



County of Lehigh 2018 Budget

PROPOSED

August 31, 2017

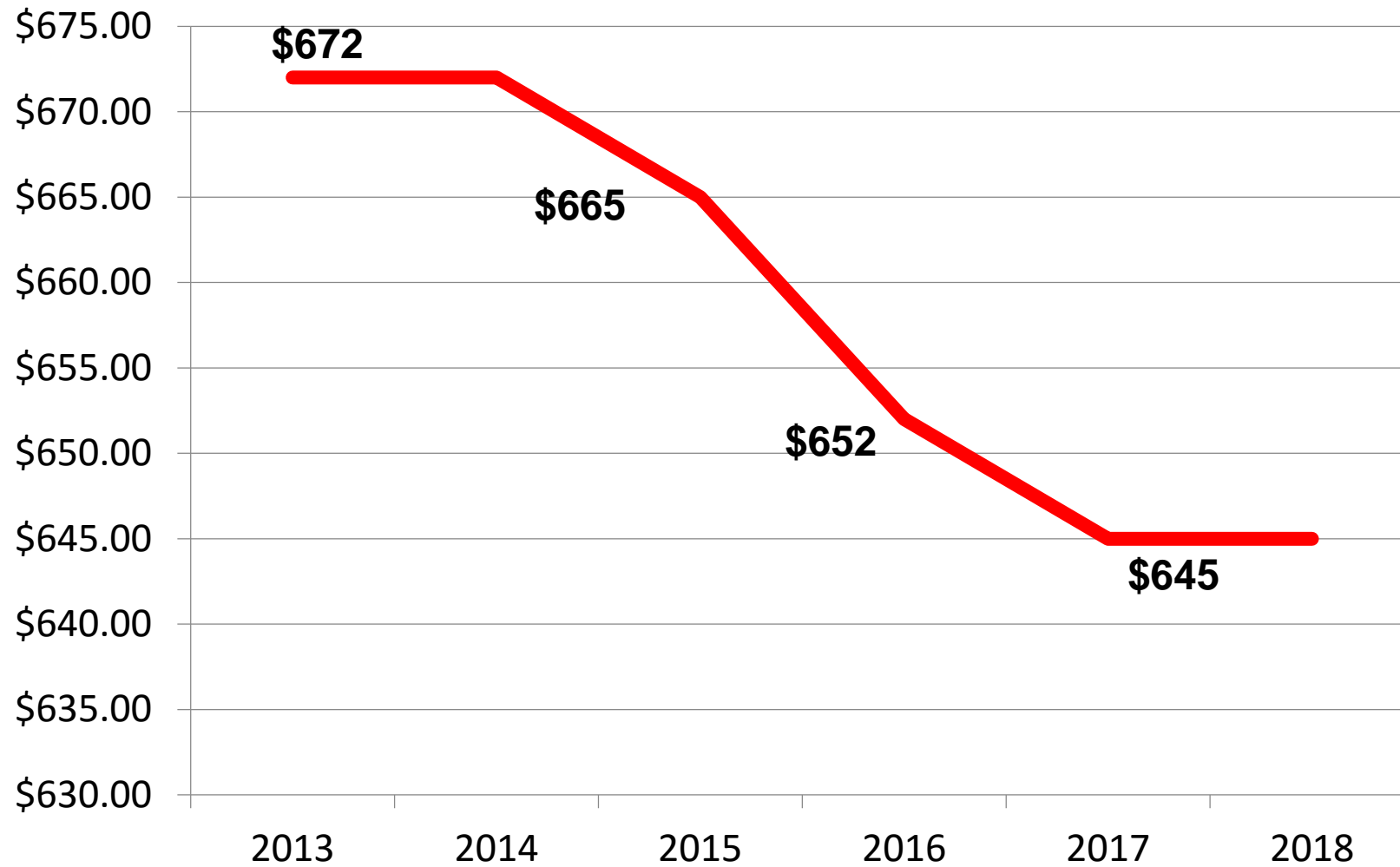
Budget Headlines

- Opening 2018 General Fund balance of \$8.7 million. Drivers are:
 - \$5.5 million in bond refinancing savings
 - \$0.7 million lower 2017 underwrite for Cedarbrook
 - \$2.5 million due to better departmental earnings, departmental expense control and a modest increase in tax revenue

No tax increase for 2018!

Millage stays at 3.64. Average homeowner pays \$645.

Average Residential Tax Bill Since Reassessment



Comparative County Taxes

(Source = US Census Data)

County	Assessed	Millage @ 100%	Median Home	Tax Bill	Household Income	Tax % of Household Income
Lehigh	2013	3.64	\$196,600	\$715.62	\$54,923	1.30%
Northampton	1995	5.90	\$212,100	\$1,251.39	\$60,097	2.08%
Berks	1994	7.37	\$170,600	\$1,257.32	\$55,170	2.28%

Budget Headlines

- Overall budget = \$476.3 million, including \$68 million for Cedarbrook renovation/construction
- Excluding the Cedarbrook investment, the budget (\$408.3 million) is slightly below 2017
- The budget is balanced with the \$8.7 million opening General Fund balance and \$3.3 million from the “Rainy Day” fund (aka Stabilization Fund)
- The “Rainy Day” fund remains above the GFOA guideline

Inside the Budget

Employee Pay Study

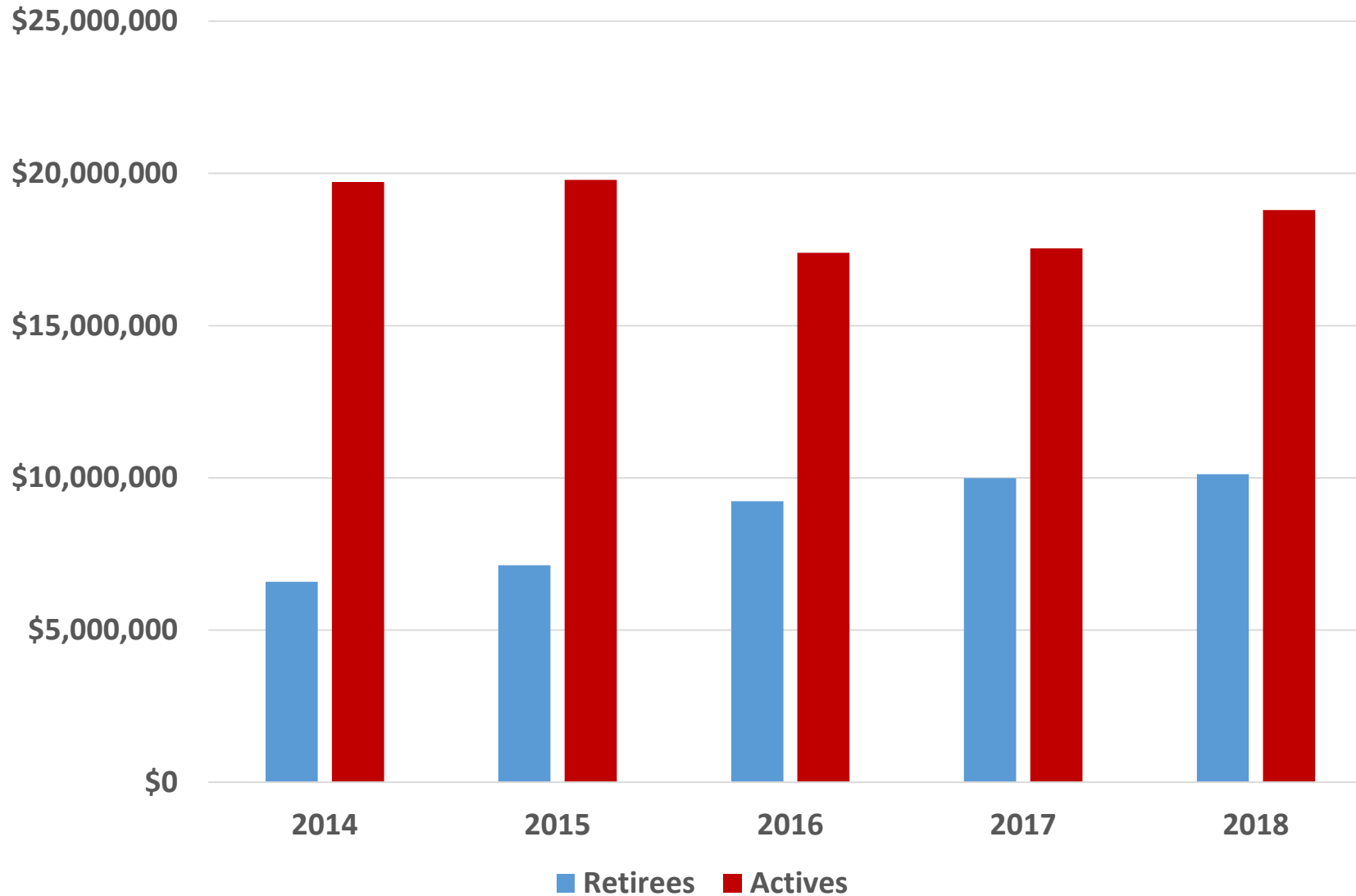
- Co-Managed by Administration and Board to address concerns related to both pay levels and the overall pay plan/structure
 - Focused on 947 non-union positions
 - Recession and politics resulted in major changes to the existing pay plan (steps and general increases), perceived disparity versus union employees and challenges promoting from union ranks.
- Phase 1 completed
 - Evaluated pay by position versus the market—both public and private
 - A number of job descriptions need to be re-written to better capture expanded roles
 - Overall, County pay is competitive with the market
 - 25 positions identified as priced under the market
 - 136 positions identified as possibly over the market pending revision of job descriptions and consideration of length of service in the same role.
- Phase 2 (pay plan/structure) expected to be completed by year-end

Personnel Actions

- Three new positions created from the “bank” included in the 2017 Budget
 - Attorney for Public Defender’s office
 - 911 Operator
 - Conversion of part-time secretary to full-time for Regional Crime Center
- Two positions added in 2018
 - 911 Operator & Assistant Deputy Controller
 - First headcount increase since 2000
 - Headcount = 1,964 (below 1988 level)
- Wage increase for non-union employees = 2.75%
 - Comparable to increases for union employees and the general market
- The 25 positions identified in the Pay Study as under market are being upgraded.

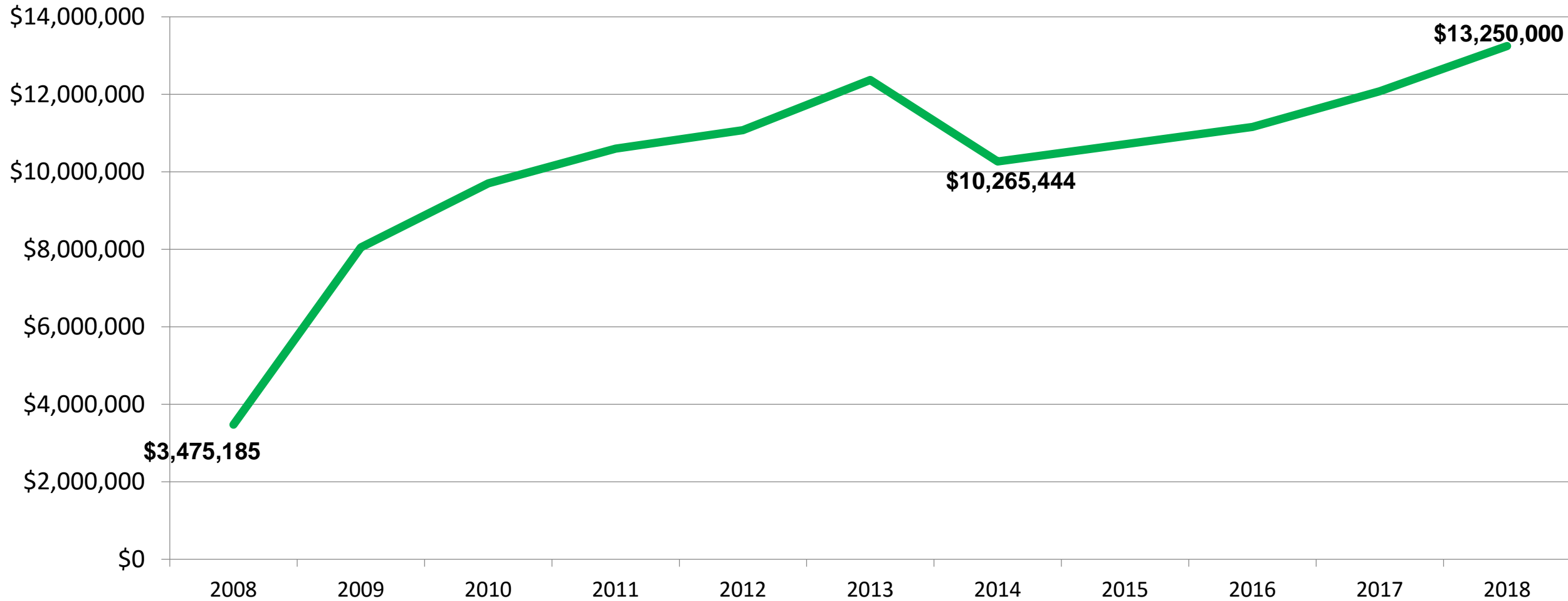
Healthcare Costs

- Overall costs (and employee contributions) up 4%
- Retiree costs, particularly for prescriptions, remain a major factor



County Pension Fund Contribution

- Highest contribution ever--\$13,250,000
- 87.5% funded



Cedarbrook

- 2017 County underwrite = \$2,400,000 (versus \$3,100,000 budget)
 - Negative impact of increased Medicaid beds (\$1.0 million) offset by IGT (\$1.3 million) and refinancing (\$0.4 million)
- 2018 County underwrite = \$5,524,524
 - Key drivers of the increase are lack of IGT, increased nursing and security costs and \$800K in increased “indirects”
- Renovation/construction vote expected at September 13 Board of Commissioners meeting
 - Proposed 2018 Budget includes \$68 million in financing for the current “favorite”
 - Financing expected in late 2018; required construction plan costs to be funded via bank loan
 - Post-2018 debt service will be approximately \$4 million annually for 30 years

Potential Risks & Opportunities

Risks

- State budget impact for both the current year and the year starting July 1, 2018
- Reduction in Gaming revenue as a result of pending change in legislation
- “Catastrophic” healthcare incidents
- Faster shift of bed mix to Medicaid at Cedarbrook

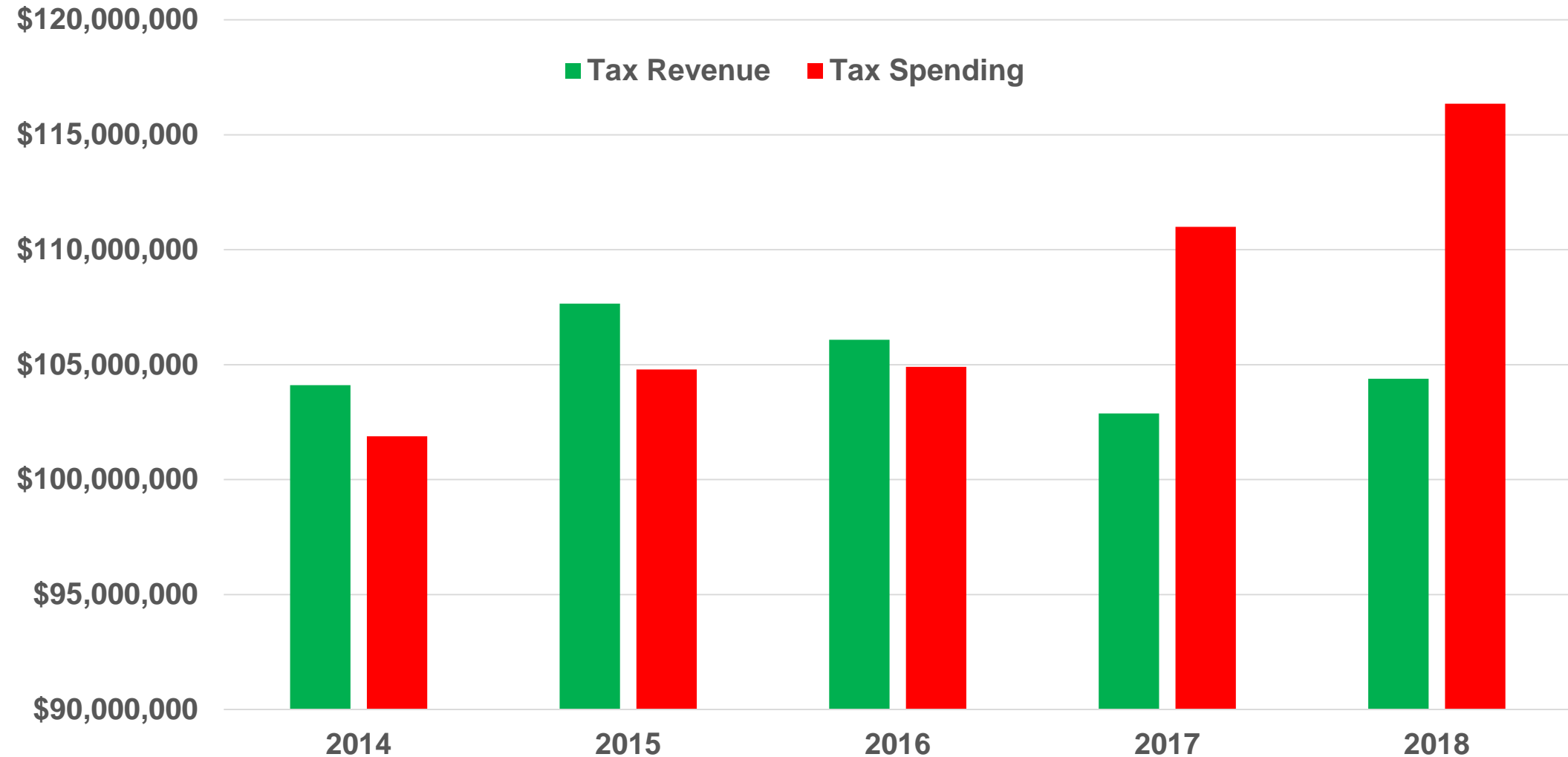
Opportunities

- Continuation of the IGT by the State for Cedarbrook
- Implementation of \$5 vehicle registration fee for transportation infrastructure projects

A Note of Concern

County Tax Revenue & Spending

Revenue is not keeping pace with required spending



“Rainy Day” Reserves

Being used to balance budgets in lieu of revenue

