

## **2015 State-of-the-County Address**

After my address last year, which had followed 7 very rocky weeks with our commissioners, one of the reporters wrote that I had a defiant tone. Unfortunately, directness can be viewed as defiance by some. I am direct but often with a touch of humor, so please keep that in mind this morning.

I could summarize the state of Lehigh County very quickly, but I'm not going to let you out of here that easily. There's no such thing as a free meal. Instead, I'd like to share some lessons learned in my first year in office and address a current political spin, reflect on the overall state of our Lehigh Valley and Lehigh County economy, and provide you with some Lehigh County financial insight and some challenges that I see.

This first year--and I know some might wish it were my last year--has been quite interesting. In fact, the question I find most difficult to answer is "How's it going?"

In no particular order, here are some of the lessons I've learned in the past 14 months:

- It is possible to attend over 100 breakfasts and 200 chicken dinners in a year!
- An olive branch can come back at you as a sharp stick in the eye.
- Not everyone embraces facts.
- It's not easy to generate interest in what the County does. I committed to try the "town hall" approach and drew a total of two interested citizens. We launched an interactive website which is growing, but slowly. The bottom line seems to be that the County has to go to the citizens and not expect the opposite to happen beyond a handful of opinionated regulars at Board meetings.
- There are a lot of places County Executives have never visited, most notably the municipal meetings. My goal was to get to each of the 25 at least once each year and I came up two short. The meetings were of varying lengths but I got to see firsthand the passion and the refreshing focus on local issues, not ideology. Invariably, there was surprise when I showed up, encouragement to return and some lively discussions with citizens before and after the meetings.
- The County Executive isn't always greeted warmly. Here you can see the welcome I got when I participated in Slatington's 150th anniversary celebration.
- The only sure way to get noticed is to get a consulting contract from John Brown!
- And, finally, it's important to remember 92%. It's a sure way to stay grounded. The fact is that only 75% of Lehigh County citizens of voting age actually register to vote. Of that total, roughly 80% sit out municipal elections regardless of the weather, leaving only 15% of voting-age adults actually going to the polls. With 8% I win the election but that means 92% of voting-age adults didn't vote for me.

What do you think the odds are that someone may disagree with me on an issue or get mad at me?! The fact is that winning a municipal election isn't a mandate and anyone who thinks so is kidding his or her self.

Before I move on to the economy and finances, I'd like to clear the air or, at least, share the other side of an issue that has been getting some media coverage lately.

The song from some commissioners has been that I won't meet with or talk to them. In fact, one commissioner sings that song regularly on a local political talk show. I'd like to set the record straight:

- The Board of Commissioners has had a 7-2 Republican majority for all but four years since going to Home Rule with nine commissioners in 1978. The mix doesn't impact results; attitudes do. When someone runs for election proclaiming the need for a "veto-proof majority", their intent is hardly collaboration and cooperation.
- Regularly scheduled "Leadership" meetings between the Board and the Administration were initiated by Don Cunningham. They always included both parties, ended early in 2012 and weren't revived by Don or either interim County Executive.
- We attempted them for two months last year, but they were unproductive and I ended them. This year I have offered to re-establish bi-partisan meetings but excluding one commissioner for trust reasons that I have explained to him.
- Most important, I have at no time refused to meet or communicate with any individual commissioner. Any assertions to the contrary are false.

Moving on to the Lehigh Valley and Lehigh County economy, it's clear that we have emerged from the recession.....with an assist from lower gas prices and good mortgage rates and, of course, a major boost from Lehigh County's 2015 "Happy Meal" tax cut.

- Unemployment (5.2%) is the lowest it's been since April, 2008
- Double digit job growth is expected for 2015
- Lehigh Valley is one of 32 from 80 US metro areas in the top 300 economies globally with higher per capita GDP and employment versus 2007
- Home sales and the Housing Affordability Index are up
- The construction market is very active, driven by Allentown's remarkable renaissance—a tribute to bi-partisan alliances
- The Lehigh Valley is ranked as the 2nd best for economic development among metro areas with populations between 200,000 and one million

Our positioning has lead to some very notable economic development "wins" in 2014:

- Completion of Ocean Spray's relocation to Upper Macungie
- Selection of Lehigh County and, specifically Upper Macungie, by Chinese manufacturer Fuling Plastics
- Approval of the TIF to support the Hamilton Crossings center in Lower Macungie
- FedEx's selection of Allen Township (Northampton County) for a massive distribution center
- Zulily's selection of LVIP (Northampton County) for a major distribution center
- CRIZ designation for areas of Bethlehem

I've included some wins from Northampton County because I believe we are a Valley first and a Valley win is good for both counties just as the Allentown renaissance boosted the steel business in Erie County and the concrete business in Berks County.

The businesses moving into the Lehigh Valley get the press coverage but there are many successful growth stories within the companies that have been here for some time. In fact, the majority of our local job growth has been internally driven.

BUT.....we can't fool ourselves into thinking everything is rosy.

- Many of our residents continue to struggle with "under-employment" and uncomfortably tight family budgets
- Too many are homeless....and that number has been growing
- Too many of our children are at risk in many ways
- Our schools struggle to stretch budgets and sustain non-classroom programs
- The County's financials depend heavily on funding from the State, which has severe financial challenges. Hopefully, Governor Wolf's budget address next week will offer some rays of hope for all of us.

At the County level, committed and focused management has delivered strong results:

- Moody's reconfirmed our Aa1 rating--surpassed by only two PA counties--and S&P upgraded us again in mid-2014.
- The \$7.8 million deficit budgeted for 2014 was erased
- The Proposed 2015 Budget, with no tax increase, was declared the "Miracle Budget" by one Republican commissioner but was a political disappointment to others. So, the Board proposed 26 budget amendments, including arbitrarily cutting the food budget at Cedarbrook, with 16 being approved, 6 being vetoed, 3 of those vetoes being overridden and the economy stimulated with an \$8 tax cut. It was a busy budget season!

- The size of Lehigh County government continues to shrink.....despite increased commitments to "Law & Order", which accounts for over 70 cents of every tax dollar. My belief is that, if you don't feel safe, nothing else matters.
- "Rainy Day" reserves remain above GFOA guidelines

I continue to believe government wasn't just created to tax people and there needs to be a focus on delivering required and needed services in the most effective and efficient manner. But, since some people continue to focus simply on tax bills, I'll address that subject. For Lehigh County.....

- The 2015 tax rate is lower than 12 years ago--\$668 per average taxpayer
- The average homeowner in Lehigh County pays lower taxes than in either neighboring county
- In the past three years:
  - The Administration has returned \$6.5 million in tax cuts as a result of the strong performance versus budget
  - Through deficit spending, the Commissioners have provided an additional \$7.25 million in tax cuts

In case you can't recall campaign promises from 2011, the self-proclaimed "Reform Team" had promised \$42 million in tax cuts in that time frame and another \$14 million for 2016. **Promises aren't results.**

I'm not going to promise another "Miracle Budget" and we don't have our 2014 books completely closed yet but, for those who focus only on tax bills, **I will commit today that there will be no tax increase in Lehigh County for 2016.**

Am I suggesting that avoiding a tax increase will be easy? **No!**

There are issues we have to deal with to deliver the result I just committed to:

- The County lost over 4,000 years of experience to retirement last year. There were 192 retirements--almost 10% of our work force--and many were direct reports to our department heads.
- The 2015 Adopted Budget includes a \$3.4 million deficit due to tax cuts
- Retiree costs are already expected to exceed budget
- Headcount reductions are getting tougher to realize
- Major union contracts are in arbitration or negotiation

We also need to take action to provide adequate assurance to Cedarbrook residents, staff and those considering a nursing home that it has the County's long-term commitment. Toward that end:

- The Capital Plan, which will be forwarded to the Board of Commissioners at the end of April this year--two months earlier than usual--will focus on upgrades for residents and to better attract new residents
- Marketing efforts are being enhanced
- Public/Private partnerships are under discussion
- Leading area nursing home managements are providing insights
- A task force is not the answer

The other issue that is apparent to many is that our Lehigh County government too often mimics Washington:

- Deferrals, delays and tabling have become SOP
- Efforts are wasted on fixing what isn't broken and researching what isn't important

So, yes, we have some challenges and “kumbayah” isn’t the spirit in the Government Center, but the bottom line is that the economy in Lehigh County and the entire Lehigh Valley has recovered. We do, however, have residents who haven't recovered so we have work yet to be done. We also have to be cautious not to abandon a commitment to quality of life investments while we pinch tax dollars. Recreational, entertainment and citizen support programs need to be a part of the County’s commitment.

Fortunately, Lehigh County is financially sound and I'm comfortable my staff will deliver my **no tax increase commitment for 2016**.

But.....Beware....It's a municipal election year and promises and accusations will be plentiful in the months ahead. Just remember, **promises aren't results**.

Thanks very much for joining me this morning and, again, a special thanks to Nacho Abia and his terrific staff for being such gracious hosts.