

Berks County

Proposed 2016 Budget



Photo Courtesy of the Reading Eagle

**County Commissioners' Meeting
November 19, 2015**

Berks County Commissioners' 2016 Budget Directives

- **No property tax increase**
- **Balanced operating budget without reserves**
- **Hold wage and expenditure growth to projected CPI**
- **Limit Headcount Growth**
- **No new debt**
- **Fund new facility infrastructure needs with reserves**
- **No new, unfunded, discretionary programs**
- **Maintain commitment to:**
 - **Farmland preservation**
 - **Education, economic development, and library system**
- **Maintain long term financial stability and bond rating**
- **Prioritize capital improvement to:**
 - **Facility infrastructure projects**
 - **Technology/Software**

Berks County 2016 Budget Highlights

- **No tax increase for 2016**
- **Total operating budget deficit of \$16.6M includes:**
 - One time payoff of 2009A Bonds, net of savings of \$13.7M
 - Operating deficit of \$2.9M excluding the debt payoff
- **Total wage increase of \$1.3M or 1.3%. Fed PCE rate 1.3%**
- **No increase in overtime budget \$4.9M**
- **Adds 8 new positions due to Sandusky Laws**
 - 5 in Children Services, 2 in Detectives
 - Excluding the Sandusky Law impact, 1 net new position
- **Pension ARC of \$2M - \$1.25M higher than 2015 budget**
- **Berks Residential Center remains open - \$1M Net Income**

Berks County

2016 Budget Highlights – Cont'd

- **Debt service increases \$14.8M:**
 - **Payoff \$15M of 2009A Bonds,**
 - **Refinance \$10M of 2009A Bonds as BQ debt – lower Int. rate**
 - **Saves \$1.35M annual GF debt service thru 2029**
 - **Saves \$4M over the life of the issue, net of \$15M payoff**
- **SWA debt service - \$0.9M final payoff May 2016**
- **Maintains the following commitment to:**
 - **RACC \$3.1M operating/\$150K Capital – RDA funded**
 - **GREP \$500k with \$200K match opportunity**
 - **Library System \$3.3M includes \$900K to RPL**
- **Current Bond rating AA1 – Stable Outlook**

Berks County

2016 Capital Plan Summary (in millions)

Highlights

County Bridges	\$17.9
Facility Projects	\$2.1
Assessment Software	\$1.6
Budget Software	\$0.6
Elevator Modernization	\$4.4
Telecom VOIP	\$1.0
Park Improvements	\$2.4
Agland Preservation	\$1.0
CYS Software	\$0.8
Computer Hardware	\$0.7
Other projects	\$1.1
Total Plan	\$33.6

- **Bridges** → Buttonwood Street – \$6.3M, Manatawny – \$5M, Dreibelbis Station – \$1M, Blandon – \$1.7M, Phillips – \$0.9M
- **Facilities** → AgCenter - \$0.9M Roof, Annex Switchgear - \$0.3M, Service Ctr. Cooling Towers - \$0.4M
- **Elevator** → Replacement and modernization for Service Center, Court House and Annex Bldgs
- **Parks** → \$1.9M for Antietam Park Improvements – Trailheads, Nature Ctr., Fruit Farm Bldgs
- **Budget** → \$0.6M for budget, financial and capital planning software
- **Assessment** → Land Records with Mapping, Treasurer integration
- **CYS** → \$0.8M for Integrated Case Management System – year one of a three year program

Berks County 2016 Fund Balance

General Fund Balance Highlights:

- **Unassigned fund balance projected → \$104.9M**
- **Restricted for hazmat response → \$1.6M**
- **Assignment for wastewater treatment plant → \$1M**
- **Assignment for route 222 corridor → \$5M**
- **Assignment for healthcare costs → \$4M**

2016 Berks County Tax Summary

	<u>2016</u>	<u>2015</u>
Millage Rate	7.372	7.372
Assessed Value	\$18,650,801,751	\$18,621,309,400
Percent Change	0.16%	0.35%
Net Tax Billing	\$131.2M	\$130.9M
Interims	\$0.4M	\$0.4M
Net Tax Collections	\$131.6M	\$131.3M
Tax Claim Revenue	\$4.5M	\$4.7M
Total Tax Revenue	\$136.1M	\$136.0M
Less: Tax Refunds	(\$0.6M)	(\$0.6M)
Net Tax Revenue	\$135.5M	\$135.4M

Note:

2015 assessed value and net tax billing is actual.

Tax billing is net of discounts and uncollectibles of 4.6%.

Berks County

2016 Operating Budget Revenues and Expenditures (in millions)

FUNDS	2016 Proposed	2015 Adopted	Incr. (Decr.)	% Inc.(Decr.)
GENERAL FUND:				
Revenues	\$ 213.8	\$ 215.7	\$ (1.9)	(0.9%)
Expenditures	\$ 219.6	\$ 203.0	\$ 16.6	8.2%
Less: Adjustments	\$ 11.3	\$ 8.6	\$ 2.7	
Net Surplus (Deficit)	\$ (17.1)	\$ 4.1		
ALL FUNDS:				
Revenues	\$ 473.2	\$ 458.0	\$ 15.2	3.3%
Expenditures	\$ 488.6	\$ 457.2	\$ 31.4	6.9%
Less: Adjustments	\$ 1.2	\$ 4.4	\$ (3.2)	
Net (Deficit) Surplus	\$ (16.6)	\$ (3.6)		

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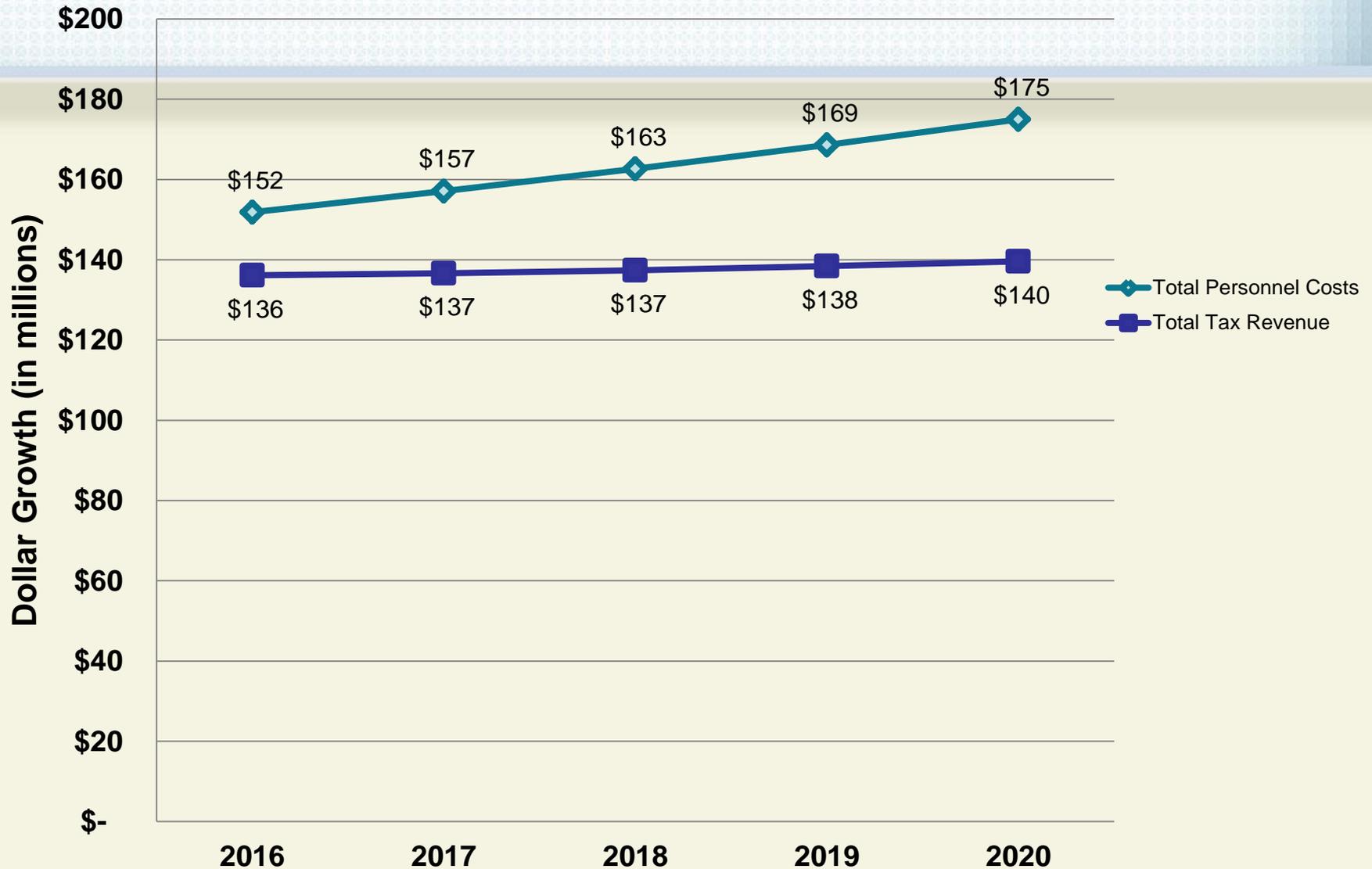
Financial Forecast (in millions)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total Revenue	\$460.0	\$460.7	\$463.9	\$ 467.5
Total Expenditures	\$460.1	\$461.3	\$469.6	\$ 479.8
Net (Deficit)	<u>\$ (0.1)</u>	<u>\$ (0.6)</u>	<u>\$ (5.7)</u>	<u>\$ (12.3)</u>
Tax Equivalent %	<u>0.88%</u>	<u>1.17%</u>	<u>5.10%</u>	<u>10.04%</u>

Key Assumptions:

- No tax increase
- Tax base growth 0.35% to 0.8%
- Federal/state funding grows w/CPI
- Service levels remain flat
- No headcount growth
- No new debt.
- Berks Heim IGT \$680K Yr.
- Healthcare trend 6.5% to 7%
- Pension ARC grows +\$500K Yr.
- CPI at 1.9% 2017 - 2.5% 2020
- ACA Tax - \$1.2M - 18, \$1.7M - 19, \$2.3M - 20
- Nursing home MA & Medicare rate +2% Yr.
- 911 fees \$6.9M grow to \$8.7M by 2020
- BCRC Bldg. Fee \$1M Yr.

Total Tax Revenue vs. Personnel Costs



Berks County

Taxable Assessed Value Growth Tax Impact (in millions)

Property Tax Year	2016	2017	2018	2019	2020
Assumed Tax Base Growth %:					
Per 2016 Forecast	0.16%	0.35%	0.50%	0.65%	0.80%
Per 2015 Forecast	0.52%	0.72%	0.92%	1.12%	1.12%
Decrease in Growth	-0.36%	-0.37%	-0.42%	-0.47%	-0.32%
Tax Rev. Decrease	\$0.9M	\$1.4M	\$1.9M	\$2.6M	\$3.1M
Projected Deficits		(\$0.1M)	(\$0.6M)	(\$5.7M)	(\$12.3M)

1% Growth in 2017 yields an additional \$0.9M in tax revenue.

Berks County

Financial Forecast – Another View (in millions)

Deficit Year	2019	2020
Total Deficit	(\$5.7)	(\$12.3)
Key Items:		
911 Loss	(\$3.1)	(\$3.1)
Nursing Home - NI decline	(\$0.5)	(\$1.0)
CYS - net cost increase	(\$1.1)	(\$1.1)
ACA Cadillac Tax	(\$1.7)	(\$2.3)
Total	(\$6.4)	(\$7.5)

2020 Remainder - Wage and healthcare inflation and compounding.

Berks County Current Initiatives

- **Tax base growth – Commercial, industrial and residential**
- **Elimination of the Affordable Care Tax**
- **Consolidation of certain City MDJ locations**
- **Process improvement - New technology/software**
- **Debt reduction/interest maximization**
- **Evaluation of discretionary program value to cost**
- **Increase in nursing home revenue – IGT**
- **New management of waste water treatment plant**

Berks County Proposed 2016 Budget Schedule

- November 19, 2015 Present 2016 Budget
- December 17, 2015 Adopt 2016 Budget

- Public Review
 - **County Commissioners' Office**
 - **Budget Office**
 - **County Website** www.countyofberks.com

Comments and Questions

