on Structural Deficit
Reduce IT Spending	\$400,000	(\$400,000)	No
Reduce Cedarbrook Mgmt. Fee	\$200,000	(\$200,000)	No
Funding of Bond Deficit	\$900,000	(\$900,000)	No
Non-Union Variable Comp Plan	\$350,000	+\$350,000	+\$350,000
Non-Personnel Line Cuts	\$242,755	(\$242,755)	No
Fund 3 Jail Positions at \$1 each	\$178,838	(\$178,838)	No
Reduce Old Courthouse Capital	\$20,000	No	No
Cap Non-Union Wage Increases	\$117,721	(\$117,721)	(\$117,721)

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Non-Personnel Line Cuts	\$242,755	(\$242,755)	No
Fund 3 Jail Positions at \$1 each	\$178,838	(\$178,838)	No
Reduce Old Courthouse Capital	\$20,000	No	No
Cap Non-Union Wage Increases	\$117,721	(\$117,721)	(\$117,721)
<b>Collective Impact on Deficit</b>	NA	<b>(\$1,069,420)</b>	<b>+\$1,400,979</b>

## **Proposed 2015 Budget vs. Amended 2015 Budget**

	Proposed	Amended
Tax Dollar Revenue	\$105,513,582	\$104,263,582
Tax Dollar Spending	\$111,005,599	\$108,686,179
Deficit	<b>\$5,492,017</b>	<b>\$4,422,597</b>

**Note:** Amended Budget reflects 16 Commissioner amendments

## **Amendments Being Vetoed**

Amendment	Value	Impact On 2015 Deficit	Impact on Structural Deficit
Eliminate 2015 Longevity Pay	\$148,807	+\$148,807	No
Millage Rate Reduction	\$1,250,000	(\$1,250,000)	(\$1,250,000)
Reduce Cedarbrook Mgmt. Fee	\$200,000	+\$200,000	No
Funding of Bond Deficit	\$900,000	+\$900,000	No
Non-Union Variable Comp Plan	\$350,000	(\$350,000)	(\$350,000)
Cap Non-Union Wage Increases	\$117,721	+\$117,721	+\$117,721
<b>Collective Impact on Deficit vs. Amended Budget</b>	<b>NA</b>	<b>(\$233,472)</b>	<b>(\$1,482,279)</b>



## **Veto Rationale**

- **Reduce Cedarbrook Management Fee**

**Commissioner Rationale:** Will prevent the Administration from unilaterally extending the LW management contract on July 1

**Veto Rationale:** Funds will be needed for a management firm and the Administration commits to not making a unilateral decision

- **Fund Bond Debt Service with 2007 Bond Funds**

**Commissioner Rationale:** Reduces the deficit

**Veto Rationale:** Bond funds are expected to be used for capital expenditures as detailed in the bond documents and those funds are needed for capital improvements at Cedarbrook with a strong ROI.

## **Veto Rationale**

- **Introduce a Variable Comp Plan for Non-Union Employees**

**Commissioner Rationale:** Will incent non-union employees to find cost-cutting ideas and replace pay lost via other amendments

**Veto Rationale:** The plan can't be limited to non-union employees and is a weak incentive when funded by 2015 deleted compensation and tied to targets viewed as unachievable.

- **Reduce the Millage Rate by \$1,250,000**

**Commissioner Rationale:** Will provide economic stimulus and allow taxpayers to benefit from good financial results

**Veto Rationale:** The "Happy Meal Tax Cut" of \$8 for the average taxpayer is fiscally irresponsible when the County has a tax deficit generated by the 2013 tax cut.

## **Veto Rationale—Personnel Pay Amendments**

- **Eliminate 2015 Longevity Pay for Non-Union Employees**

**Commissioner Rationale:** Need to cut spending to reduce the deficit

**Veto Rationale:** The County's Longevity Pay plan was eliminated for non-union employees in 2012. Those at the top step, who were getting smaller wage increases, had their longevity pay frozen and grandfathered. It is a significant piece of the pay package for our senior non-union employees.

- **Cap the 2% Wage Increase at \$1,000**

**Commissioner Rationale:** Need to cut spending to reduce the deficit and all lower paid employees will still get the full 2%

**Veto Rationale:** 2% is a modest increase given increased healthcare costs, is in line with recently approved union contracts and lower than current private and public sector increases. Affected Cedarbrook employees had no increase in 2014.

**Note:** Either of the above will significantly increase the chances of increased unionization.

## **Non-Union Take-Home Pay Changes**

<b>Year</b>	<b>Median Wage</b>	<b>Gross Increase</b>	<b>Healthcare* Cost Increase</b>	<b>Net Pay Increase</b>	<b>Net % Increase</b>
2015	\$52,460	\$1,028.63	+\$251.42	\$777.21	<b>+1.48%</b>
2014	\$51,432	\$1,008.46	+\$380.90	\$627.56	<b>+1.22%</b>
2013	\$50,423	\$988.69	+\$668.20	\$320.49	<b>+0.64%</b>
2012	\$49,435	\$969.30	+168.48	\$800.82	<b>+1.62%</b>
2011	\$48,465	\$950.30	+\$414.18	\$536.12	<b>+1.11%</b>

\* Medical & Rx Only

## **Impact of Personnel Pay Amendments**

	Employee A	Employee B
Years Service	27	23
2014 Salary	\$40,747.00	\$68,806.00
2014 Longevity Pay	\$1,000.00	\$854.04
2014 Healthcare	(\$4,189.38)	(\$4,189.38)
2014 Take-Home Pay	\$37,557.62)	\$65,470.66
2015 Increase	\$814.94	\$1,000.00
Healthcare Increase	(\$251.42)	(\$251.42)
Longevity Elimination	(\$1,000.00)	(\$854.00)
2015 Take-Home Pay	\$40,310.52	\$68,700.58
<b>Change vs. 2014</b>	<b>(\$436.48)</b>	<b>(\$105.42)</b>

## **2015 Budget Comparisons**

	Proposed	Amended	Veto Budget
Tax Dollar Revenue	\$105,513,582	\$104,263,582	\$105,513,582
Tax Dollar Spending	\$111,005,599	\$108,686,179	\$109,952,707
Operating Deficit	<b>\$5,492,017</b>	<b>\$4,422,597</b>	<b>\$4,439,125</b>

## **County Taxes in Perspective**

<b>County</b>	<b>Median Home Value*</b>	<b>Median HH Income*</b>	<b>County Tax</b>	<b>Tax % of HH Income</b>
Lehigh	\$203,000	\$54,645	\$769.37	1.41%
Northampton	\$218,100	\$59,551	\$1,177.74	1.98%
Berks	\$173,400	\$55,021	\$1,277.96	2.32%

\* Per US Census