

Montgomery County, PA 2013 General Fund Budget

November 15, 2012

Budget Summary

- ▶ The 2013 Budget for Montgomery County assumes \$411.3 million in expenditures and \$413.8 million in revenues.
- ▶ The 2013 Budget also reserves \$2.5 million to begin to replenish the County's Fund Balance.
 - this reserve represents 12.5 percent of the \$20 million required to restore the Fund Balance to recommended levels.
- ▶ The Budget assumes no increase in the County Real Estate tax rate for 2013.

2012 Budget Year in Review

- ▶ The 2012 Budget inherited by the current Board of Commissioners included a nearly \$10 million budget gap due to:
 - a \$7 million discrepancy between the expenditure levels contained in the Adopted Budget (\$417 million) and the expenditure levels contained in the County's fiscal management system (\$424 million)
 - approximately \$3 million of underestimated expenditures including costs associated with the new Corrections' facility; support for newly elected judges; undercounting outside legal fees; and, disregarding anticipated costs for the District Attorney.

2012 Budget Year: Restructuring

- ▶ The merger of all County Departments that handled County owned assets into a single Department of Assets and Infrastructure.
- ▶ The affected Departments included Public Property, Parks and Heritage, Roads and Bridges, Fleet, and Transportation.
- ▶ This change was designed to ensure better coordination for the administration and maintenance of the County infrastructure while eliminating redundancies across Departments.
- ▶ Net of the new bridge projects funded by the Marcellus Shale fees, the combined Department will recognize a savings to the budget of over \$1 million relative to the 2012 adopted budget, and \$310,000 relative to actual 2012 expenditures.

2012 Budget Year: Restructuring

- ▶ The County consolidated its communication efforts within the Commissioner's Office.
- ▶ This effort was designed to ensure that the County is able to inform the public about all County activities in a coordinated fashion, through all information outlets, including press releases, the website, and social media outlets.
- ▶ While this consolidation increased the Commissioner's Office budget line, it resulted in savings of over \$50,000 across the County government.

2012 Budget Year: Restructuring

- ▶ The County Solicitor's Office changed its staffing model to one utilizing eight full-time attorneys rather than three full-time and fourteen part-time attorneys.
- ▶ This has resulted in:
 - better and more coordinated legal services across the County,
 - a reduction in projected spending on outside legal services by \$100,000,
 - and the full-utilization of legal reference licensing in a shared arrangement with the Offices of the Recorder of Deeds and the Register of Wills which will save the County nearly \$5,000, while increasing the resources available to all three offices.

2012 Budget Year: Restructuring

- ▶ The County consolidated its various Economic and Workforce Development agencies under one Department of Commerce.
- ▶ The newly formed Department provides a one-stop opportunity for businesses looking to relocate or expand in the County, as well as individuals looking to enhance their skills.
- ▶ The Commerce Department is also coordinating the various County economic development arms including the Redevelopment Authority, the Montgomery County Development Corporation, the Industrial Development Authority, and the Workforce Investment Board.
- ▶ The new configuration is able to take advantage of grant funding to save the General Fund nearly \$200,000.

2012 Budget Year: Initiatives

- ▶ The County undertook a substantial effort to identify a new broker for its employee health benefits.
- ▶ In a short period of time, the broker was able to renegotiate contracts and reduce broker costs and commissions so as to identify nearly \$2 million in savings for the County.
- ▶ These savings are being shared with employees through enhanced benefits and increased health benefit options, with the 2013 County budget projecting to save more than \$1.3 million in 2013.

2012 Budget Year: Initiatives

- ▶ The County selected a new broker for its commercial lines of insurance, who was able to achieve projected 13% savings (\$250,000) for 2013.
- ▶ The broker has also been leading an effort for reducing risk across the County, identifying adequate and appropriate insurance levels, and providing new risk-related resources to employees.

2013 Budget Process

2013 Budget guided by:

- ▶ The Budget should reflect the true cost of delivering services in a transparent fashion
- ▶ Expenditures and revenues should reflect realistic projections and be reflected in the appropriate cost centers.
- ▶ The publicly presented budget document should include actual previous year spending levels and be identical to the figures contained in the County's internal fiscal management system.

2013 Budget Challenges

In addition to the \$10 million funding gap previously discussed, previous budgets neglected to provide:

- ▶ any Pension Fund payments (\$11.7 million in 2012)
- ▶ did not provide for a sufficient year-end fund balance (underfunded by \$20 million in 2012)
- ▶ failed to equitably charge all County activities for rent (\$3.1 million)
- ▶ underestimated earned leave payouts by \$1.5 million
- ▶ The 2013 budget also had to address cutbacks in State funding which had net costs to the County of over \$3 million

Addressing 2013 Budget Challenges

It is too burdensome to make up for the \$49.3 million in fiscal challenges built up over the last four years.

The 2013 budget does:

- Accurately account for the cost of delivering services including equitably charging for rent across the entire government and projecting leave payouts based on recent historical averages
- Address State funding reductions while maintaining high levels of social service delivery
- Assume a Pension Fund payment of \$3.3 million, which is equivalent to about 22 percent of the projected \$15 million Actuarially Required Payment (ARC), and equals the difference between the 2012 and the 2013 ARC payment
- Set-aside a dedicated reserve line in the budget to begin addressing the fund balance shortfall.
- The reserve line is \$2.5 million, which is equivalent to 12.5 percent of the amount required to achieve the recommended fund balance level.

Inadequate Fund Balance

The inadequate Fund Balance was cited by Moody's as the primary weakness in the County's fiscal outlook, and the reason for the decision to downgrade the County's Bond Rating.

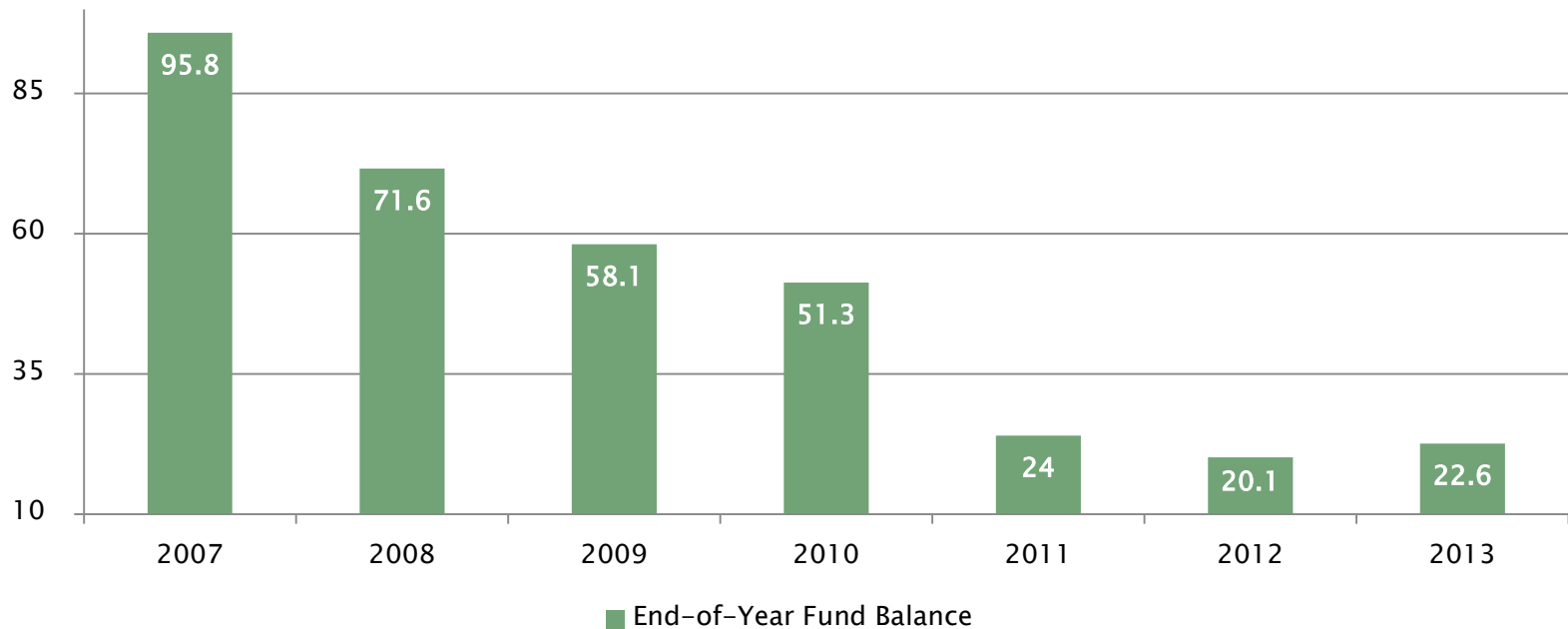
“The downgrade of the county's rating to Aa1 reflects its narrowed financial position following several years of sizable operating deficits caused by a growing structural imbalance. The county's General Fund reserves at the end of fiscal 2011 (unaudited) were \$24 million, equal to a weak 6.2% of revenues, and well below average for the rating category.”

Based on Moody's analytics and the recommendations of the Government Finance Officers Association (GFOA), the County should have a Fund Balance equal to 10 percent of revenues, or about \$42 million

The inadequate Fund Balance will require the County to issue another Tax Anticipation Note (TAN) in 2013

Inadequate Fund Balance: Recent History

End-of-Year Fund Balance (millions)



Addressing 2013 Budget Challenges

If the current expenditure levels had been presented under last year's budget approach (no ARC payment for the pension; charging haphazardly for rent; miscalculating leave payouts; and, deliberately underestimating certain expenditure levels) the 2013 budget would have expenditure levels below \$397 million.

Even with these budget changes, the County remains fiscally challenged, over \$17.5 million below the recommended Fund Balance, and nearly \$12 million below the ARC payment. Closing that \$29.5 million gap will require the County to continue to commit funds to those two deficits over the next few years.

Zero Based Budgeting

The 2013 budget was assembled utilizing a zero-based budgeting (ZBB) approach.

Under ZBB, each government function identifies its mission, how to achieve that mission, how to measure its performance, how to structure the agency to best meet its mission, and what resources are required to meet that mission.

Those offices that embraced the ZBB approach identified significant ways to improve operations and better focus on their core missions: the ZBB exercise worked.

ZBB led to restructuring, new efficiencies, and new investments

2013 Budget Year: Initiatives

- ▶ The Department of Behavioral Health identified a potential conflict of interest that existed with its Supports Coordination function. In order to ensure that clients were receiving the most unbiased recommendations regarding service providers, the Department recommended eliminating the Supports Coordination function, as has been effectuated in many other Pennsylvania counties.
- ▶ Information Technology Services identified a new model for providing support services for the technological needs of the County, and the specific skill sets necessary to provide those services. The Department continues to undergo personnel changes as it looks to assemble a unit with the necessary expertise to meet the evolving technology needs across the County government.

2013 Budget Year: Initiatives

- ▶ The Office of the Prothonotary is investing in the personnel and equipment needed to move to 100% e-filing by the beginning of 2014. The effort will improve accuracy, reduce paper, and ultimately allow for additional savings. These costs of this investment are being shared by the General Fund and the Prothonotary's Automation Fund.
- ▶ The Board of Assessments plans to invest over \$200,000 in technology that will allow its assessors to securely enter data into its system from remote sites, reducing duplication of effort and increasing data accuracy. Similar initiatives are being piloted in human service delivery areas to allow for better client interaction and reduce data entry errors.

Comparing the 2012 and 2013 Budgets

- ▶ 2013 Budget figures by Department now include equitable rent payments across the government and pension contribution costs.
- ▶ To understand Department budget comparisons better, the narrative section of the budget includes an expenditure figure net of rent and pension changes.

Comparing the 2012 and 2013 Budgets

Courts and District Justices

Montgomery County is the 38th Judicial District of the Unified Judicial System of Pennsylvania. The Court of Common Pleas has a complement of 23 full time Judges. There are 30 Magisterial District Judge courts within the District.

Courts	2012 Budget	2012 Actual (projected)	2013 Budget	2013 Budget (w/o Rent or Pension adjustments)
Total Expenditures	13,935,400	13,866,441	15,646,648	13,796,512

District Justices	2012 Budget	2012 Actual (projected)	2013 Budget	2013 Budget (w/o Rent or Pension adjustments)
Total Expenditures	9,634,400	9,817,859	9,868,688	9,593,005

Comparing the 2012 and 2013 Budgets

- ▶ The narrative section includes a description of each budget line, performance measures, and a summary of Departmental Expenditures for 2012 and 2013
- ▶ The data section includes a new column, and now reflects the 2012 budget, 2012 projected actual, and the 2013 expenditure level.
 - A budget with an “actual” column prevents the ability to hide annual deficits, such as the \$27 million operating deficit in 2011.
- ▶ Department budgets were built from the ground up -- “no zeroes”

Comparing the 2012 and 2013 Budgets

EXPENDITURE BUDGET

	2012	2012	2013
	Adopted	Actual (Projected)	Budget
<u>County Administration</u>			
Commissioners	\$ 2,445,800	\$ 2,685,016	\$ 2,576,535
Assets and Infrastructure	\$ 7,331,100	\$ 6,624,828	\$ 7,218,396
Board Of Assessment Appeals	2,727,600	2,722,129	3,108,709
Controller	1,757,000	1,697,576	1,761,979
Security	971,900	920,000	969,950
Commerce - Economic/Workforce Development	174,400	225,000	27,625
Human Resources	834,000	886,732	725,517
Information Technology Solutions	6,475,200	6,145,522	6,317,688
Planning Commission	3,120,200	3,231,580	3,162,122
Public Defender	3,232,600	3,329,974	3,775,741
Purchasing	824,100	781,758	709,351
Recorder Of Deeds	1,681,600	1,624,851	1,652,779
Tax Collector's Fees	1,400,000	1,400,000	1,430,000
Tax Claim Bureau	58,000	58,000	589,121
Treasurer	662,000	638,732	649,116
Voter Services	2,124,900	2,120,854	1,826,902
Total County Administration	35,820,400	35,092,552	36,501,531

New in the 2013 Budget

- ▶ A new section demonstrates spending across broad categories.

	2012	2013
	<u>Actual (Projected)</u>	<u>Budget</u>
Full-time Wages	\$ 139,075,885	135,916,334
Part-time Wages	\$ 7,127,216	6,777,438
Employee Benefits		
Medical, Dental, Life	\$ 33,684,421	\$ 32,313,625
Social Security	\$ 10,790,390	10,228,848
Pension	\$ -	3,382,874
Insurance and Workers Compensation	\$ 2,944,136	\$ 2,467,058
Unused Leave	\$ 1,909,418	1,310,362
Tuition Reimbursement Program	\$ 163,155	162,921
SUBTOTAL	49,491,520	49,865,688
Supplies/Maintenance/Training	\$ 16,301,477	16,822,787
Contracted Services	\$ 121,885,012	130,510,275
Equipment	\$ 2,480,989	2,478,722
Utilities	\$ 6,512,172	5,861,766
Debt Service	\$ 39,500,000	39,500,000
Subsidies/Earmarks	29,664,500	23,428,218
Other	<u>416,820</u>	<u>115,846</u>
TOTAL	412,038,771	411,354,759

2013 Budget

- ▶ Subsidies have been broken out to a separate category
- ▶ All earmarks have been zeroed out in the 2013 budget

	<u>2012</u>	<u>2013</u>
Education Subsidies		
Montgomery County Community College	21,021,900	15,885,975
Montco-Norristown Public Library	2,361,000	2,361,000
Cooperative Extension	320,800	320,800
Subtotal	23,703,700	18,567,775
Transportation and Planning Subsidies		
Delaware Valley Regional Planning	166,700	209,575
Mass Transportation (SEPTA, PART)	4,291,200	4,191,953
Conservation District	545,600	458,915
Subtotal	5,003,500	4,860,443
Earmarks		
Camp Rainbow	\$ 48,750	\$ -
Community Cupboard	19,500	-
Elmwood Park Zoo	114,000	-
Historical Society	9,750	-
International Spring Festival	2,700	-
Legal Aid Service	281,700	-
M.C. Association for Retarded Citizens	37,000	-
M.C. Big Brothers/Big Sisters	35,200	-
Montgomery Child Advocacy Project	24,400	-
Open Line	27,800	-
Ramsey Educational Development Institute	23,200	-
Schuylkill Canal Association	9,300	-
Schuylkill River Greenway Association	4,500	-
S P C A	7,100	-
Victim Service Center	28,800	-
Womens' Center-Montgomery County	23,800	-
Host Community Block Grant	259,800	-
Subtotal	957,300	-
TOTAL	29,664,500	23,428,218

2013 Budget: Workforce

- ▶ The 2013 Budget reflects the full impact of the 2% raise provided to non-represented employees in July of 2012.
- ▶ The 2013 Budget does not assume increases for non-represented employees, or for represented employees with expired contracts.
- ▶ In 2013, the County will spend approximately \$143 million in wages and \$50 million for employee benefits

	1/2012	1/2013
General Fund Full-time positions	3,010	2,938
	1/2012	11/2012
Filled General Fund Full-time positions	2,981	2,910

2013 Budget: Workforce

- ▶ The new Health Insurance consultants negotiated reduced costs and eliminated commissions totaling nearly \$2 million.
- ▶ While the County is responsible for 84 percent of the health insurance costs for employees, only 68 percent of the savings were retained by the County.
- ▶ Employee health contribution rates remained level. The portion of the savings shared with the employees allowed for:
 - Reduced co-pays for visits to specialists
 - Reduced maximum out-of-pocket costs for hospital visits
 - Women's Preventive Healthcare is now included in each of the County's health plans
 - All three County health plans are now open to every employee